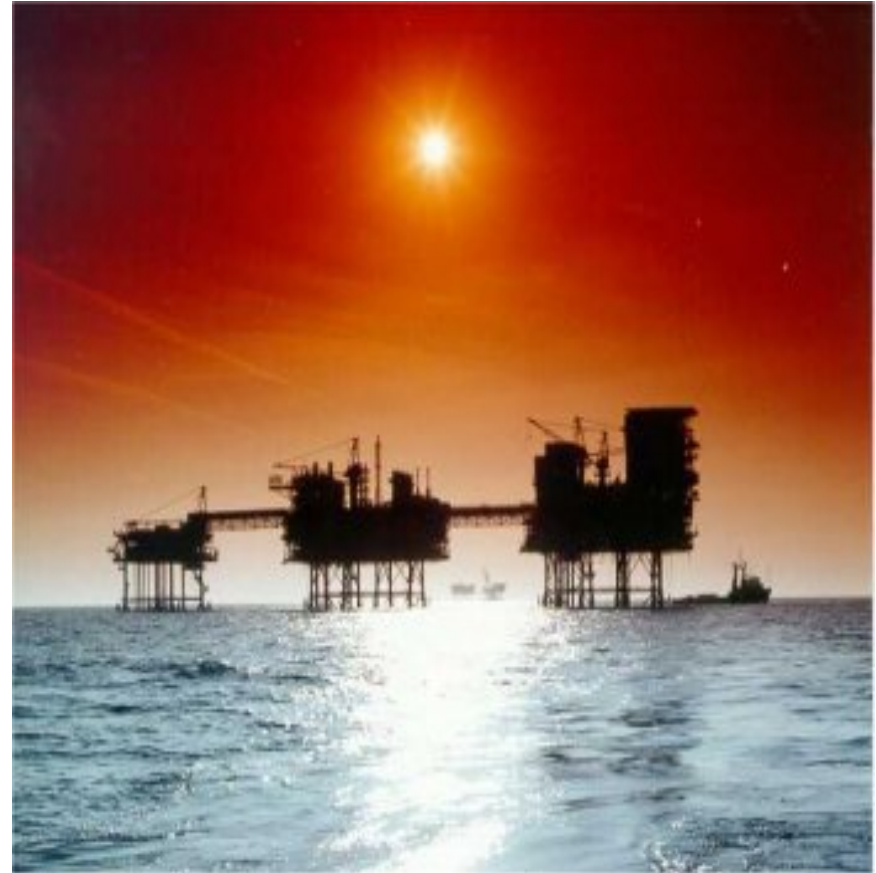


Centrica Storage

One year on

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Managing Director
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Disclaimer

This presentation does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica Shares.

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

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taking care of the essentials

Centrica Storage

- The Rough and Easington assets
- Steps taken since acquisition to improve asset integrity and performance
- Outcome of Competition Commission reference
- Storage market trends and implications for value of Rough

Centrica Storage assets



Offshore – 2 platform complexes

47/3B 24xProduction/injection wells

47/8A 6xProduction wells

75% UK storage by volume

7% of UK peak demand



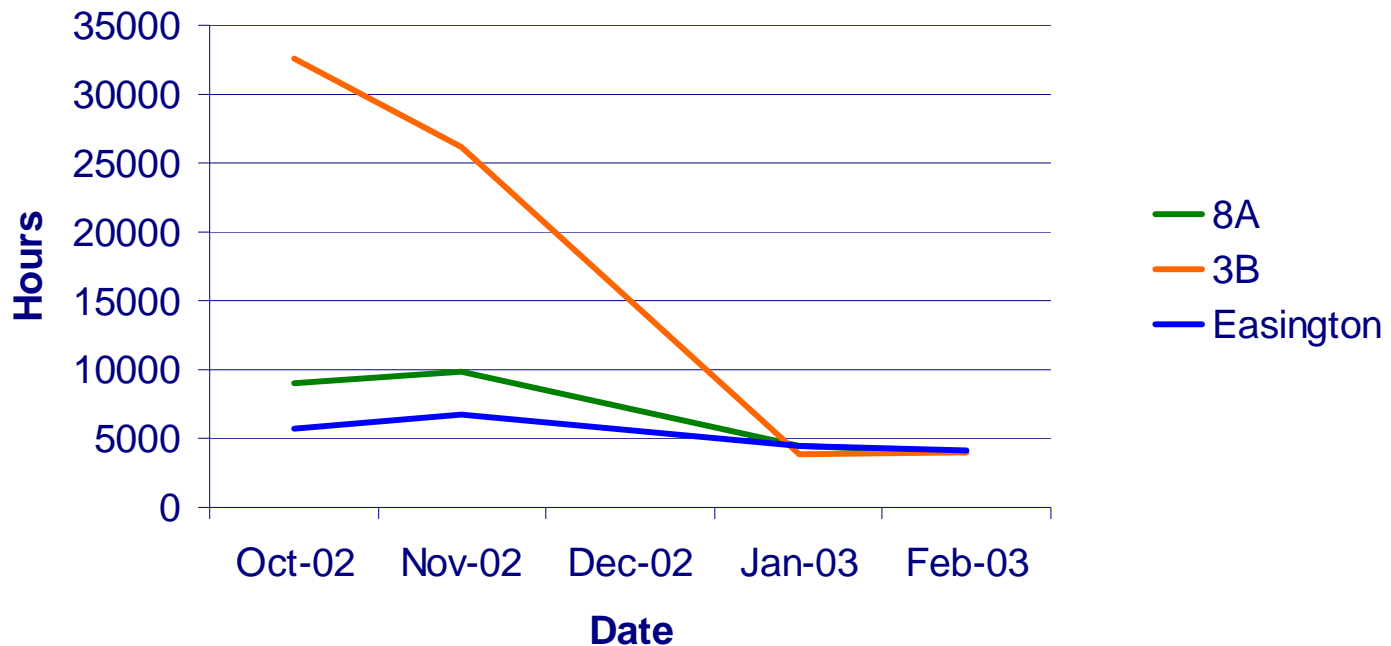
Easington Terminal

Processes Rough and 3rd party gas
(Amethyst, Helvellyn, Rose)

Asset integrity and performance

- HSE issues
- Maintenance backlog
- Efficiency and reliability
- Value-adding opportunities

Inherited backlog control & reduction



Competition Commission outcome

- No divestment and no undertakings in relation to Centrica's overall use of gas flexibility
- Remedies covering:
 - The way capacity is to be sold
 - Separation of Storage business unit
 - Rules for information protection and disclosure
 - Compliance reporting and monitoring

The key undertakings

Separation and information barriers

- Separate reporting line into Company Secretary of Centrica
- Physical separation from gas supply, shipping, trading, storage procurement and asset operations
- 'Chinese Walls' to govern information flow from Centrica Storage
- Centrica Storage retains access to corporate shared services, reservoir development and asset management skills within CEMG

Capacity sales

- Must offer a range of durations and indexed prices but no requirement to sell specific volumes/durations/indexation
- 20% capacity reservation to Centrica group, declining to 15%
- Centrica group can buy in secondary market and retain incremental capacity
- Unsold capacity must be auctioned 30 days before storage year
- Existing standard contract terms retained and can only be amended at Centrica Storage initiative, subject to Ofgem veto

Costs of compliance low and value of asset not impaired

Centrica Storage value drivers

- Capacity is sold in standard bundled units (SBUs) of injectability, space and deliverability¹
- 455m SBUs are sold each year
- The price of SBUs is the prime driver of the value of Rough
- 90% of the value of an SBU is directly linked to the spread of peak winter (Jan/Mar) to summer (Apr/Sep) prices
- This basic or intrinsic value of 1 SBU is 2.4 X (Q1 – AveQ2,Q3)²
- Additional or extrinsic value derives from ability to deliver on 67 highest price days in winter, additional cycling of gas, and option value from injection/withdrawal flexibility

¹An SBU comprises 1kWh deliverability, 67 kWh space, 0.35kWh injectability

²(Q1 – Ave Q2,Q3) in p/therm; the 2.4 multiplier converts units

Profit and Loss 2002* (£m)

<i>Turnover</i>	
SBU sales	59.1**
Commodity charges	8.6
Other capacity	8.9
Other revenue	<u>12.8</u>
<i>Total revenue</i>	89.4
<i>Operating costs and o/heads</i>	- 50.5
<i>Depreciation and Amortisation</i>	<u>- 15.3</u>
Profit before interest and tax	23.6

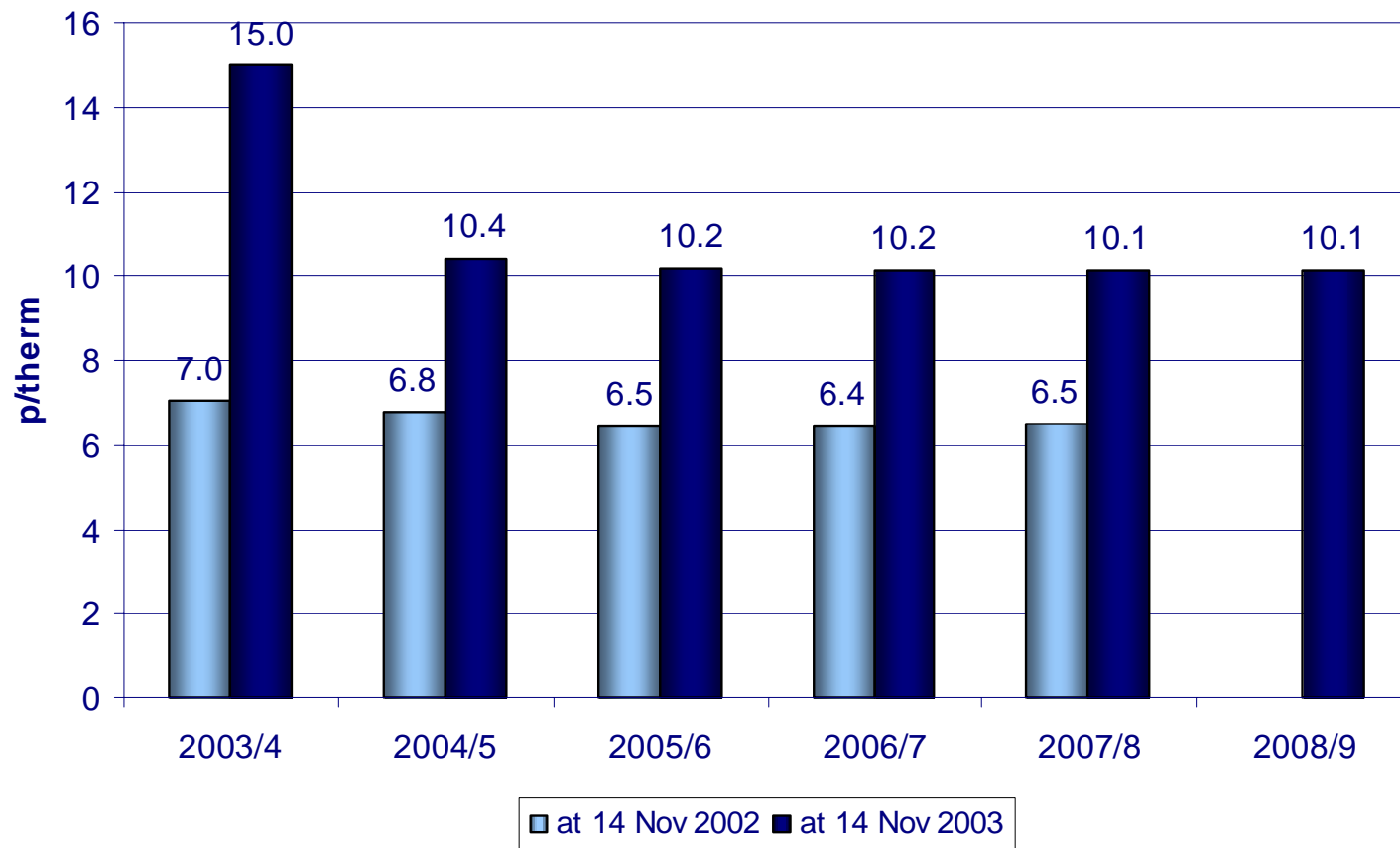
Capital allowances as at Dec 2002 (£m)

- 25% pool	82.1
- 6% pool	8.3
NBV of tangible fixed assets	447.6
Tax rate for storage	30%
Tax rate for production	40%
Decommissioning date estimated 2029	

* derived from 2002 statutory accounts of CSL group companies

** average price in FY2002 was approx 13p/SBU

Summer/winter gas price differential (p/therm)



Summary – One year on

- Significant progress in addressing HSE issues and plant maintenance backlog inherited at acquisition
- Value-adding opportunities identified and under evaluation
- Norwegian gas to be landed at new Easington terminal
- Undertakings given, following Competition Competition reference, in line with expectations at acquisition
- Movement in Q1/summer price spreads since acquisition indicate increase in value of at least 50%
- Market fundamentals point to continued growth in value of Rough storage services