

Centrica Investor Day

12th March 2010

Hilton Hotel,
Park Lane,
London



Thank you and welcome

We'd like to thank you for attending the Centrica Investor Day. In this pack, you will find copies of all the key charts that were presented during the British Gas break out session, including:

Director Biographies	page 2 – 5
British Gas Overview	page 6 – 7
Optimising the Business	page 8 – 9
Taking the Lead	page 10 – 14
Capturing New Markets	page 15 – 17
Conclusion	page 18

Should you require further information, please contact the Centrica Investor Relations Team on 01753 494900.

Director Biographies
Phil Bentley



Phil Bentley has been Managing Director, British Gas, since March 2007.

Previously, he was Group Finance Director and Managing Director, Europe of Centrica plc. Phil joined Centrica in November 2000 from Diageo where he was Global Finance Director for Guinness-UDV.

Prior to that, Phil was Group Treasurer and Director of Risk Management of Diageo plc.



Alisdair Cameron – Finance Director

Alisdair Cameron has been Finance Director, British Gas since 2006. He joined Centrica in 2002 as Director of Business Assurance and became Director of Financial Control in 2004. Prior to that, Alisdair spent 15 years in the accounting profession and was a partner with Arthur Andersen and Deloitte & Touche.



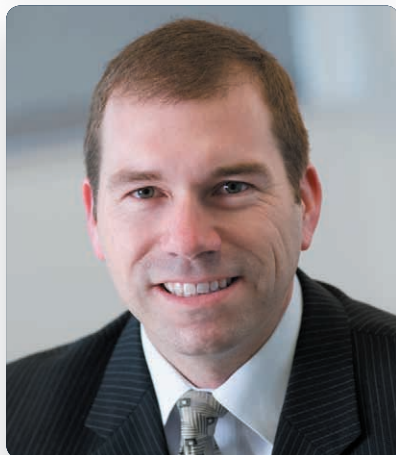
Mel Rowlands – Legal and Regulatory Director

Mel Rowlands joined British Gas as General Counsel in February 2010. She trained as a solicitor with Eversheds and then moved to BG Group plc where she was Deputy General Counsel. She then moved to BOC plc where she was General Counsel EMEA until she left to join one of the former BOC businesses, Edwards Limited, as HR and Legal Director.



Chris Jansen – Commercial Director

Chris Jansen is Group Commercial Director. Chris joined Centrica in November 2007 from British Airways where he was responsible for the introduction of World Traveller Plus and New Club World across the British Airways network. Chris also ran the BA Executive Club and was Managing Director of Airmiles. Prior to that, Chris spent seven years at Procter & Gamble.



Scott Boose – Heating Services Director

Scott Boose is Managing Director, Heating Services, responsible for leading the Service and Repair & Central Heating businesses. He is also the British Gas lead for Safety and the British Gas Academy. Scott joined Centrica in 2004 as part of the acquisition of the Residential Services Group in North America where he spent ten years in a number of senior roles.



Ian Peters – Chief Operating Officer

Ian Peters has been Chief Operating Officer, British Gas, since March 2007. Ian joined Centrica in 2002 and his previous roles include: Managing Director, British Gas Business and Managing Director, Goldfish Bank. Prior to Centrica, Ian was European Marketing Director of Marsh Inc and Managing Director of RBS Group Cards Acquiring.



Gearoid Lane – Communities and New Energy Director

Gearoid Lane is Managing Director, Communities and New Energy, directing British Gas' drive to offer microgeneration and energy efficiency products. He also leads our activities providing energy services to public sector housing and our 2.5 million Pay As You Go Energy customers. Gearoid is also a Director of the Energy Saving Trust and the Energy Retail Association.

Phil Bentley Introduction

British Gas Executive



Phil Bentley
Managing
Director



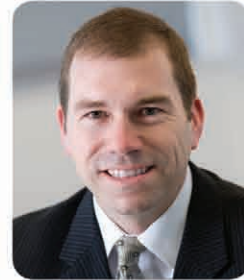
Alisdair Cameron
Finance
Director



Mel Rowlands
Legal and
Regulatory Director



Chris Jansen
Commercial
Director



Scott Boose
Heating Services
Director

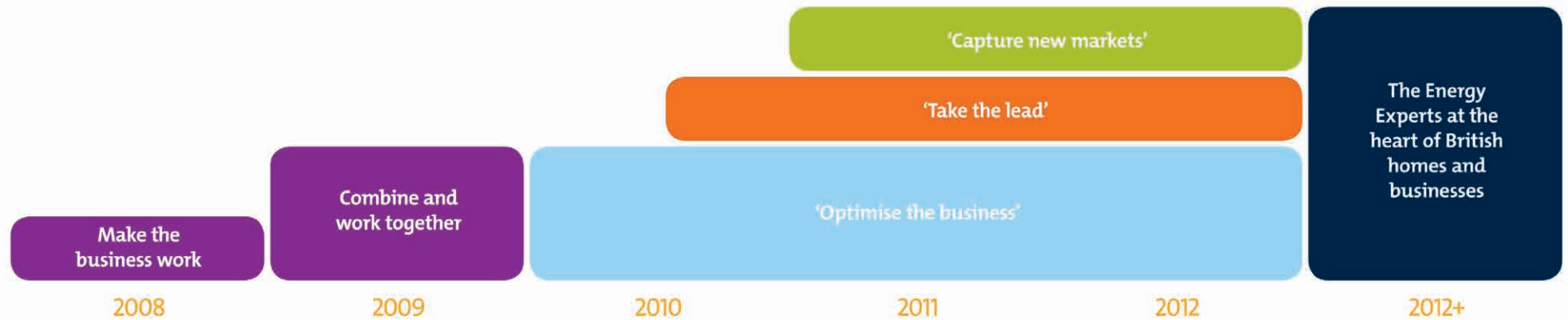


Ian Peters
Chief Operating
Officer



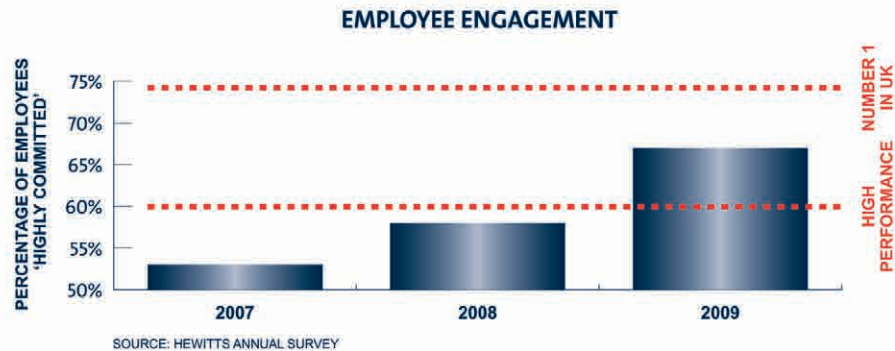
Gearoid Lane
Communities and
New Energy Director

Strategic Journey

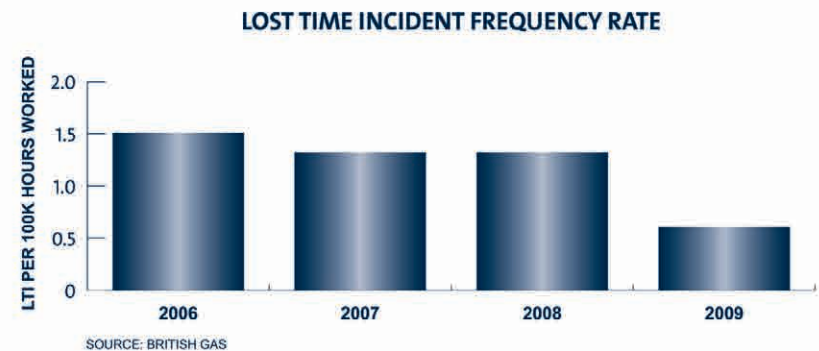


British Gas A People business

Employee Engagement – Record High



Safety – Our Number 1 Priority



Supporting The Community



- Over 2m vulnerable households helped throughout 2009
- One in three UK schools participating in Generation Green
- 100 Local Authority/Community programmes
- Top three Sunday Times UK company for 'Giving Back'
- Leading charity partnerships

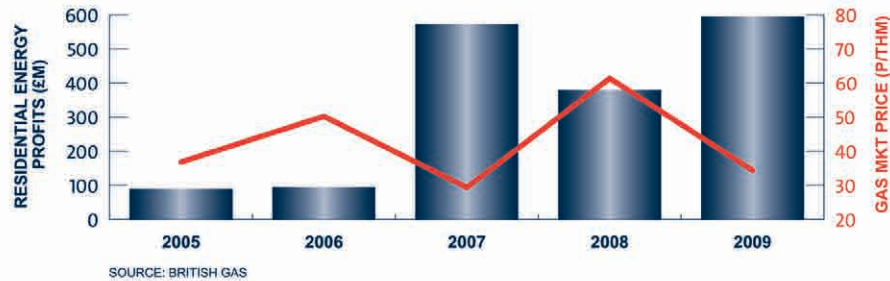
British Gas Awards



Optimise the Business

Delivering sustainable profits in our Residential Energy business

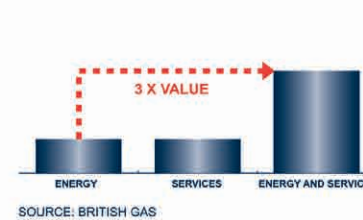
Sustained Profits



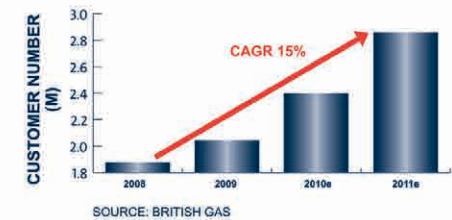
- Competitive pricing, service improvement and growth
- Integrated customer management during events

Maximising Customer Value

CUSTOMER LIFE TIME VALUE



JOINT ENERGY AND SERVICES CUSTOMERS



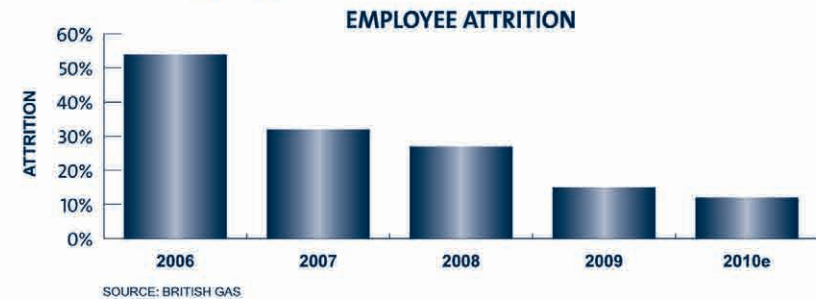
- Cross-sell growth driving joint holdings and churn reduction
- Combined Energy and Service propositions launched
- Recognise and rewarding multiple product holdings

'Stickier' Customer Base



- Highest proportion of customers never to have switched
- Avoids significant cost of acquisition and first year service

Reduced Employee Attrition

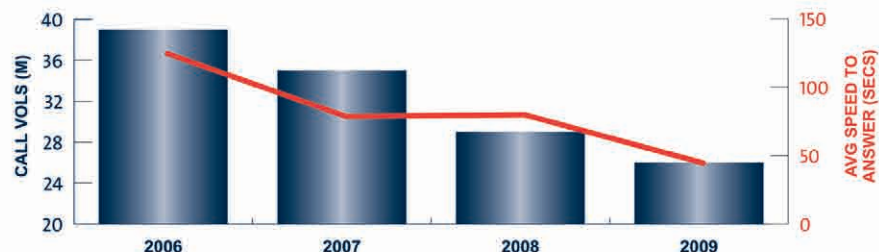


- Employee attrition down 72%
- Absence reduced by 30%
- Sunday Times '25 Best Big Companies' 2009/2010 and 'Great Place to Work' 2009

Optimise the Business

Creating an efficient and stable Residential operating platform

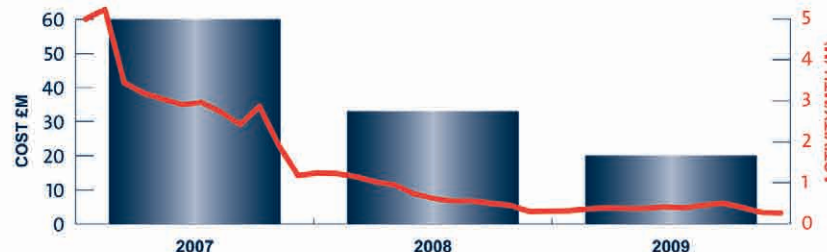
Customer Service Turnaround



SOURCE: BRITISH GAS

- Call volumes reducing significantly through self-service, reduction in exceptions and Right First Time improvements
- Free phone, Call Ahead and IVR reduction further improving the experience

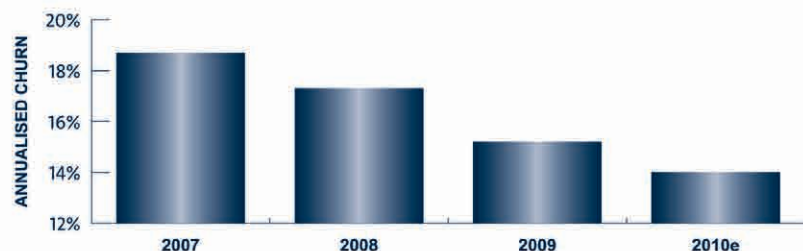
Improved Back Office Processes



SOURCE: BRITISH GAS

- SAP billing system implemented, stabilised and upgraded
- Process re-design for all customer 'journeys'
- End-to-end offshore back office re-design

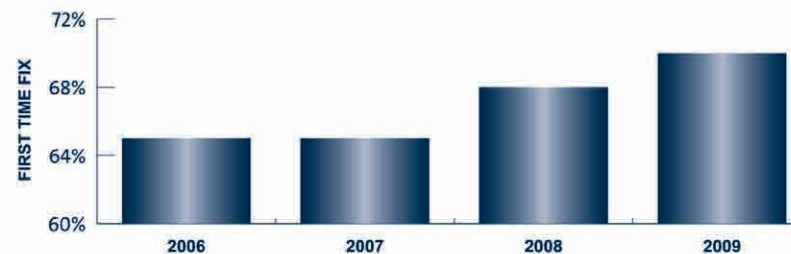
Service And Pricing Driving Lower Churn



SOURCE: BRITISH GAS

- Annual customer churn down circa 20% 2007 – 2009
- Improved acquisition targeting and tailored propositions

Services Engineer Productivity



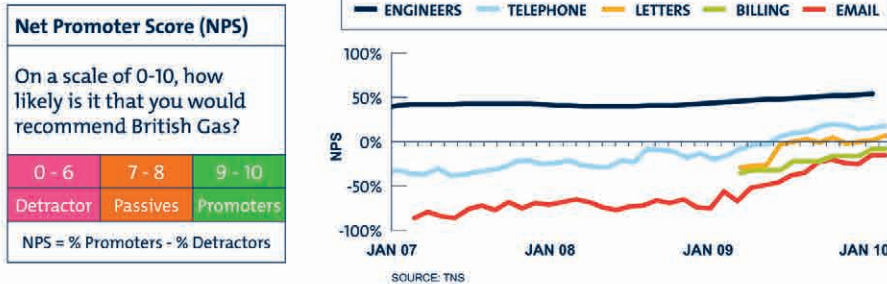
SOURCE: BRITISH GAS

- Efficiency gains saved £32m in 2009 in Heating Services
- Double digit improvement in engineer productivity

Take the Lead

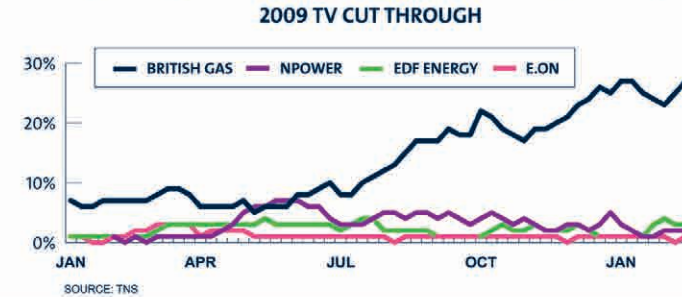
A systematic, data driven approach to establishing brand strength and differentiation

Rigorous Focus On 'Net Promoter Score'



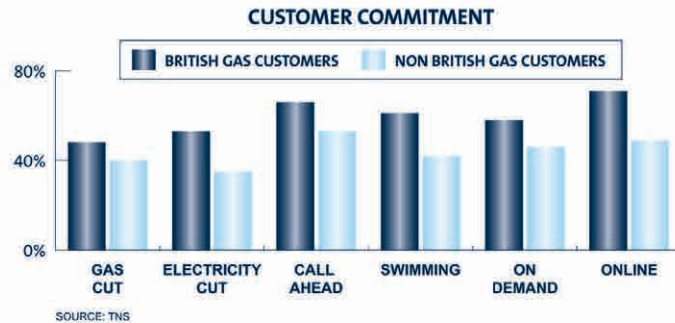
- Service brands like British Gas driven by multiple touchpoints
- NPS methodology set within the 'DNA' of the organisation
- Analytical approach to correct 'NPS blackspots' and drive differentiation

Delivering Key Messages With High Impact



- Spontaneous awareness at +60%, three times higher than competitors
- 'Top quartile of all new campaigns, after only six months' – Billetts
- Fully integrated 'through the line' execution across all touchpoints

Process Of Continual Learning And Development



- 'Did the campaign increase your interest in British Gas?'
- Rolling program of testing – modification – testing
- Econometric testing of advertising to calculate ROI

Continuing To Build 'Reasons To Choose British Gas'

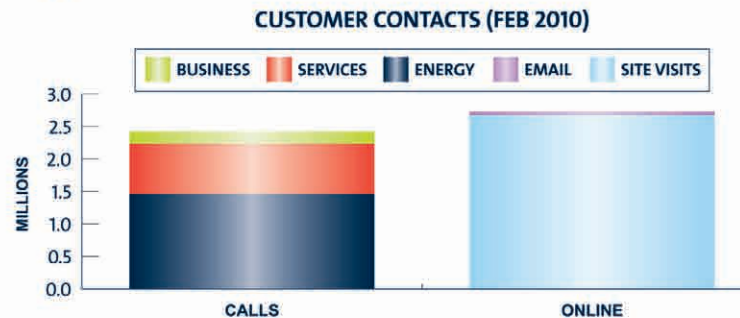


- Cheapest Gas and Elec in the UK
- We always 'Call Ahead'
- Online control and convenience
- Summer savings – value
- Bundled energy and services
- In the community

Take the Lead

Online – the ultimate ‘win-win’: better customer experience, more efficient British Gas

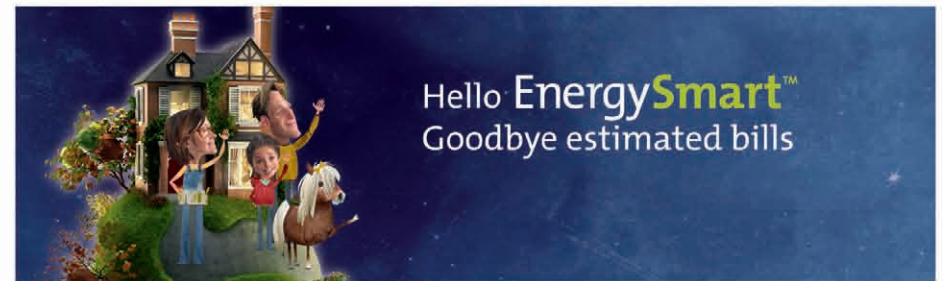
The Biggest Customer Channel



SOURCE: BRITISH GAS

- Improved experience and functionality driving channel shift
- 650,000 weekly site visits and online transactions at 4.5m in 2009
- Benchmark is not utilities but travel, retail and banking

Industry Leading



- +300,000 customer accounts signed up in three months
- High value customers, 70% on Standard tariff, 85% on Direct Debit (40% on variable)
- Annual Service Visits – 500k booked online in six months



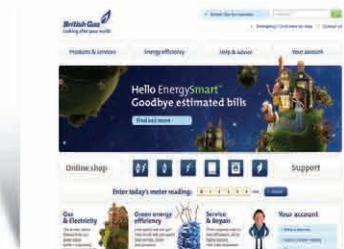
Breakdown Bookings



Consumption Comparison



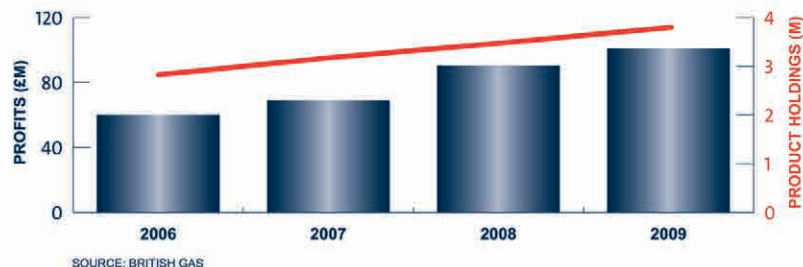
Site Re-design



Take the Lead

Electrical and Dyno Services – a £100m business with further potential to grow

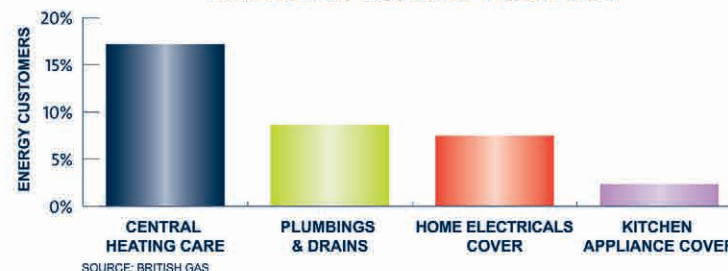
£100m Profit Business



- National network of engineers serving 1.5m customers for electrical and appliance care
- Dyno-Rod business with 1.7m customers – 66% plumbing, 34% drains
- Utilising existing capability across the British Gas portfolio

Focus 1: Opportunity For Improved Penetration

PRODUCT PENETRATION OF ENERGY BASE



- Focus on developing stand alone products – flexible and improved
- Positive promotion through existing channels
- Incremental marketing support to drive awareness and sales

Focus 2: Develop New Channels

Affiliates

Right to Win – Trusted Brands

Insurers

- Capability in emergency services
- Expand existing relationships
- Leveraging claim handling abilities

Water/Sewerage Companies

- Broader portfolio of household services
- Ability to develop deeper partnerships
- Density improves response times

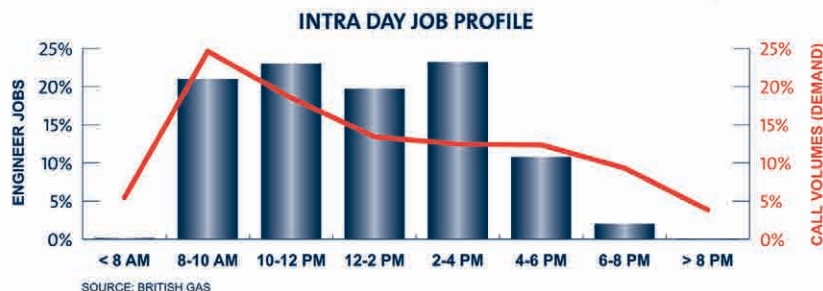
Focus 3: Explore New Markets



- Review potential of the electrical emergency and improvements market
- Build non-domestic draining capability in light of market dynamics
- Link 'safety' to security and grow existing business

Take the Lead Transforming Residential Heating Services

Customers Demand Broader Availability



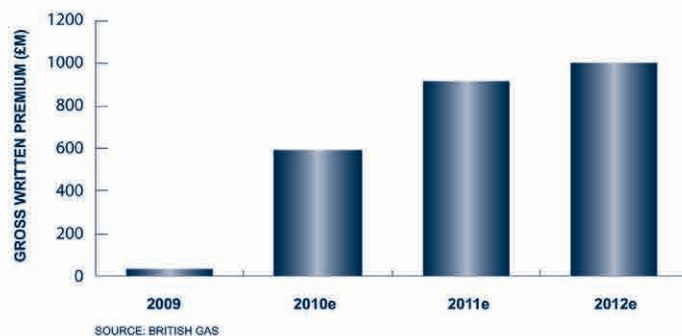
- 98% of visits between 8am and 6pm Monday to Friday
- Increased demand for evening/weekend appointments
- Availability unlocks growth in under penetrated segments and on demand market

Capturing Greater Share Of Installs

	2009	2010
Average Sales Price	£3,200	£2,560
Average Lead Time	19 days	5 days
Net Sales Conversion	22%	33%

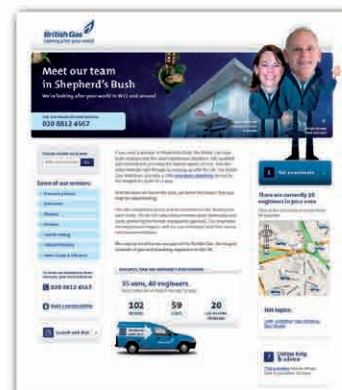
- Requires flexible approach including evening/weekend for sales and installations
- New job times unlock greater engineer availability
- Unique propositions around exclusive technologies

Move To Insurance



- More features and benefits for customers
- Lower priced entry points to market
- New propositions to better meet customer needs

Unlocking The On-Demand Market

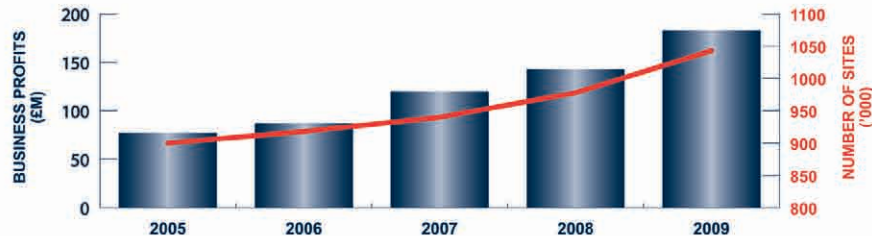


- Three tier structure matches customer preference
- New propositions, e.g. EnergyExtra
- Delivered through local marketing

Take the Lead

British Gas Business driving profit growth with innovative segmentation

Strong Track Record Of Growth



SOURCE: BRITISH GAS

- Organic and acquisitive growth every year
- Acquired E4B and Bizz energy at end 2008

Segmented, Customer Strategies For Growth



Small Enterprises

COST LEADERSHIP

- Fast response at call centre
- Leveraging residential scale and system
- Operational efficiency and debt risk focus



Medium Enterprises

SERVICE LEADERSHIP

- Deep account management
- New channels and retention models
- Simple, compliance-focused Energy Services

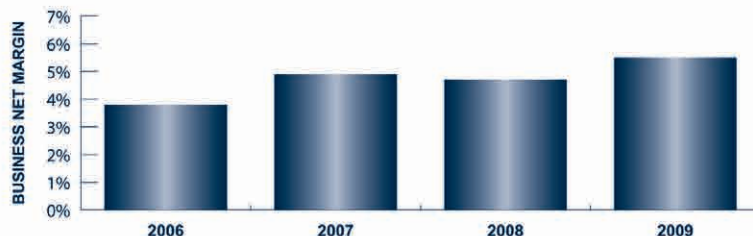


Multi sites

SERVICE LEADERSHIP AND SELECTIVE I&C PARTICIPATION

- Differentiated Energy Services
- Multi-discipline hubs
- Stronger link with hedging and trading

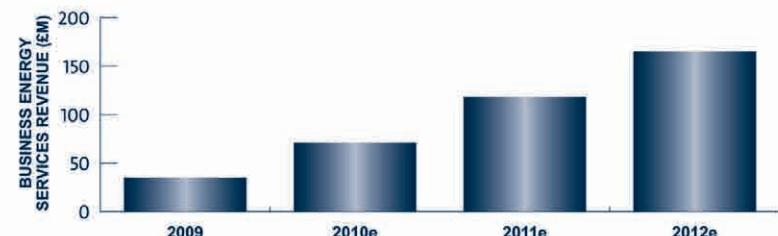
Net Margin Reflecting Value Based Approach



SOURCE: BRITISH GAS

- Focus on higher value customers
- Improvements on margin leakage
- Increased focus on NPS and retention

Energy Services: A Growing Opportunity



SOURCE: BRITISH GAS

- Four value creating acquisitions
- Scalable and replicable solution for Medium Enterprise
- Multi-site leverage and differentiation

Rapid Smart Meter Roll Out Exploits Our Capabilities

- Half Britain's homes give scale and density
- Billing platform is a unique enabler
- Services and New Energy unlock value

Leading The Way

- 300k by end 2010
- Rapid learning: Customers and technology

Early Benefits

- BGB experience
 - Calls down 50%
 - Churn down 33%
- Operational efficiency
- Debt management

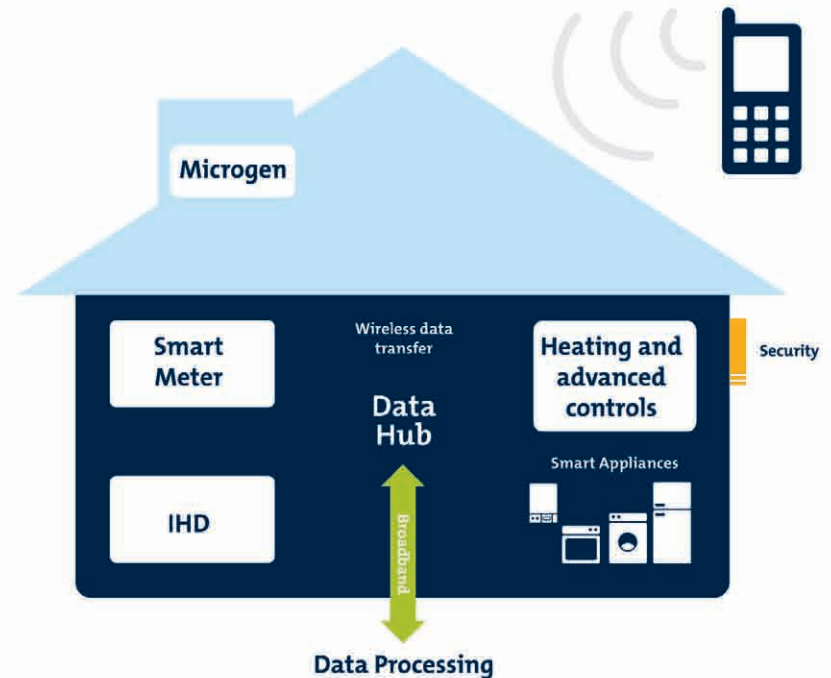
Creating Differentiation

- Two-way communications
- Taking control of energy usage
- Pipeline of applications including Time of Use

Creating Value from an Obligation

- British Gas Smart Metering
 - 2300 Smart Energy Experts
 - Install and energy makeover
- Energy, devices, appliances, services

'Home Of The Future'



- Smart meters will be the communications platform
- Data will be profiled and real time
- Enables customers to control energy, appliances and premises
- Increasing interconnection of appliances and devices
 - Remote diagnostics and controls
 - Security and emergencies

Capture New Markets

Establishing new profit pools by leading in the 'low carbon future'

Commercialisation Of Insulation



- Business launched: Cavity wall/loft, solid wall in future
- 1/3 of regulated obligations
- Market worth £1.5bn per annum, with strong British Gas position
- Substantiates transition to low carbon 'Energy Experts'

Microgeneration/Feed In Tariffs



- Major opportunity, financial support transforms market
- Market worth £10bn per annum, across a mix of technologies
- Invested in technologies and skills across the board
- Trusted brand and existing base – uniquely positioned

Leveraging British Gas' Strengths

Supply Chain

Field Forces

Vehicle Fleet

Work Planning

Marketing

Call Centres

Logistics

Depots/Parts

Smart Meters

Academies

Sales Channels

Back Office

Capture New Markets

New channel: Leveraging our Local Authority and Community relationships

Working in Communities

EAP – Scottish Government

£40m per annum, 12k heating installations, 5k insulations



London Low Carbon Zones

Partnering 5 zones delivering whole-house EE solutions



Social Housing Business

Over 120 heating related contracts



Meadows ESCO

4k residential properties



Here To HELP Scheme

340k homes helped and 60k charity referrals since 2002



Generation Green

10,000 schools in programme: Teaching, rewards incl. solar PV



Heating Solutions

Contract with Barnsley to install biomass in 10 of their schools



Dumfries and Galloway

Off-gas grid microgeneration programme, 2k homes



CESP

Led industry in launching 10 CESP projects



Council Tax

66 Local Authorities, council tax rebate on insulation



Green Streets

Year-long innovative programmes with 22 communities



LCBP – Solihull

Community Housing
Largest PV installation in Social Housing



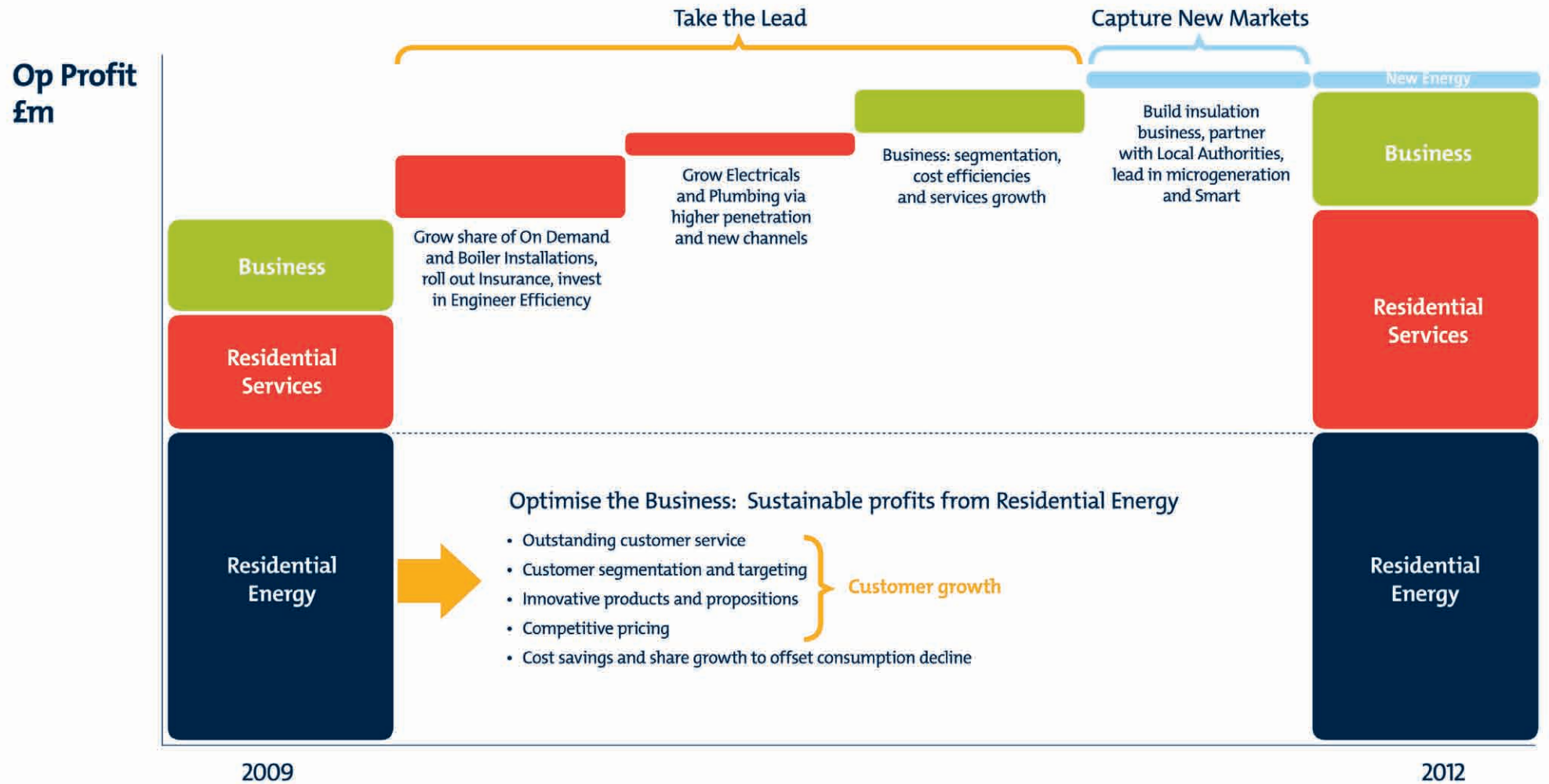
Heads Of The Valleys – Welsh Assembly

Delivering microgeneration to 20k homes plus local green skills



Conclusion

British Gas: A firm foundation to drive significant growth







British Gas, Lakeside House, 30 The Causeway, Staines, Middlesex, TW18 3BY