

Centrica plc - Reverse Roadshow

11 June 2010

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Nick Luff

Finance Director

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Agenda

10:30	Welcome	
10:45	Introduction to the Centrica investor story	Nick Luff
11:15	Centrica Energy and Centrica Storage	Mark Hanafin and Simon Wills
12:00	Direct Energy	Chris Weston
12:45	<i>Lunch</i>	
13:30	British Gas	Phil Bentley
14:15	Summary and Q&A	Sam Laidlaw
15:00	<i>Close</i>	

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

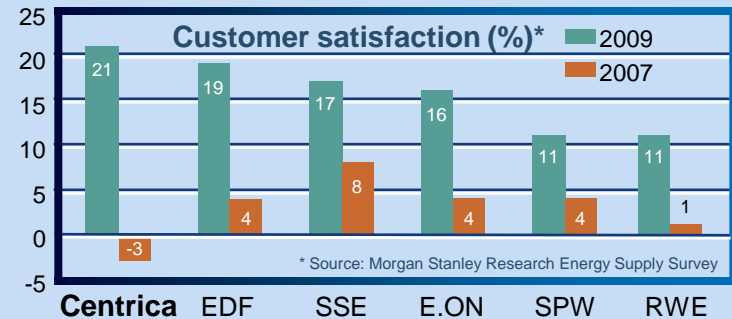
UK Downstream - British Gas

- British Gas restructured to combine energy and services
- Management team and support functions combined
- Enhanced customer propositions
 - first bundled energy and services offering, 'EnergyExtra'
 - wide range of energy efficiency products
 - FSA approval to sell insurance based products
- Grown 'joint product'* household base by 164,000 to over 2m through increased cross selling; 550,000 new customer accounts

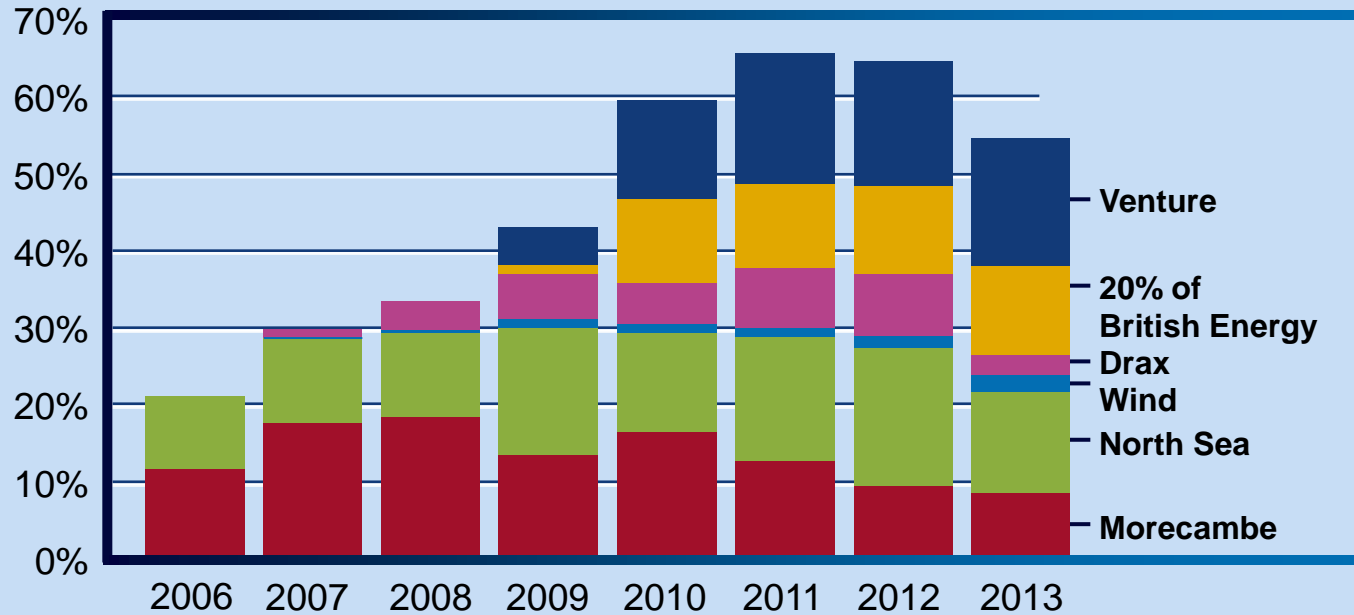


Households ('000)	Dec 09	Dec 08	Change
Energy & Services	2,043	1,879	+164
Services only	1,959	1,827	+132
Energy only	8,224	8,328	-104
Total	12,226	12,034	+192

* Households taking both an energy and related service product



Energy hedge ratio



Note: proportion of UK floating gas and power demand covered by own assets. Floating gas demand includes non-fixed price residential energy and business energy demand, I&C gas demand, power station fuel requirements and equivalent gas requirements to meet floating power demand in residential energy and business energy

The next stage: our strategic priorities

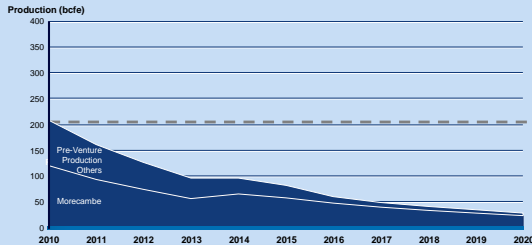
- 1 Grow British Gas**
... leading the transition to low carbon homes and businesses
- 2 Deliver value from our growing upstream business**
... securing sustainable energy for our customers
- 3 Build an integrated North American business**
... with leading positions in deregulated markets
- 4 Drive superior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

energy for a low carbon world

The investor story: Centrica Energy and Storage

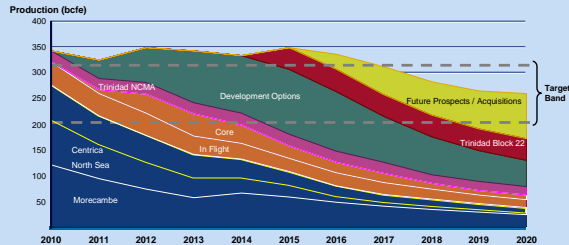
Our pre-Venture production profile

Upstream Oil and Gas production profiles



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



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Case study – Lincs offshore wind

Business Development

- 2008 Business case developed
- Based on LID development, area knowledge, and expertise

Strategic Fit

- Aligned with power generation strategy

Economic Impact

- Investment returns too low
- Financial risks too high
- Project **rejected**

Strong Returns

2009

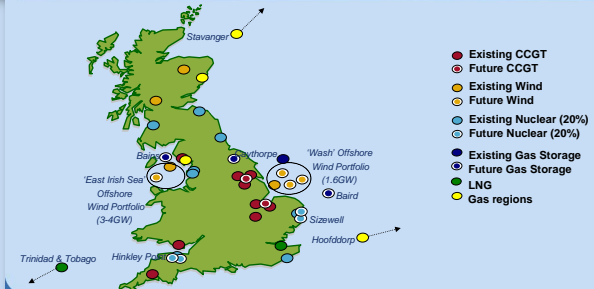
- Improved cost base through supplier negotiation
- Flexibility on timing with vessel optionality

- Financing template established for recycling capital, crystallising development gains and diversifying risk

- Business case revisited
- Additional revenue from two ROC's
- Project **approved**

- £725m investment
- **11 to 12% IRR**

Upstream assets and investment opportunities



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The investor story: Direct Energy

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; 3 rd largest retailer
Services	2m customers; Heating/cooling service and energy efficiency
Upstream Gas	375 mmth production in 4,000 mmth reserves (2P)
Power Generation	1.2 GW CCGT capacity in

Core markets



... and a distinctive set of capabilities

North American platform

- Strong downstream position in key residential deregulated markets
- Deep local regulation and wholesale market experience
- Large scale C&I business
- Unique services capability
- Existing gas and power assets provide base to build a more vertically balanced business

Relevant Centrica UK capabilities

- Customer care systems & processes
- Managing full requirements energy risk

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%

Deliver material contribution to Group earnings over medium term

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

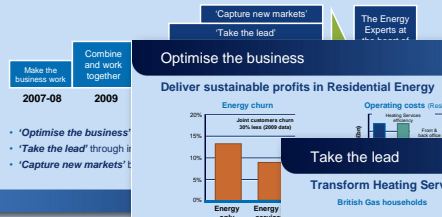


- **Improve returns** through improved efficiency, scale and customer service
- **Grow downstream** both organically and through acquisitions
- **Invest in integration**, moving toward 35-40% asset cover within confines of Group financial headroom and Group-wide competition for capital
- **Double the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

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The investor story: British Gas

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



Optimise the business

Deliver sustainable profits in Residential Energy



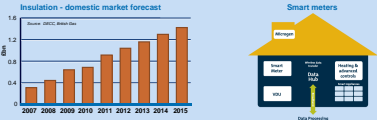
Take the lead

Transform Heating Services growth



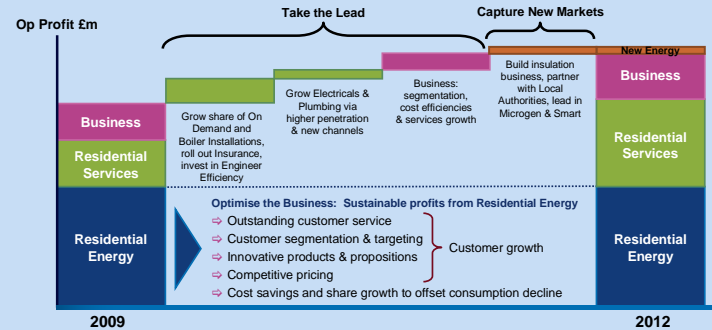
Capture new markets

Capitalise on opportunities from transition to low carbon homes



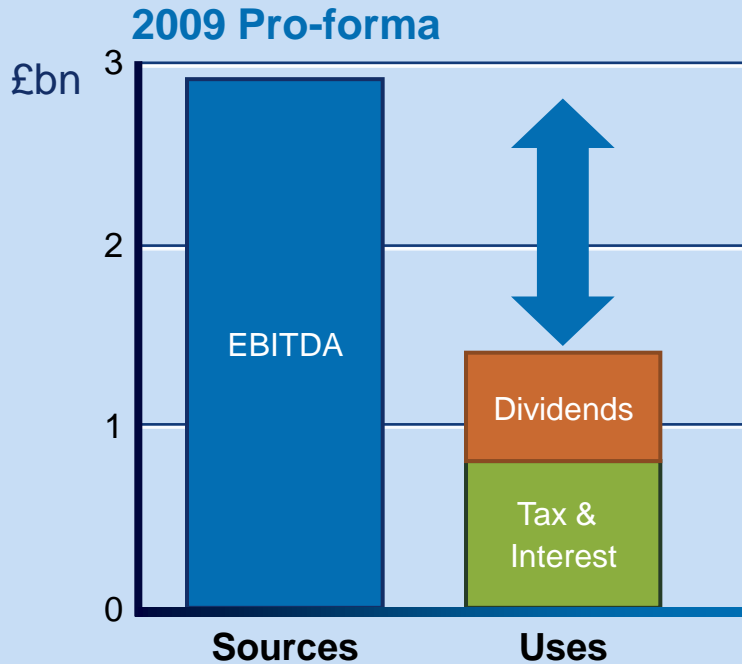
- CERT and CESP programmes have created a leading position in insulation market
- Broad spread of capabilities in solar, fuel cell boilers, biomass, biomethane
- Adopting "go early" strategy - leveraging smart meter install with a "home energy makeover"
- Forge strategic relationships with local authorities

Grow British Gas: good growth prospects with low capital requirements



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Strong cash generation

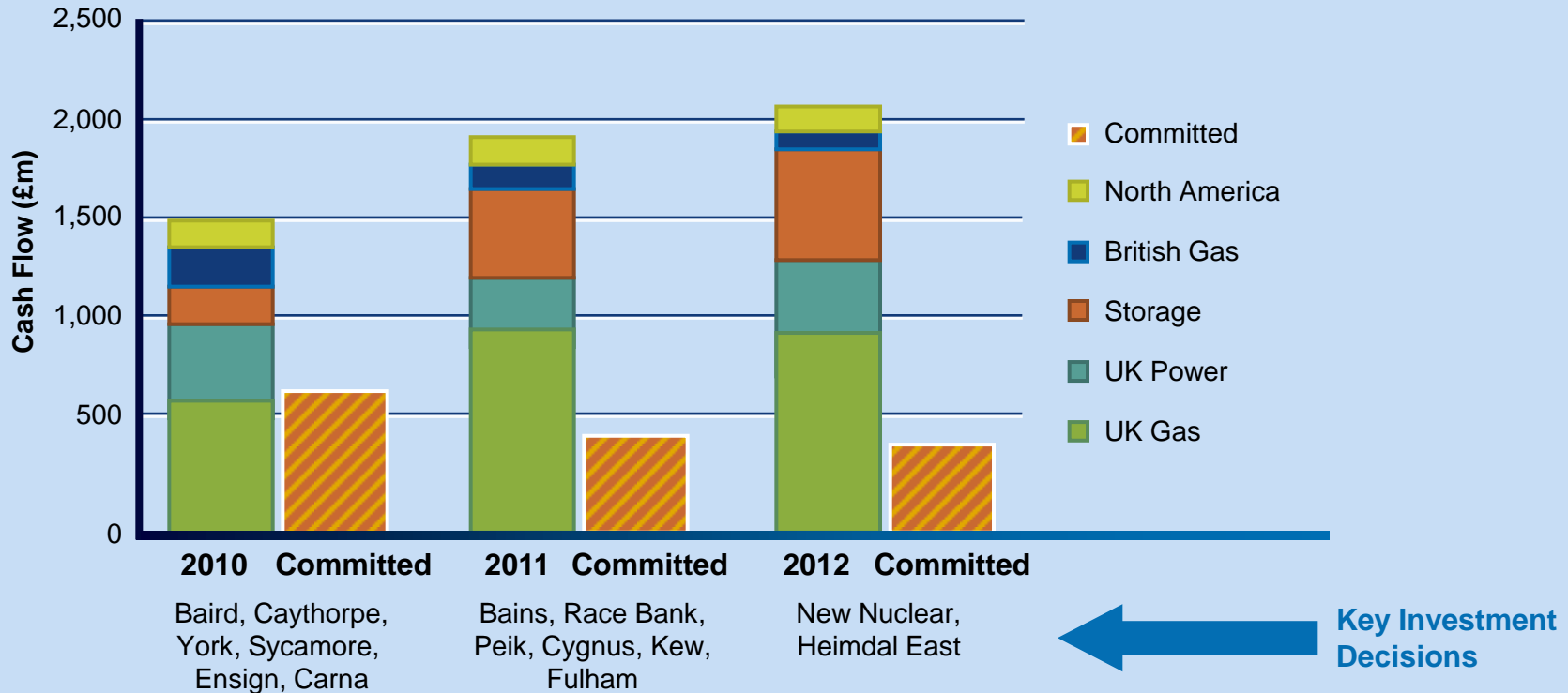


- Highly cash generative (~£1.5bn net)
- + Strong balance sheet

- = 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

Optionality in investment programme



Case study: Lincs offshore wind

Business
Development

Strategic
Fit

Economic
Impact

Strong
Returns

2008

- Business case developed
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2009

- Improved cost base through supplier negotiation
- Flexibility on timing with vessel optionality
- Financing template established for recycling capital, crystallising development gains and diversifying risk
- Business case revisited
- Additional revenue from two ROC's
- Project **approved**
- £725m investment
- **11 to 12% IRR, further enhanced through new partnership structure**

What if gas prices stay low?

Upstream

Impact

- Lower gas production profits (some offset from oil production and lower taxes)
- Lower returns from nuclear generation (some offset from hedges in 2010 and 2011)
- Lower wind profits (protected by ROCs)
- + CCGT's advantaged (running baseload)
- + I&C contracts more profitable in 2010
- + / - Storage depends on volatility and spreads

Levers to mitigate / opportunities

- 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
- Growing services business uncorrelated to price

Integrated model protects earnings in a low gas price environment

What if gas prices go up?

Upstream

Impact

- + Higher gas production profits
- + Higher returns from nuclear (post hedges)
- + I&C contracts unwind post 2010
- Pressure on CCGT

Levers to mitigate / opportunities

- 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

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

Centrica Energy & Storage



Agenda

- Recap from Capital Markets Day
- Focus areas:
 - Upstream scale and capability
 - Strong generation capabilities with a differentiated low carbon mix
 - Potential investment opportunities across gas, gas storage, CCGT, wind and new nuclear

Upstream capabilities and strategy

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

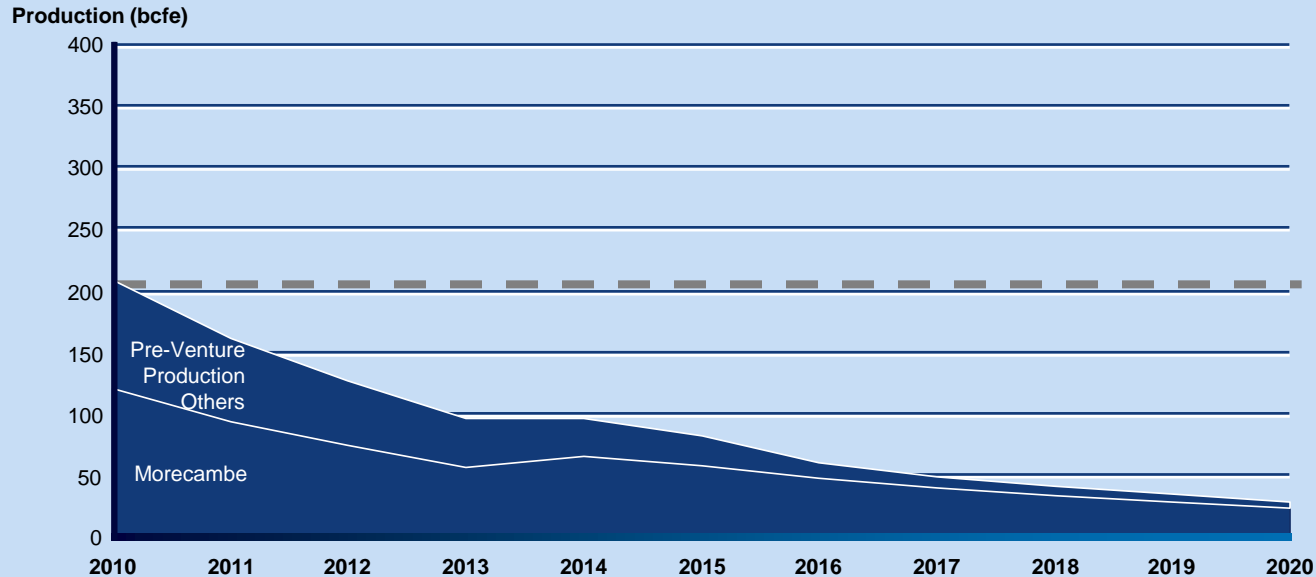
. . . and our pipeline of low carbon investment choices...

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

... to secure sustainable sources of energy for our customers

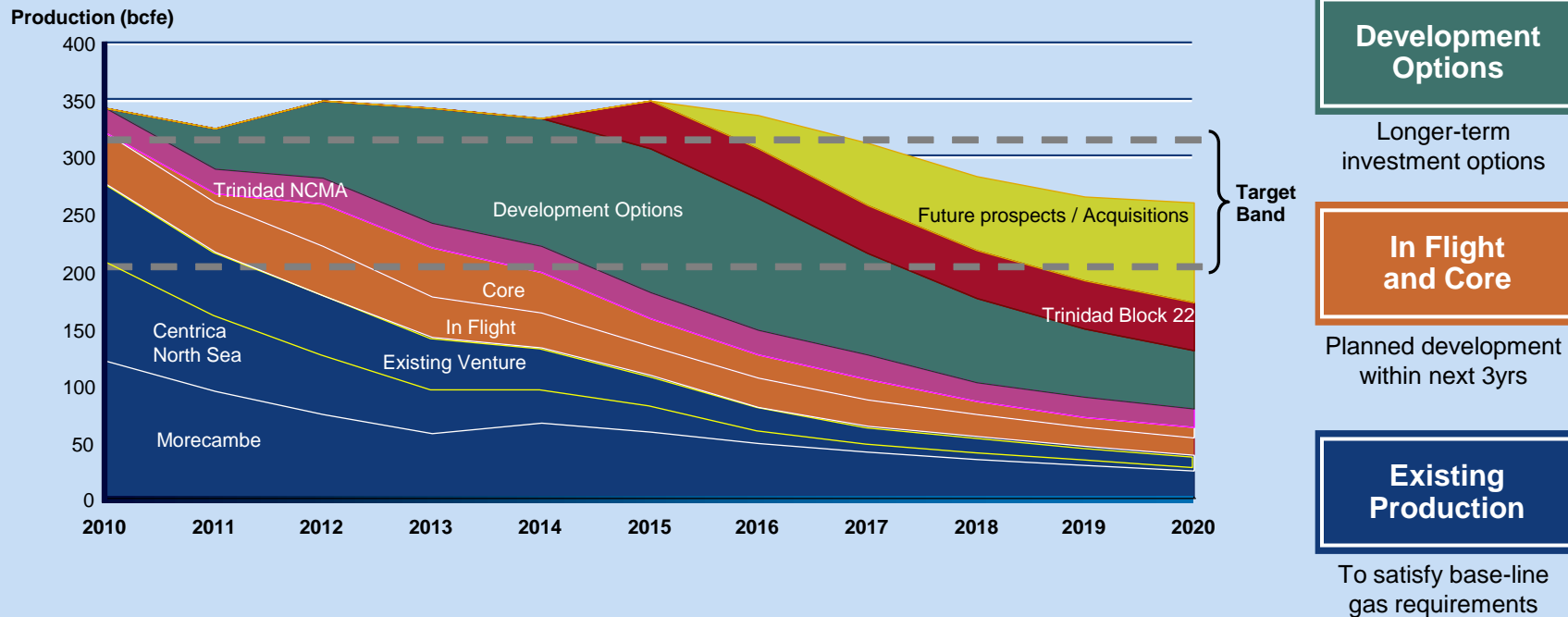
Our pre-Venture production profile

Upstream Oil and Gas production profile



... combined portfolio provides scale and significant opportunities to target and time investments

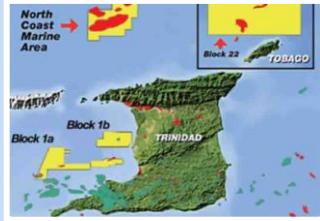
Upstream Oil and Gas production profile



A full service, leading operator of mature and orphaned fields

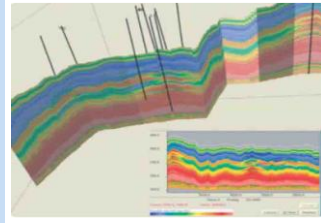
HSE, Commercial and Supply Chain expertise operates across the development life cycle

Business Development



- ✓ Good relationships with the key players
- ✓ Well established reputation as a serious player
- ✓ Strong track record of identifying and acquiring strategic assets, e.g.
 - Venture Production
 - Suncor Energy's Trinidad portfolio

Subsurface



- ✓ Experienced teams
- ✓ Extensive experience in tight gas reservoirs
- ✓ Proven track record in applying cutting-edge subsurface engineering technologies

Project Management



- ✓ Industry leading drilling and project management capability
- ✓ Ability to move fast, whilst maintaining flexibility
- ✓ Efficient field development and sub-sea tiebacks
- ✓ Innovative technical solution implementation

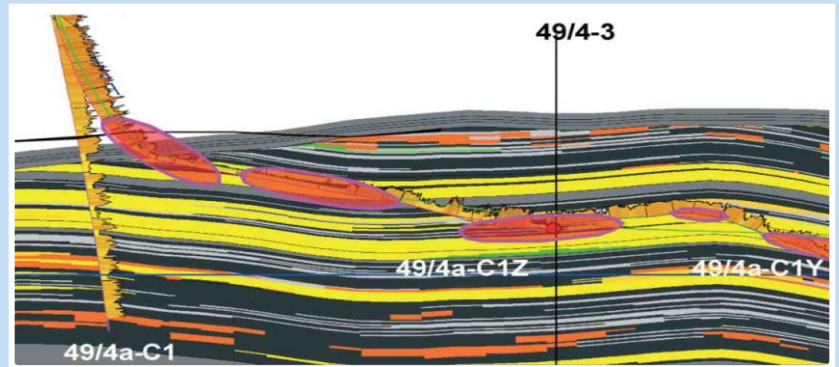
Operations



- ✓ Strong HSE record
- ✓ Proven track record in stewardship of mature assets
- ✓ High uptime performance of existing assets

Case study: Chiswick field development

- Discovered in 1984
- Acquired in August 2006
- Chiswick drilling relied on understanding of complex carboniferous reservoir geometries and required a new technical solution for fracking the wells
- New industry project execution capability was also required to be developed
- On stream in September 2007
- Current production c. 12 mboepd
- Two further wells being drilled in 2010
- Fracing experiences now leveraged across the portfolio

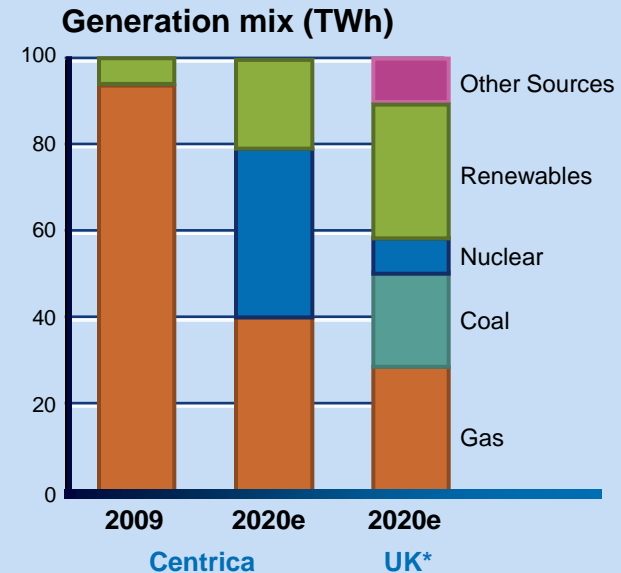
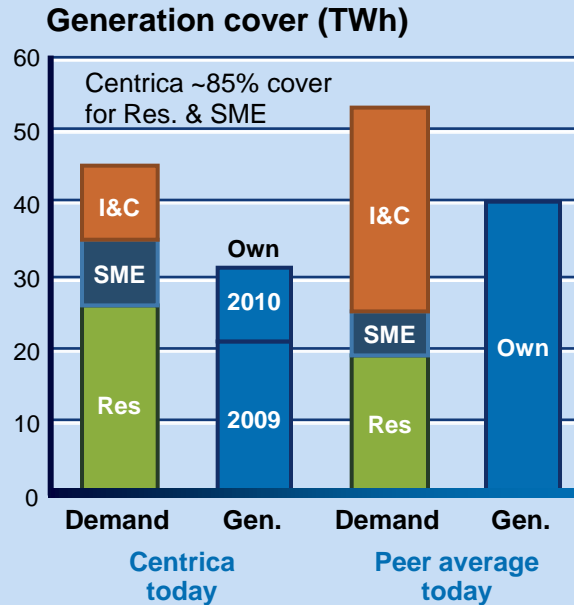


Our power generation strategy will lead to increased generation cover and a more balanced fleet

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

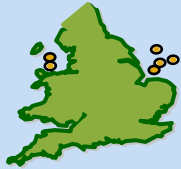


* Potential generation output if UK government targets are met

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

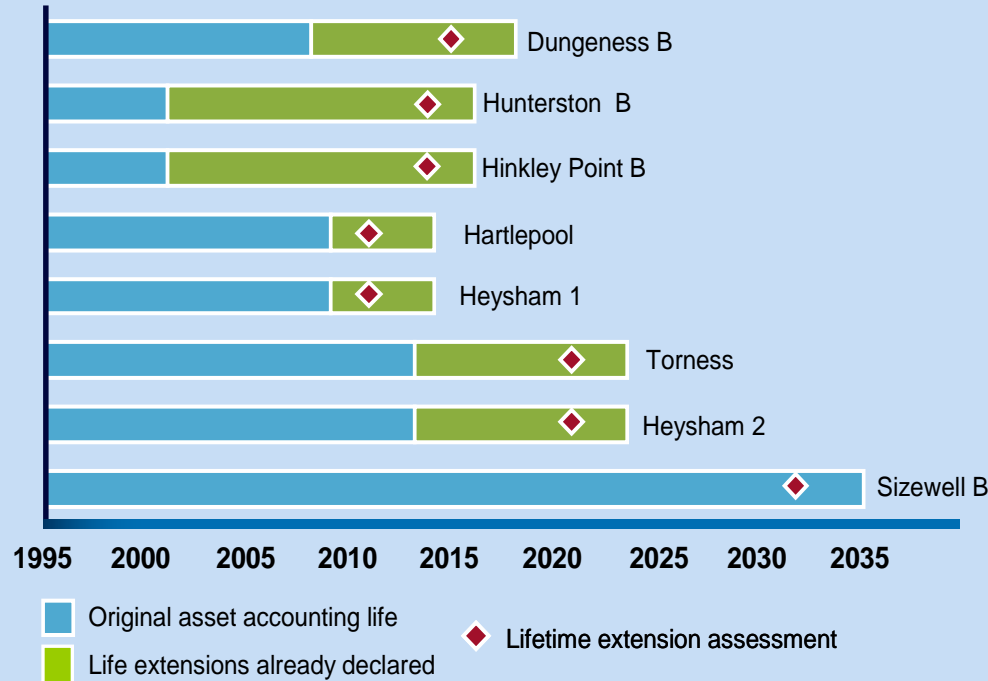
Operations & Maintenance



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

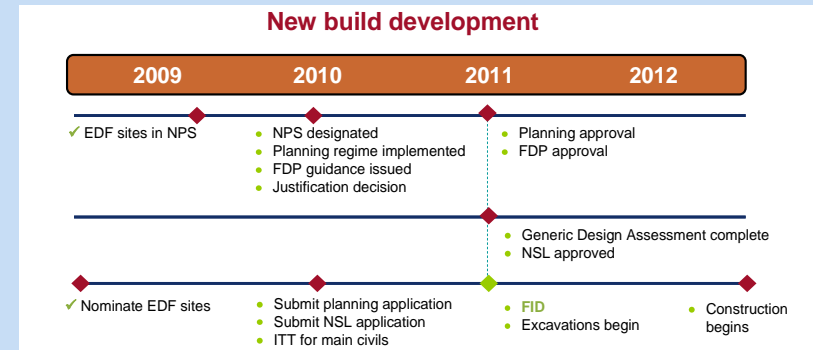
Current nuclear fleet & framework for New Nuclear Build

Current position of BE station lifetimes



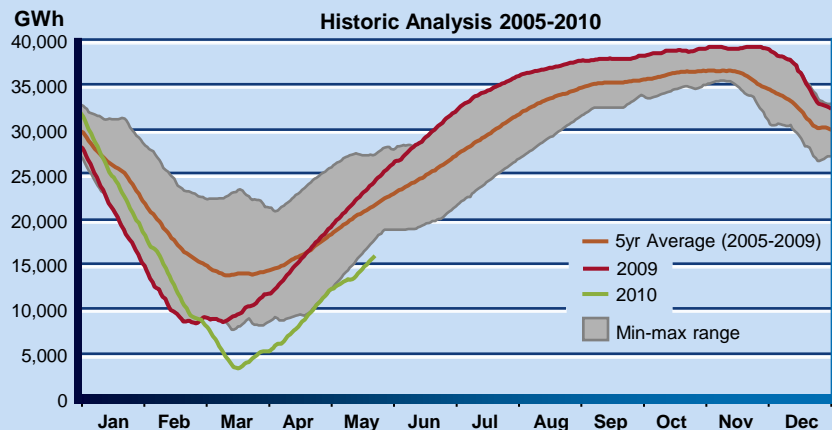
New build trends

- Increasing recognition of the role of new nuclear in meeting low carbon and security of supply objectives
- Regulatory and planning barriers being addressed
- Centrica engaging with policy-makers to ensure supportive investment climate

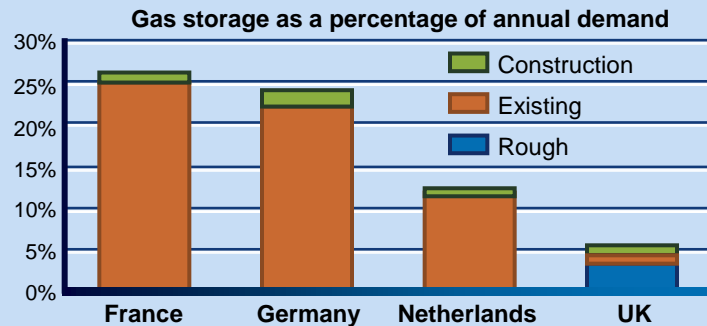


Centrica Storage

Rough Storage Strong financial & operational performance



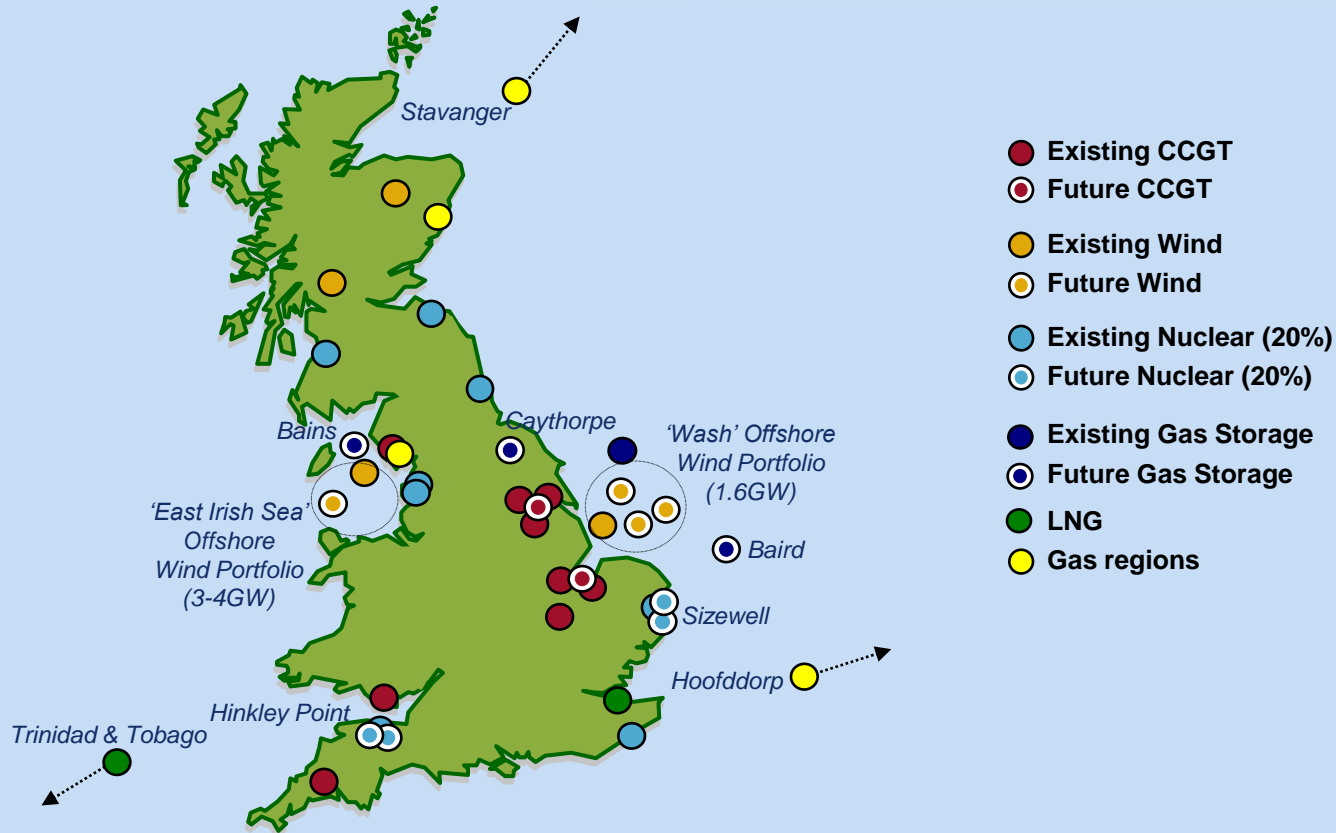
The case for new investment in the UK



Storage projects - shaping the future through flexible and reliable projects

	Caythorpe	Baird	Bains	Rough
Description	Onshore depleted gas field	Offshore existing gas field	Offshore existing gas field	Offshore depleted gas field
Working Gas (bcf)	7.5	60	15-20	118-128
Cushion Gas Required (bcf)	4	50-70	27	181
Injection / production duration (days)	20-30	60	60	160/70
Cycles	6-7	3	3	1.5

Significant investment opportunities to deliver Upstream growth



Direct Energy



Agenda

- Recap from Capital Markets Day
- Progress made on our strategic priorities
 - **Residential energy**: launch of prepaid product in Texas, targeting an under served market segment
 - **Home services**: Clockwork acquisition, transforming scale and capability of operations and providing a robust platform for future growth
 - **Business energy**: targeted effort to grow small business, an emerging segment

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

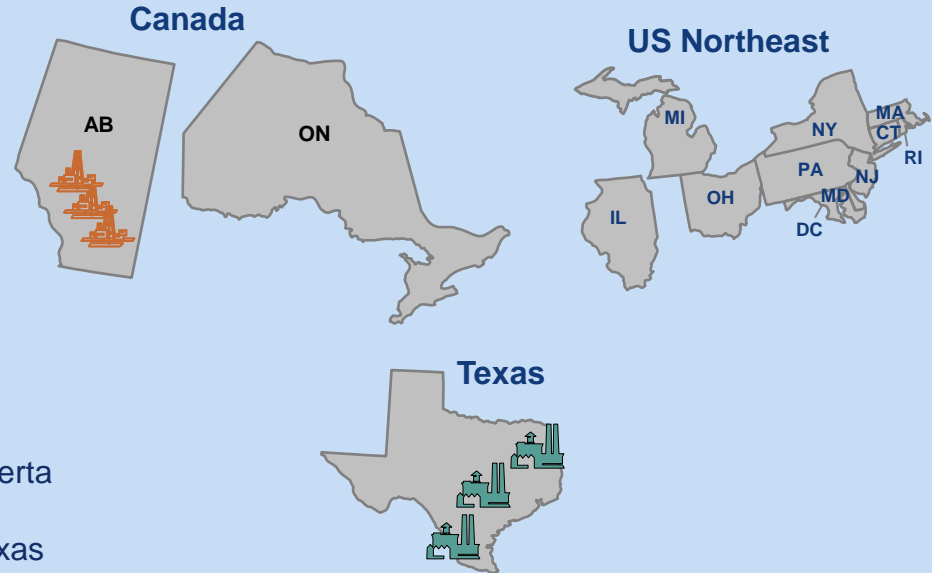
Services



2m customers:
Heating/cooling service
and energy efficiency

Upstream & Trading

375 mmth production in Alberta
4,000 mmth reserves (2P)
1.2 GW CCGT capacity in Texas

Core markets



 Upstream gas
 Power generation

. . . and a distinctive set of capabilities

North American platform

- Strong downstream position in key residential deregulated markets

- Local regulatory and wholesale market experience

- Large scale C&I business

- Unique services capability

- Existing gas and power assets provide base to build a more vertically balanced business

Relevant Centrica UK capabilities

- Customer care systems & processes
- Managing full requirements energy risk

- 20 years competitive energy experience across the value chain

- Market leading small commercial business and capabilities

- Creating value from energy / services linkage

- 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
- 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

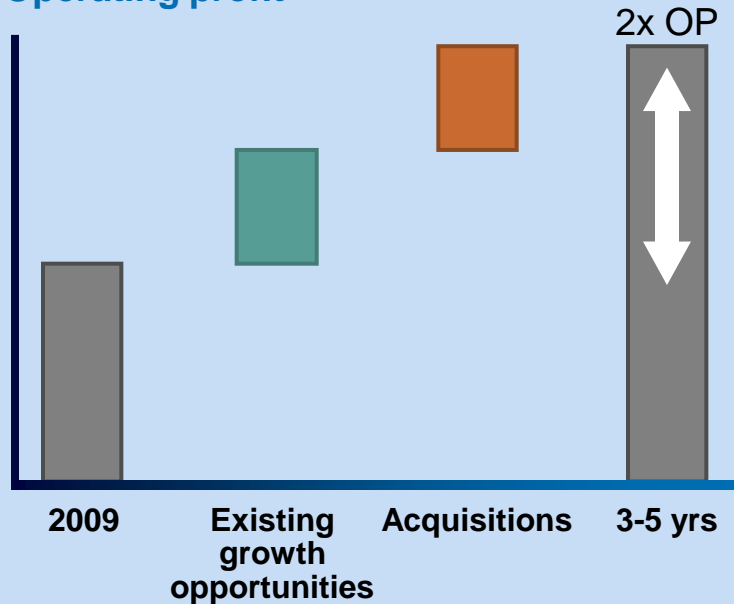
- Balance upstream and downstream, move towards 35-40% cover
 - Increase generation capacity to support key retail markets
 - Expand our upstream gas business



Deliver material contribution to Group earnings over medium term

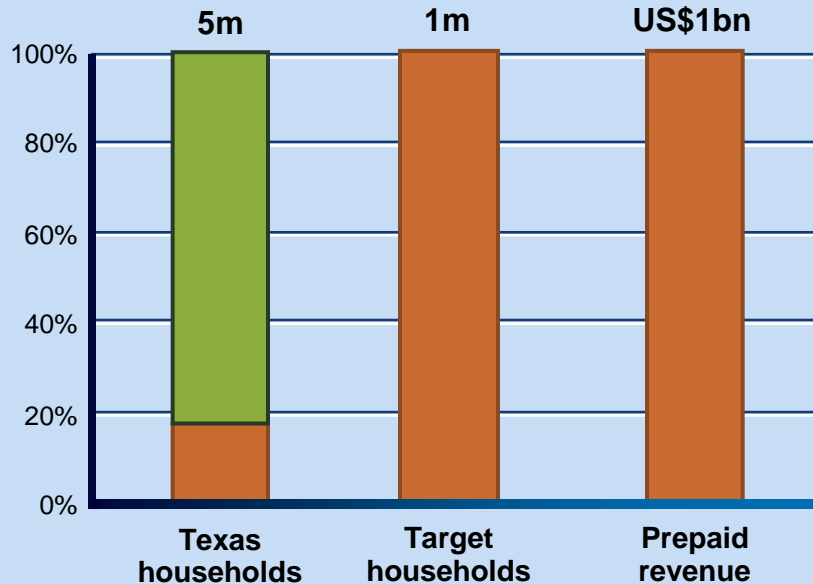
Doubling profits: organic growth and acquisitions close the gap

Operating profit



- DE Residential
 - Texas transformation program
 - Prepaid launch in Texas
 - Growth opportunities in US Northeast
- DE Business
 - Small commercial growth strategy
- DE Services
 - Grow scale and local density
- DE Upstream
 - Midstream & Trading growth strategy

Prepaid: a Texas residential growth opportunity



- Establish market leadership by accessing an untapped customer base
 - Prepaid delivers the right value proposition to this market segment
 - Smart meter deployment underway
- Other benefits of prepaid include
 - Improved bad debt position
 - Improved operating costs
- Acquired REPower to create platform
- Prepaid launch:
 - Pilot launched this week
 - Dallas market launch in a few weeks

Services: the growth opportunity and the vision

Services vision:

- Support the wider DE strategy through being **North America's leading home services company**
 - Making a material and growing contribution to DE's profitability
 - Redefining the customer experience for the industry
 - Extracting value through integration with our energy business

Key success factors:

- **Overall scale** to improve cost of goods sold
- **Local market density** to improve operating costs
- **Customer & operational excellence** to increase NPS
- **Platform for ongoing growth** and consolidation
- **Presence across energy footprint** to capitalise on integration

Clockwork: a major operator and franchisor of heating & cooling, plumbing and electrical services

Owned operations

- **25 company owned locations** in US and Canada
- Providing heating & cooling, plumbing and electrical services

Franchises

- **470 franchises** in the US providing the same services
- Same brands as owned operations

Affinity members

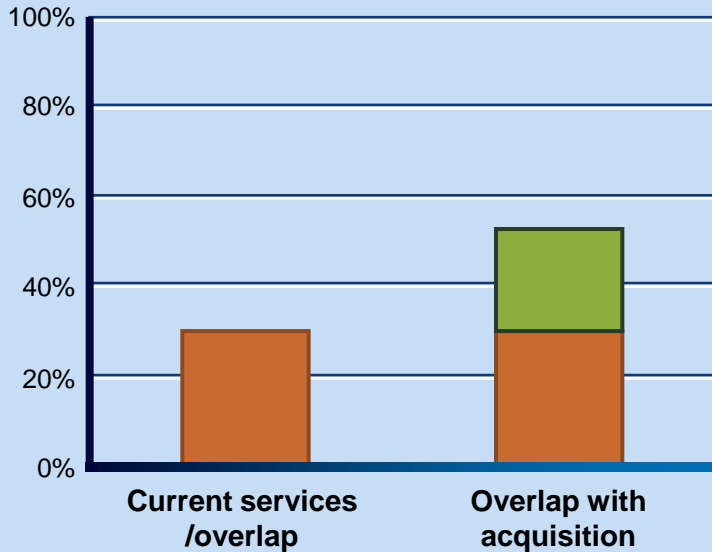
- **765 independent affinity clients** across the US and Canada operating legacy or secondary brands and accessing Clockwork client services

Client services

- *BuyMax* **group buying** facility
- *Successware21* **enterprise software** solution for services industry
- *Success Academy* **training development and delivery**

Clockwork establishes DE as a leading residential services provider in North America

Energy / services overlap

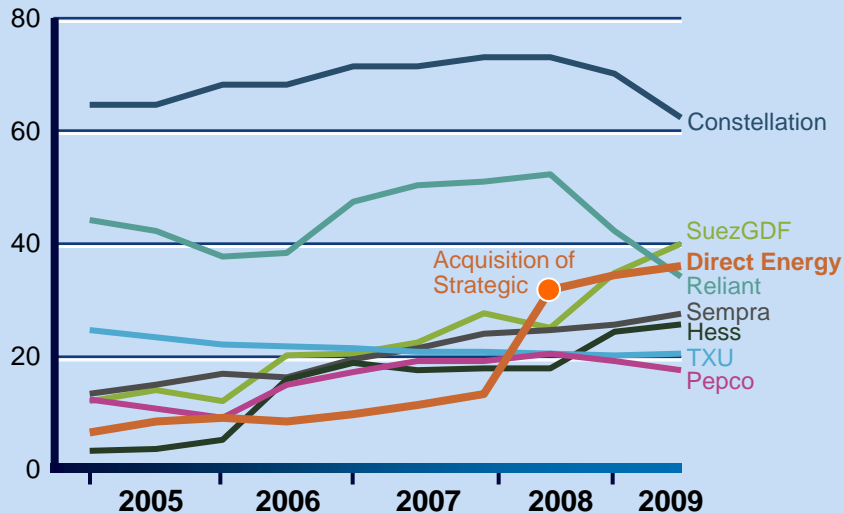


Note: Services overlap with US DE energy markets, by % of single family homes

- Near doubling of services overlap with energy footprint
- Complementary assets:
 - DE's leadership in Canada and protection plans
 - Clockwork strength in US and industry leading systems
- Procurement advantage through \$4bn franchise / affiliate network
- Efficient and low-risk platform for further industry consolidation

Small Business: an emerging segment delivering a significant growth opportunity for DE Business

US power market share (TWh)

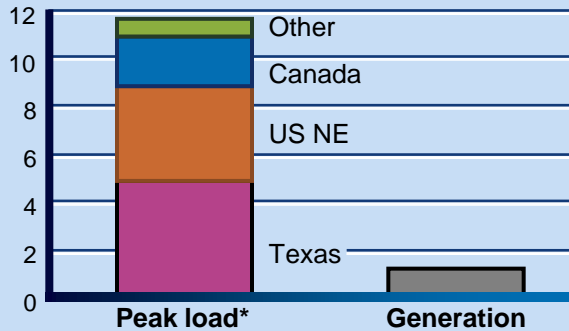


Source: KEMA

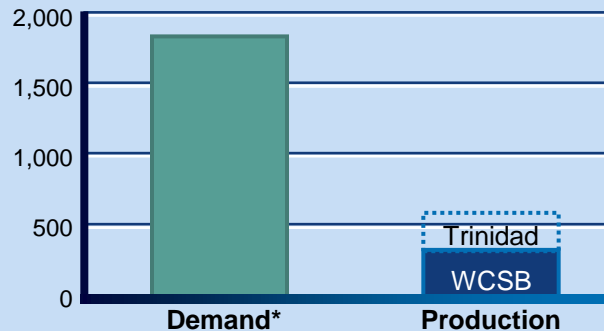
- Substantial Small Business operations today
 - 180k customers
 - US\$45-50m in operating profit
- Under served segment with substantial profit pool in DE Business markets
 - US\$4bn annual gross margin
- Developing improved customer proposition and delivery capability
 - Optimise existing operations
- Leverage BGB capability

The path to vertical integration

DE peak load and generation (MW)



DE gas demand and production (mmth)



*Excludes regulated customers in Canada

- **Integration:** better balance downstream and upstream positions, move towards 35-40% cover
 - like the UK, vertical integration is a competitive necessity
 - offset downstream price and collateral exposure with appropriate asset cover
- **Generation:** targeting expansion of generation in key retail markets
 - ERCOT: open market, and fragmented
 - US NE: capacity constrained markets
 - Baseload not being prioritised
- **Gas:** focussing upstream gas growth in WCSB
 - exploring shale opportunities

Value driven investments competing for Group capital

British Gas



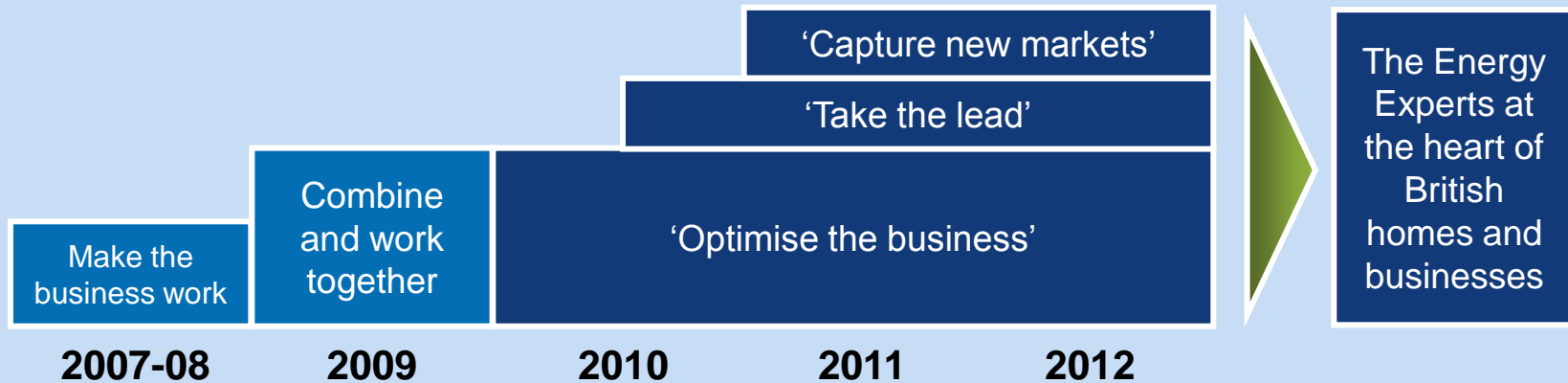
Agenda

- Recap from Capital Markets Day

..... with relevant case studies

- Delivering sustainable profits in Residential Energy
- Transforming the core Services business
- Building on current momentum to sustain British Gas Business growth
- Positioning British Gas at the centre of the 'Home of the Future'

We are building on the transformation of British Gas to deliver our new strategic priorities



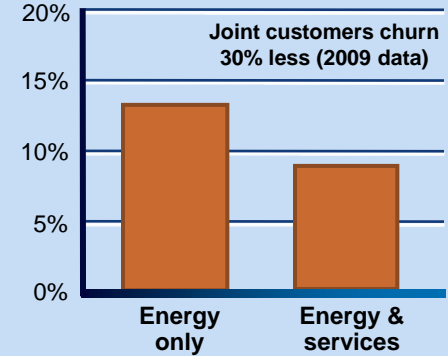
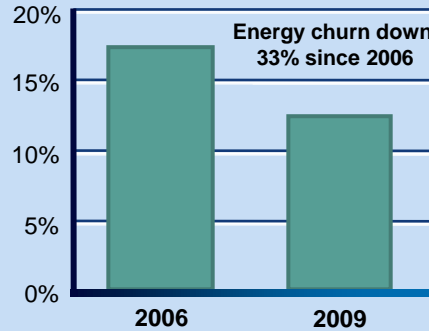
- **'Optimise the business'** to leverage scale and efficiency benefits
- **'Take the lead'** through innovation in existing growth areas
- **'Capture new markets'** by embracing new technologies and channels

Optimise the business: Deliver sustainable profits in Residential Energy

Driving Energy-Services joint holdings

<i>Households ('000)</i>	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

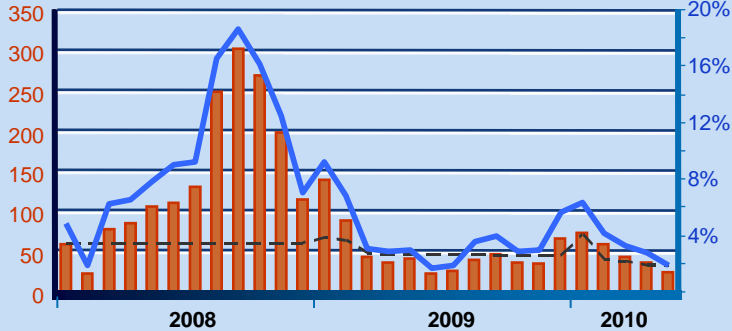
Reducing churn



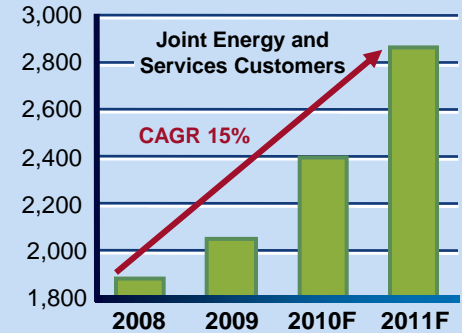
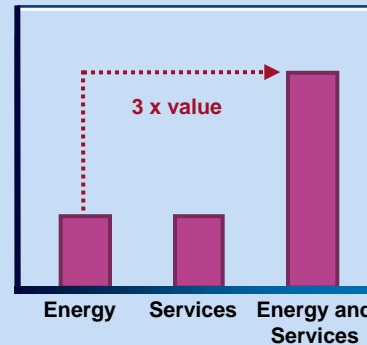
Average speed to answer (seconds)

Customer service turnaround

Abandon rate (%)

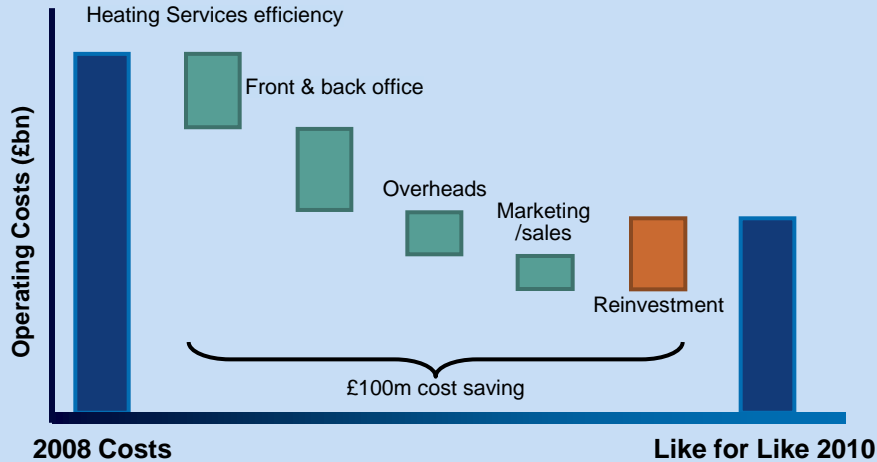


Maximising customer growth and value



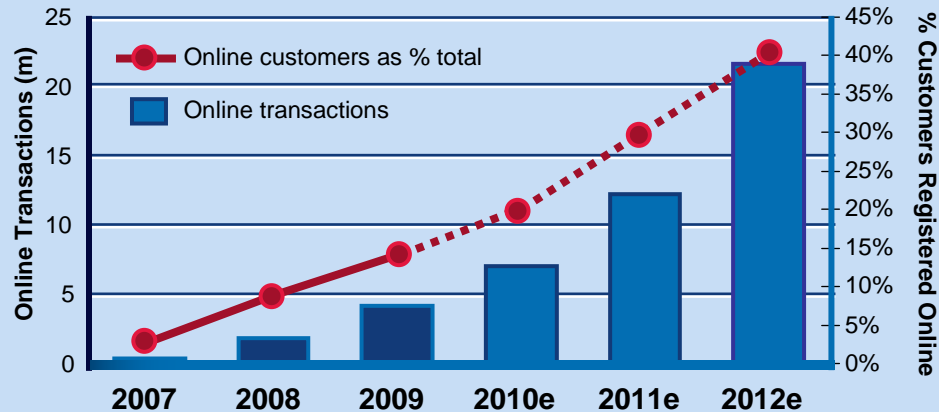
Optimise the business: Realising cost synergies to invest in future growth

Creating an efficient and stable operating cost base



- Focus on back office processes has cut costs and improved customer experience
- Re-investment to drive growth in key areas, e.g. online, customer service, new markets

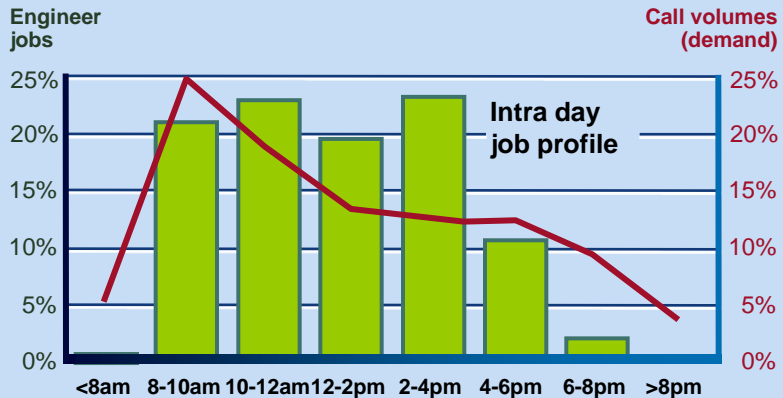
Innovating to drive step change in online



- Online transactions doubled to c.4 million
- Self-serve accounts for 38% of total contacts
- Leading innovation with online account management, EnergySmart and iPhone

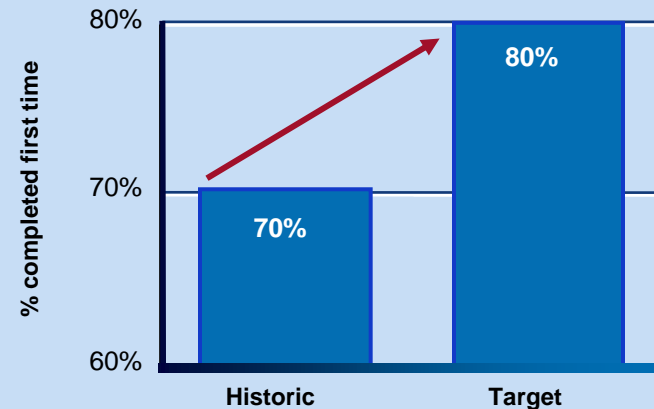
Take the Lead: Transforming the core Services business

Customers require greater availability



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

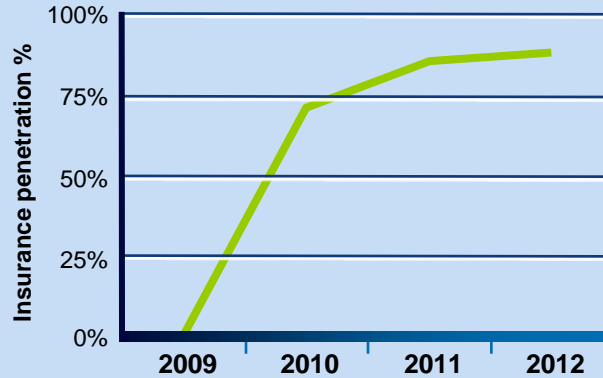
Focus on getting jobs right first time



- Success rates at historically high levels from new initiatives
- New IS solutions for job planning and new laptop rollout to drive further

Take the Lead: Insurance roll out and CHI strategy generating significant growth

Insurance Penetration Growth



- We already have over 1 million Insurance products
- With Insurance; **37%** of customers say they are more likely to renew and **57%** say it offers better value for money

Doubling CHI Installations by 2012

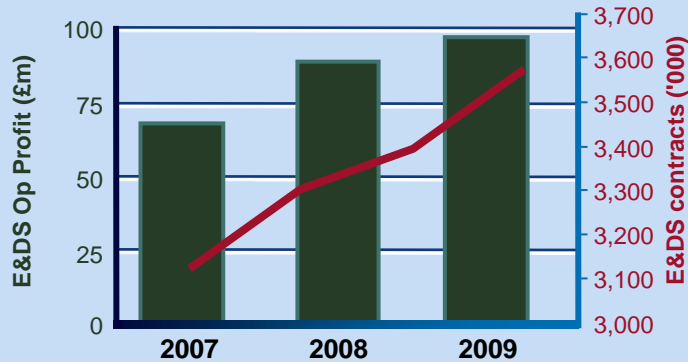
- Price reduction rolled out nationally in June 2010
- Reduced lead times and greater time slot availability
- Conversion up 50% and doubling of installs by 2012



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

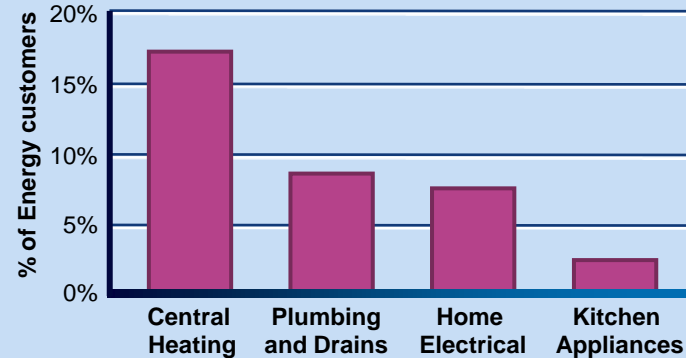
Take the Lead: Further growth in the Electrical and Dyno business

E&DS: a strong profit business



- 625 electrical engineers, 1.5m customers for emergency / appliance care
- 100 Dyno-rod franchises, 1.7m customers – 66% plumbing, 33% drains
- Dyno Secure (locks, alarms, glazing) – 40k customers

Opportunity for improved penetration



New channels offer significant growth

Affiliates

Right to Win

Insurers

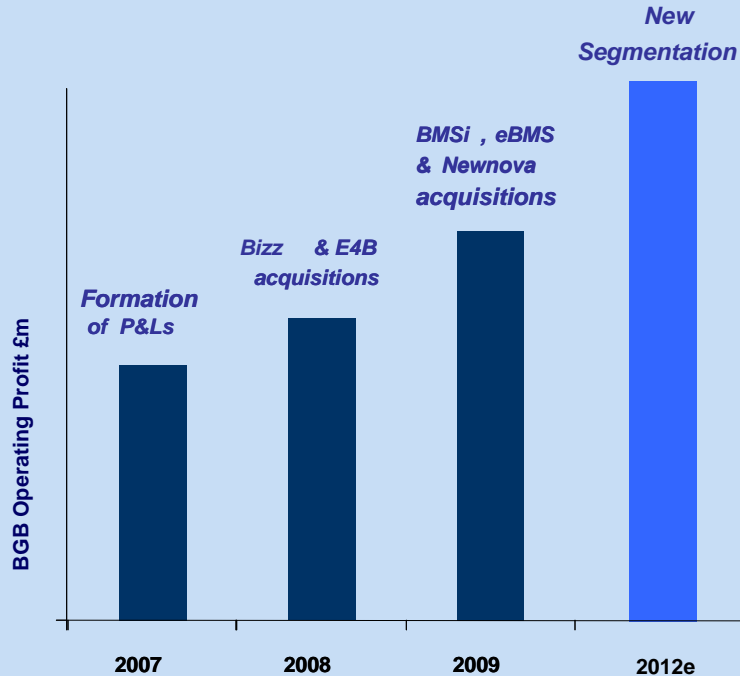
- Capability in emergency services
- Existing relationships (e.g. Aviva)
- Leveraging claims handling abilities

Water / Sewerage Companies

- Breadth of customer propositions
- Experience in regulated markets
- Regionalised knowledge through localised workforce

Take the Lead: Building on current momentum to sustain BGB growth

BGB future growth from segmented approach...



...to build on momentum gained from strategic changes

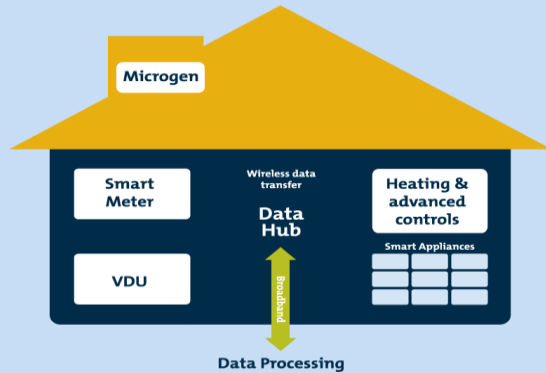
- Six value creating acquisitions
- Over 35% improvement in net margin 2006 to 2009
- Scalable solution for Medium Enterprise
- Multi-site leverage and differentiation
- Growing opportunity in Energy Services

Segmented, customer strategies for growth

	Cost Leadership	
Small Enterprises	<ul style="list-style-type: none"> • Fast response at call centre • Leveraging residential scale and system 	<ul style="list-style-type: none"> • Operational efficiency and debt risk focus
	Service Leadership	
Medium Enterprises	<ul style="list-style-type: none"> • Deep account management • New channels and retention models 	<ul style="list-style-type: none"> • Simple, compliance-focused Energy Services
	Service Leadership and Selective I&C Participation	
Multi Sites	<ul style="list-style-type: none"> • Differentiated Energy Services 	<ul style="list-style-type: none"> • Stronger link with hedging and trading

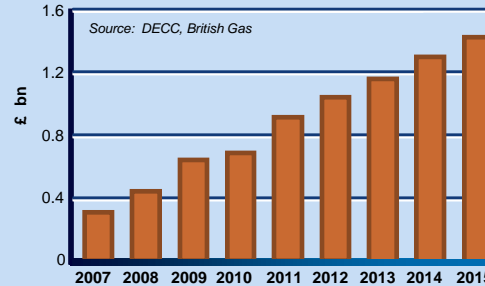
Capture New Markets: Positioning British Gas at the centre of the home of the future

Home of the Future

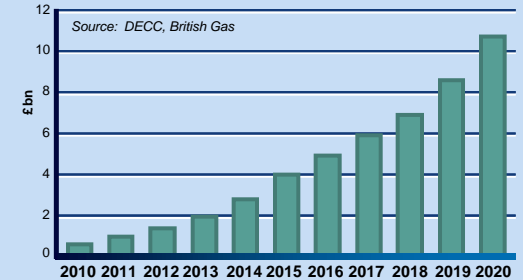


Capitalise on opportunities from transition to low carbon homes

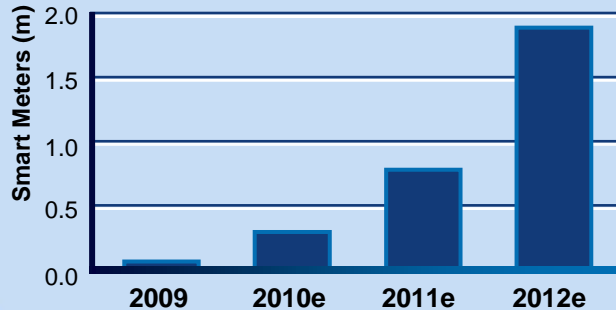
Insulation - domestic market forecast



Microgeneration - installation revenues market forecast



Smart meter roll out: British Gas



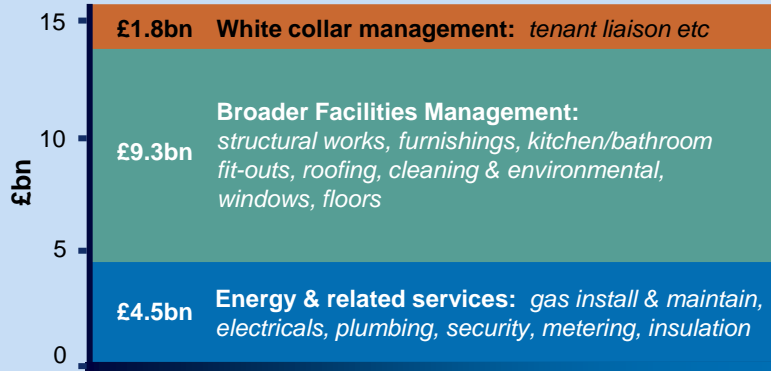
- Market leaders in CERT and CESP
- Creating national installation coverage
- Only energy supplier chosen for Government's "Pay As You Save" trial
- Capabilities in biomass, heating, solar, fuel cell boilers, biomethane

Capture New Markets: Forge strategic relationships with local authorities

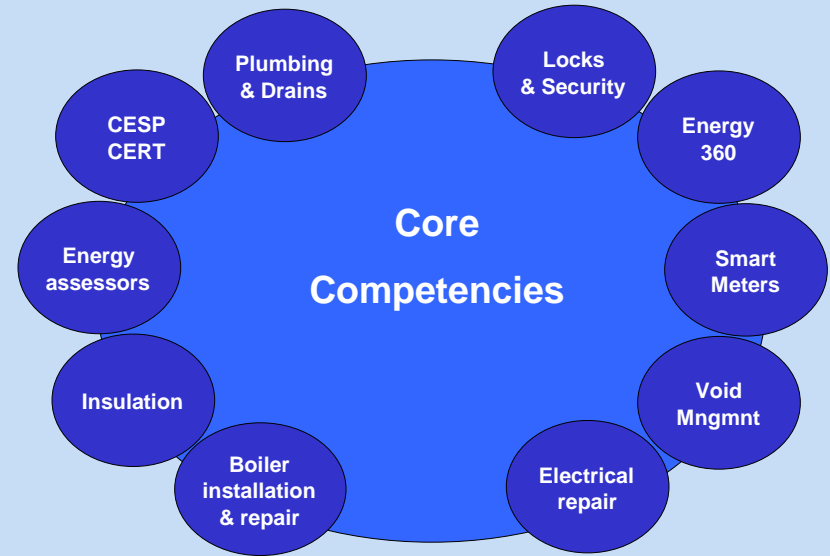
British Gas could target c.25-30% of property services spend

Backed by brand credibility, experience and infrastructure

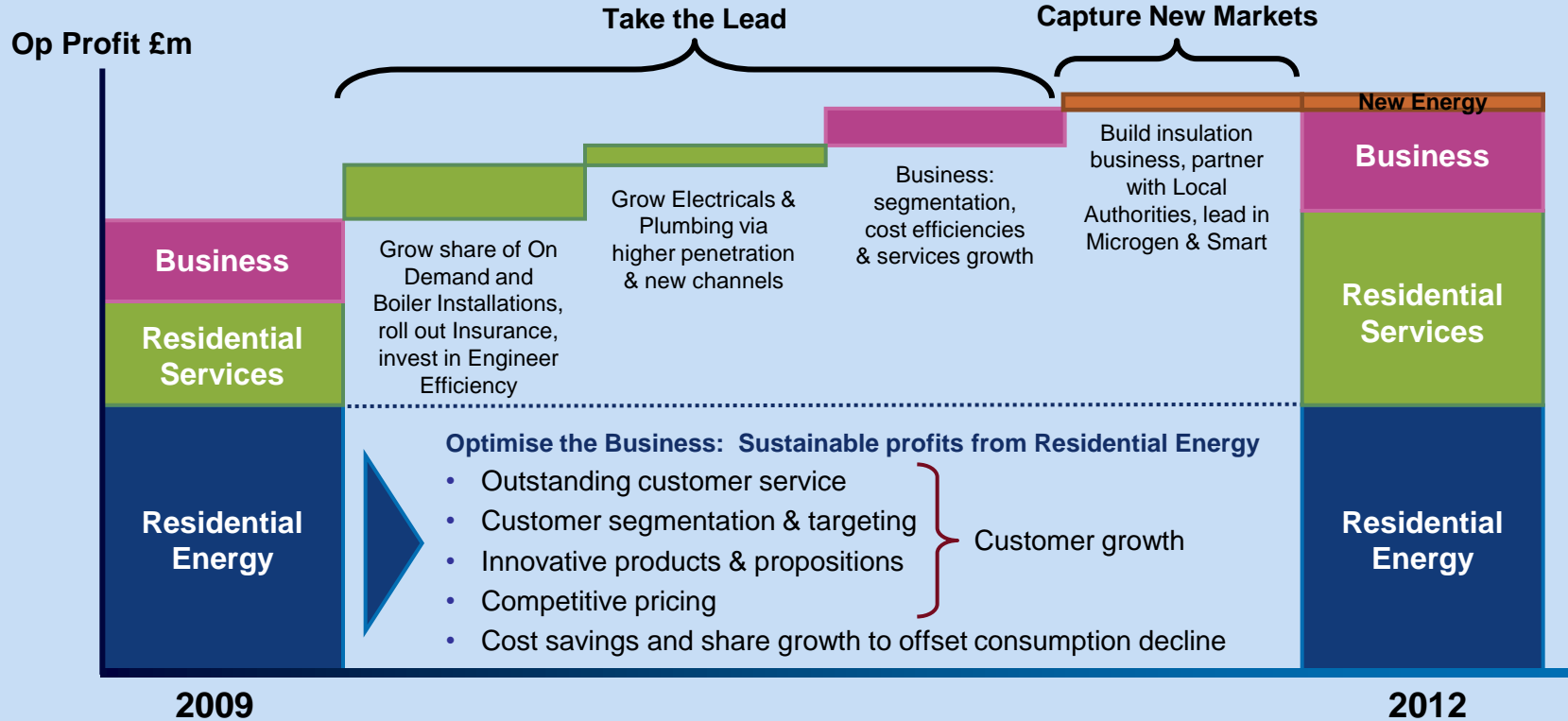
Local Authority spend on property services (2009)



Source: Credo



We are targeting significant growth in sustainable profits across our three year plan



Sam Laidlaw
Chief Executive

centrica

The investor story: summary

- Positioned for growth, upstream and downstream
- Balanced business in both high and low commodity price environment
- Well positioned to lead in the low carbon world
- Strong cash generation, with significant flexibility and investment choices
- Consistently delivering real dividend growth

Strong earnings growth and superior financial returns

centrica