



Centrica in North America

London, 17th April 2008

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Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

Agenda

- Introductions
- Update on Centrica in North America
- Q&A and discussion

Direct Energy introductions



Deryk King

Chief Executive Officer



David Clarke

Chief Financial Officer



Bill Cronin

President, Upstream & Wholesale Energy

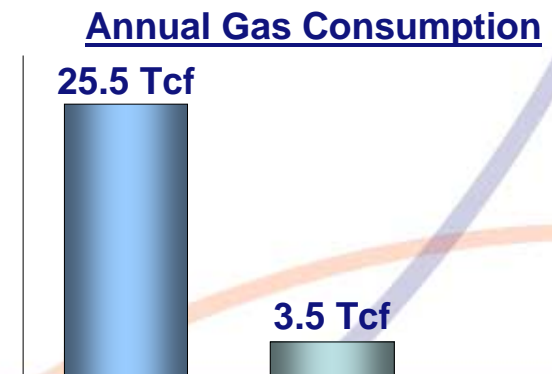
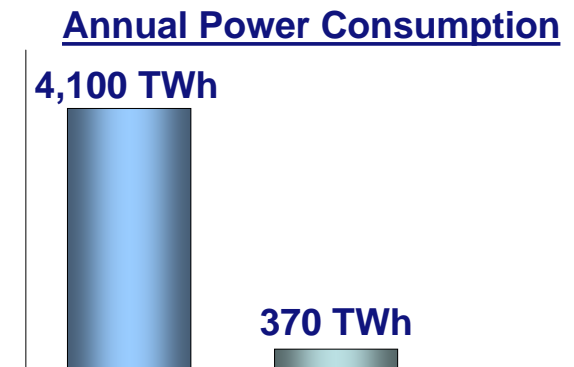
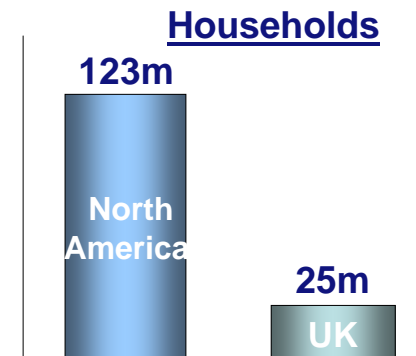


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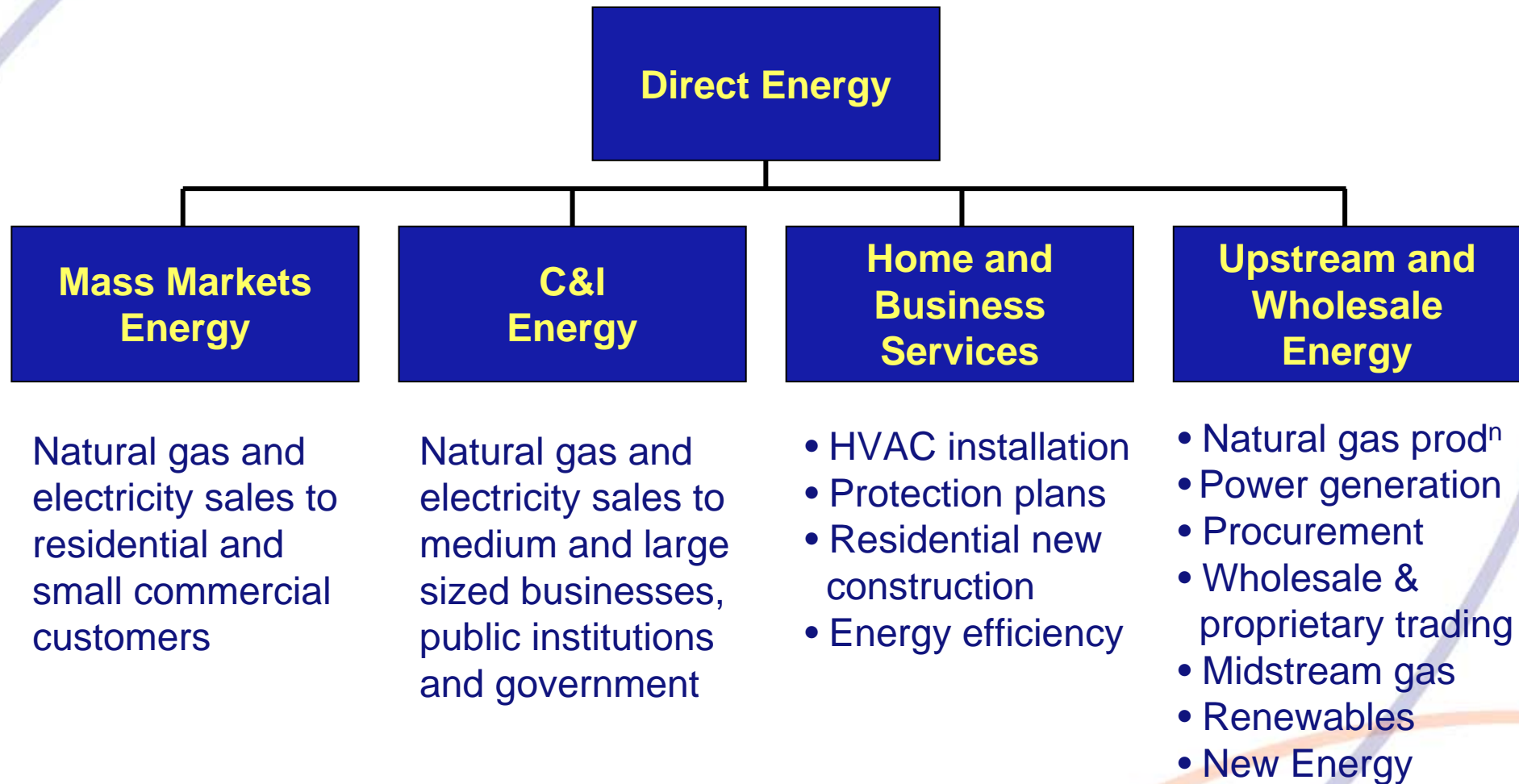
Chief Operating Officer, Downstream Businesses

Market entry to present: **Why we are in North America**

- A huge market opportunity in a stable political environment
- Key element of Centrica strategic priority #4, “Build on our growth platforms”
- c.40% of Centrica’s revenue growth since 2002
- Provides strategic optionality combined with high execution potential
- Diversification reduces Group risk
- Common skill sets give competitive edge
- Increasing linkages on natural gas

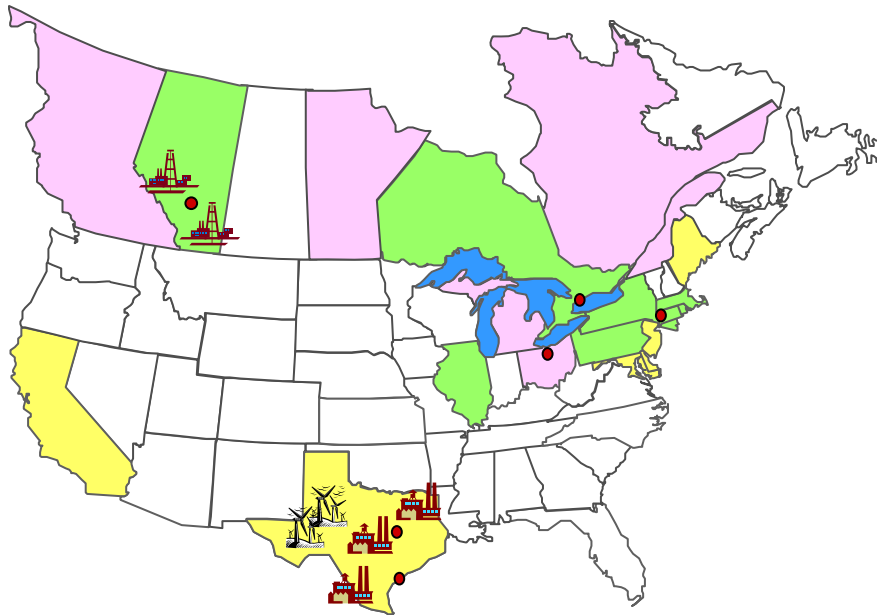


Market entry to present: **Our businesses**

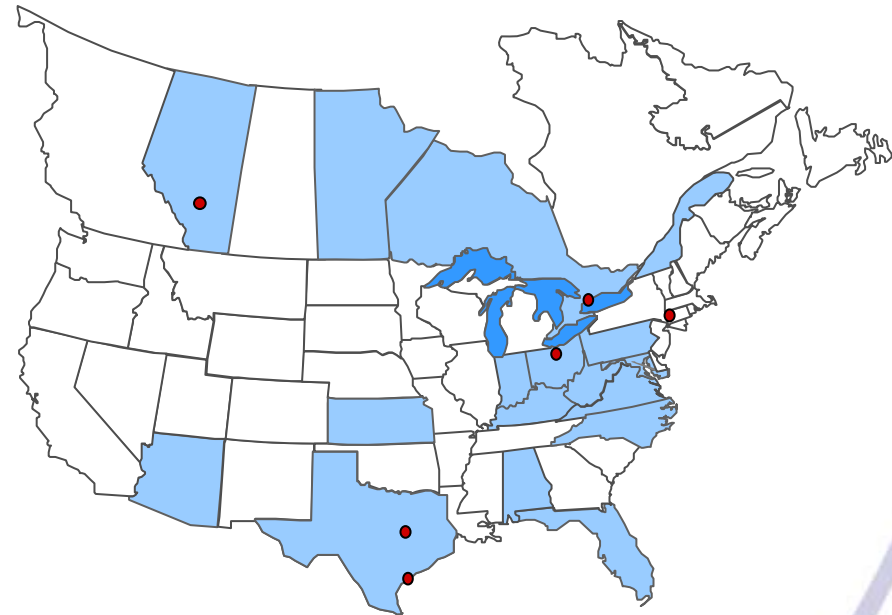


Market entry to present: **Where we operate**

**3 million residential energy customers;
55 TWh C&I volumes**



2 million home services customers



Dual Fuel
 Gas only
 Power only
 Home Services
 Principal offices

Power stations
 • 1,260MW CCGT
 • 302MW toll deal

Wind PPAs
 • 5 contracts
 • 813MW

Principal gas fields
 • 395bcfe 2P reserves
 • 110mmcf/day production

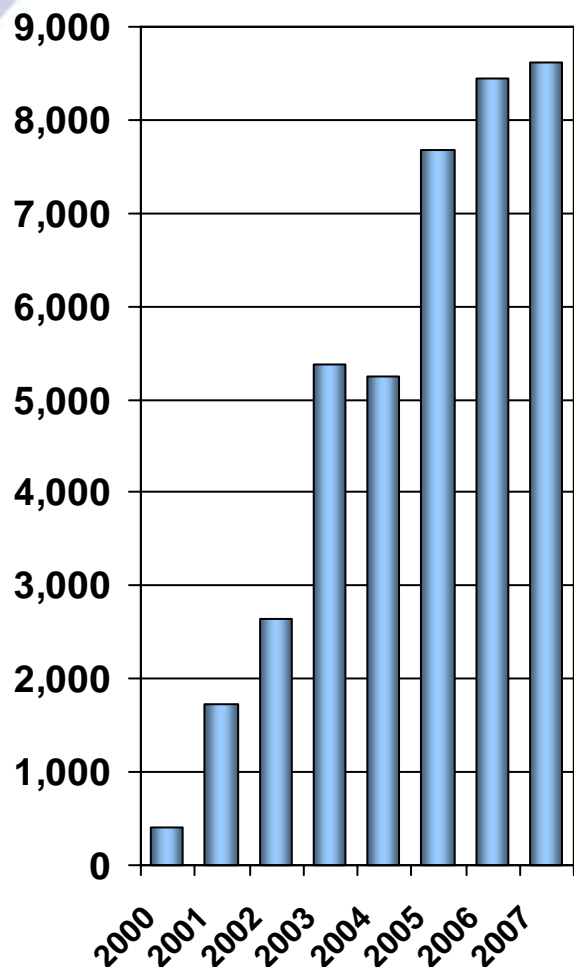
Market entry to present: **Why this portfolio makes sense**

- **There are linkages between the businesses**
 - Wide market spread mitigates regulatory and other market risks
 - Upstream & Wholesale Energy advantaged by our positions to support downstream
 - Cross-selling of energy and services
 - C&I energy positions in future residential markets (eg BC)
- **...and linkages with the Centrica Group**
 - Diversification of Group earnings
 - Optionality for growth and capital investment
 - Material and growing demand in NA supports global gas strategy
 - Exchange of ideas, processes and people

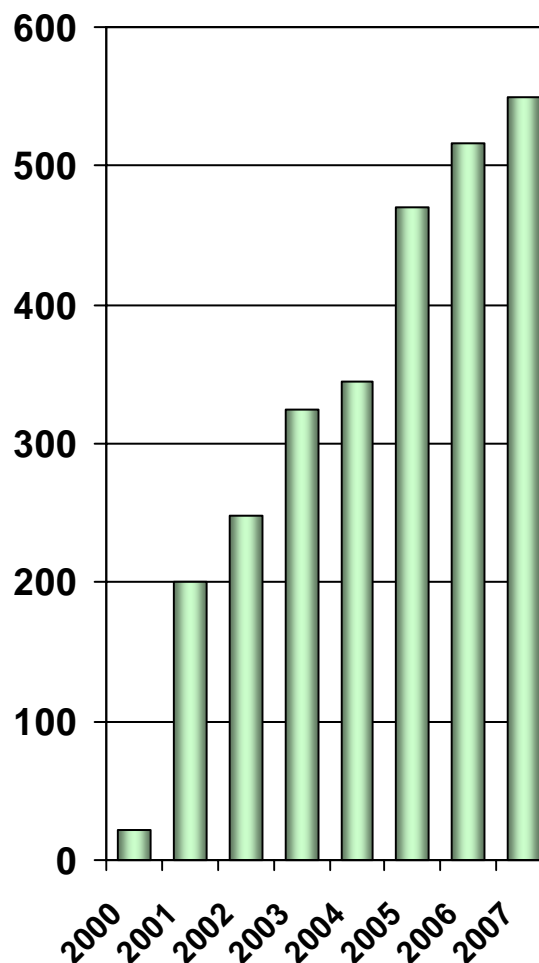
Market entry to present:

Direct Energy has delivered strong growth

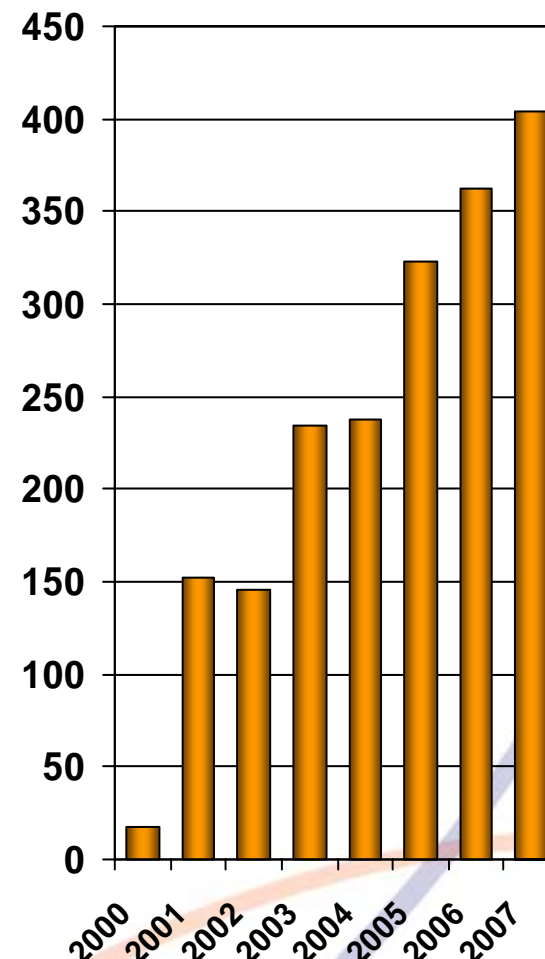
Revenues, C\$m



EBITDA, C\$m



Op Profit, C\$m



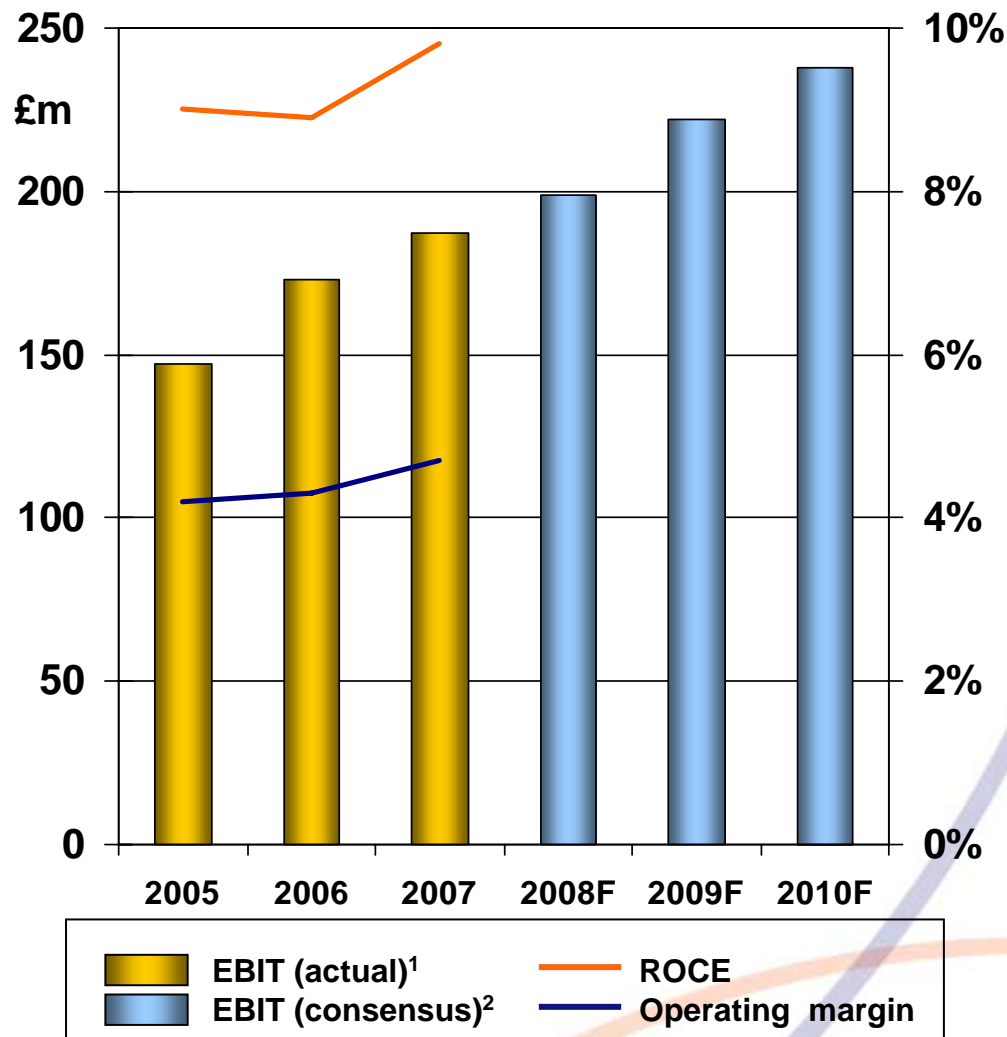
Note: All figures exclude the Consumer's Waterheater Income Fund

Market entry to present:

We have delivered on our December 2005 promises

“North America offers double-digit revenue growth, robust operating margins and a progressive return on capital”

*Investor Seminar
December 2005*

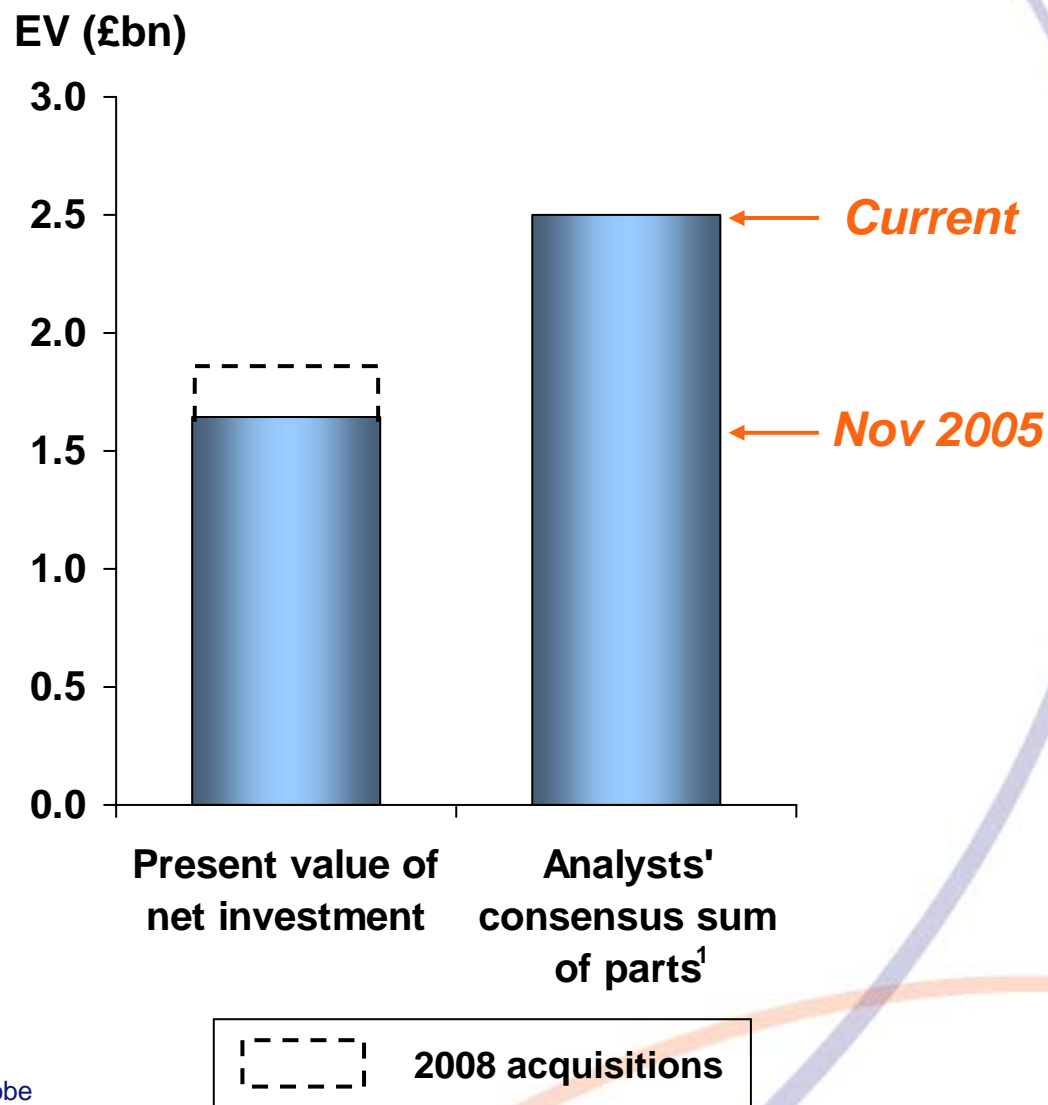


¹Excludes Income Fund

²Latest analysts' consensus adjusted to exclude Income Fund; excludes 2008 acquisitions of Rockyview, Strategic Energy and TransGlobe

Market entry to present: Value creation

- Present value of net investment in North America is £1.6bn¹
- Analysts' consensus SOTP valuation of DE is £2.5bn¹
- Three recent investments totaling £0.2bn have not yet been valued



¹Prior to acquisition of Rockyview, Strategic Energy and TransGlobe

Market entry to present: **How success has been achieved**

- High quality selection from large opportunity suite
- Expansion through “adjacencies”
- Successful execution and integration of acquisitions
- Cautious attitude to risk
- Centrica corporate reputation and credit support
- Seasoned management team with considerable experience
- Empowered, committed employees

Current Landscape: **Downstream**

- Rising energy prices and poor market rules have reduced political appetite for deregulation, especially in the residential sector
 - Roll-off of price freezes has required “fixes”
 - Need for \$900bn investment in infrastructure development
- But there have been significant successes
 - Emergence of dynamic, competitive wholesale markets
 - >1,000TWh of competitive C&I retail markets; >35% switching
 - British Columbia gas, Connecticut power opened in 2007
 - New York ESCO model success
 - Illinois power could be material
 - California power market could re-open

Current Landscape: **Upstream and wholesale**

- Upstream gas markets undergoing structural changes
 - Declining conventional production in US lower-48 states
 - Strong growth in unconventional gas
 - Increasing LNG import volumes
- Power assets remain expensive
 - New build costs rising
 - Continued uncertainty about technology choice
- National carbon markets in US and Canada expected by 2011
 - Customer appetite for energy efficiency is increasing

Looking ahead: “Invest to Grow” Strategy

- **Our overarching strategic purpose:**
 - Develop and maintain a business portfolio in North America that is able to sustain value-creating growth through commodity price cycles and evolving regulatory scenarios.
- **“Invest to Grow”**
 - Organic growth supported by incremental acquisitions
 - Assess additional value creating opportunities through larger acquisitions

Looking ahead: **Strategic priorities**

- Optimize **Mass Markets Energy** to rekindle growth and influence regulatory progress to maximise value of core markets (ON, AB, TX, OH, NY) and open up new opportunities (eg BC, CT, IL, CA)
- Deliver value from **C&I Energy** through rapid integration of Strategic Energy and aggressive organic growth, supported by services and technology offering
- Continue to increase **Services** market penetration in Canada and extend geography in United States
- Pursue attractive investments in **Upstream & Wholesale Energy** both to support retail businesses and open up new profit centres in adjacent businesses
- Drive fit for purpose **Organisation and Cost Structure**

Looking ahead: **Mass markets energy**

Strategy:

- Optimize business to rekindle growth and influence regulatory progress to maximise value of core markets and open up new opportunities

Recent successes:

- Reversal of net customer losses
- Positive regulatory moves in Connecticut & Illinois
- Defence of deregulation

Challenges to address:

- Conservative regulatory environment
- TXU price freeze
- Customer credit in a recession

Revenue:

- £2.4 billion

Operating Profit:

- £123 million

Customers:

- 3.0 million

Looking ahead: C&I energy

Strategy:

- Deliver value through rapid integration of Strategic Energy and aggressive organic growth, supported by services and technology offering

Recent successes:

- Strong organic growth
- Profitable in 2007
- #3 player following acquisition of Strategic Energy

Challenges to address:

- Strategic Energy integration
- Continued growth
- Sustaining margins

Revenue:

- £978 million

Operating Profit:

- £1 million

Volumes:

- 627 million therms / 13.9 TWh

Looking ahead: Home and business services

Strategy:

- Continue to increase Services market penetration in Canada and extend geography in United States

Recent successes:

- Profitability turnaround
- Demand Response launch in Ontario
- Growth in US consumer service

Challenges to address:

- US housing crisis
- US utility efficiency threat & opportunity

Revenue:

- £351 million

Operating Profit:

- £17 million

Customers:

- 2.0 million

Looking ahead: **Upstream and wholesale**

Strategy:

- Pursue attractive investments both to support retail businesses and open up new profit centres in adjacent businesses

Recent successes:

- Profits more than doubled in 2007
- Gas reserves up 37% in past year
- Rockyview and TransGlobe acquisitions
- Power generation development
- New profit streams

Challenges to address:

- High power asset valuations
- West Texas basis

Revenue:

- £226 million

Operating Profit:

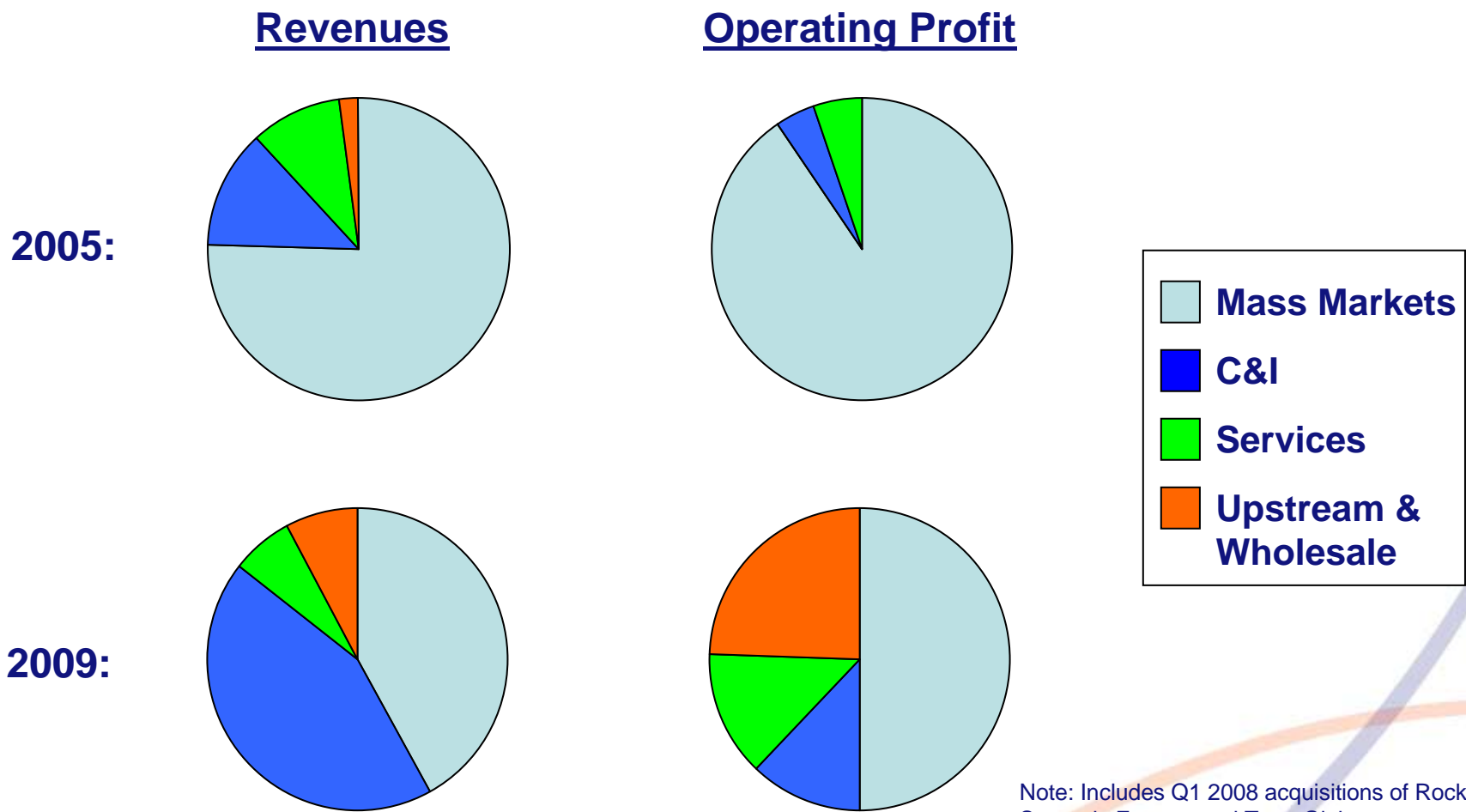
- £46 million

Production:

- 297 million therms / 5.1 TWh

Looking ahead: Business unit contribution

Whilst Mass Markets remains a core value-creator, growth in other businesses is creating a more balanced portfolio



Note: Includes Q1 2008 acquisitions of Rockyview, Strategic Energy, and TransGlobe

Summary

- Successful investment track record
- Delivered on 2005 promises
- Created value
- Further opportunities for significant growth
- Clear strategy
- Great people



Questions?