



centrica

Centrica

Annual General Meeting 2009

we **source** it
we **generate** it
we **process** it
we **store** it
we **trade** it
we **save** it
we **supply** it
we **service** it



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Roger Carr

Chairman

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British Energy

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- Agreement with EDF to acquire 20% stake in British Energy:
 - Includes sale to EDF of our 51% stake in SPE
 - £1.1 billion net consideration
- Delivering significant benefit to Centrica shareholders
- Transaction subject to shareholder approval – General Meeting in June

2008 Performance Review

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- Strong set of financial results
- Volatility in wholesale gas & power prices
- Global energy issues
 - Fluctuating oil prices
 - Large wholesale gas price increases in 2008
 - Retail price increases for UK customers in 2008
 - Price reductions in 2009

British Gas

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- **Reduction in 2008 British Gas Residential profits due to market environment**
- **Strong start made in 2009**
- **Industry leading position in supporting our most vulnerable customers**
 - **530,000 customers on British Gas social tariff**
 - **Planned £500m spend on vulnerable customer programmes to 2011**
- **Strong revenue and profit growth in British Gas Services and British Gas Businesses**

Upstream Businesses

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- Continued focus to increase our vertical integration
- Announced agreement with EDF to acquire a stake in British Energy
- Gas reserve acquisitions in the North Sea and North America
- 23.6% stake in Venture Production
- Intention to build 3 additional gas storage facilities
- Exploring further opportunities in gas and power

THE SUNDAY TIMES

20 **BEST BIG
COMPANIES
TO WORK
FOR**
2009

**In February, British Gas was recognised by the Sunday Times as
one of the 20 Best Big Companies to Work For 2009**



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May 2009 Interim Management Statement

- Outlook for group earnings in line with market expectations
- Lower group operating profit offset by lower effective tax rate
- Full announcement at www.centrica.com



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Sam Laidlaw

Chief Executive

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British Energy

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- Agreement with EDF to acquire a 20% stake in British Energy
- Secures Centrica's participation in the UK nuclear industry
- Significantly reduces exposure to volatile gas prices
- 85% of tariff electricity sales will come from own generation
- Restructured from £3.1 to £1.1 billion cash transaction

Changing energy markets and industry challenges

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- **Climate change**
- **Security of supply**
- **Providing customers with affordable energy**



Changing energy markets and industry challenges

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- UK government climate change targets
 - 15% of all UK energy from renewables by 2020
 - 80% reduction in UK greenhouse gas emissions by 2050
- 25% of UK coal-fired power stations closed by 2015 – need to build clean replacements

Changing energy markets and industry challenges

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- Renewables and nuclear are key
- Government estimates that 35% of electricity could come from renewables by 2020 (currently 4.5%)
- Adjustment of Renewable Obligation will support additional offshore wind investment
- New nuclear construction is essential for low carbon generation base load power

Delivering change requires significant investment

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- £100 billion to deliver 2020 renewable target (Government estimate)
- £230 billion energy sector investment by 2025 (Ernst & Young)
- Centrica investing £15 billion by 2020
 - Nuclear, renewables, gas production and gas storage
 - Creating 1,500 new skilled jobs

2008 Performance

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- Operating profit in line with expectations - £1.94 billion
- Significant proportion of upstream profits taxed at 75%
 - Overall group tax rate exceeded 52% in 2008
 - Impact on post-tax Earnings per Share
- Change in mix of profits should reduce tax rate in 2009
- Operational performance and service levels continue to improve

Strategic Priorities

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

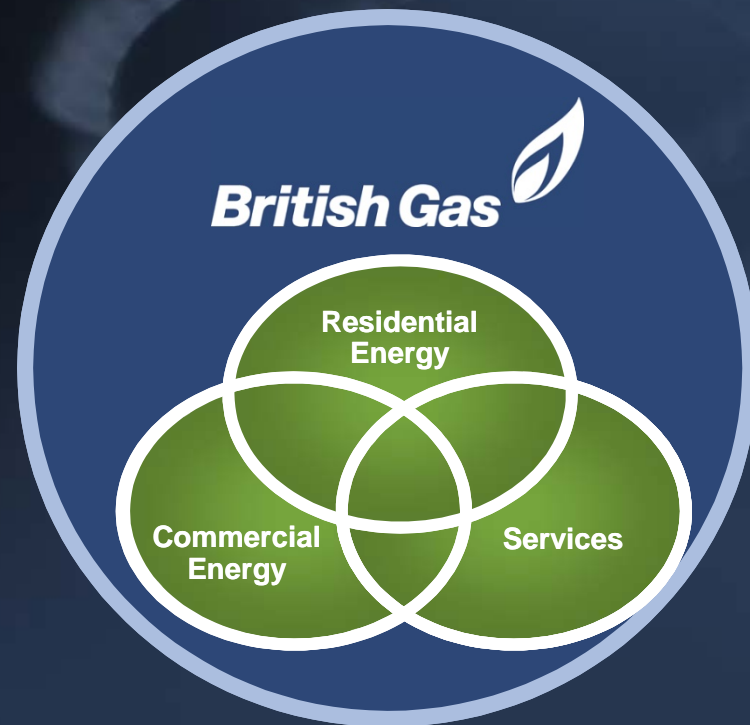
Transform British Gas

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- Significant improvement in customer services
- £200m operating cost reduction since 2006
- Reduction in gas and power prices
 - May 2009 – 10% cut in power prices
 - February 2009 – 10% reduction in gas prices
 - Cheapest supplier for electricity and dual fuel
 - WebSaver online tariff leading the market
- Continued focus on our more vulnerable customers

Transform British Gas

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Transform British Gas

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- **12 Million households holding 24 million products**
- **Only 1.9 million households hold both an energy and services product**
- **Customers holding both products are more likely to stay with British Gas and have higher lifetime value**
- **Further £100 million cost reduction opportunities**
- **New structure allows better targeting of energy efficiency products and services**

Sharpen the organisation and reduce costs

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- **Group like for like costs down by £40 million in 2008**
- **Cost control remains on agenda**

Reduce risk through increased integration - Gas

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- Successfully increased asset base
 - Acquired around 800 bcfe of reserves
 - Invested £1bn in gas acquisitions and development
 - 24% interest in North Sea gas producer acquired in March 2009
- Increased LNG capacity in 2009/2010
 - 6 LNG cargoes already brought in
 - Additional cargoes contracted in 2009 and 2010
 - Ongoing discussions with National Oil Companies
- Three new gas storage projects - £1.5bn investment

Reduce risk through increased integration - Power

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British Energy

- Agreement delivers long life, low carbon source of power
- Platform for growth with new nuclear construction
- Terms of the transaction significantly improved since last year
- Langage gas-fired power station completed by late 2009
- Lynn & Inner Dowsing - world's largest offshore wind farm development
- Our power generation portfolio will generate 85% of required electricity for our retail customers

Build on our growth platforms

- **Revenue and customer growth in British Gas Business, British Gas Services and Direct Energy**
- **Profitability in these businesses has increased 50% in two years – combined £560 million operating profit in 2008**
- **Further investment to strengthen North America planned**

Summary

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- **Building an efficient and robust business to withstand shocks from volatile energy markets**
- **British Energy agreement a major step forward to strengthen the business and provide new growth platforms**
- **Remain focused on strategy to deliver shareholder value**



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