Capital Markets Presentation
12 March 2010

centrica

Sam Laidlaw
Chief Executive

centrica

Agenda

09:00	**Main presentation**	
	- *Context and strategic direction*	Sam Laidlaw
	- *British Gas*	Phil Bentley
	- *Centrica Energy*	Mark Hanafin
	- *Direct Energy*	Chris Weston
	- *Financial overview*	Nick Luff
	- *Wrap-up and Q&A*	
11:35	**Breakout sessions**	
15:50	**Wrap-up**	
16:00	**Drinks**	

2006-2009: the first step in the journey

Our Strategic Priorities

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

The market environment

Key trends	Centrica competitive advantages
1 Energy efficiency	Only utility with large-scale services capability
2 Electricity decarbonisation	Low carbon power generation
3 Volatile commodity prices	Integrated business model Unique dual fuel hedge Gas storage capability
4 Security of supply imperative	Diverse gas, renewables, nuclear portfolio Leading LNG importer to UK

The next stage: our vision

Our vision is unchanged:

To be the leading integrated energy company in our chosen markets

The next stage: our strategic priorities

1. **Grow British Gas**
   . . leading the transition to low carbon homes and businesses
2. **Deliver value from our growing upstream business**
   . . . securing sustainable energy for our customers
3. **Build an integrated North American business**
   . . . with leading positions in deregulated markets
4. **Drive superior financial returns**
   . . . through operating performance and our investment choices

energy for a low carbon world

Phil Bentley
British Gas

centrica

Market opportunity

- Imperative to transform energy efficiency of Britain’s homes
- Substantial growth in demand for insulation and energy related services
- Commercialisation of green technologies, e.g. microgeneration
- Smart meters leading to home automation and deeper customer relationships

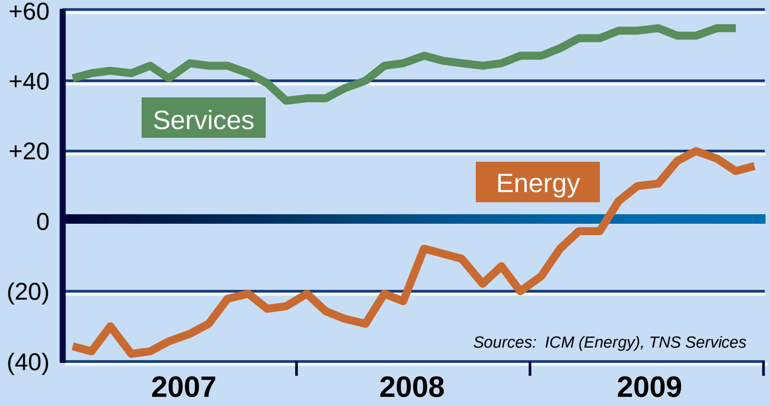
Market winners will be energy suppliers
with broad servicing capabilities

British Gas is uniquely placed to capitalise on the market opportunity

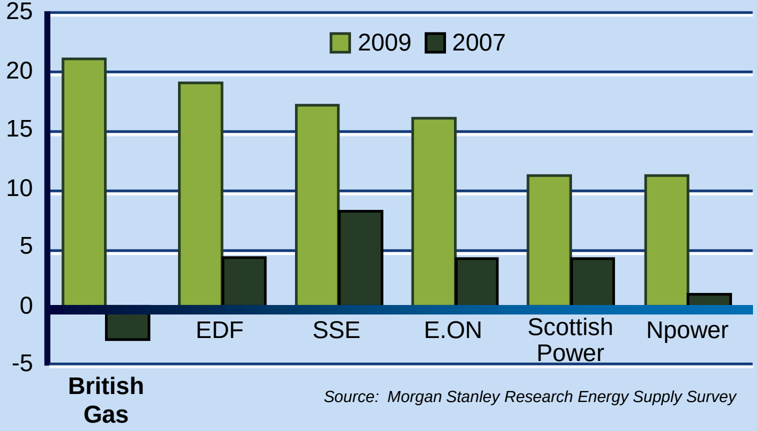
Customers	• 12 million homes, half of UK households • No.1 domestic gas supplier, No.1 domestic electricity supplier • One million businesses, No.1 in SME gas and electricity
Capabilities	• National base of 9,000 highly trained engineers • No.1 Service & Repair, No.1 Boiler Installations
Brand	• No.1 in brand metrics, particularly trust
Scale	• Most advanced IT platform • Economies of scale to deliver lowest cost to acquire and serve
Policy	• Unique UK upstream / downstream presence
Innovation	• No.1 for online and smart meters • Leadership in low carbon technologies

Over the past three years, we have transformed customer service..

Contact Net Promoter Score (NPS)



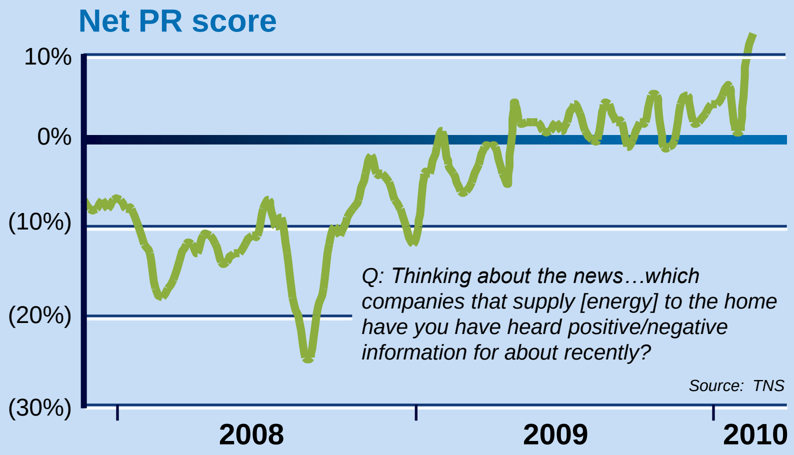
Customer satisfaction

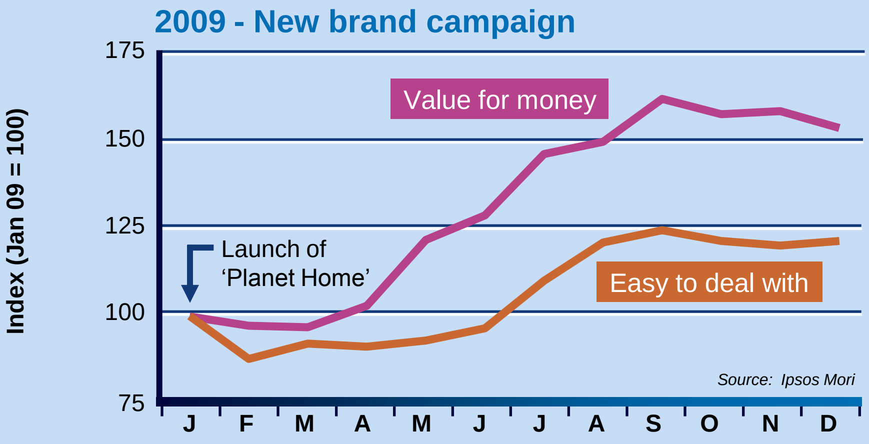


Source: Morgan Stanley Research Energy Supply Survey

- Call volumes down 40% since 2006
- Launched engineer “call ahead” (+30 impact on Energy NPS)
- Cardiff contact centre recognised as 2009 European Call Centre of the Year

.. and consumers' trust in the British Gas brand has been restored



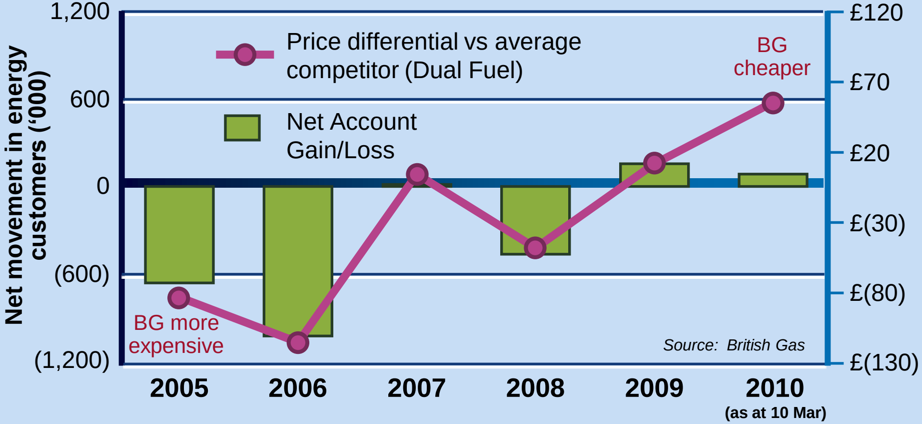


- Unprompted Brand NPS moved into positive territory, now regularly No.1 or No.2
- British swimming sponsorship generating good awareness and driving positive NPS
- Widespread recognition for Green Streets and Generation Green schools programme

centrica

We are leading on price and growing customer numbers and value

Energy price position vs customer growth

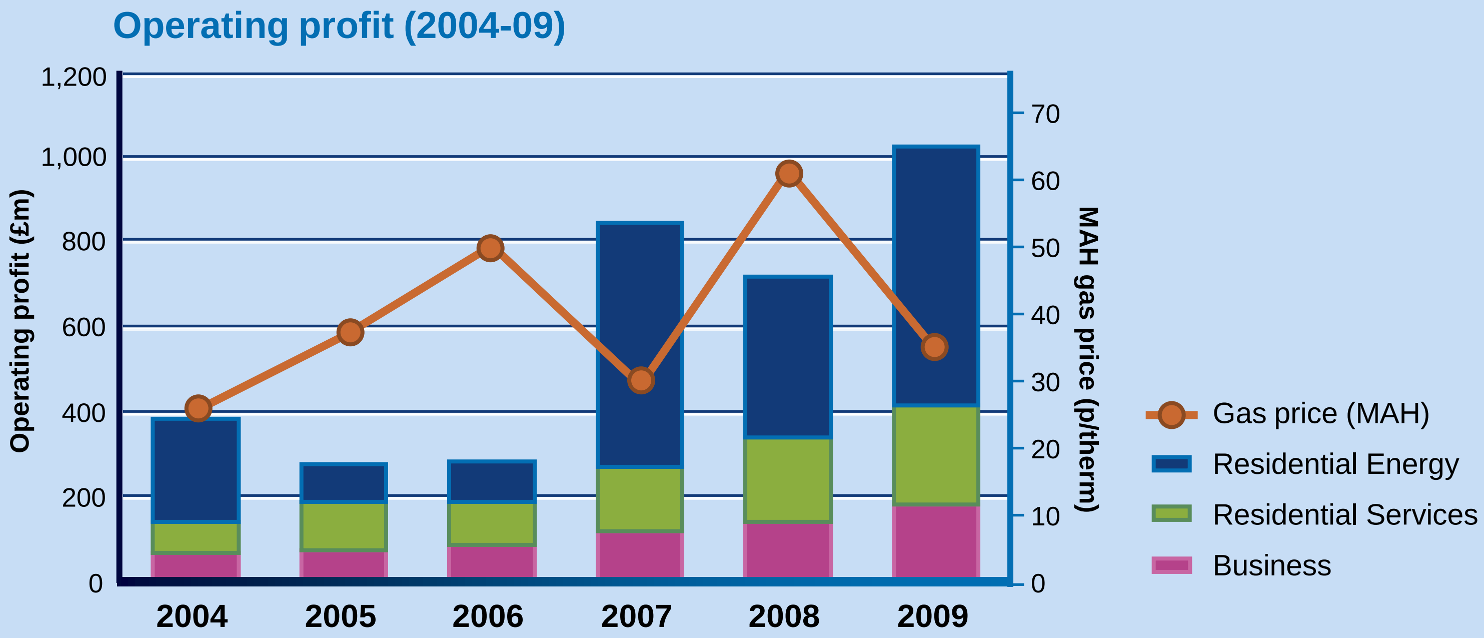


British Gas households ('000)

All in '000	Dec 2008	Dec 2009	Growth
Energy & Services	**1,879**	**2,043**	**+164**
Services Only	1,827	1,959	+132
Energy Only	8,328	8,224	-104
Total	**12,034**	**12,226**	**+192**

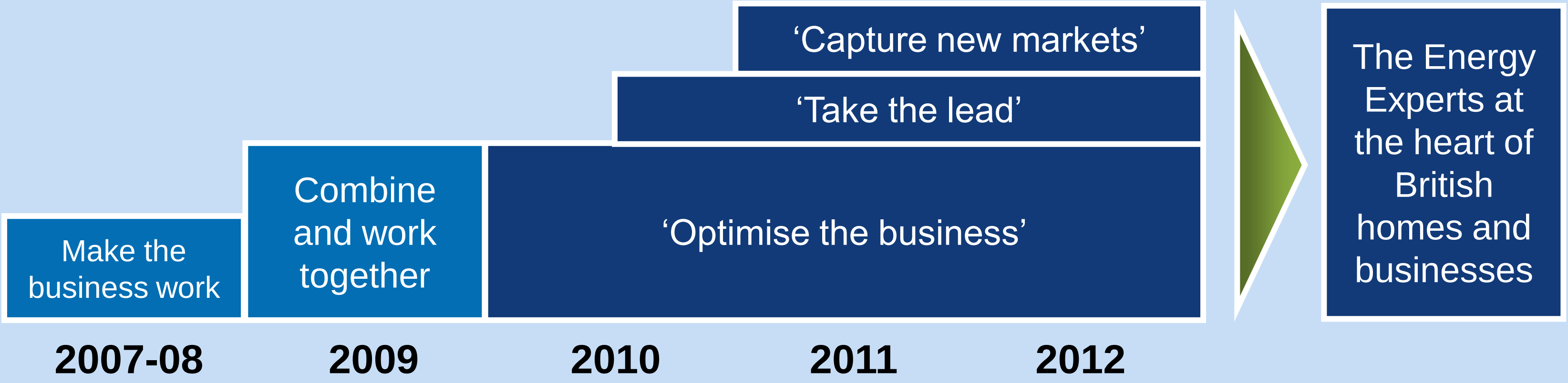
- “Cheapest major supplier in Britain for both gas and electricity”
- Launched bundled energy and services offerings for residential and business customers
- Restructured pricing to reduce loss-making customers across energy and services
- Improved targeting, screening and cross-sell to acquire and retain valuable customers

British Gas is able to deliver sustainable profits even with volatile wholesale markets



Strong profit growth and low capital requirements

We will build on the transformation of British Gas to deliver our new strategic priorities

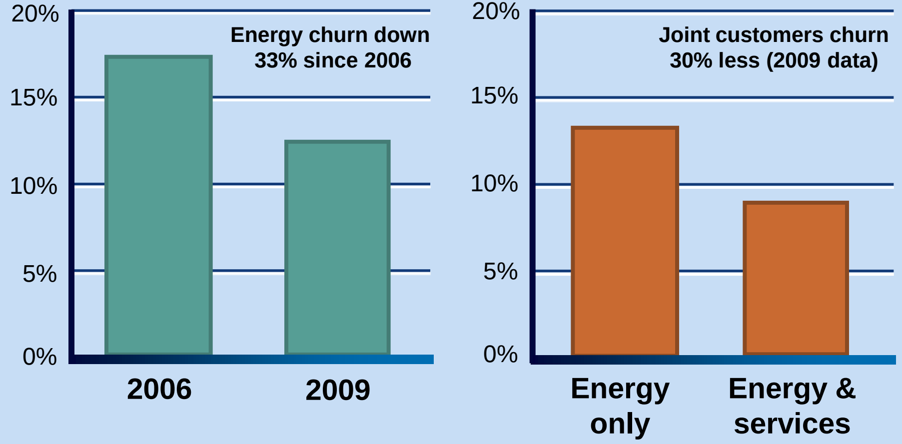


- ***‘Optimise the business’*** to leverage scale and efficiency benefits
- ***‘Take the lead’*** through innovation in existing growth areas
- ***‘Capture new markets’*** by embracing new technologies and channels

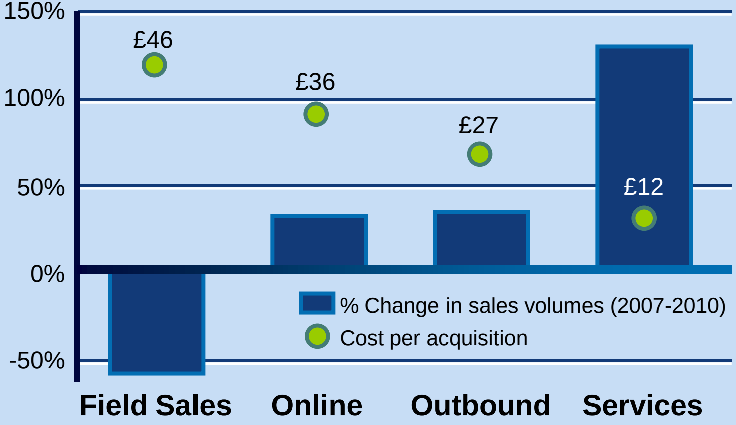
Optimise the business

Deliver sustainable profits in Residential Energy

Energy churn



Energy sales - optimised by channel

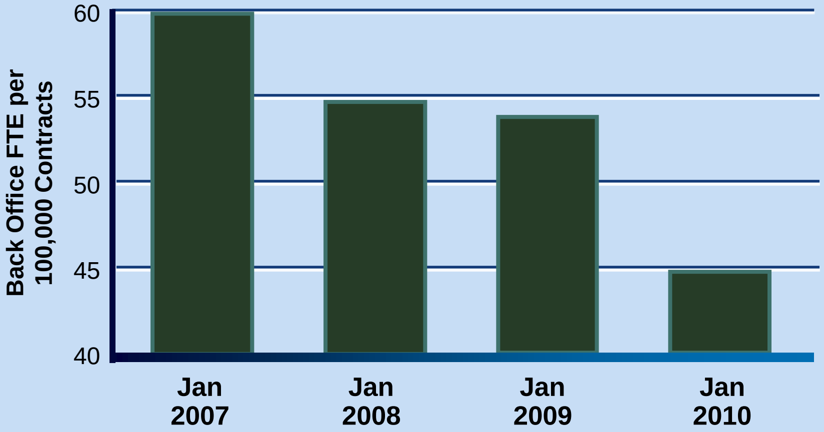


- Expand bundled products portfolio, building on successful launch of EnergyExtra
- Focus on cross-serve and cross-sell for energy & services customers
- Engineer channel launched early February, generating high quality leads

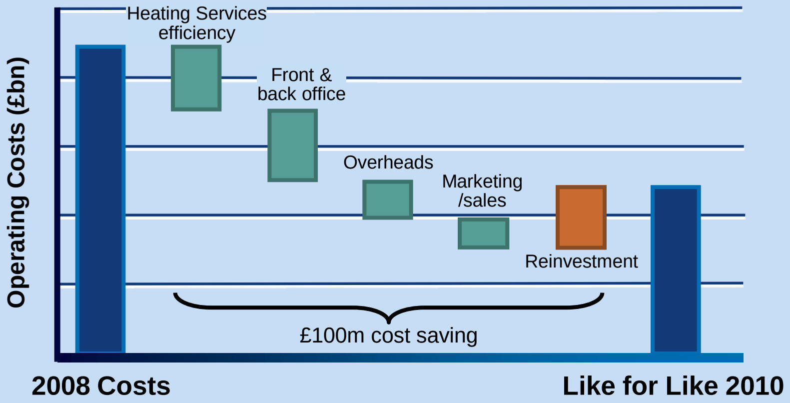
Optimise the business

Realise cost synergies to invest in future growth

Heating Services (Back office FTE per 100,000 contracts)



Operating costs (Residential Energy & Services excl. bad debt)

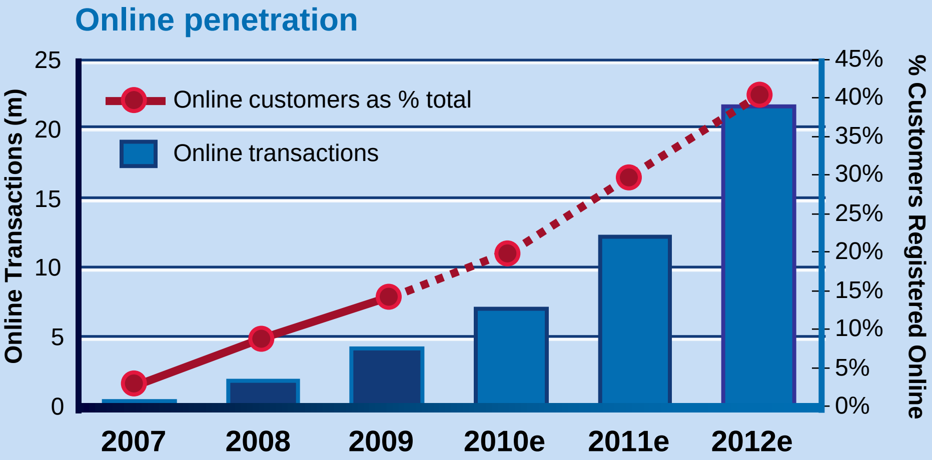


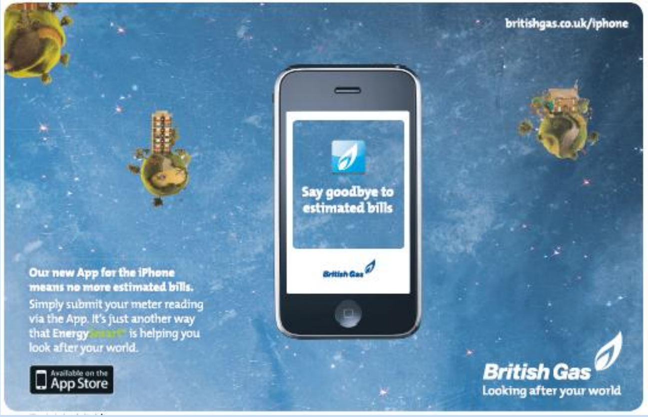
- Focus on back office processes has cut costs and improved customer experience
- Proactive credit management has reduced bad debt charge
- Reinvestment to drive growth in key areas, e.g. online, customer service, new markets

centrica

Take the lead

Innovate to drive step change in online



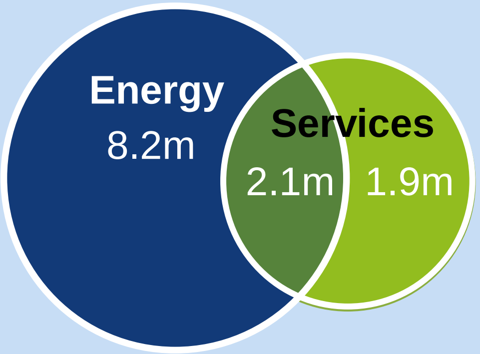


- Online transactions doubled since 2008 to over 4 million
- Self-serve transactions now account for 38% of total contacts
- Leading innovation standards with EnergySmart and iPhone application
- Use online and smart functionality to increase customer control

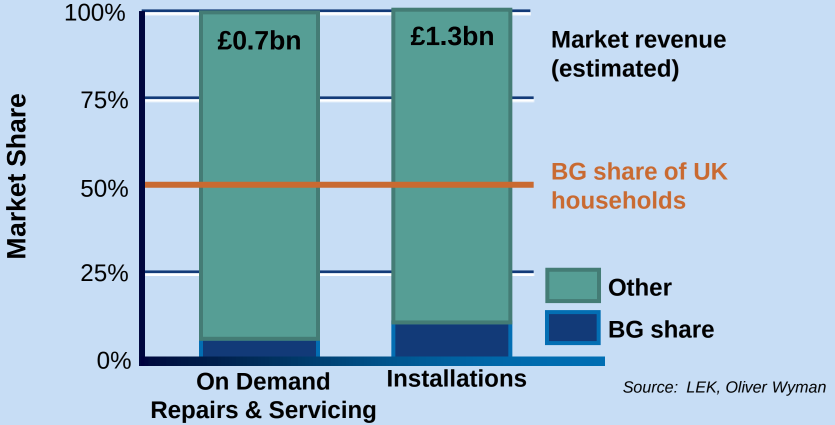
Take the lead

Transform Heating Services growth

British Gas households



Market opportunities



- New flexible propositions, including insurance, to tap into 8m energy only customers
- Drive conversion of installation leads via lower pricing, funded by improved productivity
- Dramatically increase On Demand via engineer flexibility, better awareness and new pricing

Investment in engineer efficiency to transform services growth

Take the lead

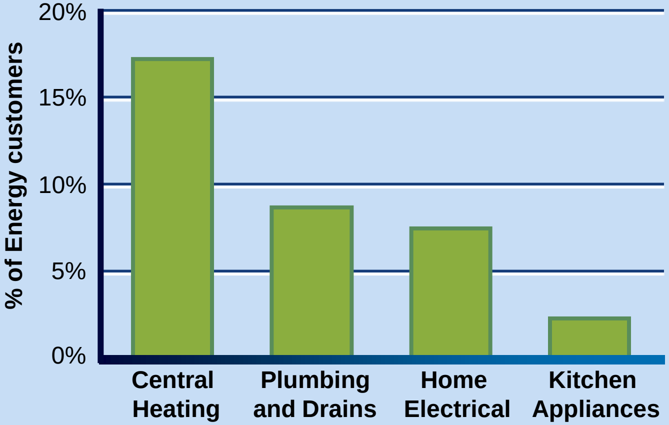
Access new channels in Electricals & Plumbing

Product holdings

All in millions	**British Gas**	**HomeServe**
Plumbing & Drains	**1.86**	4.15
2008-09 growth	**11%**	3%
Home Electrical	**1.38**	0.77
2008-09 growth	**9%**	3%

Source: HomeServe Interim Results, November 2009

Product penetration of energy base

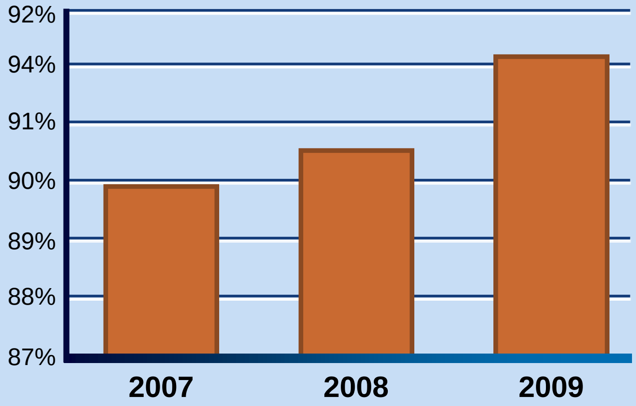


- Strong growth in operating profit to over £100m in 2009 (3.8m products)
- Similar scale business to HomeServe plc and currently growing more rapidly
- Increase energy customer penetration through awareness, pricing and bundling

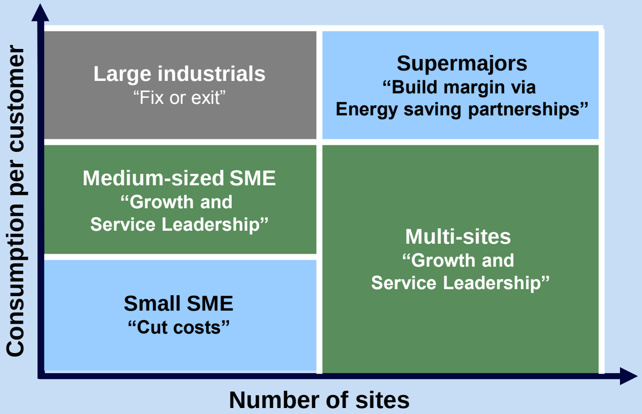
Take the lead

Build on the current momentum to sustain growth in British Gas Business

SME retention



Business customer segmentation

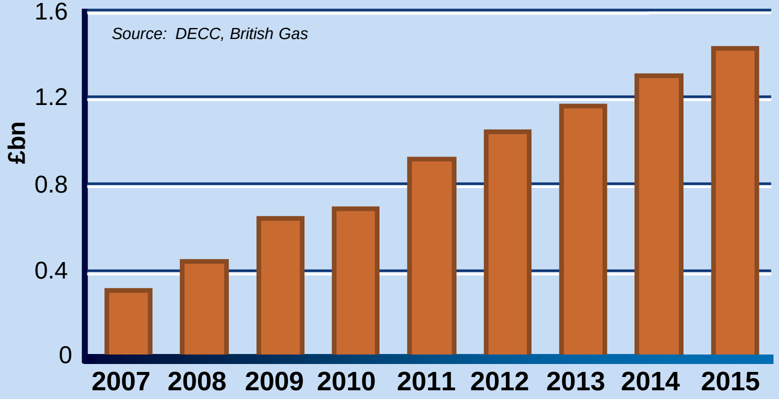


- Consistent profit growth (c25% p.a.) to £183m in 2009, with six value-creating acquisitions
- Leading in smart meter installations, Energy360 analysis and remote multi-site monitoring
- New segmented strategy: cut costs in small SMEs, invest to grow medium-sized SMEs, drive rapid value in multi-sites service solutions, "fix or exit" unprofitable majors

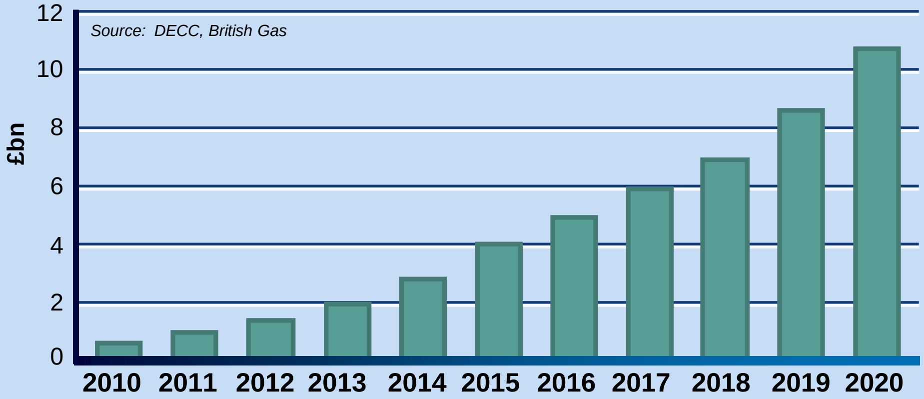
Capture new markets

Capitalise on opportunities from transition to low carbon homes

Insulation - domestic market forecast



Microgeneration installation – revenues market forecast

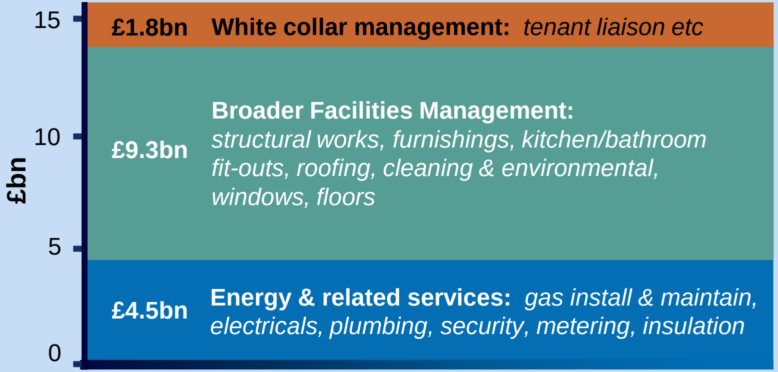


- CERT and CESP programmes have created a leading position in insulation market
- Creating national installation coverage, exclusive partnership with Rockwool
- Broad spread of capabilities in solar, fuel cell boilers, biomass, biomethane
- Only energy supplier chosen to participate in Government’s “Pay As You Save” trial

Capture new markets

Forge strategic relationships with local authorities

Local Authority spend on property services (2009)



Source: Credo

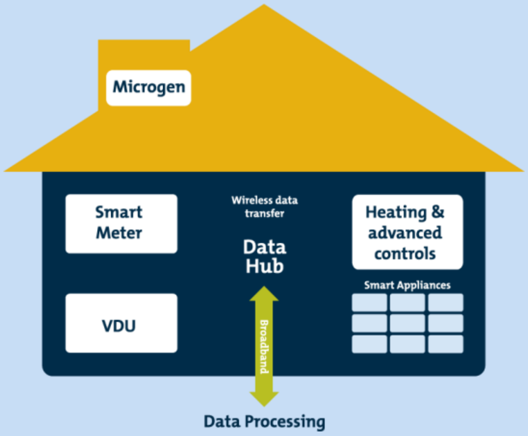
We are setting out a new strategic role for local authorities. Those that respond to the challenge will be able to lead, drive and co-ordinate local action – and energy companies will be obliged to work with them in this effort.
Ed Miliband, Energy Secretary

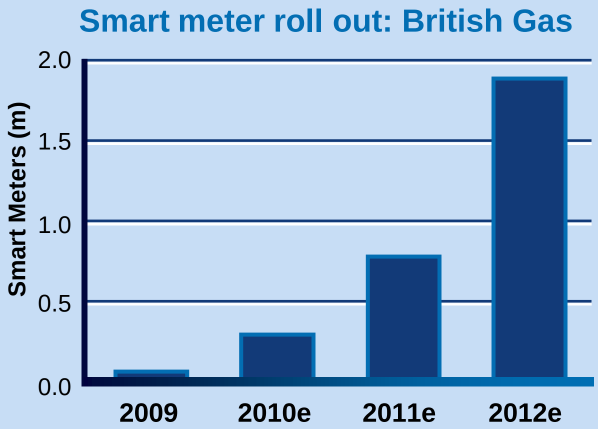
Under the Green Deal…. Trusted retailers…social enterprises, housing associations, local authorities and local businesses would be entitled to provide energy efficiency improvements to people's homes
Greg Clark, Shadow Energy Secretary

- £15bn total market, £4bn within our core energy & services capabilities
- 5 million homes in social housing, market will grow driven by environmental obligations
- Local Authorities will be key partners for rolling out HEMs / Green Deal
- We have existing relationships with over 100 Local Authorities (25% of total)

Capture new markets

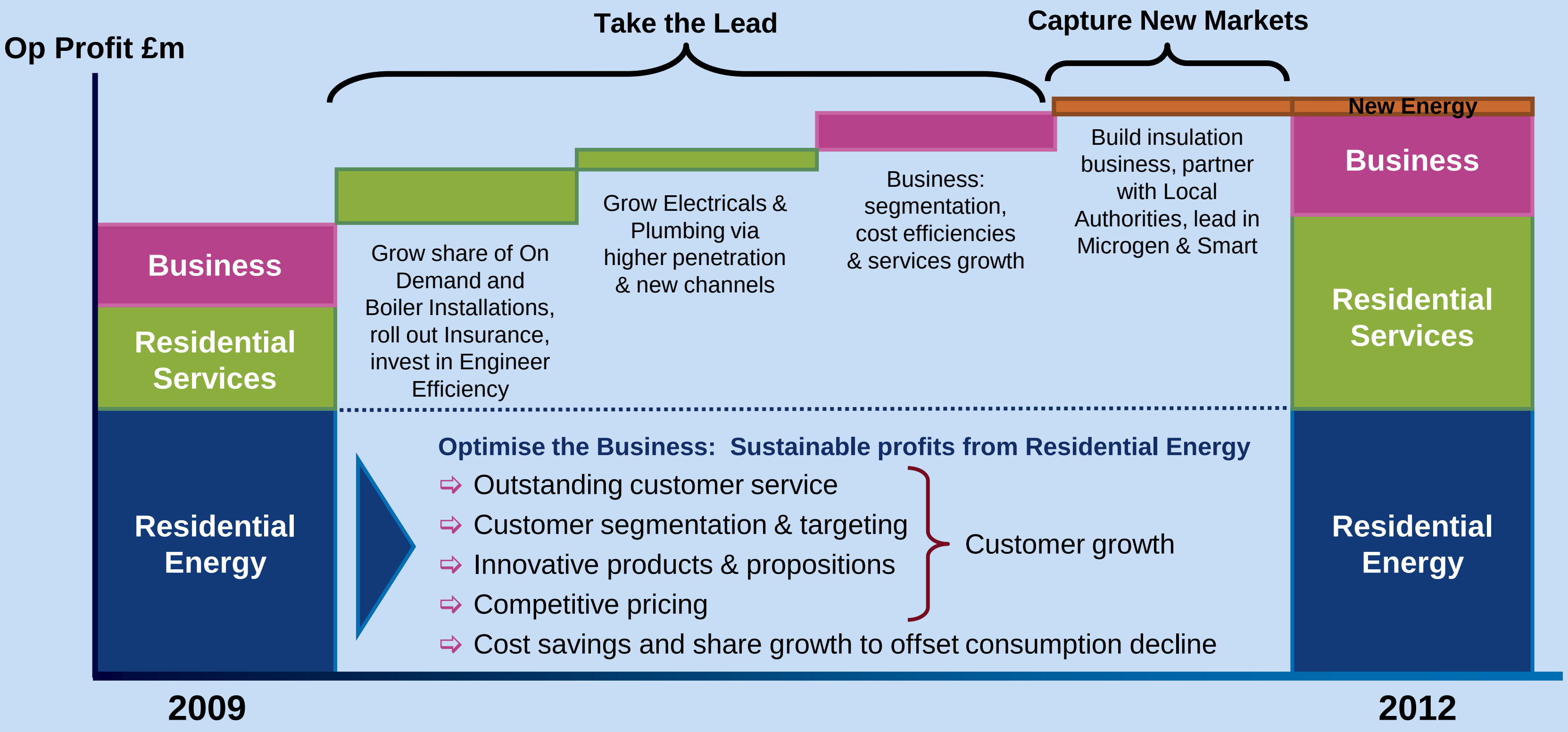
Leverage smart as a platform for Home of the Future





- Adopting “go early” strategy with smart meter roll-out to gain first mover advantage
- Creating British Gas smart metering with national network of 2,300 engineers
- Leveraging smart meter install with a customer “home energy makeover”
- Building technology partnerships

Grow British Gas:
good growth prospects with low capital requirements



Mark Hanafin
Centrica Energy

Market opportunity

Upstream Gas

- UK and Norway gas remain lowest cost for UK gas delivery
- Majors exiting the North Sea
- Extensive infrastructure (gas pipelines) already present in the UKCS and NCS
- Gap between UK supply and demand expected to be filled by LNG

Power Generation

- Medium term shift to low carbon generation
- Government focus on renewable energy (offshore wind) to continue
- Increasing recognition of the role of new nuclear in meeting low carbon and security of supply objectives
- Tightening reserve margins due to plant closures beyond 2015, with increased intermittency

Volatile prices and threat of supply disruption underscores need for UK security of supply and supports long term need for vertical integration

Our distinctive capabilities and ability to execute strategy are key to delivering value from our growing upstream business

Distinctive capabilities

- Transformed scale and capability in upstream gas
- Only ‘dual fuel’ hedged UK supply business
- Low carbon intensive generation fleet
- Leader in offshore wind
- Leading capability in UK gas storage
- Flexible portfolio

Strategy

Deliver value from our existing assets . . .

- Leading consolidator of mature and orphaned assets in the UKCS
- Optimisation of power generation fleet

. . . and our pipeline of low carbon investment choices…

- Offshore wind, new nuclear, gas development, gas storage

… to secure sustainable sources of energy for our customers

The CE Upstream gas strategy has transformed the scale and capability of the business

Upstream Gas strategy

UK, Netherlands Offshore

Be the leading consolidator and operator of mature and orphaned assets

Norway

Partner with leading NCS operators, progress into operation

LNG off-taker

Develop LNG structures with path to direct off-take rights into the Atlantic Basin

Benefits realised

Capability

- Experienced Venture team with industry leading skills – commercial, geoscience and engineering
- Strong presence in the UKCS

Sustainability

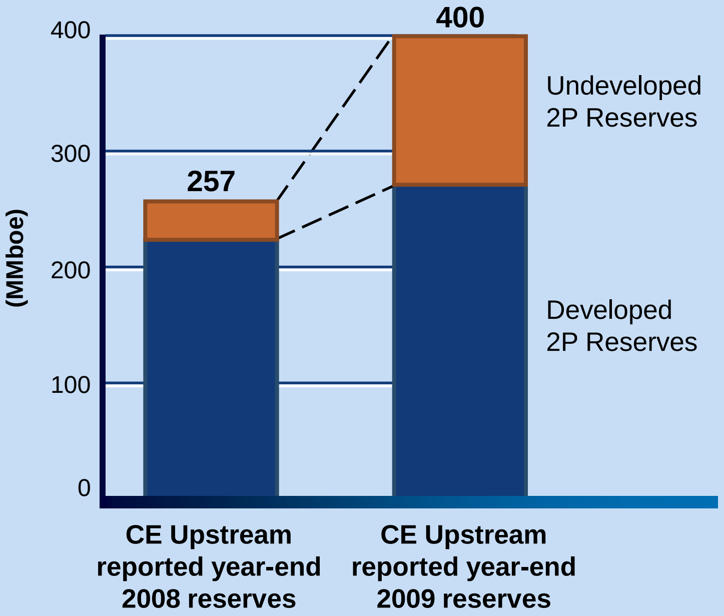
- Transform Centrica Upstream business from 'blow down' to sustainable production
- Portfolio of valuable development options

Flexibility

- A full service operator (89% of Venture's production for 2009 is operated)
- Greater control and flexibility in 'make or buy' decisions

While our gas and oil reserves have increased by 50%, the change in their composition has also brought key benefits

CE Upstream 2P Oil and Gas reserves



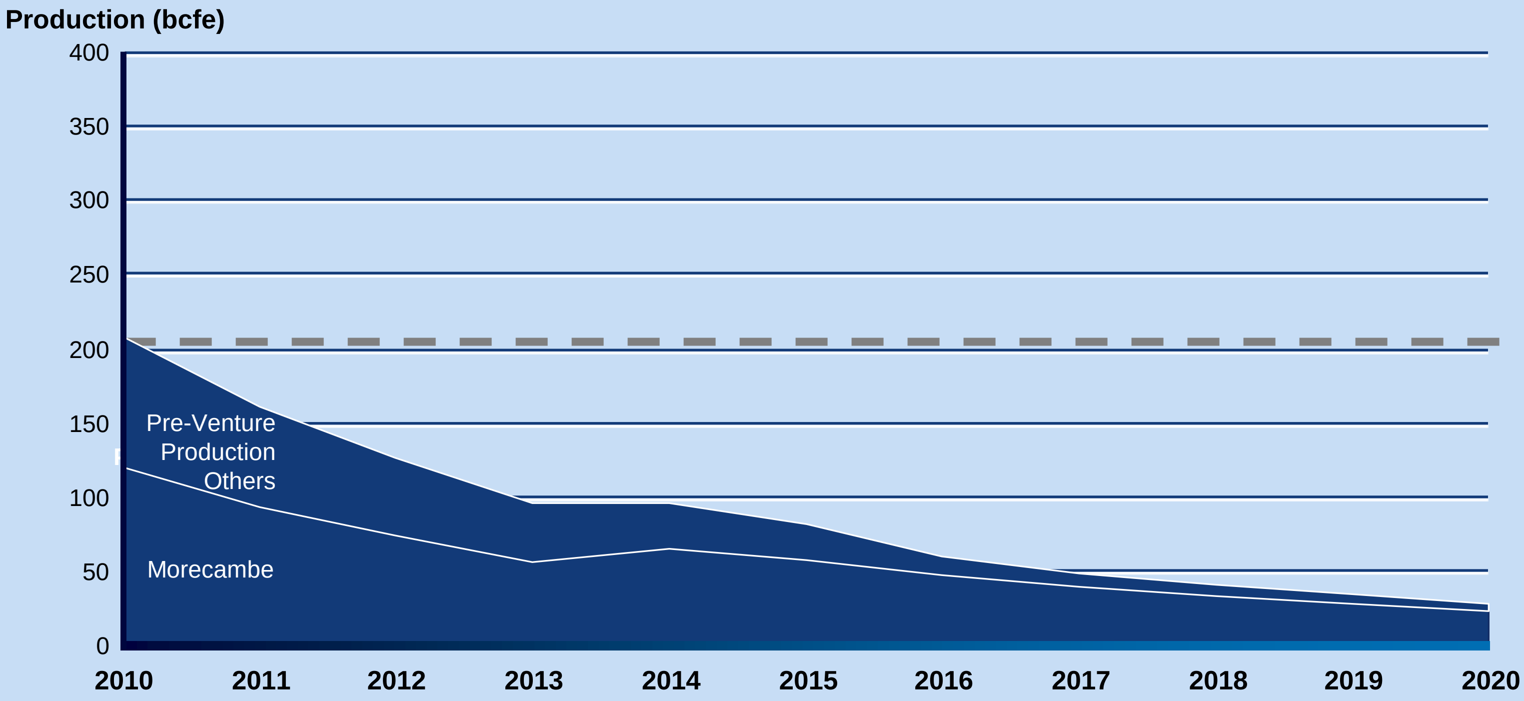
- Full audit of Venture gas and oil reserves complete
- Reserves redefined using internationally accepted and prudent 2P recognition methodology
- 2P Reserves are equivalent to the sum of Proved plus Probable Reserves

Benefits of changes in portfolio composition

- Lower effective tax rate
  - induction of "younger" assets with lower tax rates has reduced the overall effective tax rate
- Increased flexibility, control and a clear pipeline of future development options
  - increase in relative and absolute size of undeveloped reserves
  - significant opportunities to target and time investments
  - a majority-operated portfolio across combined assets

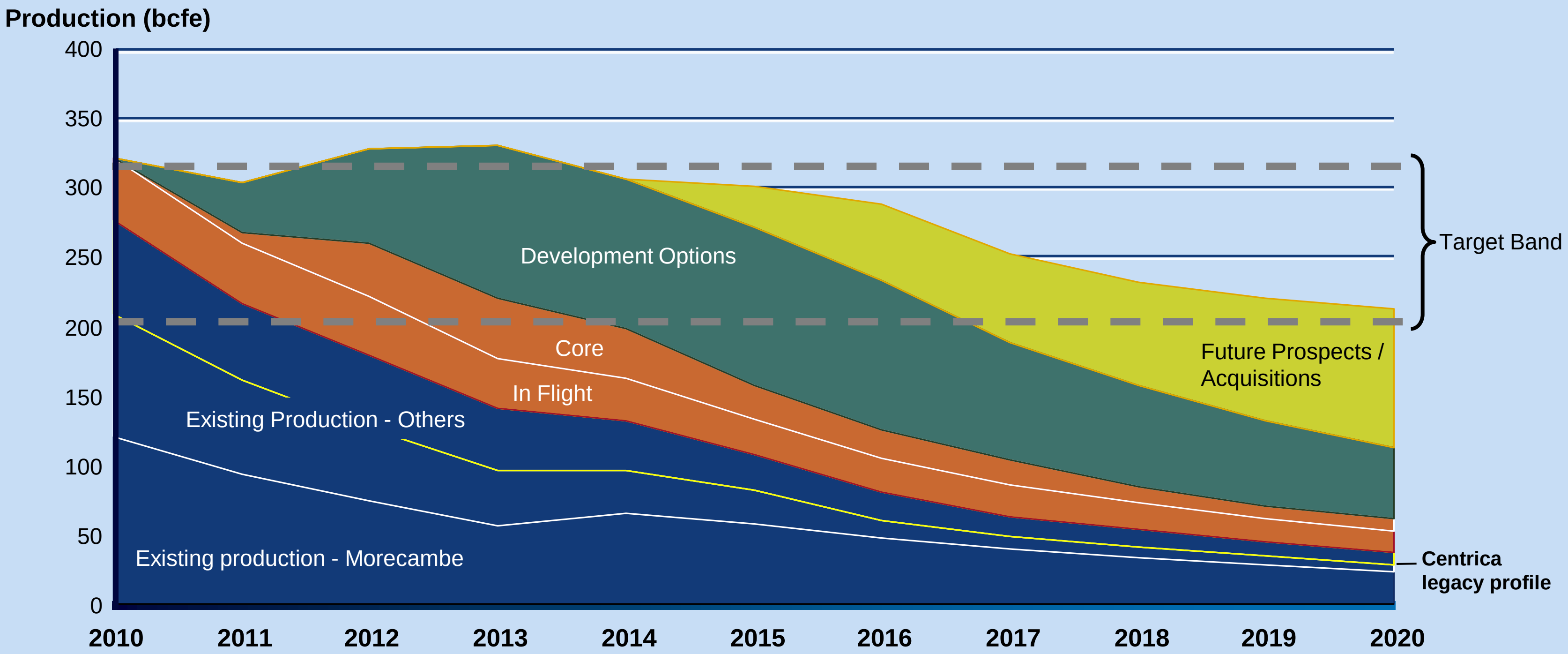
Our pre-Venture production profile

Upstream Oil and Gas production profiles



Our production profile is now sustainable, both in the near and long term . . .

Upstream Oil and Gas production profiles



centrica

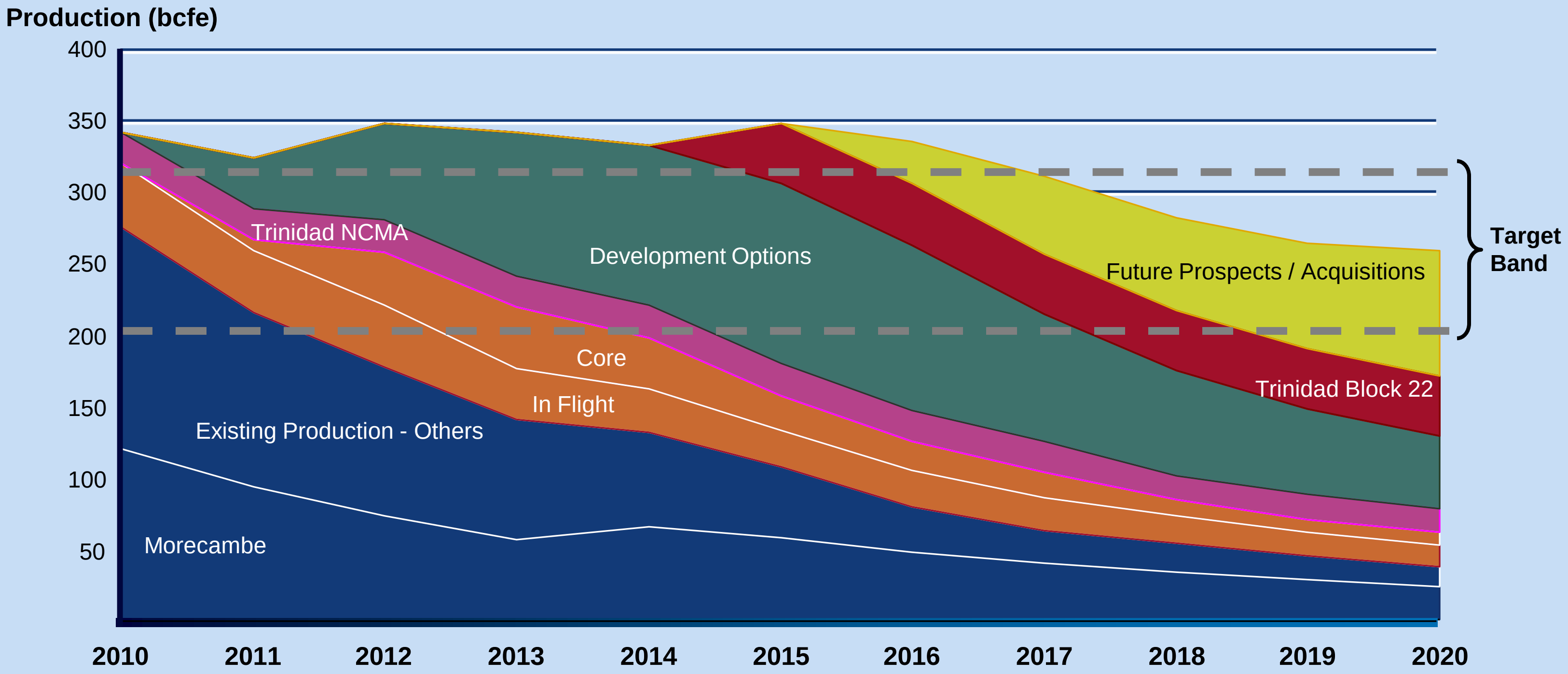
. . . the combined portfolio has enough scale to present significant opportunities to target and time investments …

Development optionality

Existing Production	• Bulk of our portfolio and has lower finding and development costs and lifting costs • These assets satisfy our base-line gas requirements	• ~£100m capex between 2010 - 2012 • Underpins 60-65% of production by 2012	
In Flight and Core	• This represents our next class of assets • In flight – already in development • Core – planned development in next 3 years • Will maintain production at close to 80% of 2009 levels	• ~£600m of capex between 2010 - 2012 • Will provide 15-20% of production by 2012, and beyond	• Statfjord • Chiswick • F3FA • Stamford • York • Cygnus
Development Options	• Represents the longer-term investment options • Will support production beyond 2012	• ~£1,100m capex between 2010 - 2012 • Increasing to ~40% production by 2015	• Peik • Sycamore • Ensign • Kew • Fulham / Arrol • Christian • Carna . . .

Our recent acquisition of gas assets in Trinidad has given us our first producing LNG position – and further options

Upstream Oil and Gas production profiles



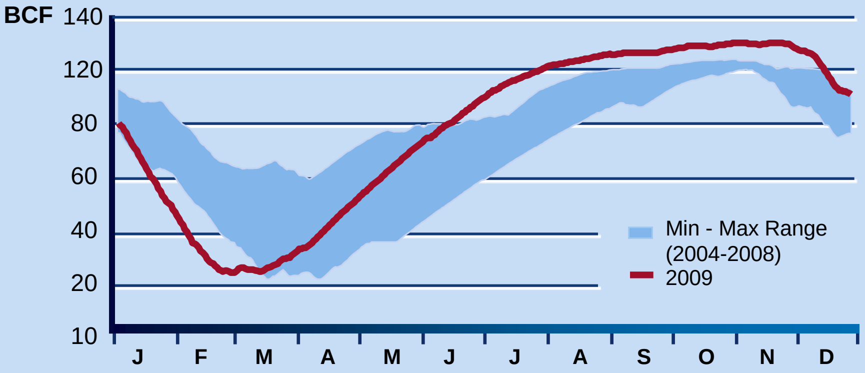
As the largest UK storage facility, Centrica Storage is focusing on improving flexibility . . .

Centrica Storage – key facts

- Rough operationally strong
  - >98% reliability
  - increased storage capacity through investment

- Projects in progress
  - Caythorpe – planning permission granted
  - Baird – acquired 70% stake in Feb 09, FEED* commenced
  - Bains – onshore planning granted

Historical profile (2004-2009)

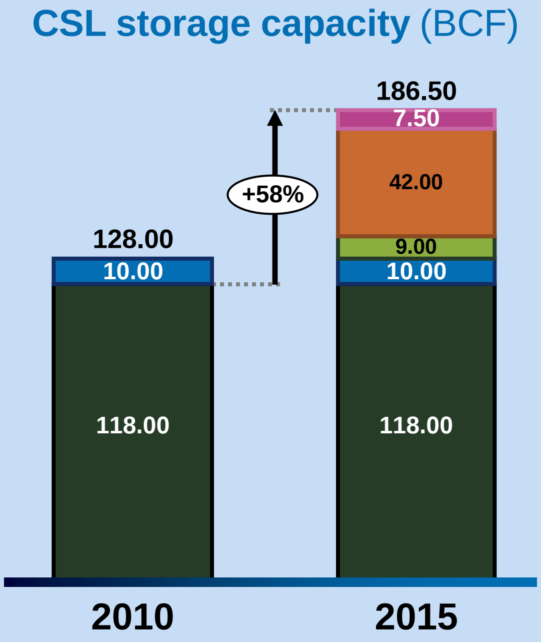


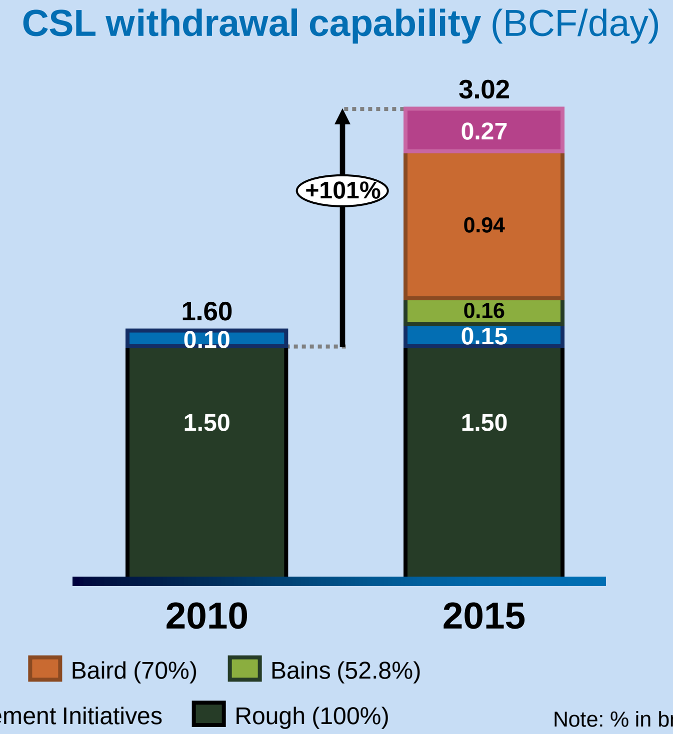
Project	Capacity	Operational
Caythorpe	7.5 bcf	2012 - 13
Baird	60 bcf	2013 - 14
Bains	15-20 bcf	2013 - 14

* FEED = Front End Engineering Design

centrica

. . . while developing three more storage assets that will make a significant contribution to UK storage capacity



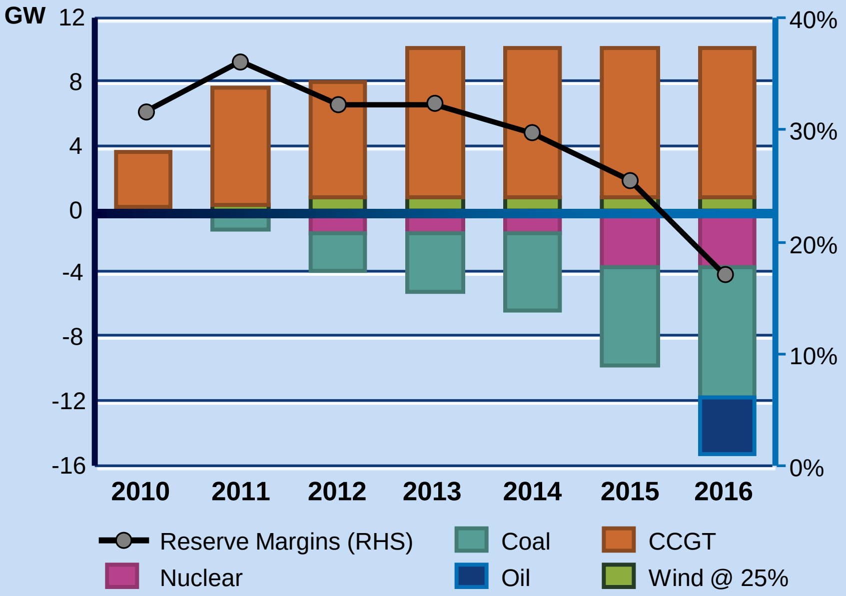


Note: % in brackets indicates Centrica share of equity

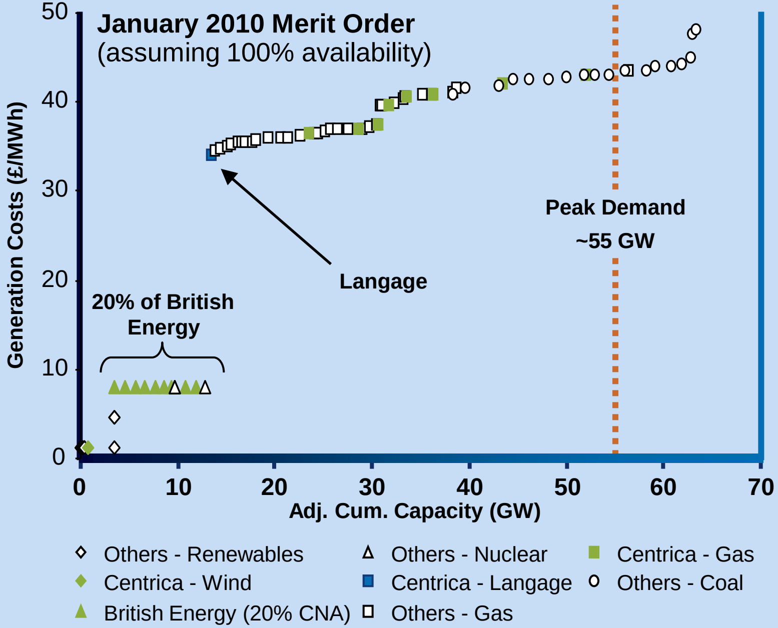
On the power generation side, Centrica CCGT plants will continue to benefit from market conditions

Key market trends

Longer term, declining reserve margin due to plant closures



CCGT fleet benefiting from short term market conditions



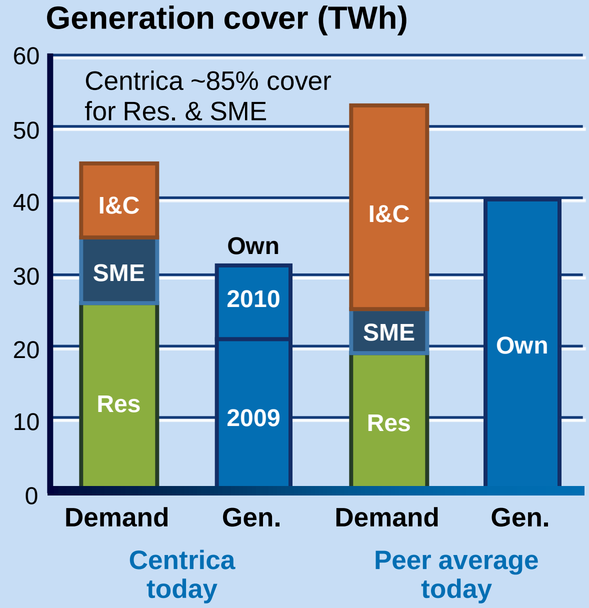
centrica

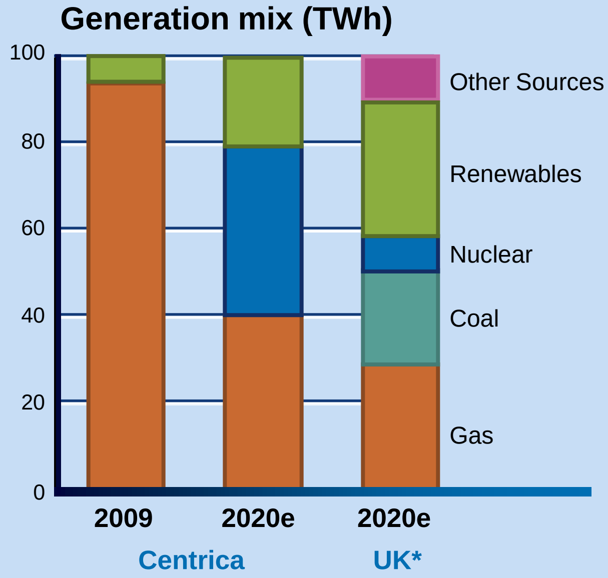
Our power generation strategy will lead to increased generation cover and a more balanced fleet . . .

Strategy aims for increased cover and balanced fleet

- Target increased cover for downstream
- Target diversified generation fleet
- Specific strategies for:
  - Nuclear - JV with EDF
  - Wind - new build
  - Gas - asset replacement
  - Coal - contractual

Strategy leads to a mix more closely aligned to the market but with lower carbon risk



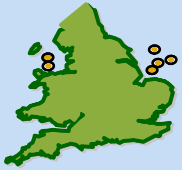


* Potential generation output if UK government targets are met

. . . and we have strong advantages across all key elements of the offshore wind value chain

Leaders along key elements of the offshore wind value chain

Tendering, Design & Acquisition



- ✓ Continued success in tendering - Round 3 offshore wind 4.2GW in the Irish Sea zone
- ✓ Well-developed pipeline of projects

Economics & Financing

- ✓ Efficient and prudent financial approach
  - ✓ Sale of a 50% equity stake in Lincs
  - ✓ Sale of 50% of GLID
  - ✓ 15 year PPA off-take for all production
  - ✓ 2 ROCS

Construction & Commissioning

- ✓ In-house turnkey capability (for e.g. charter of MPI Resolution)
- ✓ LID delivered on budget and on time
- ✓ FID for 270 MW Lincs offshore wind development
- ✓ Preferential access to leading technology through our alliance with Siemens

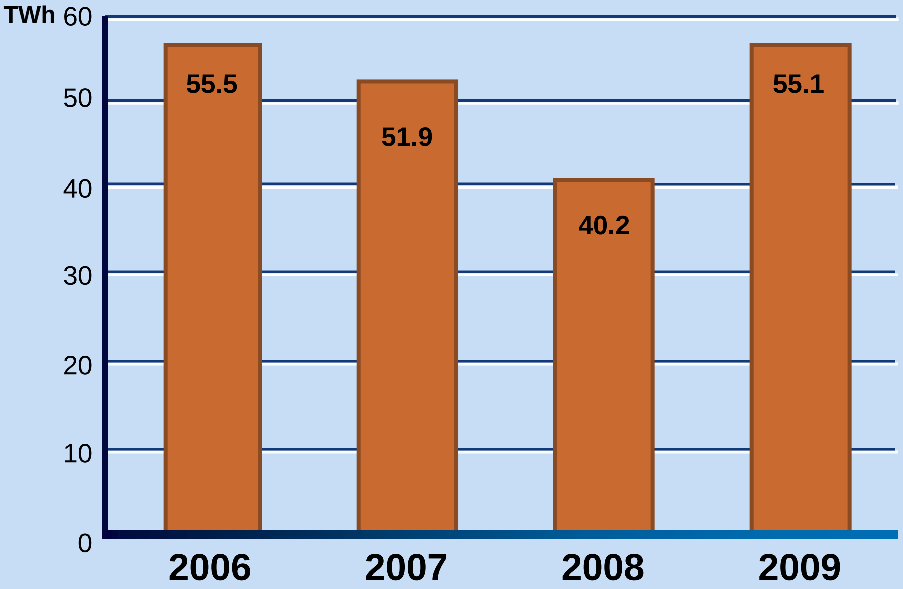
Operations & Maintenance

- ✓ Extensive first-hand O&M experience provides key insights that are fed back into the design and construction of future wind farms

centrica

The performance of the BE nuclear fleet is improving

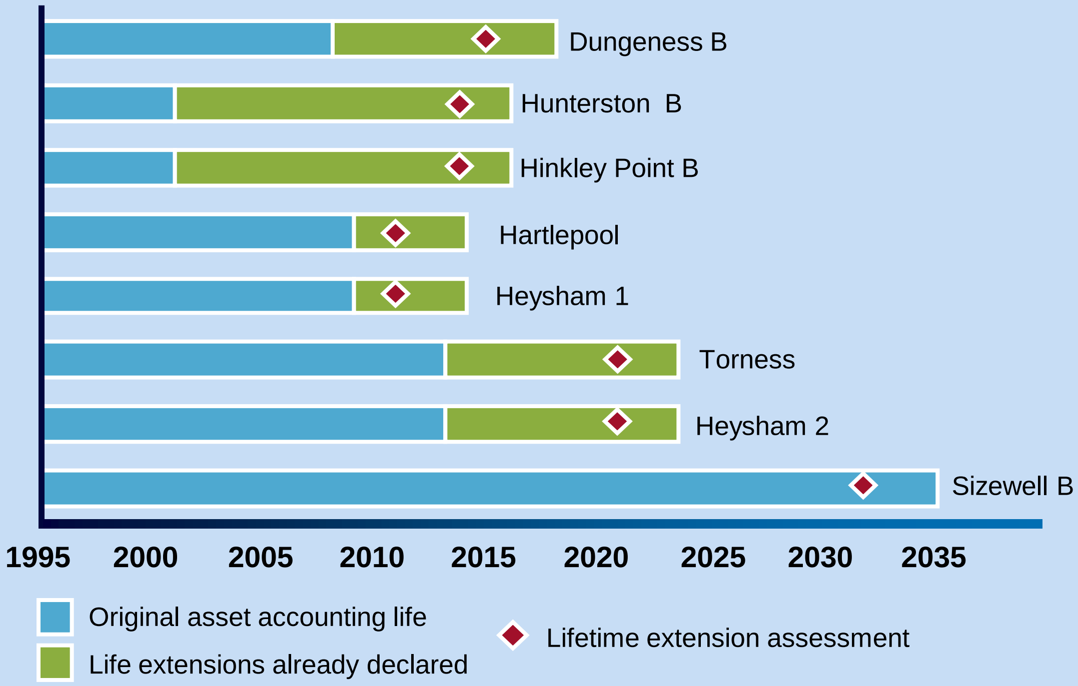
Historical output of BE nuclear fleet



- 2008 was a technically challenging year
- Significant improvement in 2009 output from the British Energy nuclear fleet, benefiting from investment in plant and in human performance
- Trends encouraging
- Older technology plants requiring continual maintenance

Scope for possible life extensions but committed government engagement is needed for future new build

Current position of BE station lifetimes



New build trends

- New build FID in 2011
- Increasing recognition of the role of new nuclear in meeting low carbon and security of supply objectives
- Government and Conservatives support a new nuclear programme
- Regulatory and planning barriers being addressed
- Centrica engaging with policy-makers to ensure supportive investment climate
- Looking to Government to ***underpin the carbon price*** signal following Copenhagen

A well-defined and robust platform for growth

2008

8 **CCGT**

GAS Morecambe
and non-operated JVs

Rough **STORAGE**

2009

British Energy **NUCLEAR**

Langage **CCGT**

Venture **GAS**

Lincs **WIND** farm

2010+ options

NEW GAS development & exploration

2 more Round 2 **WIND** farms &
potential Round 3 **NEW WIND**

Baird, Bains and Caythorpe
NEW STORAGE

NEW NUCLEAR development

~4GW (power gen.) → **~7GW (power gen.)** →

~200 bcf (gas prod.) → **~300 bcf (gas prod.)** →

~100 bcf (storage) → **~190 bcf (storage)** →

Chris Weston
Direct Energy

centrica

Market opportunity

- **Downstream energy** market growing with new states opening and increasing customer switching
- **Services** recovering with US economy and buoyed by efficiency incentives
- Attractive fundamentals in **power generation** with shrinking reserve margins, little current new build and investment requirement for new capacity
- Technology improvements creating material **upstream gas** growth opportunity in Shale

Underlying growth in each ‘integrated energy’ market segment supports Centrica’s growth ambition in North America

Chosen markets offer attractive potential for growth

	Deregulated markets	DE target markets	Profit pool in target markets	UK market
Residential Energy (accounts)	65m	40m	C$4bn	48m
Business Energy (volumes)	1,000 TWh 90 bth	975 TWh 30 bth	C$3bn	190 TWh 8 bth
Services (homes)	112m	90m	C$3bn	24m
Upstream Gas (production)	250 bth	50 bth	C$9bn	26 bth
Power Generation (capacity)	590 GW	540 GW	C$14bn	80 GW

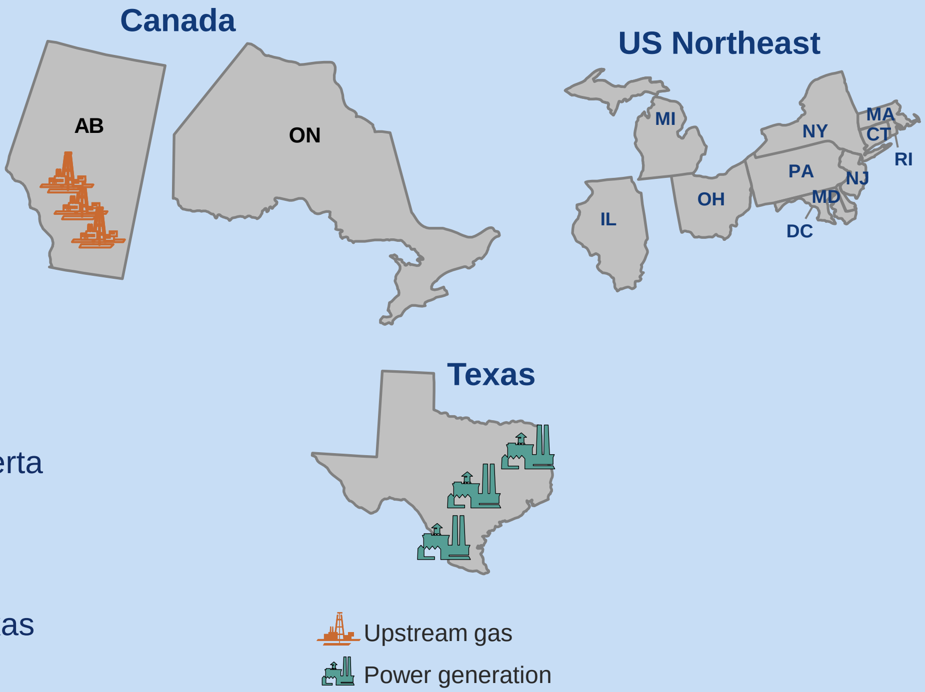
centrica

Direct Energy has a strong platform on which to build….

Direct Energy businesses

Residential Energy	**3m customers**: largest retailer in North America
Business Energy	**33 TWh** and **690 mmth** annual volumes: 3rd largest retailer
Services	**2m customers**: Heating/cooling service and energy efficiency
Upstream Gas	**375 mmth production** in Alberta **4,000 mmth reserves** (2P)
Power Generation	**1.2 GW CCGT** capacity in Texas

Core markets



centrica

. . . and a distinctive set of capabilities

North American platform	Relevant Centrica UK capabilities
• Strong downstream position in key residential deregulated markets	• Customer care systems & processes • Managing full requirements energy risk
• Deep local regulation and wholesale market experience	• 20 years competitive energy marketing experience
• Large scale C&I business	• Market leading small commercial business and capabilities
• Unique services capability	• Creating value from energy / services linkage
• Existing gas and power assets provide base to build a more vertically balanced business	• Large scale CCGT fleet • Extensive and strong asset acquisition track-record

Our strategy will build an integrated energy business

Improve returns from existing business

- Reduce costs and improve efficiency
- Leverage scale of existing positions
- Be the most recommended energy and services provider

Grow scale and leadership downstream

- Achieve regional leadership positions in our Residential markets
- Continue growth in Business markets
- Grow integrated Services and energy capability

Invest in upstream for integration and value creation

- Expand our upstream gas business
- Build generation capacity to support key retail markets
- Balance upstream and downstream, move towards 35-40% cover

Deliver material contribution to Group earnings over medium term

DE Residential: transformation will enable growth

	DE customers (millions)	DE market position (rank)	Key competitors
Canada:	1.9	1	Just Energy ENMAX
Texas:	0.7	3	TXU Reliant
US Northeast:	0.6	3	Dominion IGS
NA overall:	**3.1**	**1**	**n/a**

Improving returns

- In-sourced Texas operations enabling cost and churn reduction
- Stabilise Ontario in challenging regulatory environment

Growing scale

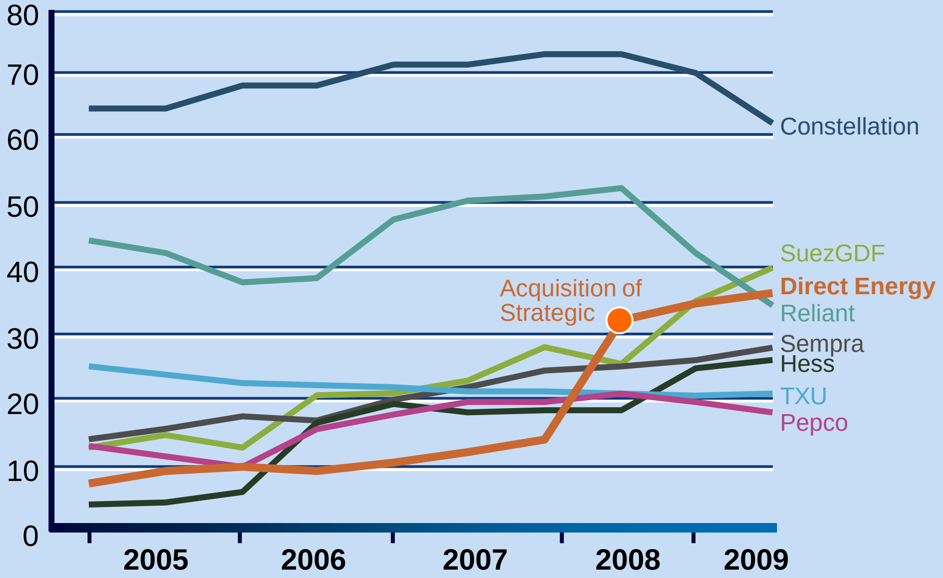
- Capitalise on US Northeast growth opportunities
- Extend overall scale into regional leadership positions

Distinctive capabilities

- Managing full requirements retail energy risk
- Customer care systems & processes
- Scale economics

DE Business: continuing to gain share

US power market share (TWh)



Source: KEMA

Improving returns

- Leveraged platform and scale following combination with Strategic
- Reduce costs
- Price for credit/capital utilisation

Growing scale

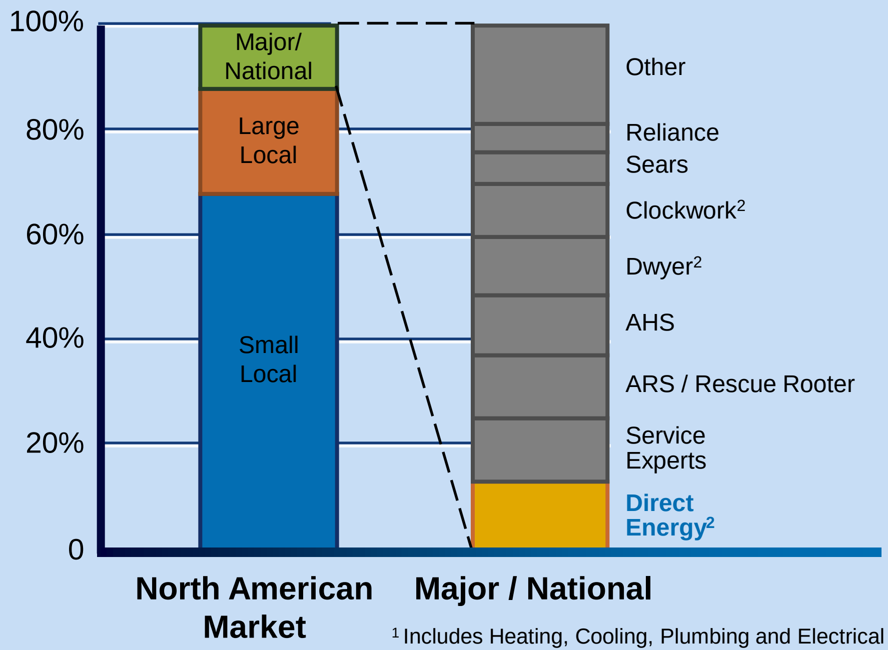
- Continue organic growth
- Focus on most attractive customers segments

Distinctive capabilities

- Managing full requirements retail energy margin
- Unique product offering
- UK small-commercial experience

DE Services: increasing efficiency, focus and energy linkage

Services market share[1]



[1] Includes Heating, Cooling, Plumbing and Electrical services
[2] Includes franchisee revenues

Improving returns

- Optimising costs
- Leveraging scale in procurement

Growing scale

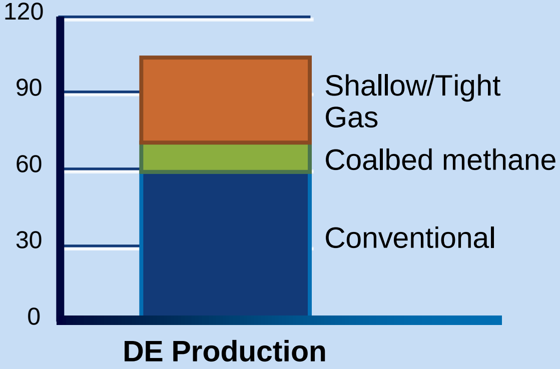
- Expanding services offering in US
- Focus on local market density in key metropolitan areas

Distinctive capabilities

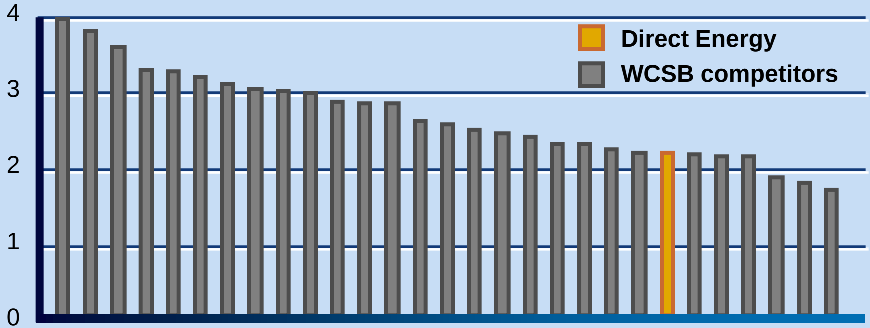
- One of largest in fragmented market
- Leveraging UK market experience and learning
  - energy/services linkage
  - smart metering/home energy management

DE Upstream gas: a strong base from which to build

DE upstream production (mmcf/d)



WCSB producer cash costs ($/mcf)[1]



[1]Q3 2009 cash costs for WCSB producers >50% gas weighted

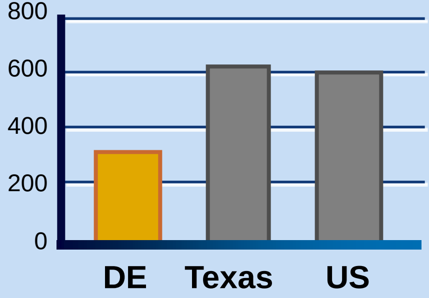
- Competitively positioned Western Canadian (WCSB) business
  - top quartile cost position
- Using flexibility to pace development in current commodity price environment
  - reducing costs
  - increasing reserves
- Focus on currently attractive opportunities to increase WCSB reserves
  - expand conventional production
  - explore Shale opportunities

DE Power generation: capabilities are foundation for growth

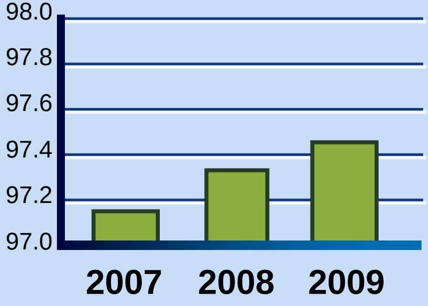
DE CCGT generation assets

Power Station	Start year	Capacity (MW)	Heat-rate (BTU/kWh)	Year acquired	Acquisition cost (US$/kW)
Bastrop	2002	525	7,200	2004	265
Frontera	2000	450	7,200	2004	281
Paris	1990	240	8,300	2006	195

Generation carbon intensity (g/kWh)



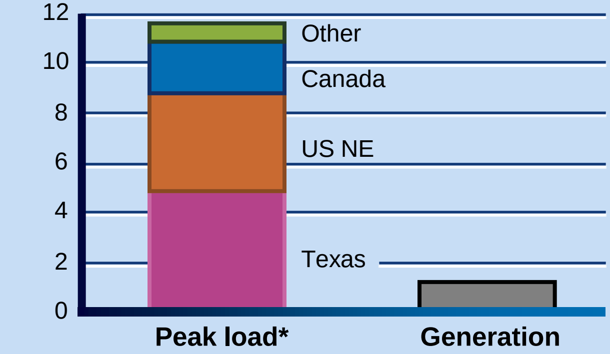
DE asset reliability (%)



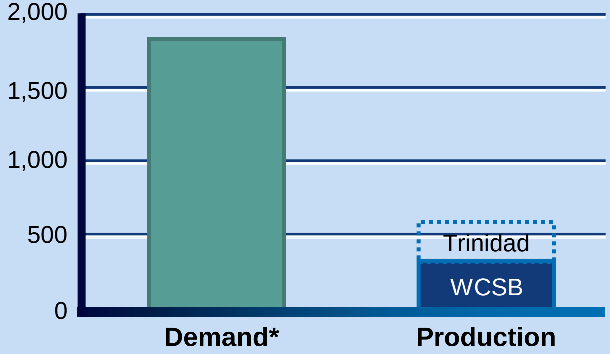
- Low current spark spreads but fundamentals strong
  - 2015 reserve margin forecast below minimum
- Well positioned portfolio
  - low heat-rate
  - low carbon intensity
- Leveraging Centrica generation experience and capabilities
  - disciplined acquisition track-record in NA
  - improved reliability

Potential to increase integration benefits

DE peak load and generation (MW)



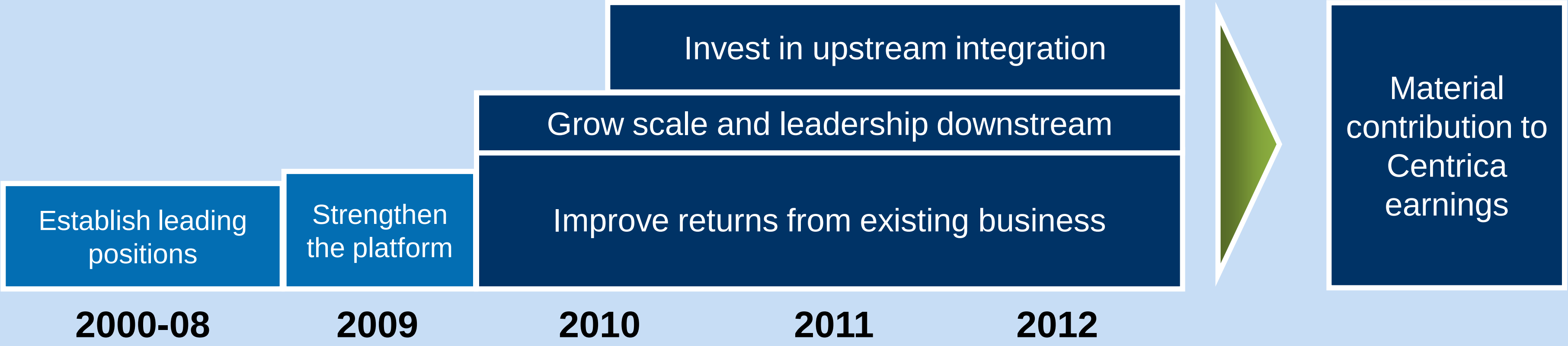
DE gas demand and production (mmth)



* Excludes regulated customers in Canada

- Currently asset cover of 10% of power load and 20% of gas demand
- Aim to better balance downstream and upstream positions moving towards 35-40% cover
  - offset downstream price and collateral exposure with appropriate asset cover
  - balance opportunity and financial capacity
- Targeting expansion of generation in key retail markets (Texas & US NE)
- Focussing upstream gas growth in WCSB
  - exploring Shale opportunities
- Investments will be value driven
  - will wait for right opportunities
  - competing for Group capital

We will build on the DE platform to create an integrated North American business

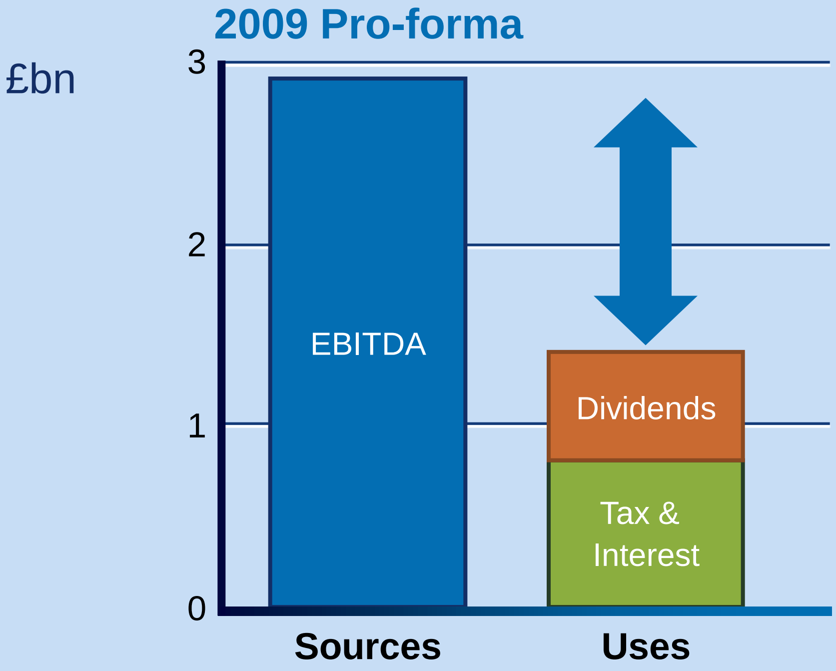


- ***Improve returns*** through improved efficiency, scale and customer service
- ***Grow downstream*** both organically and through acquisitions
- ***Invest in integration***, moving toward 35-40% asset cover within confines of Group financial headroom and Group-wide competition for capital
- ***Double the size of the business* over the next 3-5 years**

Nick Luff
Finance Director

centrica

Strong cash generation

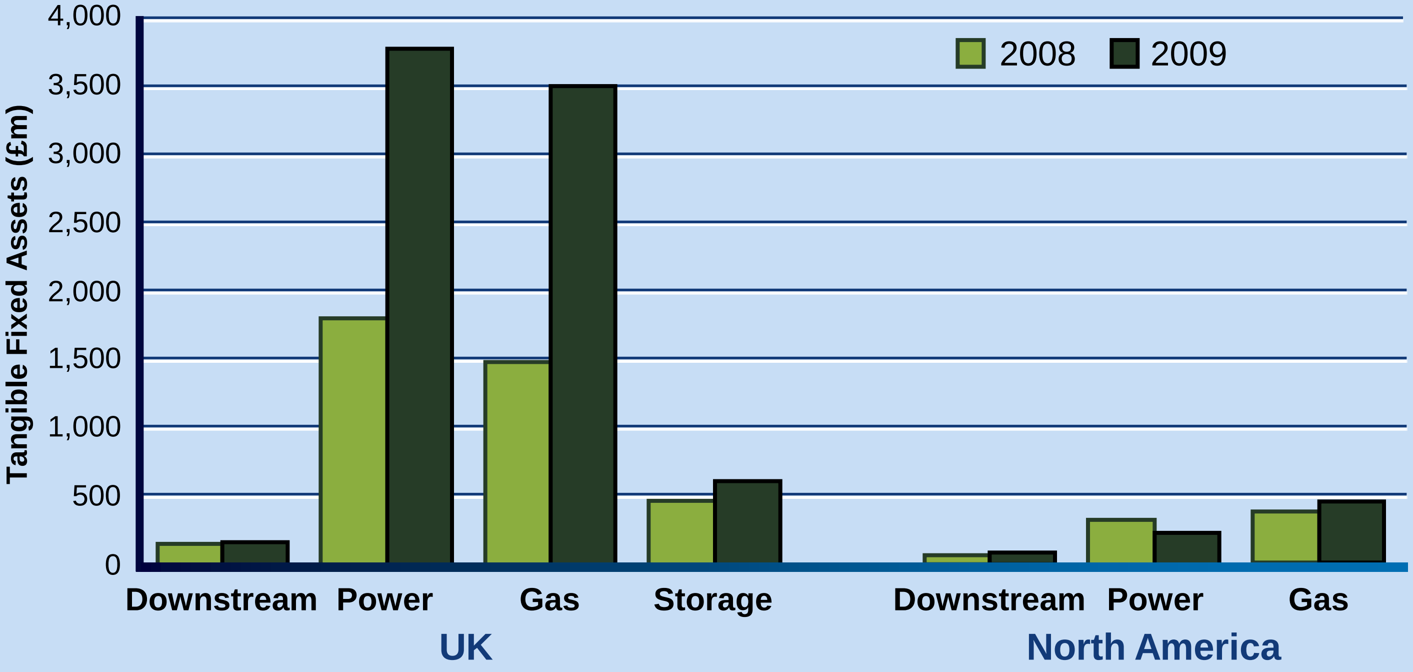


Highly cash generative (~£1.5bn net)
\+ Strong balance sheet

= Significant flexibility and investment choices

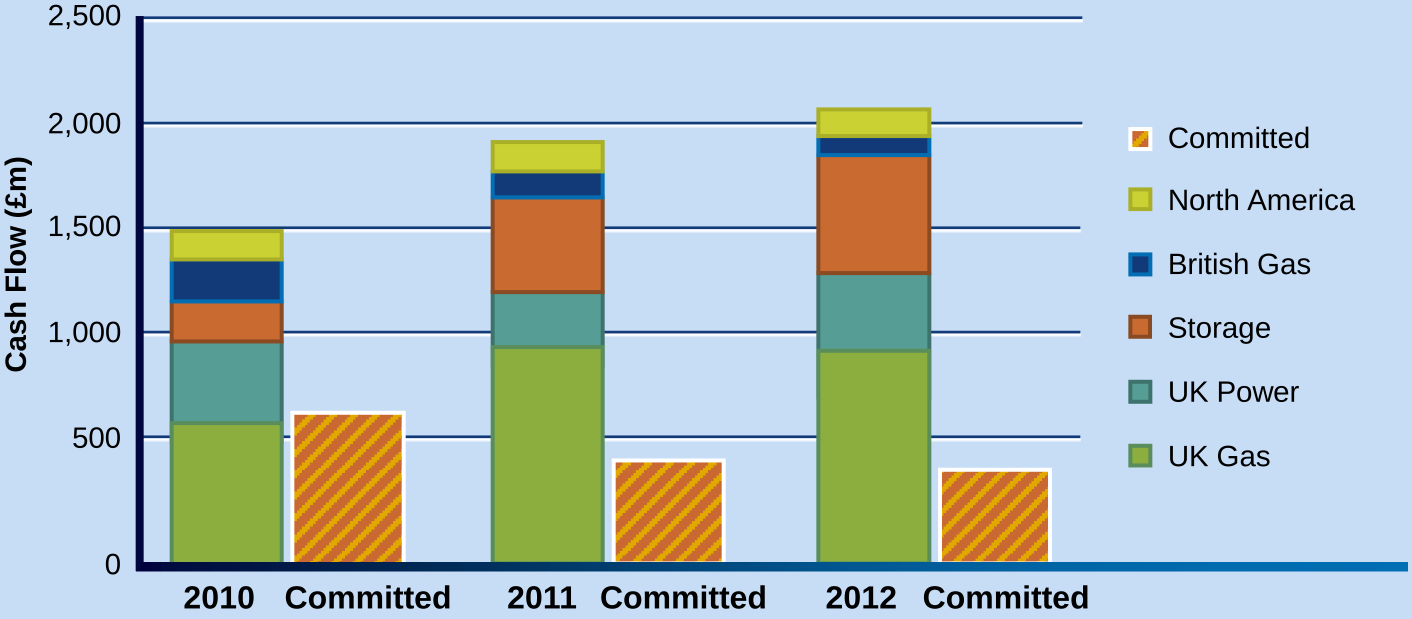
Note: (1) Includes Venture and 20% of British Energy on a full year proforma basis
(2) 20% share of British Energy included in each line

Capital intensity has increased



Note: (1) Based on closing Property, Plant and Equipment
(2) UK power includes investment in JV's and associates
(3) UK Gas includes Trinidad

Optionality in investment programme



2010 Committed	2011 Committed	2012 Committed
Baird, Caythorpe, York, Sycamore, Ensign, Carna	Bains, Race Bank, Peik, Cygnus, Kew, Fulham	New Nuclear, Heimdal East

Key Investment Decisions

centrica

Capital discipline ensures high returns

Business Development

- Identification and prioritisation of opportunity pipeline
- Business level screening
- Assessment of risks – e.g. commodity, financial, operational

Strategic Fit

- Ensure investments are 'on strategy'
- Tie investment choices to competitive advantages
- Growing technical expertise provides capability to deliver

Economic Impact

- Financial metrics consider both the long and short term
- Alternate financing options considered
- Invest in projects with returns in excess of hurdle rates

Strong Returns

- Select projects with the highest returns and exercise choices around timing
- Hurdle rates established to deliver strong returns
- Post investment reviews ensure learning transferred
- Provides balanced portfolio of investments across Group

Case study – Lincs offshore wind

	2008	2009
Business Development	• Business case developed • Based on LID development, area knowledge, and expertise	• Improved cost base through supplier negotiation • Flexibility on timing with vessel optionality
Strategic Fit	• Aligned with power generation strategy	• Financing template established for recycling capital, crystallising development gains and diversifying risk
Economic Impact	• Investment returns too low • Financial risks too high • Project **rejected**	• Business case revisited • Additional revenue from two ROC's • Project **approved**
Strong Returns		• £725m investment • **11 to 12% IRR**

Capital deployed to generate earnings

Year	Projects contributing to earnings
2010	Langage, F3FA, Chiswick, Eris, Ceres
2011	Sycamore, Christian
2012	Lincs, York, Ensign, Carna, Kew, Caythorpe
2013+	Bains, Baird, Cygnus, Race Bank, Docking Shoal, New Nuclear

What if gas prices stay low?

	Impact	Levers to mitigate / opportunities
Upstream	– Lower gas production profits (some offset from oil production and lower taxes) – Lower returns from nuclear generation (hedges protect 2010 and 2011 to a lesser extent) – Lower wind profits (protected by ROCs) + CCGT's advantaged (running baseload) + / – Storage depends on volatility and spreads	• Asset flexibility to preserve reserves • Optionality in investment programme – defer gas exploration / development – support mechanism required for new nuclear
Downstream	+ Upward pressure on tariff book margins + Strong relative competitive position • Limited exposure to low dark spreads • Very limited exposure to oil linked gas procurement	• Price competitiveness drives growth

Integrated model protects earnings in a low gas price environment

What if gas prices go up?

	Impact	Levers to mitigate / opportunities
Upstream	+ Higher gas production profits + Higher returns from nuclear (post hedges) – Pressure on CCGT	• Additional value in investment programme • CCGT's switch to peaking
Downstream	– Downward pressure on tariff book margins	• Structural hedge now protects competitive position – only relatively disadvantaged if coal and carbon prices low when gas prices high • Greater demand for new energy / service propositions

Higher gas prices drive increased long-term value

Sam Laidlaw

Chief Executive

centrica

Centrica: The next 3 to 5 years

UK Downstream

- Double the number of high value joint energy & services customers
- Lead the transition to low carbon (~2m Smart Meters, leading microgen installer in UK)
- Strong penetration of new markets e.g. local housing authorities
- Leading provider of energy efficiency services to the commercial sector
- Lowest cost service provider in the industry, clear leadership position with online offering

UK Upstream

- A sustainable gas business producing around 300bcf per annum
- Leading multi-asset, multi-product gas storage business in UK
- A renewables portfolio of ~1GW, with Lincs operational, Race Bank under development
- Subject to economics, FID on 1st new nuclear project, and construction begun

North America

- A strong retail energy business (No.1 or 2) in our core retail markets (residential and C&I)
- An enhanced services and energy efficiency capability for our retail customers
- A robust integrated model with 35-40% of our NA energy needs from our own sources
- North American operating profits doubling over the next five years

Strong earnings growth and superior financial returns

Capital Markets Presentation
12 March 2010

centrica