



centrica

Preliminary Results

For the year ended 31 December 2008

wesourceit
wegenerateit
weprocessit
westoreit
wetradeit
wesaveit
wesupplyit
weserviceit



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Roger Carr

Chairman

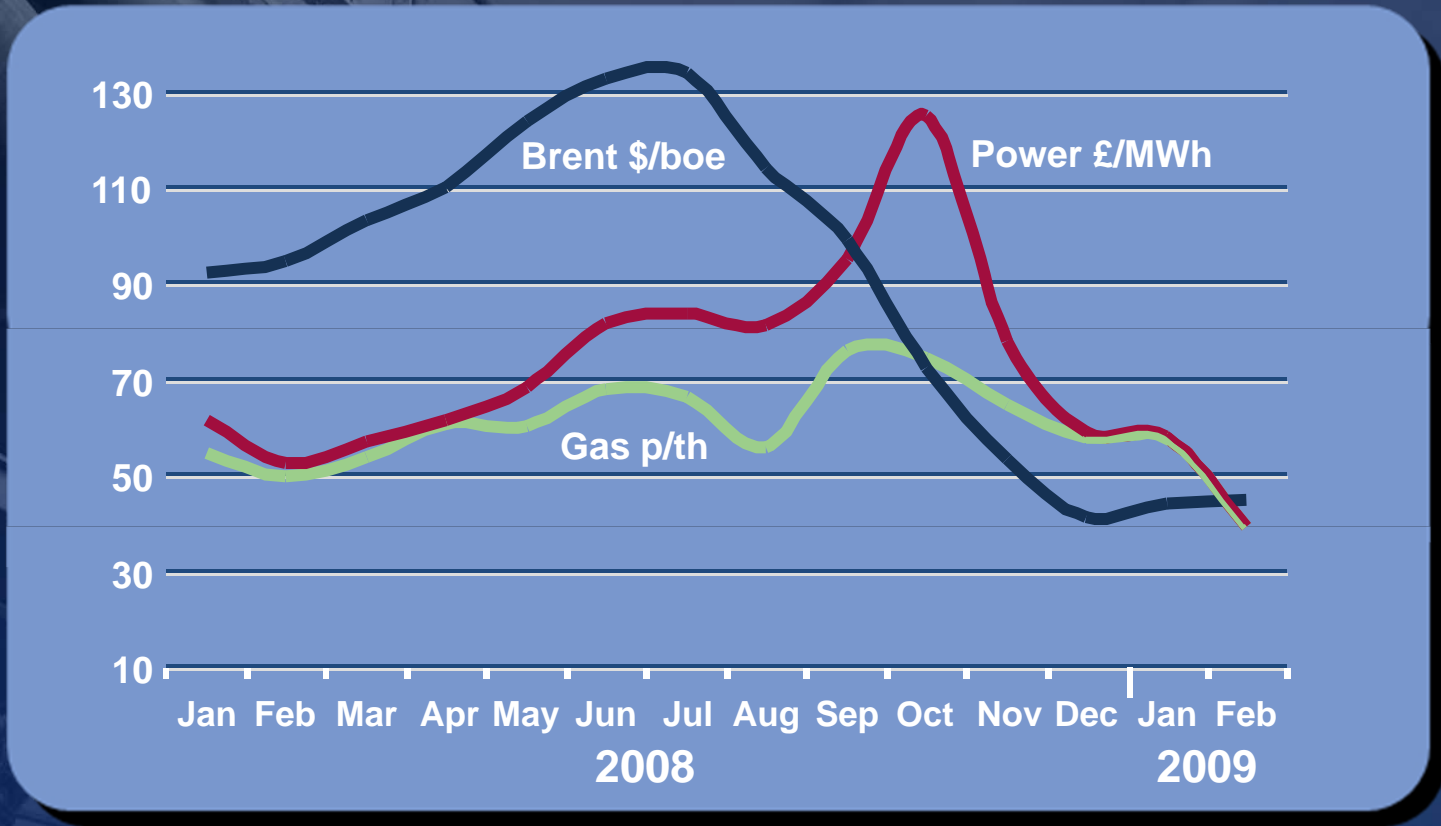


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Nick Luff

Finance Director

Commodity prices



Financial headlines

Year ended 31 December (£m)	2008	2007
Revenue (£m)	21,345	16,272
Operating profit (£m)	1,942	1,949
Profit before tax (£m)	1,931	1,876
Total effective tax rate	53%	40%
Earnings (£m)	904	1,123
Earnings per share* (p)	21.5	27.2 ⁽¹⁾
Full year dividend per share (p)	12.2	11.57 ⁽¹⁾

Above figures include JVs & associates net of interest & taxation and are before exceptional items & certain re-measurements
All figures are from continuing operations

(1) Restated for bonus element of the 2008 Rights Issue

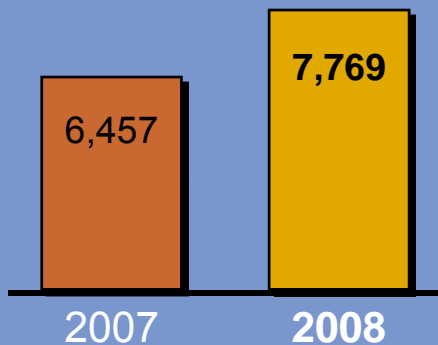
Operating profit analysis

Year ended 31 December (£m)	2008	2007
British Gas Residential	379	571
British Gas Business	143	120
British Gas Services	195	151
Centrica Energy	879	663
Centrica Storage	195	240
Direct Energy	215	187
Europe	(56)	17
Other	(8)	-
Total operating profit	1,942	1,949

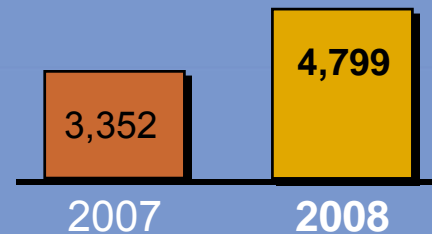
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BGR operating profit: key drivers

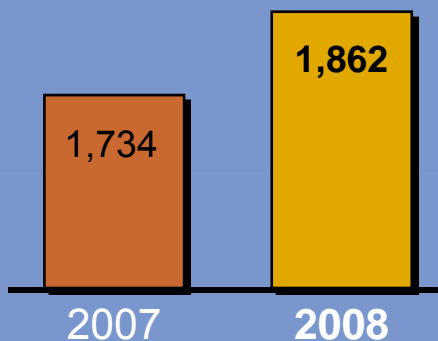
Revenue
(£m)



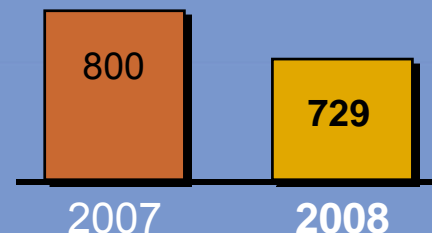
Commodity costs
(£m)



Transmission &
metering costs (£m)



Operating costs
(£m)



Operating profit analysis

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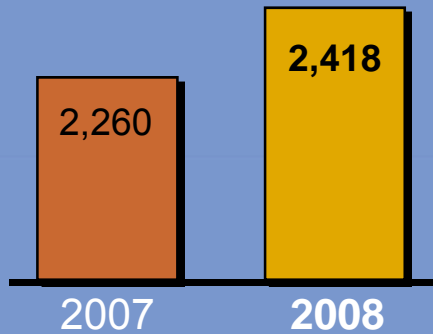
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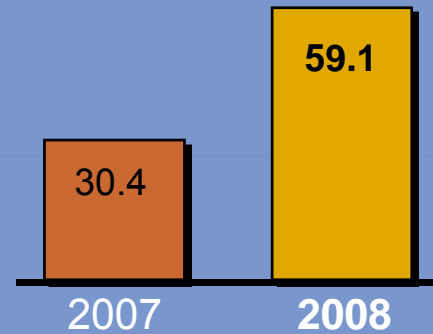
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CE operating profit: key drivers

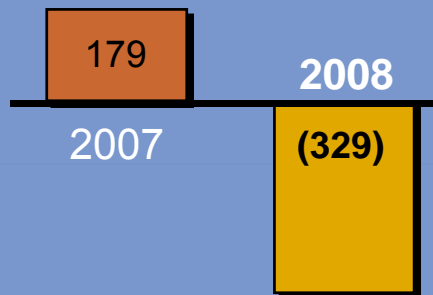
Gas production
(mmth)



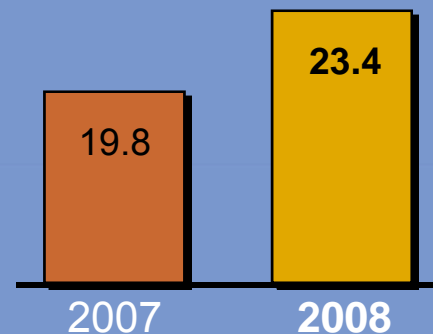
Gas sales price
(p/th)



I&C profit / (loss) (£m)



Power generation
volumes (TWh)



Operating profit analysis

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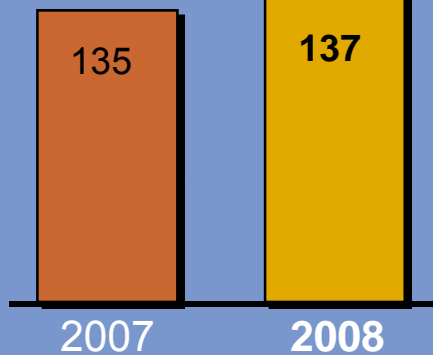
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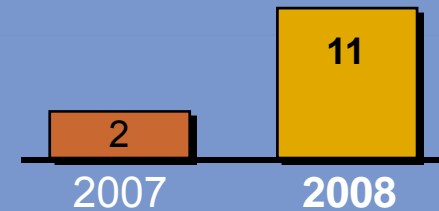
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DE operating profit*

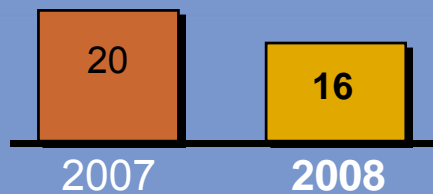
Mass markets
(£m)



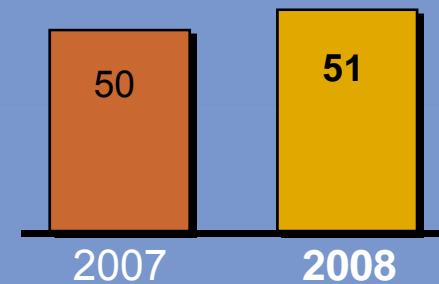
Commercial and industrial
(£m)



Home and business
services (£m)



Upstream and wholesale
(£m)



* 2007 restated at 2008 weighted average exchange rate

Operating profit analysis

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Direct Energy	215	187
Oxxio	(63)	3
SPE (25.5% share after interest and tax)	8	10
Europe other	(1)	4
Europe	(56)	17
Other	(8)	-
Total operating profit	1,942	1,949

Above figures include JVs & associates net of interest & taxation and are before exceptional items & certain re-measurements

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Cash flow

Year ended 31 December (£m)	2008	2007
Opening net debt	(795)	(1,527)
EBITDA	2,586	2,514
Working capital movements	(561)	261
Margin calls	(556)	2
Interest and tax	(1,165)	(538)
Gross capex	(1,205)	(1,055)
Dividends	(500)	(417)
FX / other	(479)	(35)
Rights Issue	2,164	-
Closing net debt	(511)	(795)
<i>Margin cash held / (pledged) within net debt</i>	<i>(626)</i>	<i>(25)</i>

Above figures include JVs & associates net of interest & taxation and are before exceptional items & certain re-measurements

Capital and acquisition expenditure

Year ended 31 December (£m)	2008	2007	2009e
Gas			
- growth	106	114	300
- maintenance	15	41	25
Power			
- conventional	151	178	150
- wind	170	149	25
Storage	27	18	50
Direct Energy	111	105	125
Europe	23	22	100
Other	79	66	75
Total pre-acquisitions	682	693	850
Acquisitions	431	262	760*
Total	1,113	955	1,610*
ROCs / emissions	92	100	275

*Acquisitions to date – plus 100% of Pax Electrica 2 ; excludes future acquisitions

Balance sheet

31 December (£m)	2008	2007
Capital employed (excluding cash)	5,487	4,907
Tax / other	(477)	(827)
Pensions	(113)	97
Net debt	(511)	(795)
Net assets	4,386	3,382
<i>Cash and cash equivalents</i>	<i>2,939</i>	<i>1,130</i>
<i>Undrawn committed facilities</i>	<i>1,350</i>	<i>1,300</i>

Above figures include JVs & associates net of interest & taxation and are before exceptional items & certain re-measurements

Outlook for 2009

- Strong start to the year for UK supply businesses
- Gas production expectations lower on softer curve
- Weakness in power generation from narrow spreads
- Growth businesses continuing to perform well
- Headroom exists for further investment within 'A' credit range



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Sam Laidlaw

Chief Executive

Priorities

- 1 Transform British Gas
- 2 Sharpen the organisation and reduce costs
- 3 Reduce risk through increased integration
- 4 Build on our growth platforms

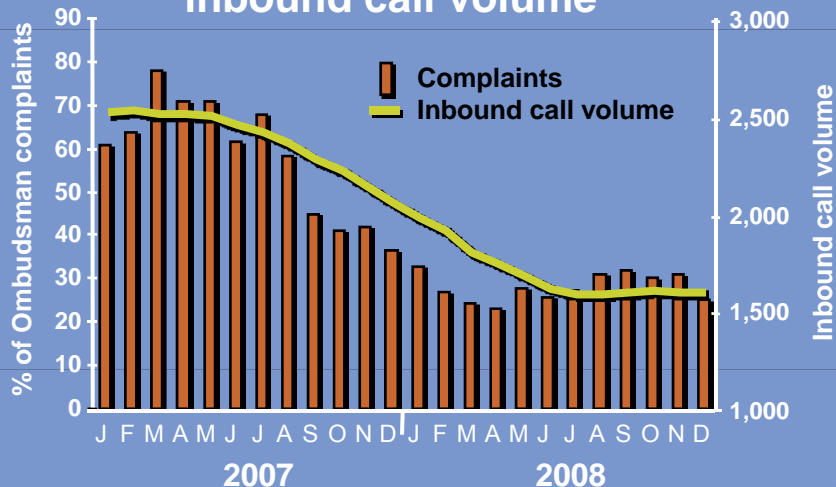
1 Transform British Gas

- Organisation designed around customers
 - three customer focused P&Ls driving accountability
- Significant customer service improvements
 - call handling process improved
 - Billing performance enhanced
- Innovation now meeting customer needs
 - 3.6 million fixed price accounts
 - 1 million self service customers
 - helping 1.4 million vulnerable customers

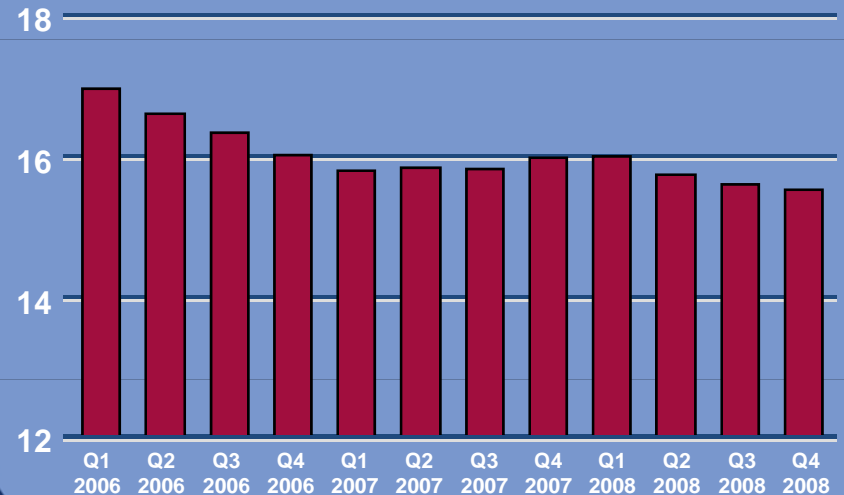
1 Transform British Gas

- Customer calls down 44% and complaints down 50% in 2008
- Industry share of complaints is 25% versus market share of 33%
- Customer accounts stabilising following two price increases
 - lost 55% fewer customers than 2006, last time prices rose

% of Ombudsman complaints and inbound call volume



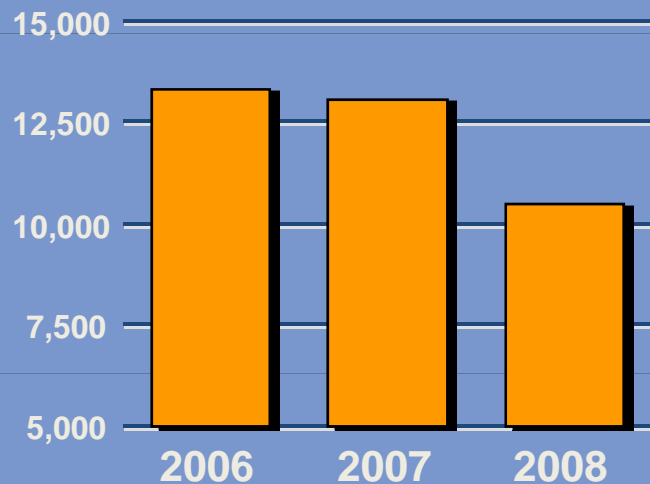
Customer accounts (m)



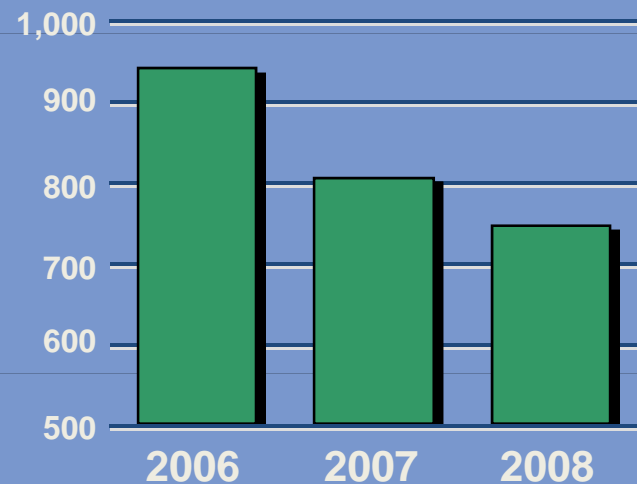
1 Transform British Gas

- Lowered headcount by 2,800 over two years
- Reduced operating costs by £210m since 2006

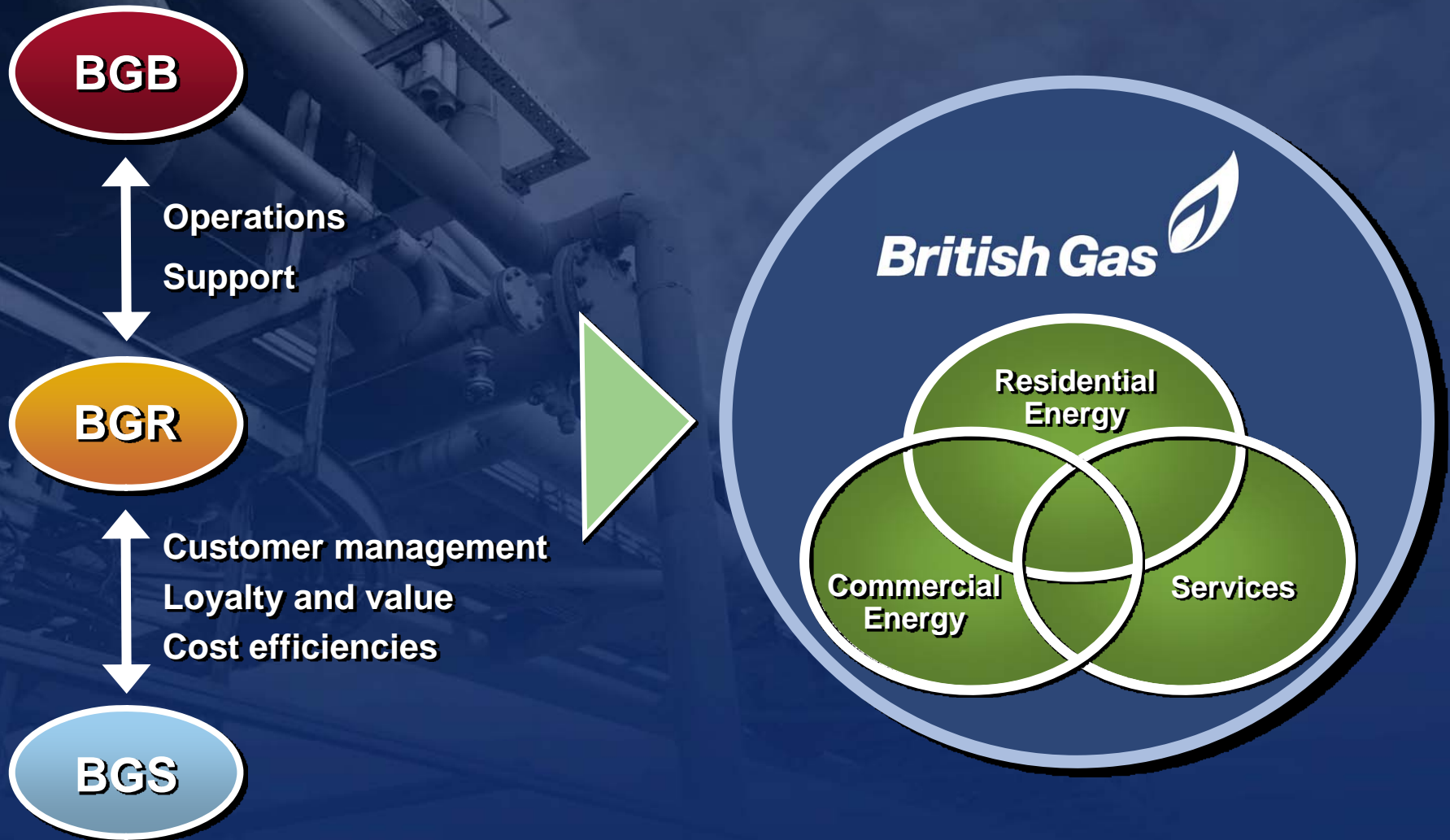
Headcount



Operating costs (£m)

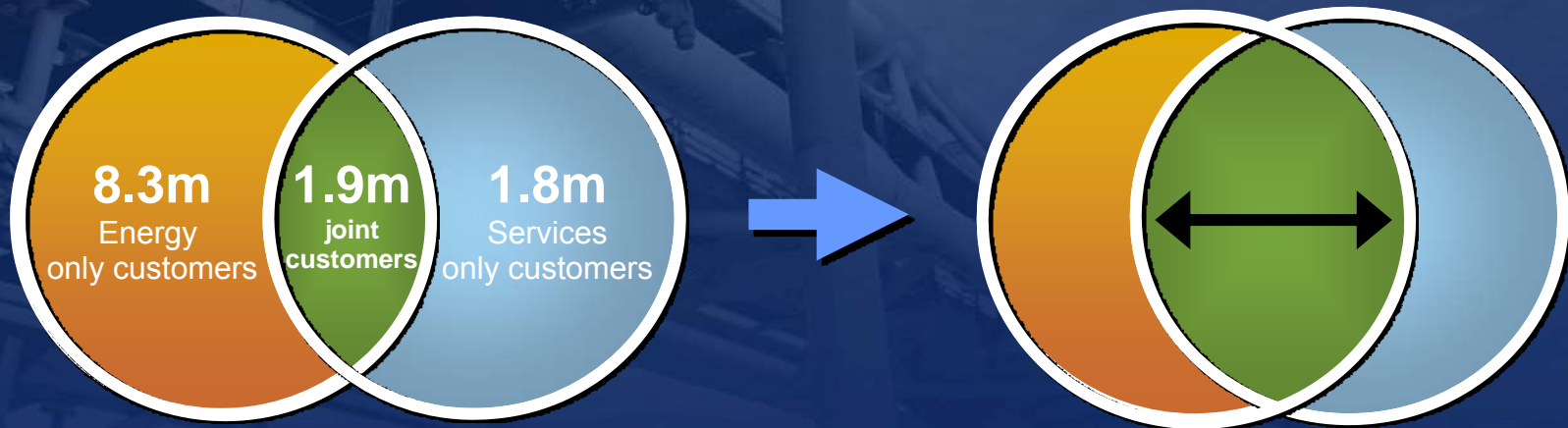


1 Transform British Gas



1 Transform British Gas

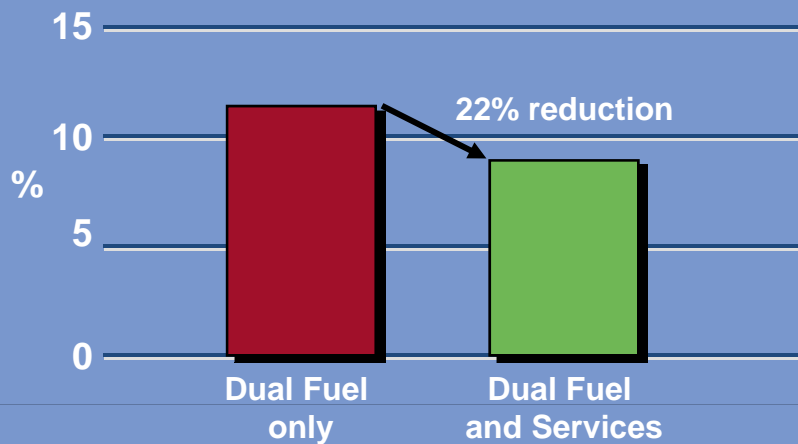
- 12 million customers - only 16% have joint product holdings
- New structure enables better customer segmentation
- Growth from increased product sales to existing and new customers



1 Transform British Gas

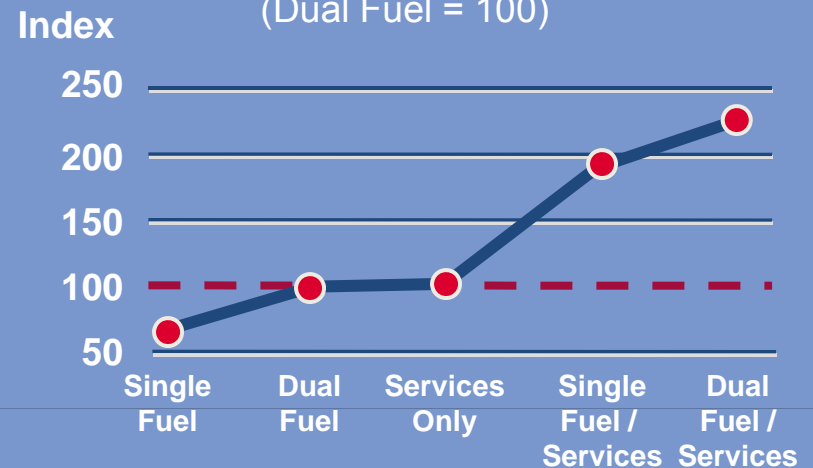
- Customers holding joint products churn at least 20% less
- Customer Lifetime Value (LTV) increases with multiple products
 - more than doubles with energy and services relationship

Energy churn 2008*



Indexed Customer LTV

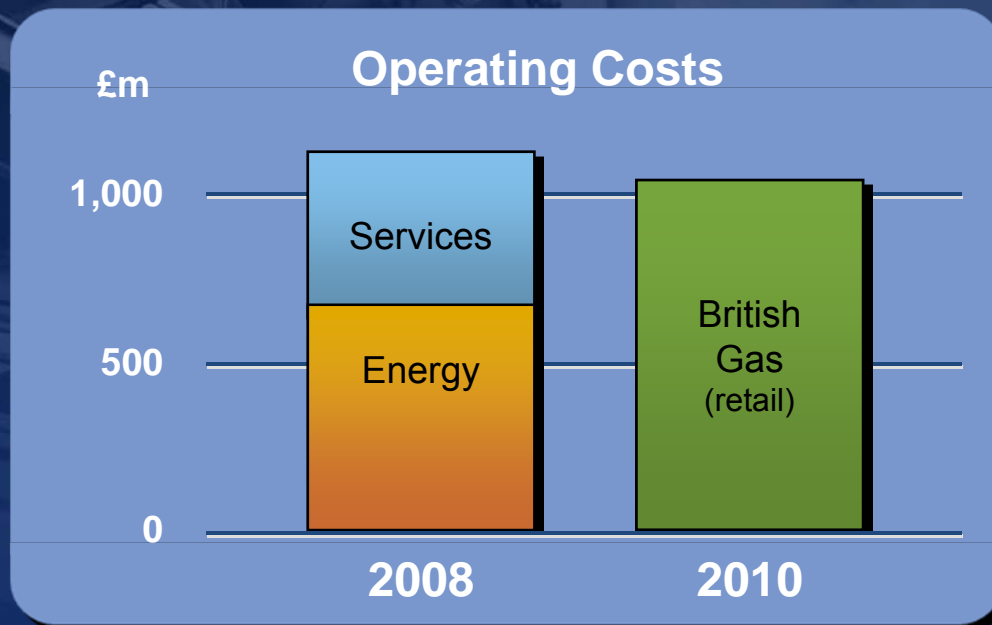
(Dual Fuel = 100)



*Excludes churn due to home move

1 Transform British Gas

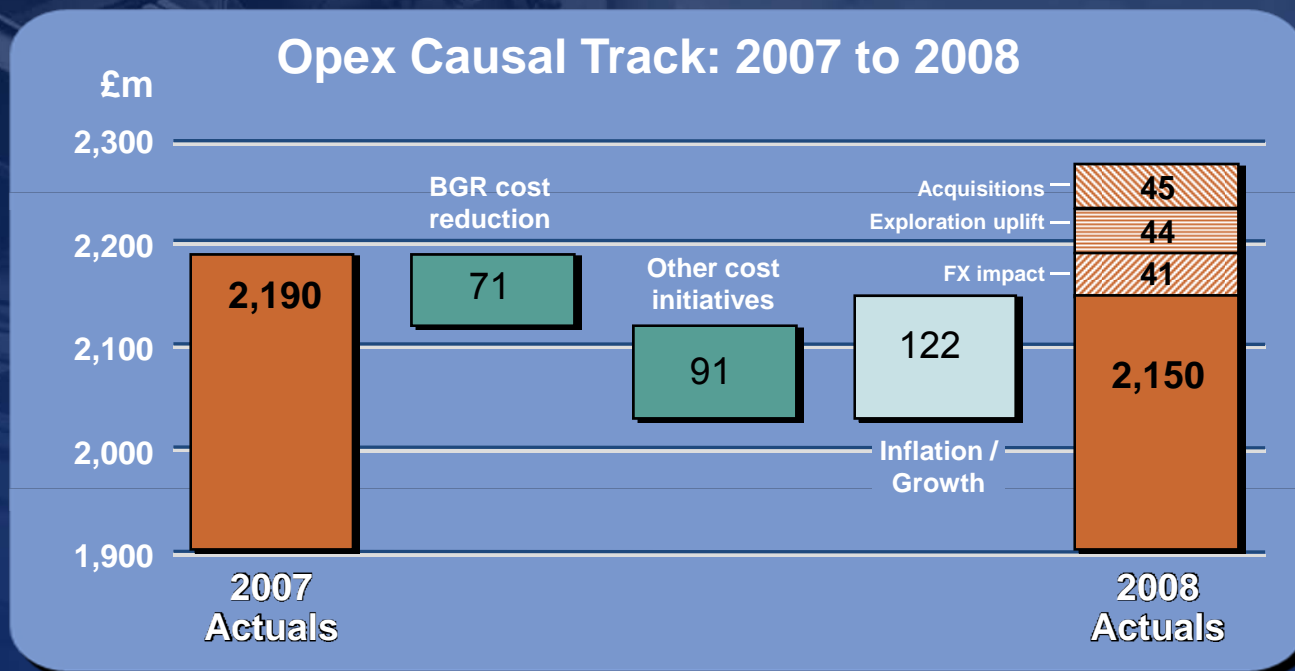
- Structure removes duplication and improves service
- Cost reduction opportunity increased in single organisation



*Cost opportunity
around £100m*

2 Sharpen the organisation and reduce costs

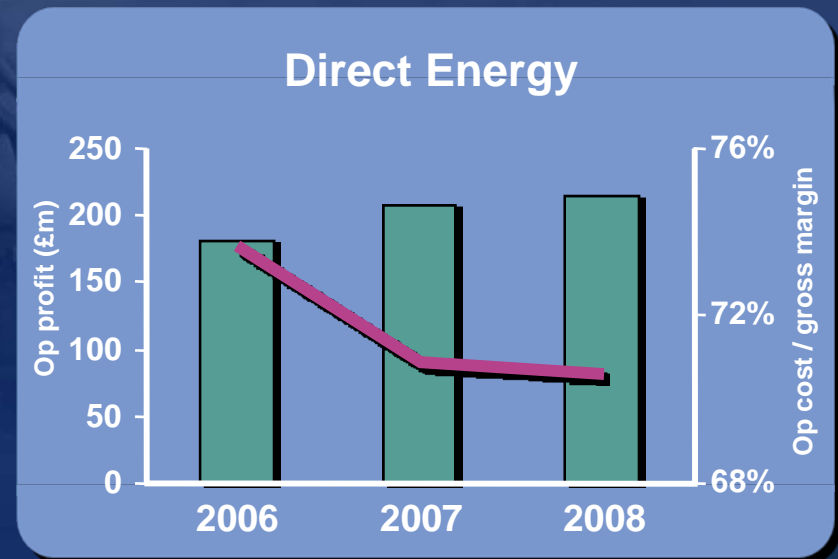
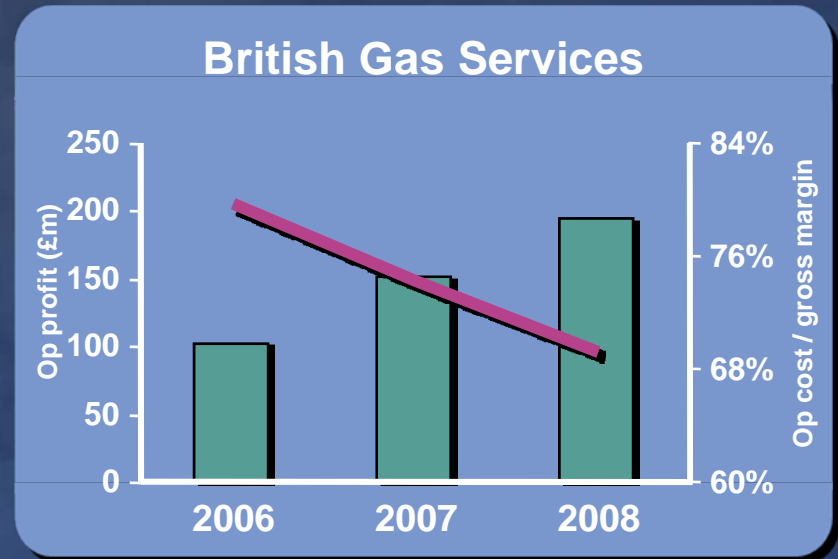
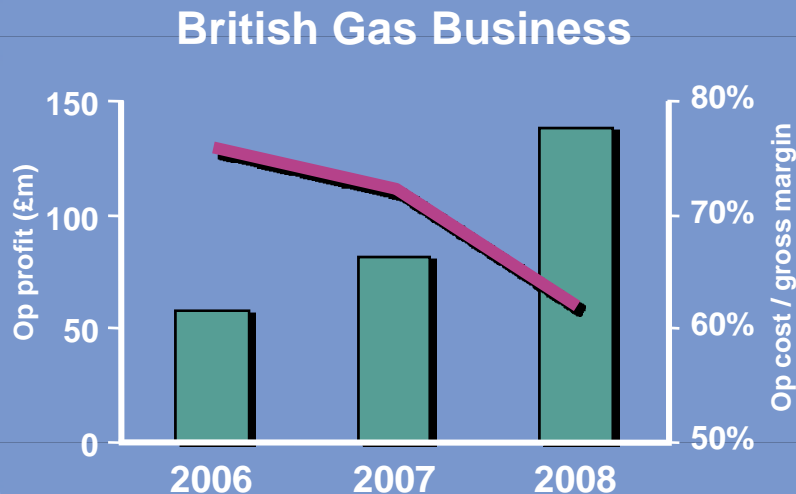
- New senior management structure
- More transparent organisation structures
 - Direct Energy
 - UK Power Generation
- Enhanced capital allocation framework
- Three year planning horizon
- Group like-for-like cost down 2008 on 2007



2 Sharpen the organisation and reduce costs

- Cost control evident across the Group
- Growth businesses becoming increasingly efficient
- Cost control remains on agenda

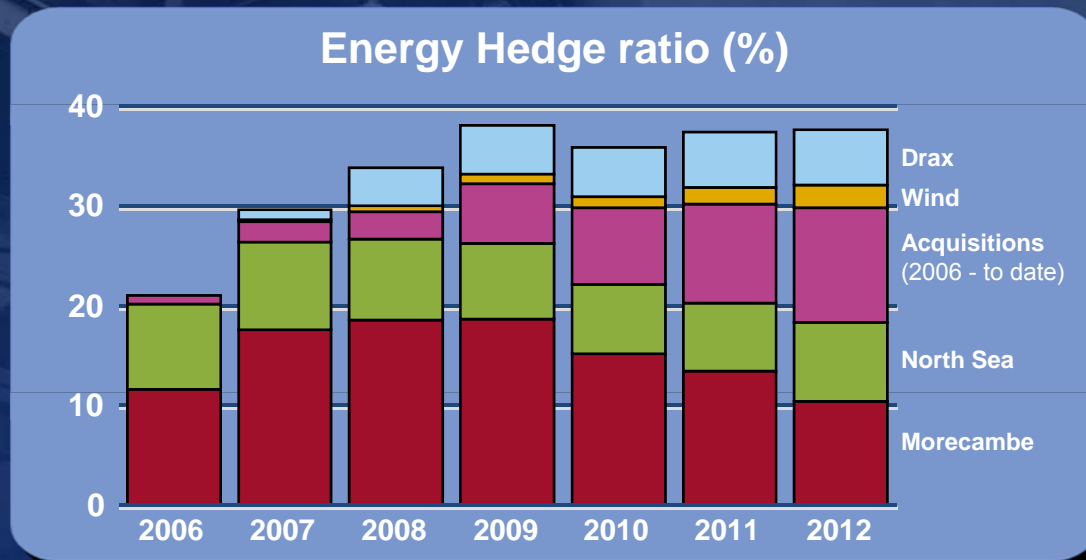
■ Operating profit ■ Operating cost / gross margin



3 Reduce risk through increased integration

Gas - progress

- Successfully increased asset base:
 - acquired around 800bcfe of reserves
 - invested £1bn in gas acquisitions and development
- Exploration acreage offers future potential
- Commissioned initial LNG capacity at Isle of Grain
- Increased hedge cover to 34% in 2008

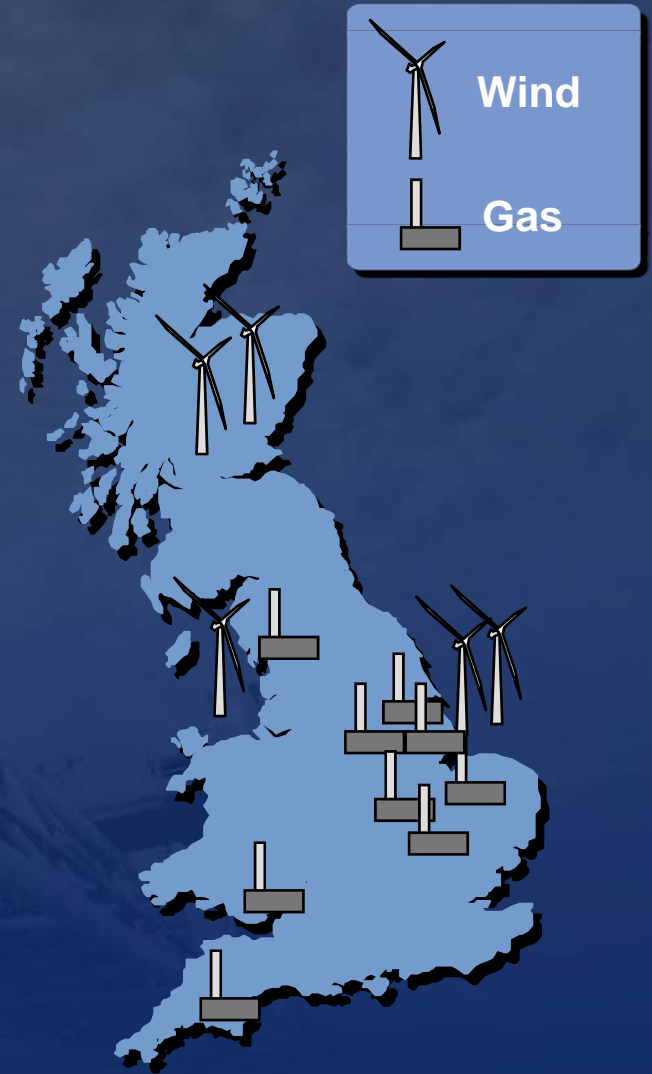


* Proportion of UK floating gas demand covered by own assets. Floating gas demand includes non-fixed price BGR and BGB demand, I&C gas demand, power station fuel requirements and equivalent gas requirements to meet floating power demand in BGR and BGB.

3 Reduce risk through increased integration

Power - progress

- Growing generation to 5.3GW
- Increased UK power coverage ratio to 58%
- Lowest carbon fleet in the UK
- Expect to complete 885MW CCGT at Langage late in 2009
- Constructed world's largest offshore wind farm, 180MW
- 1.4GW wind project pipeline dependent on economics and funding



3 Reduce risk through increased integration

Gas - looking forward

- Upstream hedge increasingly important
- Focus acquisitions on UK and Norway
- Medium term £1bn investment programme to develop assets
- Additional global LNG supply coming on-stream
- Continuing strategic discussions with National Oil Companies

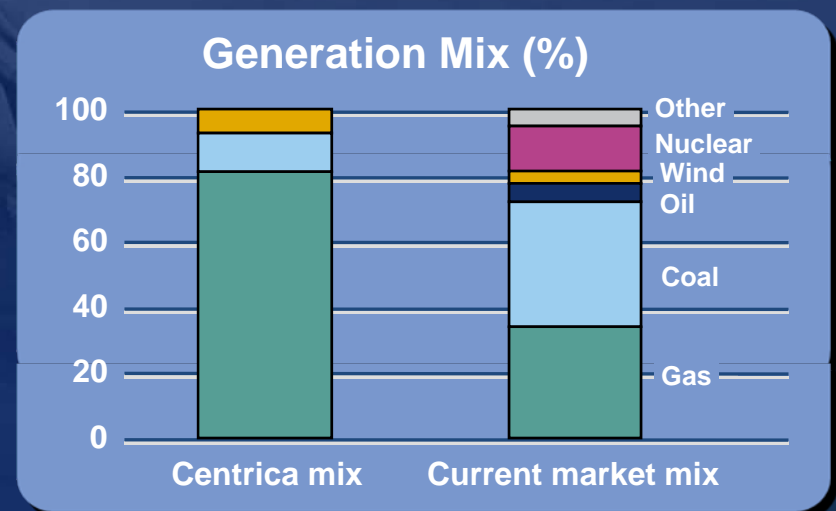
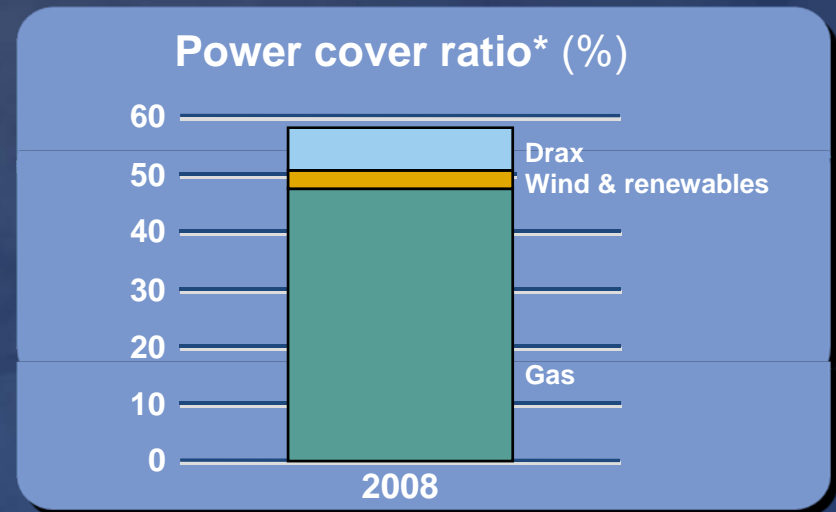


● Existing
● Acquisitions

3 Reduce risk through increased integration

Power - looking forward

- Aim to increase level of power asset cover:
 - captures value upstream and downstream
 - absorbs high levels of intra-day power price volatility
- Aim to diversify fleet to more neutral position:
 - provides a hedge against volatile gas prices
 - reduces earnings volatility



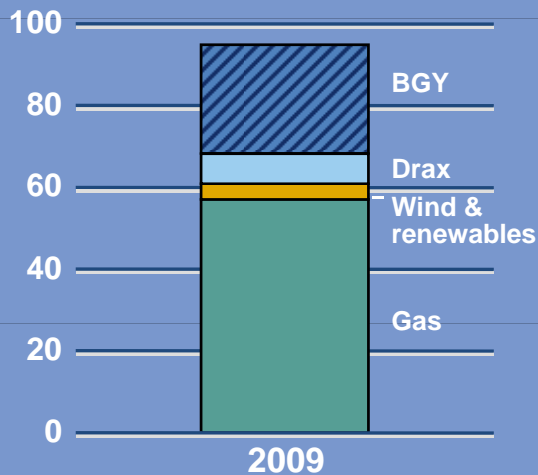
* Proportion of peak power demand from BGR and BGB in Q4 08 covered by own generation and Drax contract

3 Reduce risk through increased integration

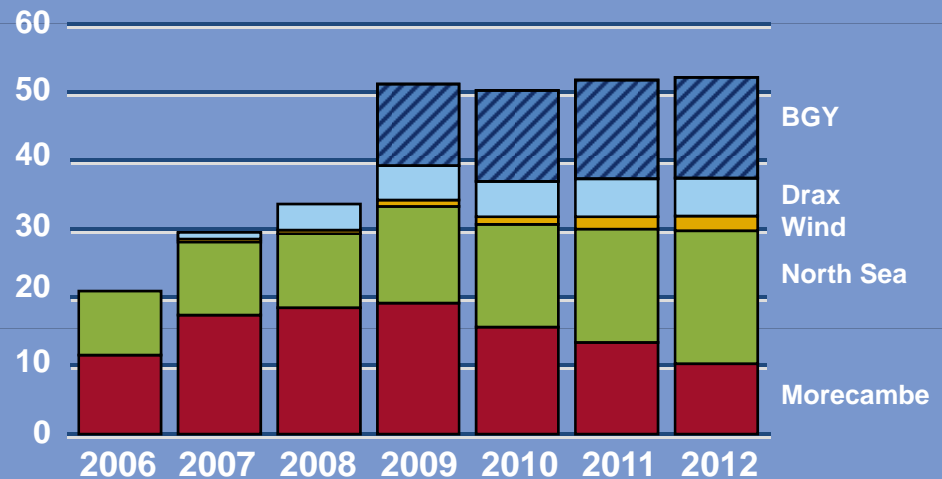
British Energy

- Medium term power price remains volatile
- Strategic rationale remains strong, with value as key determinant
- Deal could provide:
 - 25% of power from existing fleet
 - right to participate in new nuclear build

Power cover ratio (%)



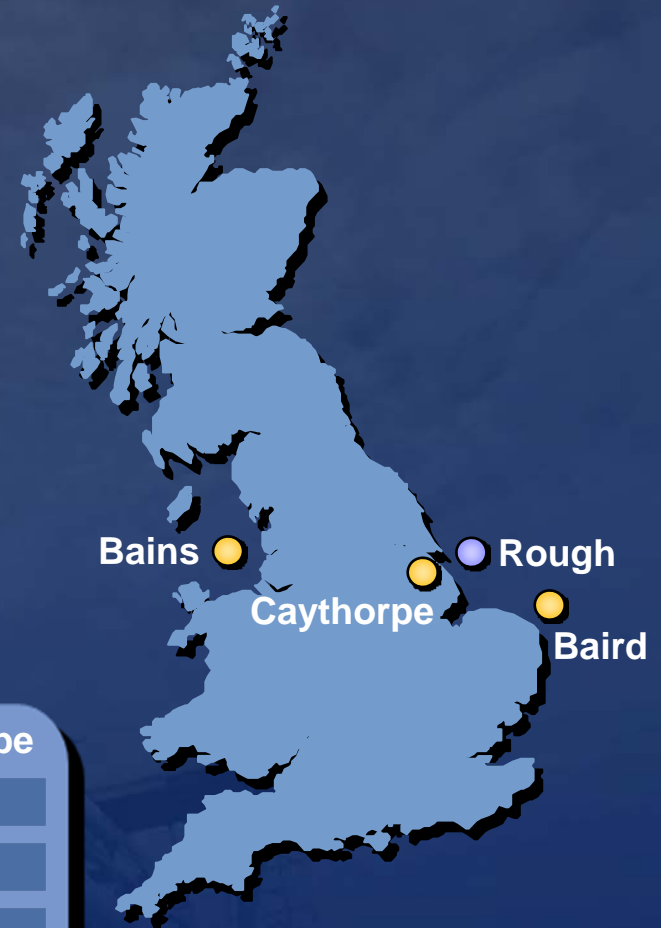
Energy hedge ratio (%)



3 Reduce risk through increased integration

Gas storage

- Implement multi-asset, multi-product model
 - enhances value
 - reduces risk
- Announced 3 major projects
 - totalling around 85bcf
 - investment of £1.5bn



	Rough	Baird	Bains	Caythorpe
Size (bcf)	120	60	15-20	7.5
Injection (days)	175	90	60	30
Withdrawal (days)	76	60	60	30
Number of cycles	1.4	2.4	3.0	6.0

4 Build on our growth platforms

BGB

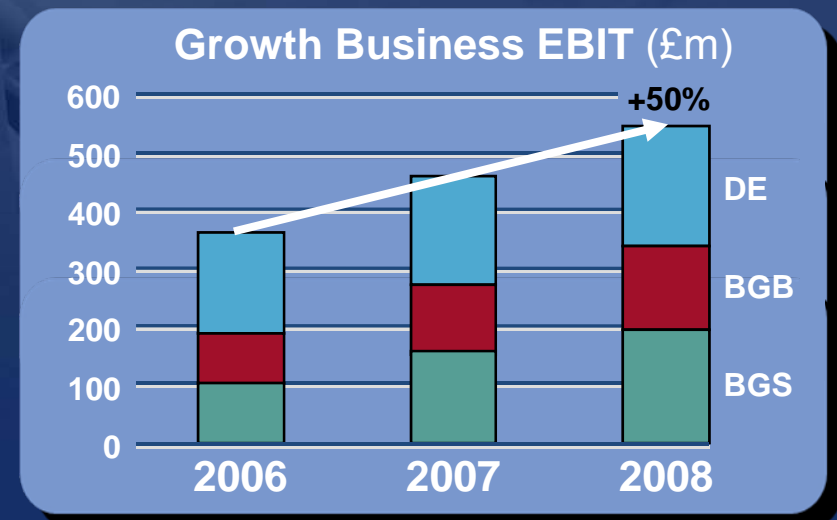
- Customer acquisitions and organic growth
- Improved customer service and retention
- Delivered efficiency savings

Direct Energy

- Restructured reporting and operational model
- Strategic Energy doubled C&I presence
- Incremental upstream acquisitions

BGS

- Maintained core customer base
- Strong growth in secondary products
- Improved operational efficiency and service

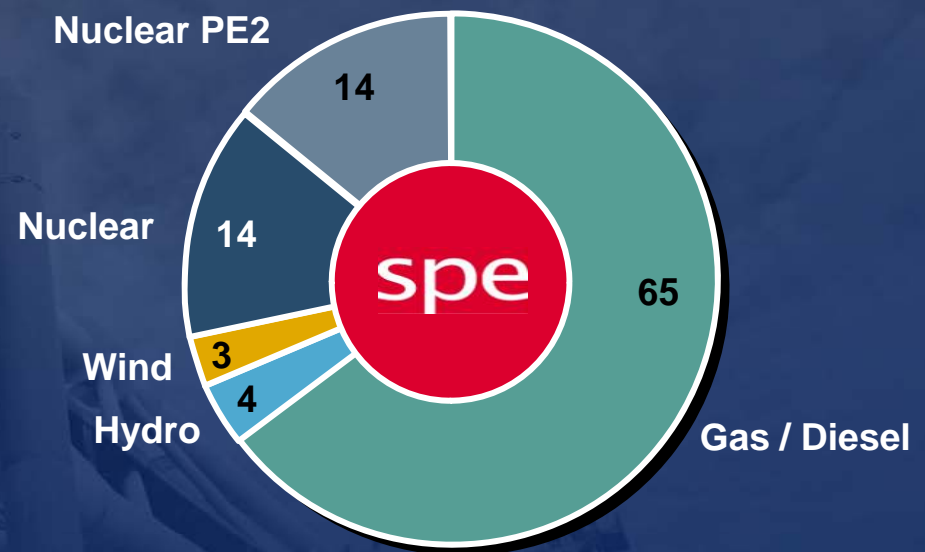


4 Build on our growth platforms

Europe

- Gained 51% controlling interest
- 1.5m energy accounts, 1.6GW power stations
- Pax Electrica 2 adds value
- Business more competitive moving forward
- Majority stake provides valuable opportunity

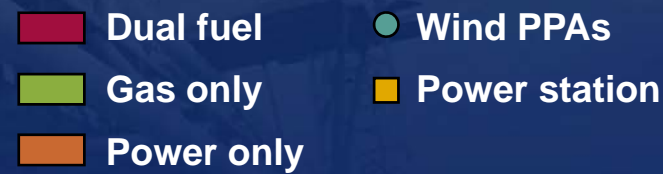
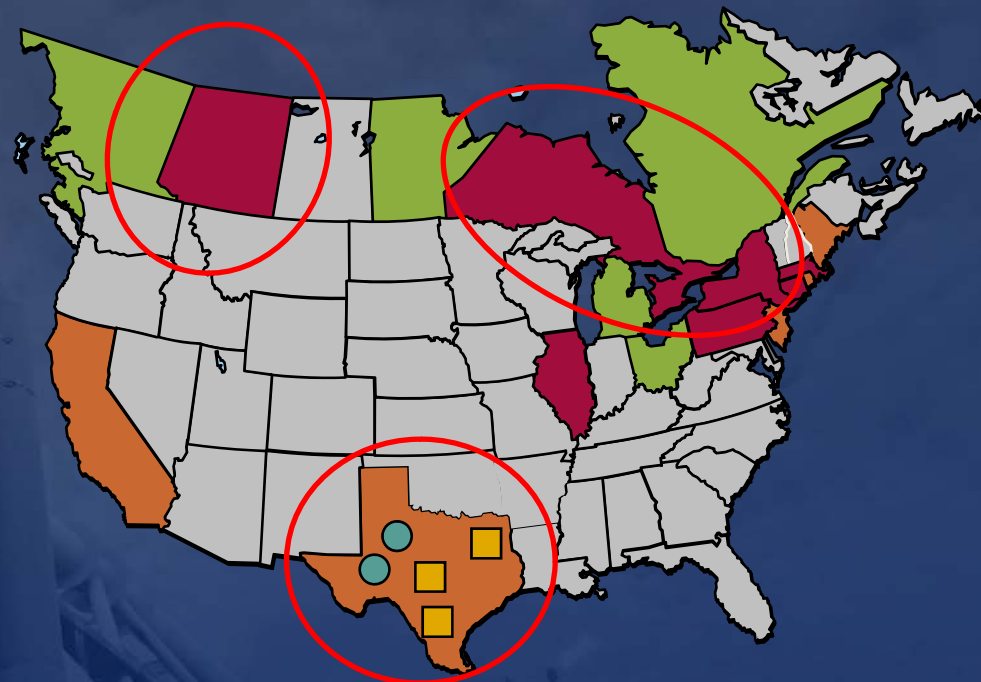
Generation mix



4 Build on our growth platforms

Focus and integrate in North America

- Built a leading competitive position in North America
- Grow presence in core markets where we have scale and brand
- Increase vertical integration in primary markets
 - support retail positions
 - provide growth



	Canada	US
Energy accounts (m)	1.9	1.2
Service accounts (m)	2.1	0.1
C&I power volumes (TWh)	-	27
C&I gas volumes (mmth)	-	600
Gas Reserves (bcfe)	400	-
Power stations (GW)	-	1.3

Summary

- Good results in a difficult environment

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- Second stage of British Gas transformation under way

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- Good results in a difficult environment
- Second stage of British Gas transformation under way
- Continued investment on improving the hedge in the UK
- Focusing and integrating North American business
- Business well positioned to keep moving forward



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Preliminary Results

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