

British Gas Investor Day

7 September 2011



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Angela Williams

HR Director, British Gas



Sam Laidlaw

Chief Executive



Agenda

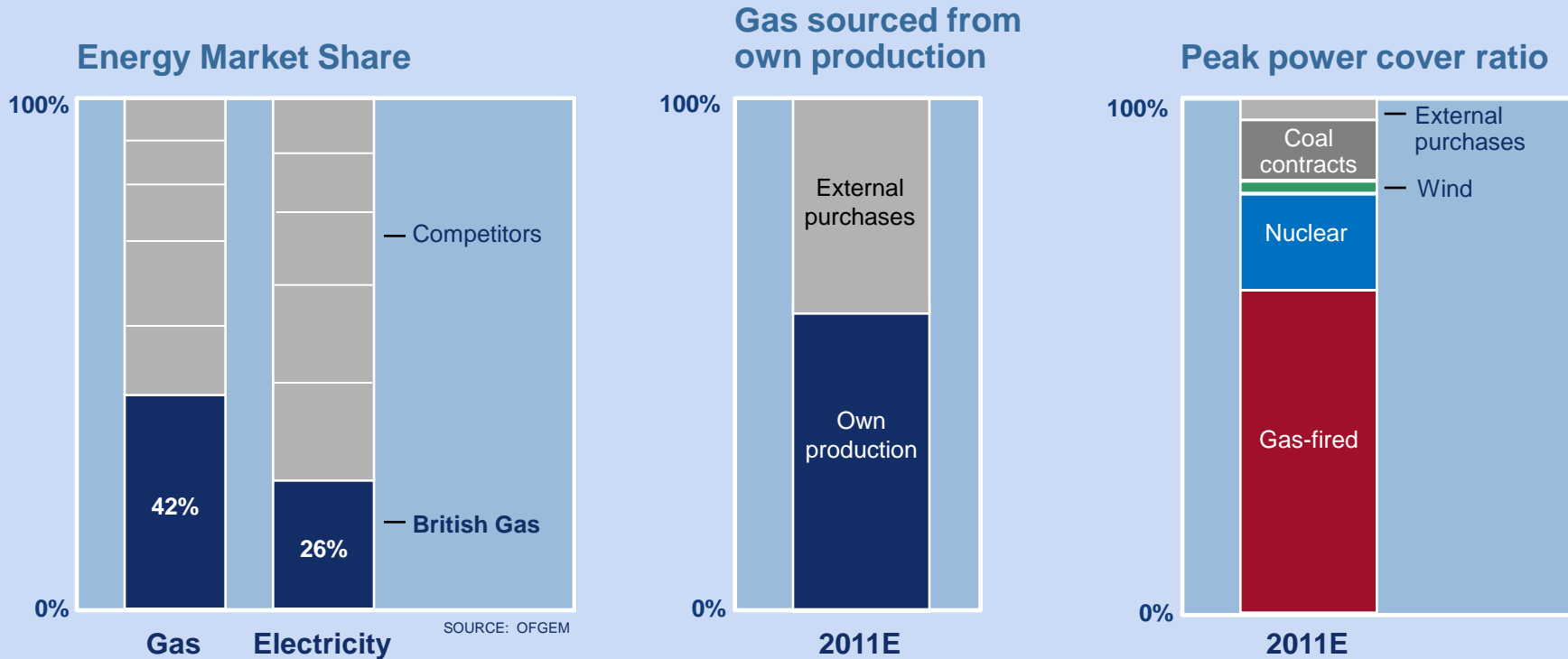
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|--------------|-----------------------------------------------|-----------------------------|
| 09:30 | <i>Introduction</i> | Sam Laidlaw |
| | <i>Update on strategy and progress</i> | Phil Bentley |
| | | Ian Peters |
| | | Chris Jansen |
| | Q&A | All |
| 11:45 | <i>Breakout sessions:</i> | |
| | <i>Tour of National Distribution Centre</i> | |
| | <i>British Gas Business</i> | Ian Peters / Kanat Emiroglu |
| | <i>British Gas New Markets</i> | Gearoid Lane |
| 16:00 | <i>Close</i> | Phil Bentley / Nick Luff |

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

Well balanced business model



- Leading residential market share and scale
- Supported by unique low carbon dual fuel hedge
- Customer focused business model with services and energy efficiency capability

Note: Gas sourced from own production is calculated as total Centrica equity gas and oil production as a proportion of BGR and BGB total gas demand
 Peak power cover ratio is calculated as total potential power production from Centrica equity in power assets as a proportion of assumed maximum half-hourly demand

Strongly positioned for growth

- Strong **profit growth** and **cash generation** through the cycle
 - distinctive capabilities and scale, leaders in innovation
- Focus on maintaining a competitive position in **residential energy**
 - industry leading retention
 - relentless focus on costs and processes, underpinned by our systems
- Further growth through customer driven strategies
 - attractive **services** propositions, service excellence, highly skilled workforce
 - tailored **business energy** propositions, leveraging BGR systems and processes, longer term growth in energy services
 - leading in **new markets**, aligned with core customer relationships
- Well positioned for the low carbon world

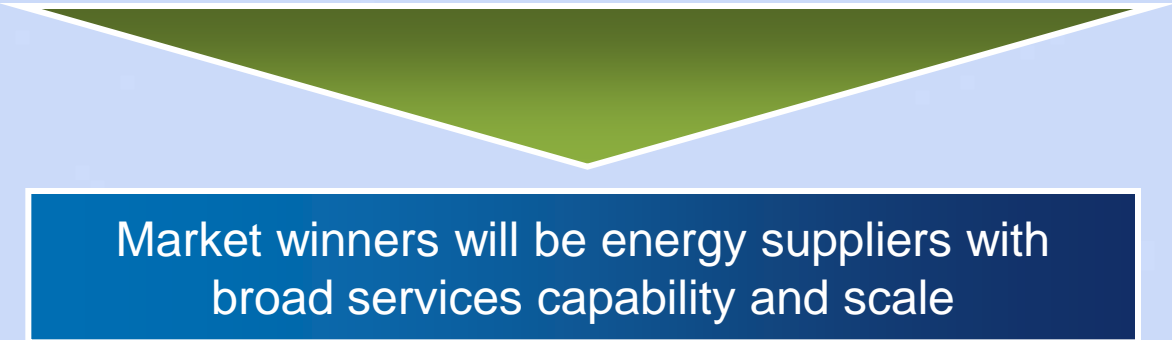
Phil Bentley

Managing Director, British Gas



The UK energy and services market is both significant and attractive

- Energy supply remains profitable for players with scale, systems and service
- Energy services is a growing market with attractive margins
- Government imperative to transform energy efficiency across Britain
- Technology will be a key differentiator
- Strong customer relationships provide long-term value



Market winners will be energy suppliers with broad services capability and scale

British Gas is well positioned in this market

Customers and service

- 12 million homes, half of all UK households
- No. 1 domestic supplier of both gas and electricity
- One million business sites, No.1 in SME gas and electricity

Capabilities and product range

- National base of over 11,000 highly trained and engaged engineers
- No. 1 in Service & Repair, Boiler Installations and Smart Meter Installations
- Leading capabilities in solar and insulation

Brand

- No. 1 in brand recognition / TV cut through
- Most trusted for energy efficiency

Scale

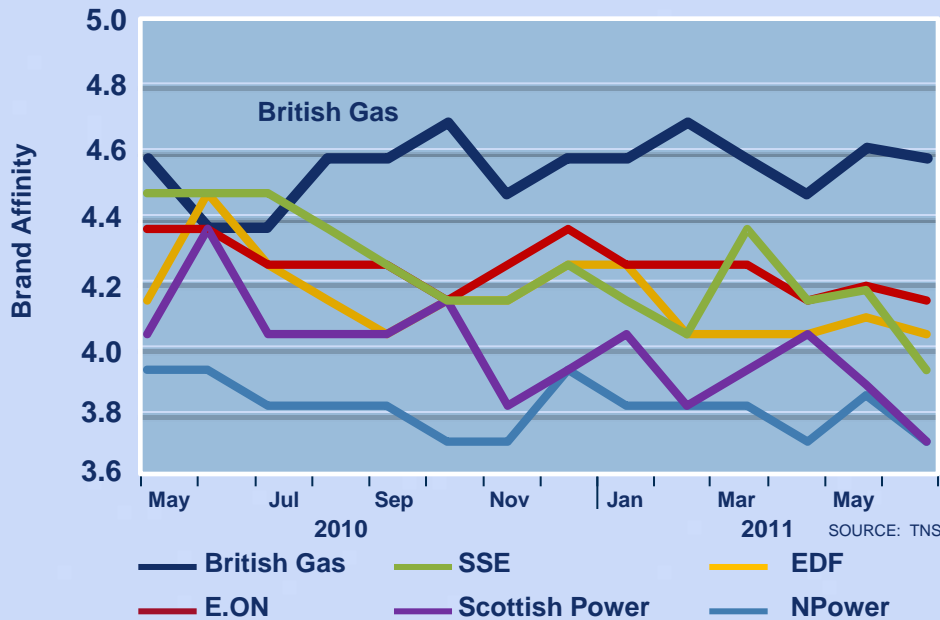
- Most advanced IT platform
- Scale to manage complex relationships
- Cost efficiencies

Innovation

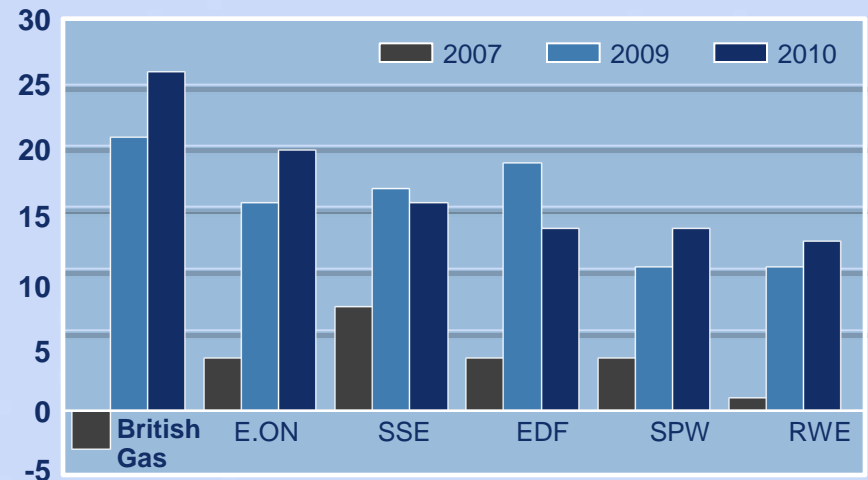
- No. 1 for online
- Leadership in low carbon technologies

Customer satisfaction continues to improve

Affinity with energy brands



Residential energy customer satisfaction

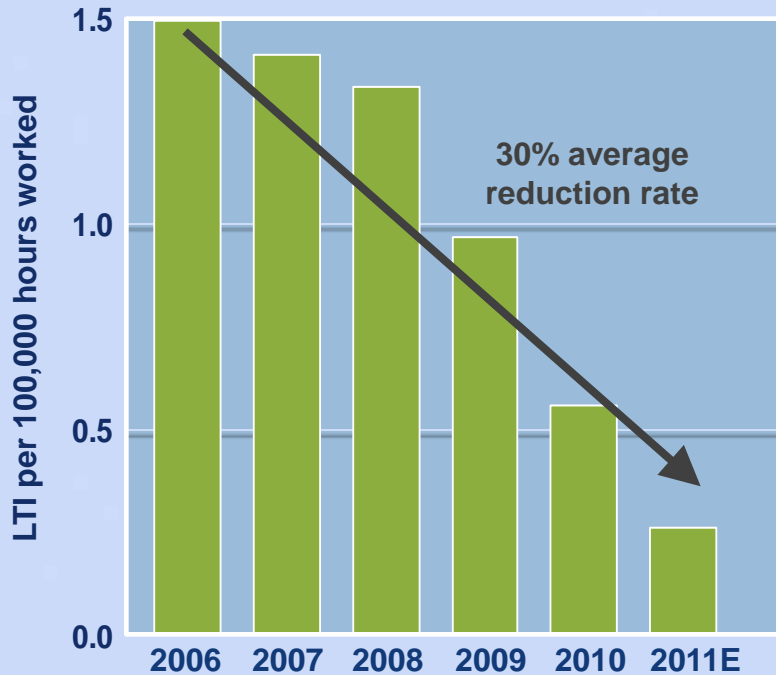


SOURCE: MORGAN STANLEY RESEARCH ENERGY SUPPLY SURVEY

- Nectar – 3.3m signed up, 200k new to brand, 30% self serve transactions
- Sainsbury's channel delivering higher value customer base – 80% DD penetration, Contact NPS +54
- Customer Board recommendations - field sales, PAYGE equalisation

Safety through engaging our colleagues is a key priority

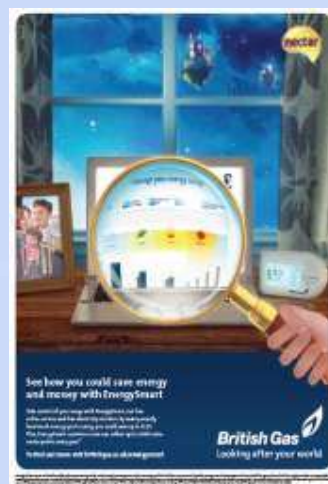
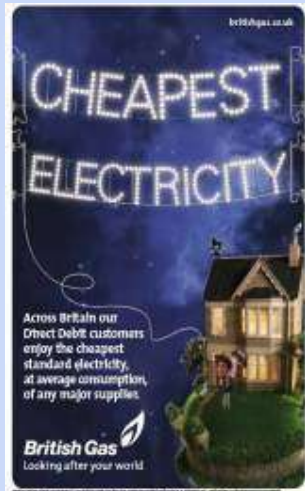
Improving safety culture



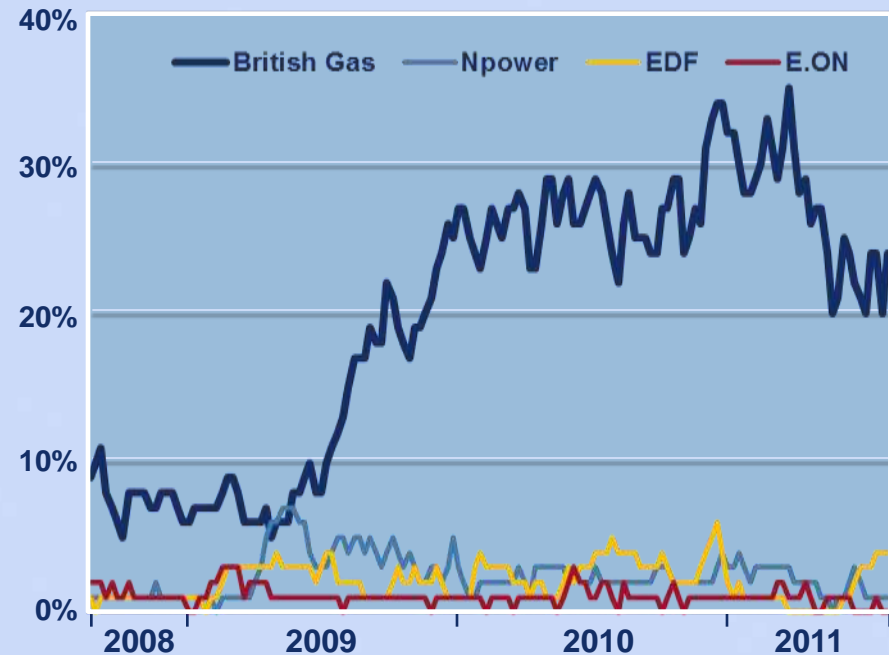
Engaged and customer focused workforce



Our 'Planet Home' brand campaign has been a great success



Total TV advertising cut-through



SOURCE: TNS

Leveraging scale and systems to reduce costs

Scale

- £200m BGR cost reduction (2006-8), further £100m cost reduction from integration re-invested in the business
- Procurement – 5 year deals with Travis Perkins and Worcester Bosch
- Shared winter contingency reducing headcount
- Engineer lead generation

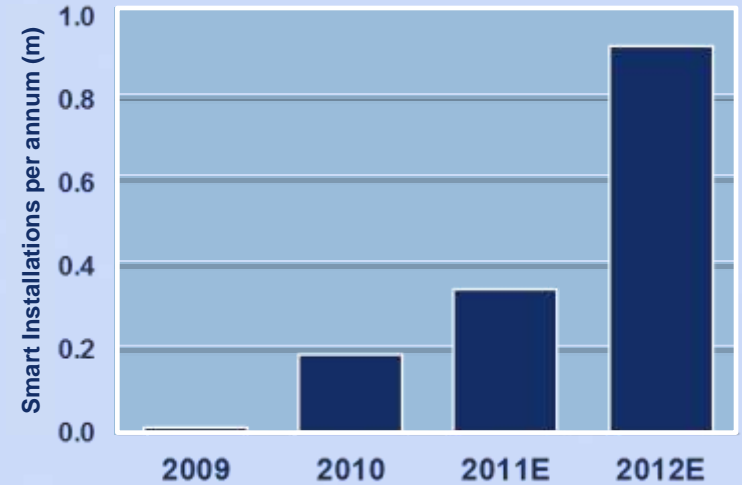
Systems

- Flexibility and reliability
- Straight through end-to-end smart metering process
- Cross serving and one bill via Catalyst
- In-built credit scoring

We are innovating to deliver improved customer experience and enter new markets

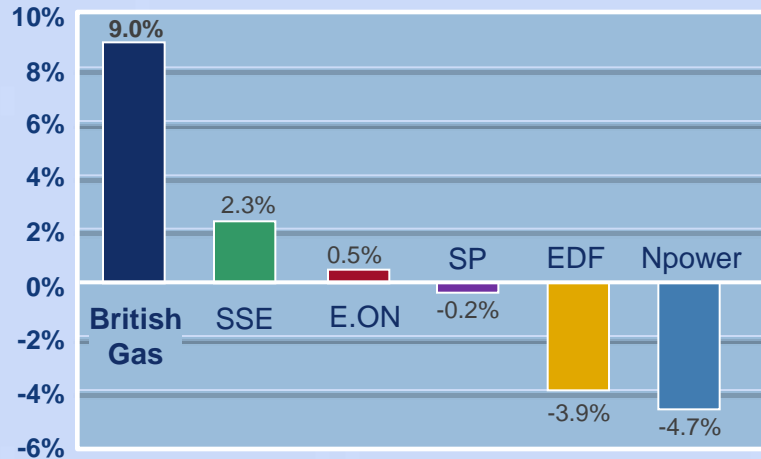
Digital innovation creating new ways for customers to interact with us . . .

. . . and we are generating leading capabilities to enter into new markets



Industry leading margins and improved cross-sell capabilities

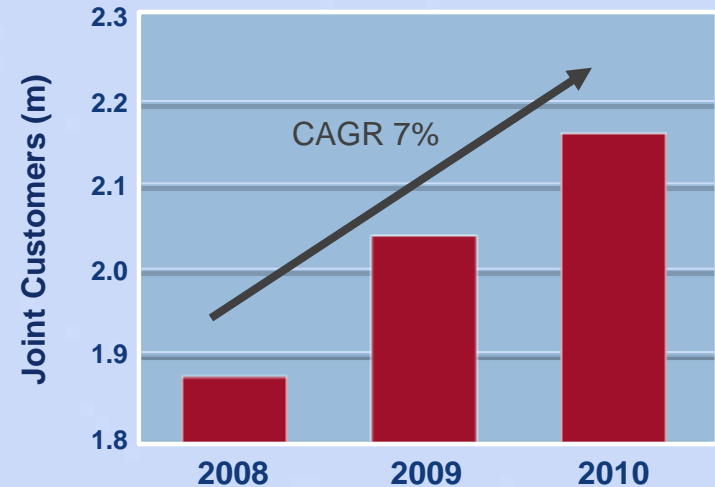
Published residential energy margins



Based on 2010 Ofgem segmental statements, except SSE which is based on 2009 Ofgem segmental statement

SOURCE: OFGEM

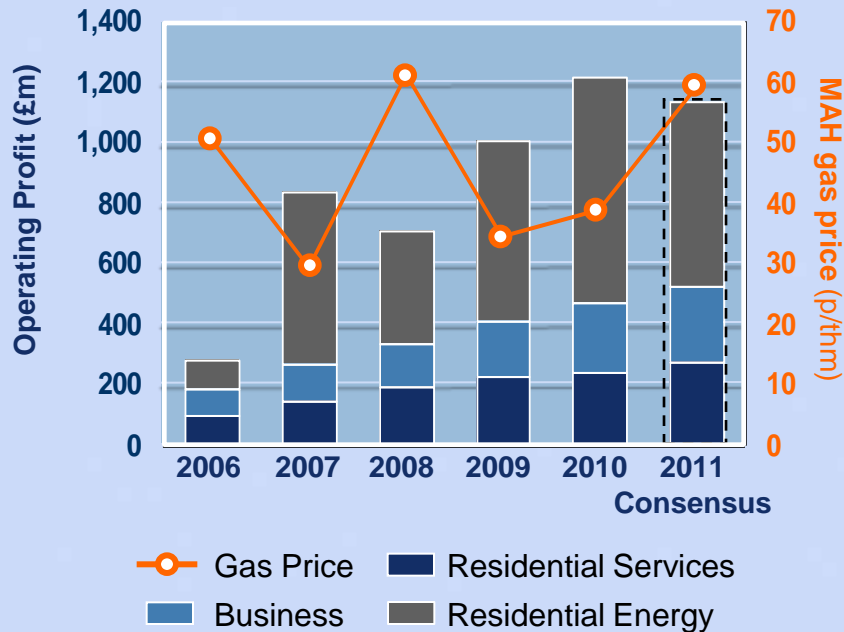
Maximising customer value



- Higher margins due to service, loyalty, scale, cost advantage and hedging
- Targeting further joint customer growth through Joint Billing, One Direct Debit, Single Call, Green Deal and bundled propositions

We have delivered a strong five year performance

Operating profit (2006-2011)



Customer account growth (2007 – 2010)



- 2010 BGR margins 11ppt higher than industry average, over 16m customer accounts
- BGS profit more than doubled over past five years
- 25% CAGR operating profit growth in BGB since 2006

We face a challenging regulatory environment

Ofgem focus

Transparency of accounts



- Most transparent financial statements of all suppliers – full reconciliation of Ofgem statements with Annual Report

Details in the bill



- Rated top in the industry by Consumer Focus in July 2010 for clarity of Annual Statements and energy bills

Simple tariffs



- We only offer five tariffs, simpler choice for customers

Open investigations



- One formal investigation open against British Gas – out of 13 being progressed against suppliers in total

Doorstep selling



- Moratorium on cold-call doorstep selling of energy – focusing now on face-to-face appointment-based sales

British Gas addressing key Ofgem issues

Business outlook

BGR

Ian Peters

BGS

Chris Jansen

BGB

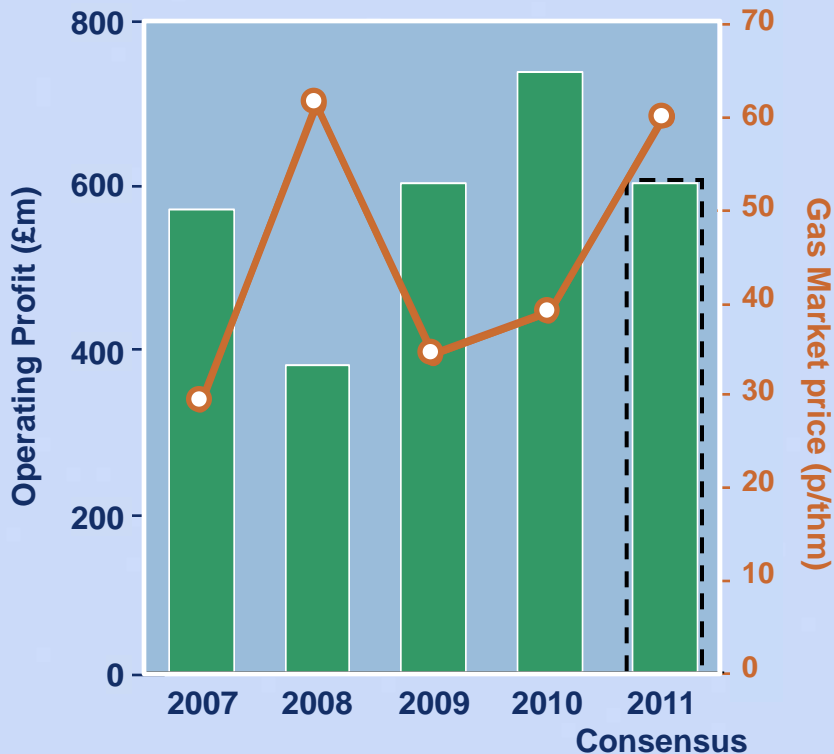
Kanat Emiroglu

BGNM

Gearoid Lane

BGR – maintaining operating profit in a volatile market

Residential energy operating profit



- Maintaining profits . . .
 - reduced churn
 - customer service
 - cost efficiencies
- . . . in an unpredictable environment
 - rising wholesale prices
 - challenging regulatory environment
 - underlying consumption decline

BGS – steady double digit growth despite a challenging market environment

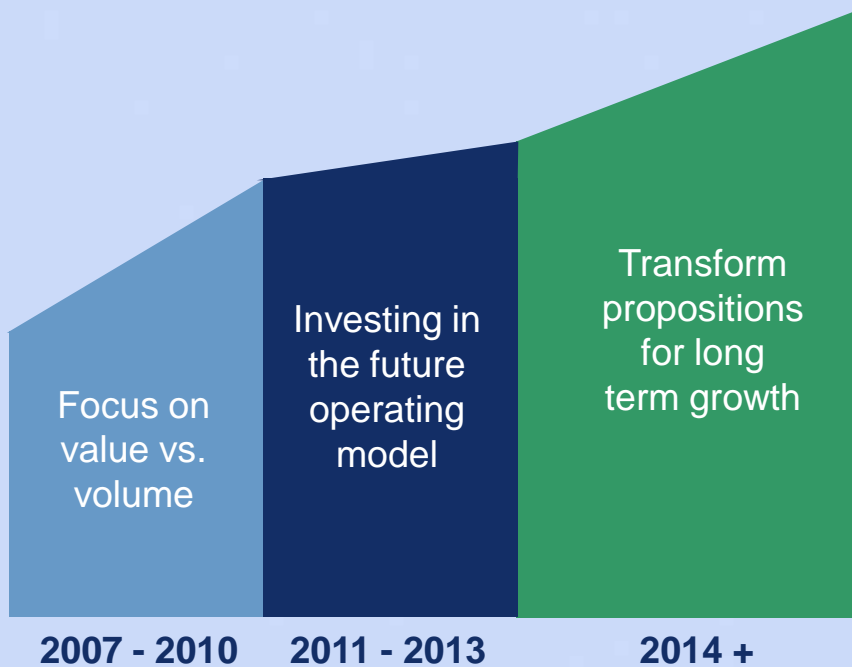


New market opportunities create further growth opportunities

- Service excellence
- Cost efficiencies
- Partnerships and affinity deals
- Superior customer benefits

BGB – near term investment driving faster longer term growth

Strong operating profit growth
ahead of expectations



Investment in future growth

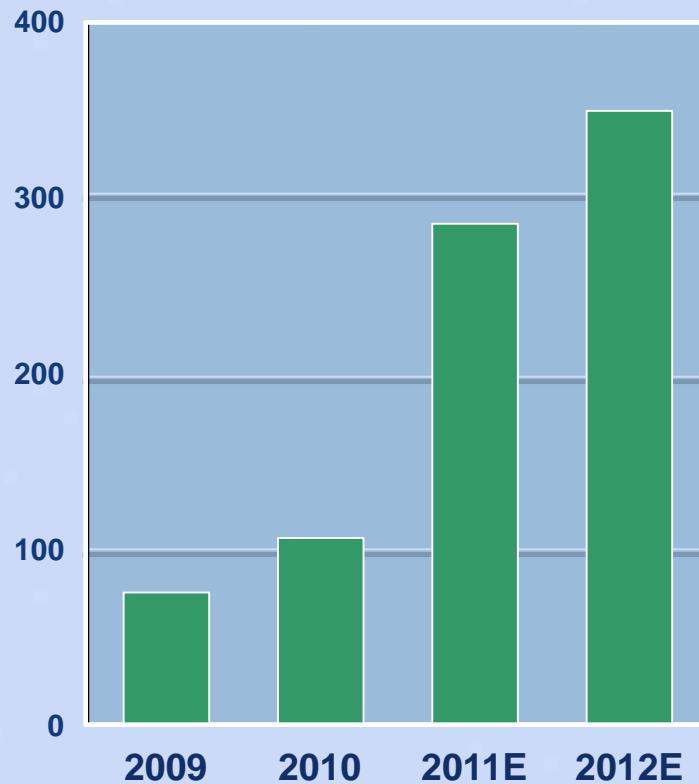
- Economy and competition putting pressure on margins in short term
- Leverage BGR systems and processes
- Marketing-led tailored propositions
- Growth in business energy services

BGNM – the market for energy efficiency is growing and will support the mainstream business

Revenue has trebled in two years . . .

. . . from new markets, customers and capabilities

Revenue (£m)



- Local government relationships
- Housing association contracts
- Acquired capabilities in local authority market
- Electric vehicle partnerships
- Invested in new technologies and 'Home Hub'
- Delivered ground-mounted solar PV power system

Good progress on 'Grow British Gas' strategy – five longer term focus areas emerging

**'Capture
new
markets'**

'Take the lead'

'Optimise the business'

Progress achieved

- ✓ Electric vehicle partnerships
- ✓ Green Deal
- ✓ 'Home Hub'
- ✓ Smart meter rollout
- ✓ Insulation, solar, microgen
- ✓ BGB services
- ✓ Customer service
- ✓ Nectar partnership
- ✓ Lower costs
- ✓ Customer growth

Longer term focus

- Service excellence to build trust
- Value-based customer management
- Distinctive capacity to reduce costs
- Accelerate growth in B2B services
- Innovation in smarter homes

Ian Peters

Managing Director, British Gas Energy



British Gas Residential

A sustainable business

Customer Growth

- Churn lower than industry average, market share growth

Customer Service

- Lower complaints, NPS improvement, highly motivated people, No. 1 for customer satisfaction

Operating Costs

- Lowest operating costs per account in 2010, effective bad debt management

Systems & Innovation

- Industry leading systems capabilities, product innovation, new customer touch points

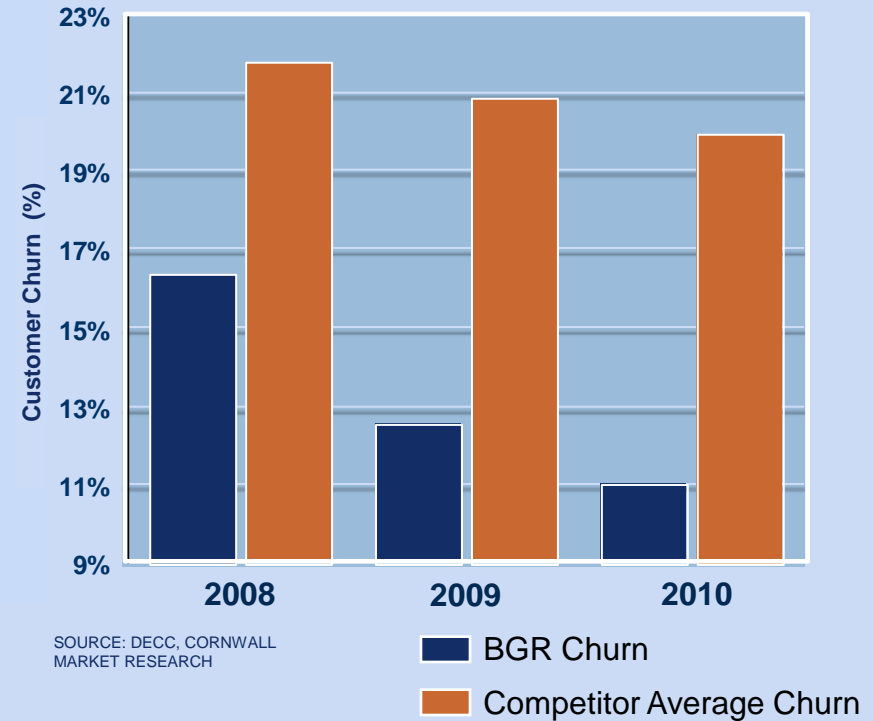
British Gas Residential

Strong customer growth underpinned by improved retention

Energy customer growth



Customer churn



- Customer accounts currently above 16m
- Customer and market share growth each year since 2008
- Consistently outperforming the industry in customer churn

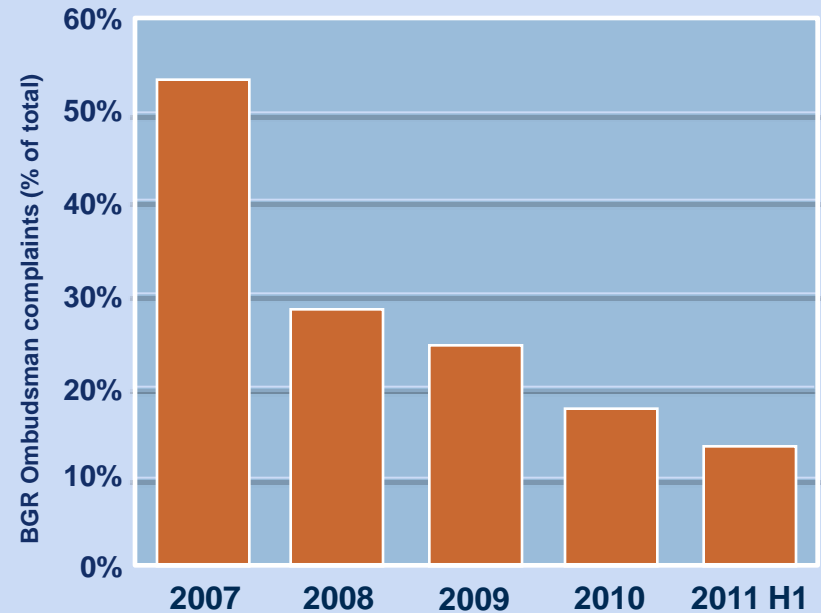
British Gas Residential

Improved customer service and reduced complaints

Contact net promoter score (NPS)



Market share of Ombudsman complaints

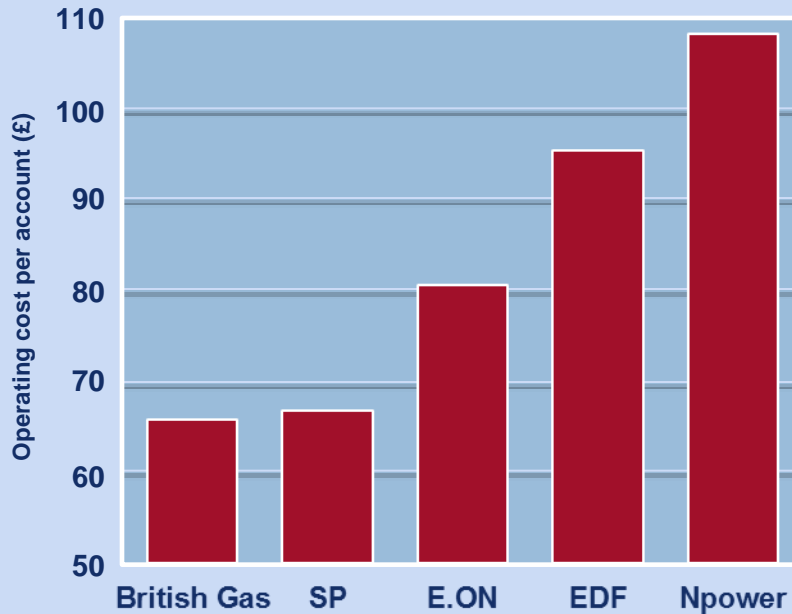


- Call volumes down 43% since 2006, average speed to answer 75% quicker
- Complaints down 39% since 2008

British Gas Residential

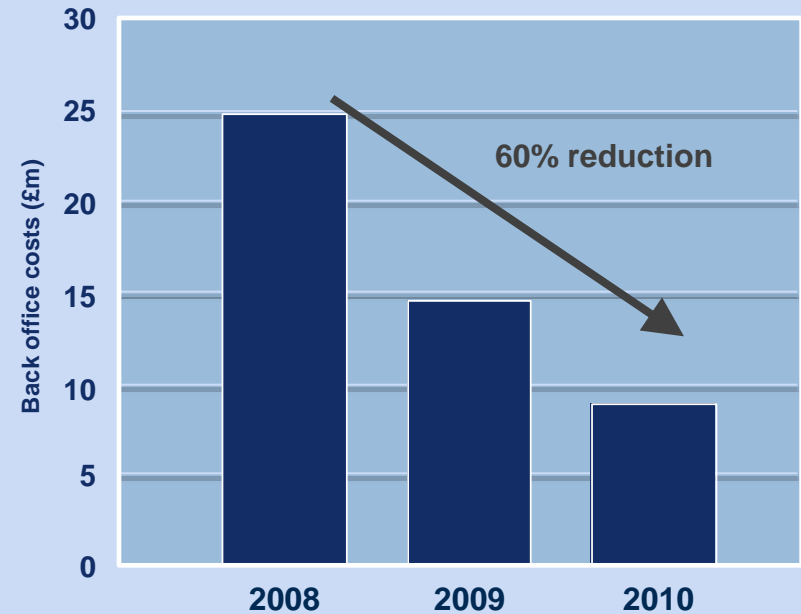
Relentless focus on operating costs underpinned by our systems

Operating costs per account



SOURCE: 2010 OFGEM SEGMENTAL STATEMENTS

Back office efficiency

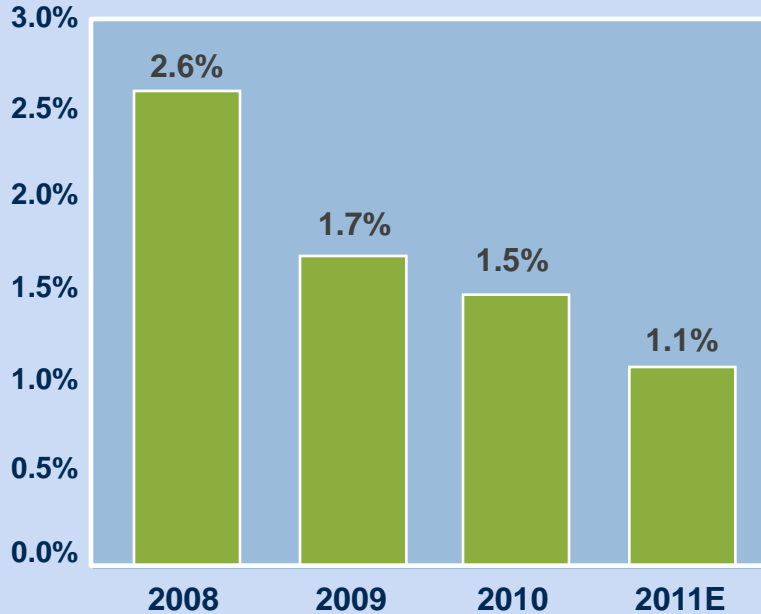


- Residential back office costs reduced by 60% since 2008
- Reduction in high cost sales channels – halted cold-call doorstep selling
- Using Nectar and online to create value – changing customer behaviour

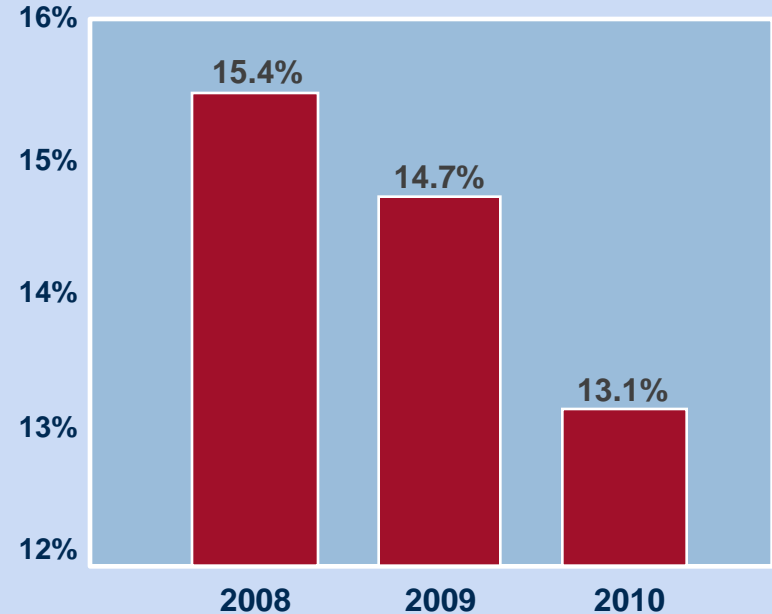
British Gas Residential

Successfully managing customer debt in a deteriorating economy

Residential bad debt charge as % of revenue



Bills outstanding >60 Days



- Risk based credit management, customer specific debt paths from 2008
- Credit vetting suppressing higher risk accounts from acquisitions
- Debt advice network launching, Smart roll-out next breakthrough

British Gas Residential

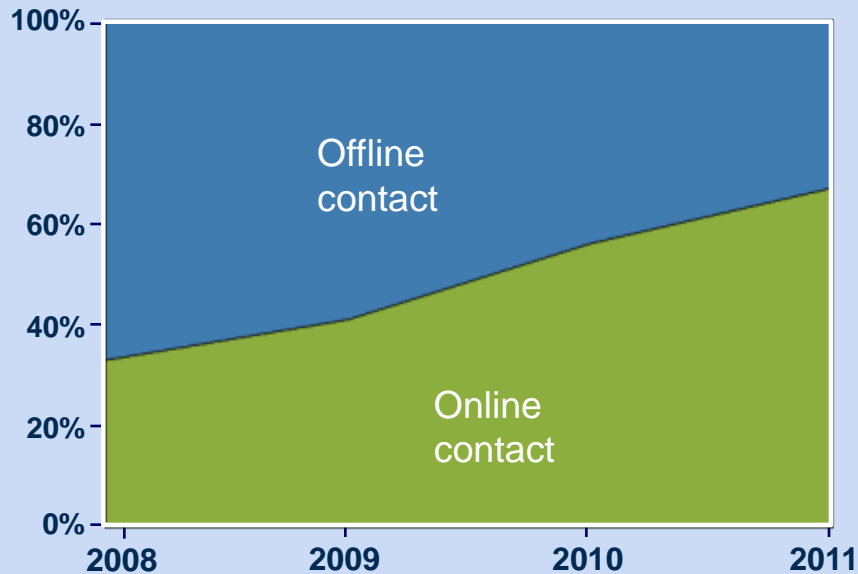
Systems innovation putting us ahead of the competition

- **Billing platform** fully established – leverage for BGB
- First to be **Smart**
- Back office re engineered, now **front office transformation**
- Increasingly **multi-channel** – online, iPhone, Android, webchat, multi-brand
- **Operational efficiency** – moving to private cloud data centre solution

British Gas Residential

Delivering step change in customer contact through innovation

Online contact growth



Product innovation



- Online contact 29% higher than call volumes in 2010 and continuing to grow
- Over 1m EnergySmart accounts signed up; 17% higher value, 0.5 ppt lower churn
- Innovating to provide customers with new touch points

British Gas Residential

We continue to manage for sustainable profitability

Challenge

Profit impact

Actions

Customer retention



- Already reducing churn ahead of the industry
- Smart propositions enabling further 30% improvement in churn

Delivery of cost reductions



- Relentless focus on controllable cost base
- Reducing cost to serve through scaled Smart deployment

Demand decline



- Decline is reducing bills and improving customer satisfaction
- Mitigated by customer segmentation, high value customer focus

Regulatory pressures



- Continue to engage with Ofgem regulatory review
- Advantaged versus competition

British Gas Residential

A sustainable business

Customer Growth

- Churn lower than industry average, market share growth

Customer Service

- Lower complaints, NPS improvement, highly motivated people, No. 1 for customer satisfaction

Operating Costs

- Lowest operating costs per account in 2010, effective bad debt management

Systems & Innovation

- Industry leading systems capabilities, product innovation, new customer touch points

Chris Jansen

Managing Director, British Gas Services



British Gas Services

Business overview

	2010 Turnover (£m)	Customer Accounts	Areas of focus
Service & Repair (Boiler Maintenance)	845	4.7m	<ul style="list-style-type: none">• Cost and labour efficiencies• Final salary pension changes• 8m energy customers• Landlord sector
Central Heating Installations (Boiler Installations)	324	124k installations	<ul style="list-style-type: none">• Cost efficiencies• Partnerships• Segmented propositions
Electrical Services (Electrics & Wiring)	149	2.0m	<ul style="list-style-type: none">• New capabilities / channels• Corporate fulfilment
Dyno (Plumbing & Drains)	136	2.0m	<ul style="list-style-type: none">• Brand investment• On demand• Water companies

As at 31 December 2010

Service & Repair includes on demand workload

British Gas Services

Responding to meet our customers' needs

Customer needs



British Gas response

- Same day service, first time fix and parts capability **reducing churn**
- Engineer productivity, pensions and buying scale **reducing costs**
- Insurance architecture, bundling and on demand **driving revenue growth**
- British Gas, field technology and online propositions **reducing churn**
- Partnerships – water companies, home insurance creating **new revenue opportunities**

British Gas Services – Service Excellence

Engineer led customer service is at the heart of our proposition

Service level capability

	British Gas	Typical Competitor
Call outs p.a.	Unlimited	Two +
Same day service	90% +	Not offered
Accidental damage	Yes	No
No. of engineers	9,000	<1,000
Stock lines held	33,000	No central stock
Parts order cut-off	8pm for 7.30am next day	Typically 24 hours

Engineer Service

Engineer NPS	2009	2011
British Gas	54	59
S&R	46	52
CHI	72	77
Electrical Services	54	58

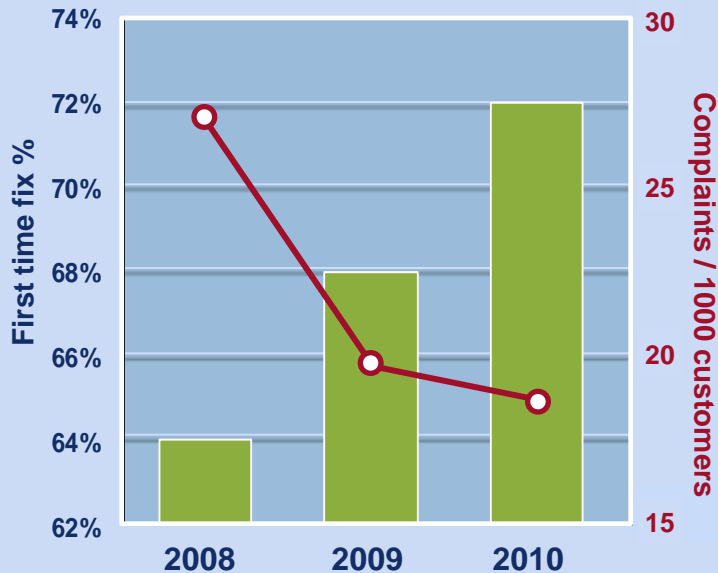
SOURCE: TNS

- Focus on **same day service** - improved response rates by 65% in extreme 2010 winter
- **Evening & weekend availability** increased by 25% - meeting demand for convenient appointments

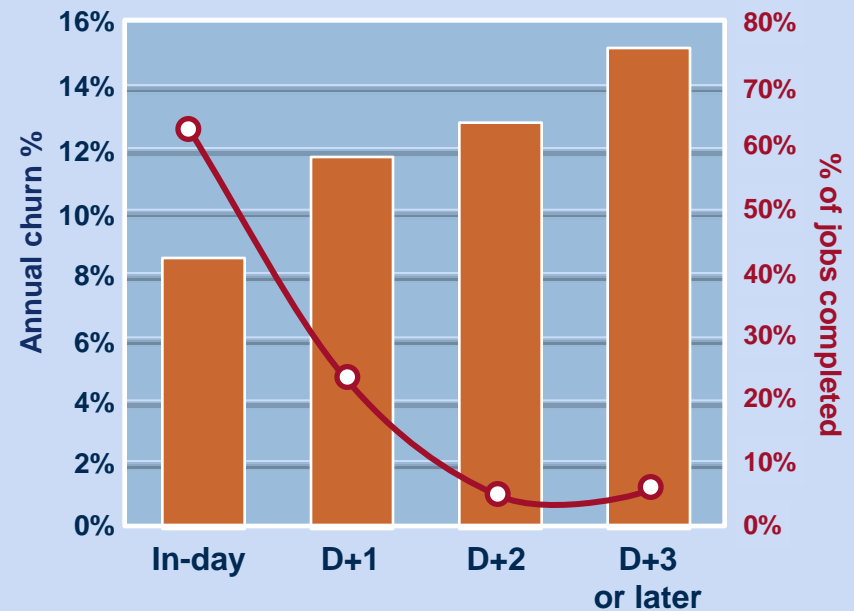
British Gas Services – Service Excellence

Reducing customer churn in a competitive environment

First Time Fix and Complaints



Customer Churn



- Customer churn fallen by almost 3ppt from 2008 to 16.7% in 2011
- Complaints falling as work quality improves and more breakdowns fixed first time
- 6,000 vans restocked, 57% of jobs only using parts from the van (up from 41% in 2008)

British Gas Services – Service Excellence

Growing installations around service excellence and segmentation

Central Heating installation growth



Segmentation and innovation

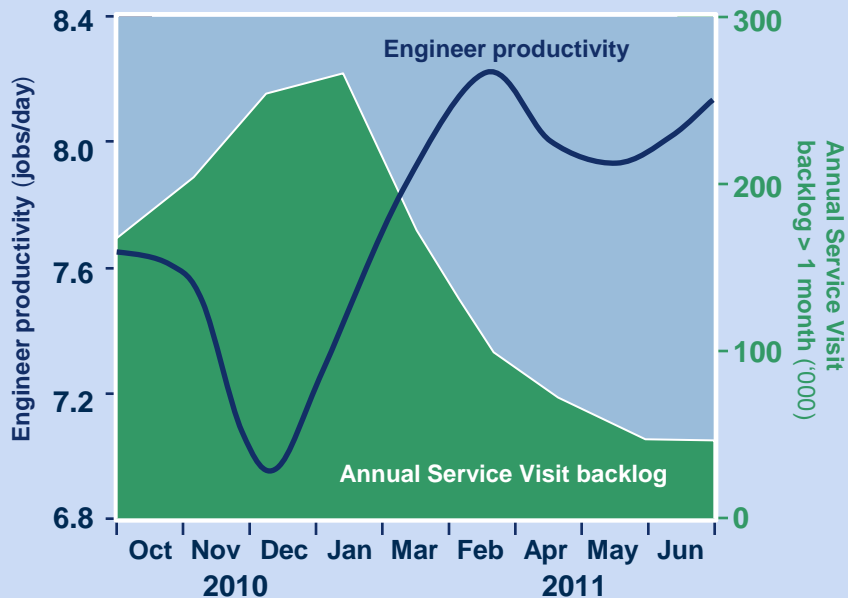


- Differentiation through service excellence (NPS +77), “We honour our quote”
- Regular programme of eye catching offers to drive sales (June 2011 scrappage campaign)
- Develop bespoke offers for our customer segments: value, emergency, prestige, new technology

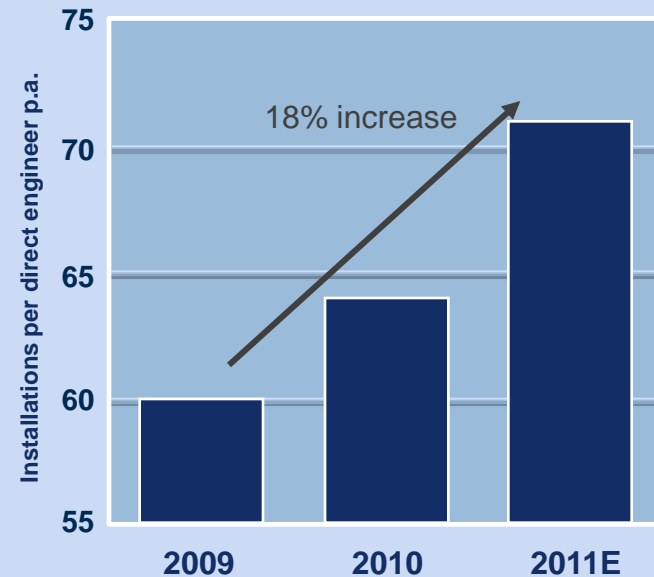
British Gas Services – Continuous Efficiency

Operational efficiency to maximise benefits of direct labour

Service & Repair: engineer productivity and Annual Service Visit backlog



Central Heating installations: engineer efficiency



- Driving productivity through field technology, engineer training and improved scheduling
- Focus on automation and flexible work patterns to reduce operating costs
- Customers are 14% less likely to have a breakdown if they have an ASV

British Gas Services – Continuous Efficiency

Leveraging procurement scale to minimise costs



- 5 year strategic relationships
- Competitive commercial terms
- Joint product development
- Unique deals for British Gas customers
- New technology collaboration

- Five year deal with Travis Perkins – £25m lower distribution and supply costs
- Established joint approach to low cost country sourcing – focus on China

British Gas Services – Continuous Efficiency

Working with GMB to transform the business

Negotiated T&C changes instrumental to enable 'Customer Promise' proposition

		Previously	Post Changes
Winter hours (per week)		40	45
Weekends (days)	Winter	9	15
	Summer	6	9
Evenings		25	55
Compulsory overtime (winter period)		0 hours	16 hours
Work type restrictions		Essential work only at weekends/post 5pm week	Restrictions only Sundays and Bank Holidays
Basic pay increase (p.a.)		4%+	2%-3%

GMB support critical to achieving resolution to pensions

- Cap on pensionable pay rises
- CPI on pensions in deferment
- Changes will reduce cost and risk of engineers' final salary scheme
- Collaborative talks with GMB who have recommended the proposals
- Ballot of members required

British Gas Services – Product Diversity

Leveraging insurance capabilities to broaden our product range

Transition to insurance



Bundling



- Expand core Homecare product range with lower price points and customer options
- Introduction of 'risk based pricing' at renewal to maintain margin
- Leverage existing relationship with 25% of current UK private rental market

British Gas Services – Modern Brand

Reinforcing the breadth and depth of our product range

Our cover covers more

Broken boilers

Burst pipes

Blocked drains

Faulty kitchen appliances

Faulty electrics

At British Gas our cover covers more than you might think. And with unlimited call outs plus parts and labour included, you can count on us to come to your rescue.

Call 0800 9750 999 or visit britishgas.co.uk

nectar **British Gas** Looking after your world

Some restrictions apply. Unlimited call outs per household per year. Standard cover available through the British Gas Modern Brand.

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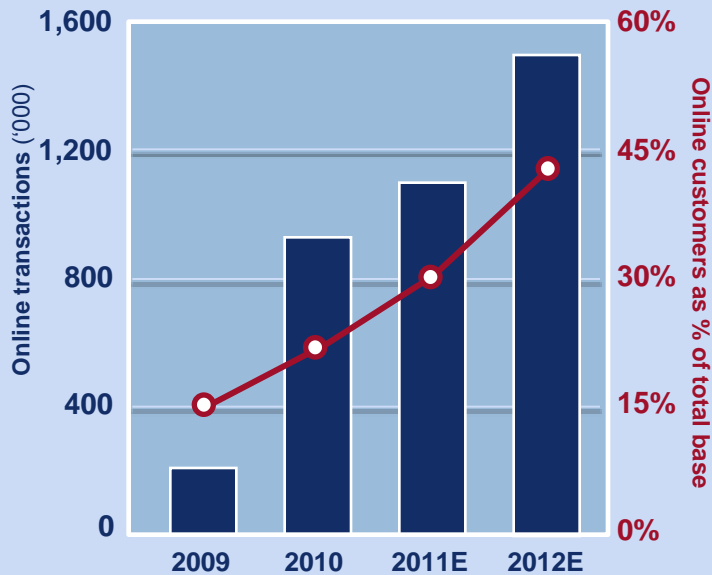
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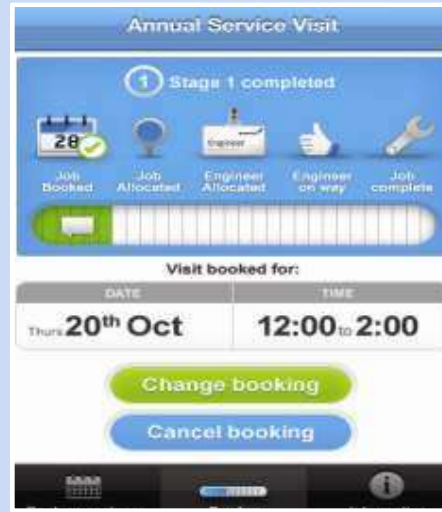
British Gas Services – Modern Brand

Utilising technology to attract and retain customers

Services online growth



'Track Your Engineer'



Remote heating control



- 14% of all jobs booked online – investment to deliver a 50% increase in 2012
- Launching 'Track your engineer' tool in Q4 addressing key customer need
- Exclusive partnership with AlertMe to provide remote access to heating controls

British Gas Services – New Channels and Markets

Creating new revenue streams in adjacent markets

Sainsbury's

- Exclusive partnerships to distribute services products

Water companies

- Awarded five contracts for private sewer transfer
- Annual contract revenues of up to £15m per annum
- In advanced discussions for affinity relationships

Commercial drains

- Building I&C capability in Dyno
- Acquired JKE December 2010

Financial services

- Reviewing opportunities in Home Insurance

British Gas Services

Double digit growth in a challenging market

Service Excellence

- Leading in service excellence underpinned by quality of engineers

Continuous Efficiency

- Lower costs through efficiency, scale and partnerships

Product Diversity

- Insurance transition supporting broad and diverse product range

Modern Brand

- Utilising new technology to attract and retain customers

New Channels & Markets

- Commercial partnerships to drive product, revenue and distribution

Phil Bentley

Managing Director, British Gas



Leading business model leaves us well placed to seize ongoing market opportunities

BGR

- **Maintaining profits**
 - cost advantage, industry leading retention, deeper customer relationships

BGS

- **Steady double digit profit growth**
 - attractive propositions, cost control, productivity improvements

BGB

- **Near term investment to drive longer term growth**
 - B2B services, leveraging BGR cost base

BGNM

- **Rapid growth in new markets**
 - underpinned by new technologies and Smart meter roll-out

Q&A



Ian Peters and Kanat Emiroglu

British Gas Business



British Gas Business

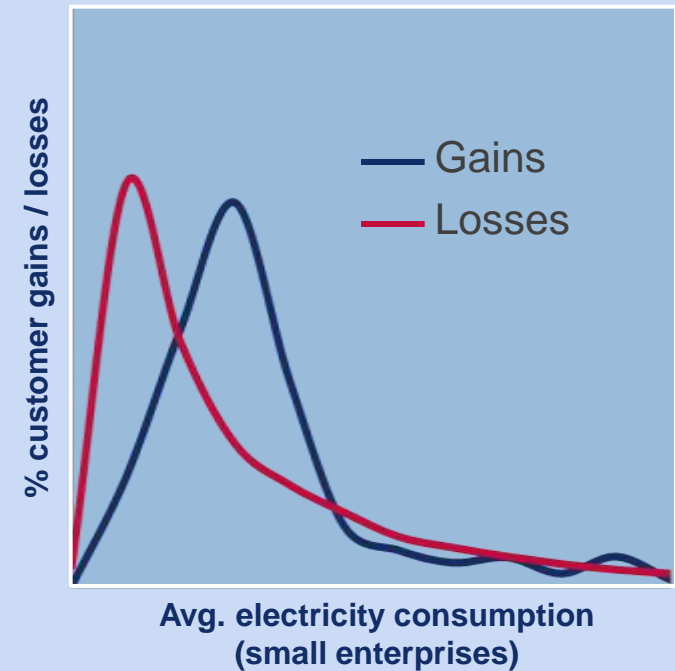
Small Enterprises

Segment focus

- A call centre delivering simple and quick customer service
- Online sales and email for out of hours service
- Fair and transparent pricing delivering peace of mind and trust

- *Owner manager*
- *Annual spend £2k to £4k*
- *Mostly single sites*
- *Mostly fixed contracts*

Increasing the value of our customer mix



British Gas Business

Medium Enterprises

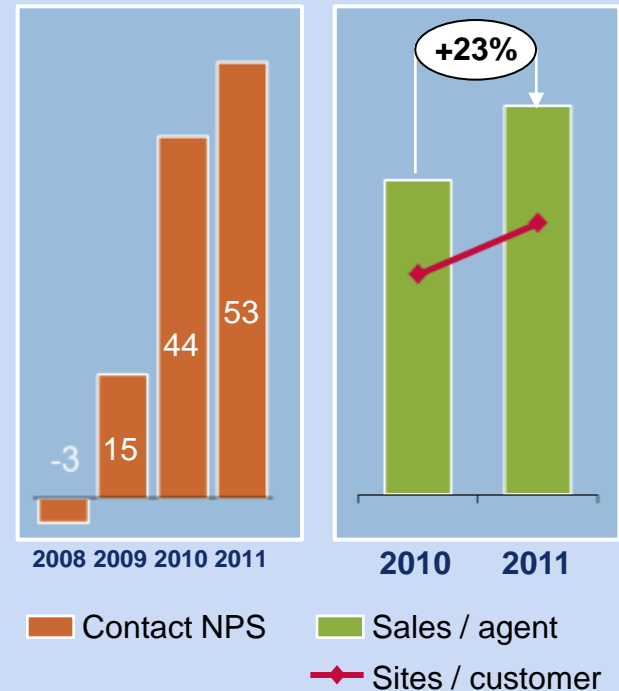
Segment focus

- Dedicated customer account management
- Energy experts providing solutions to manage costs
- Swift resolution of problems
- Delivering value for money
- New channel development to reach Medium Enterprises

- **Business owner / FD**
- **Annual spend £5k to £500k**
- **Large single / small number of sites**
- **Mostly fixed contracts**

"I was so impressed with the advice you have provided that has actually reduced our energy bills that I am transferring my other 15 sites over to you"
Autism West Midlands

Account management driving existing customer sales



50% growth opportunity through existing customer relationships

British Gas Business

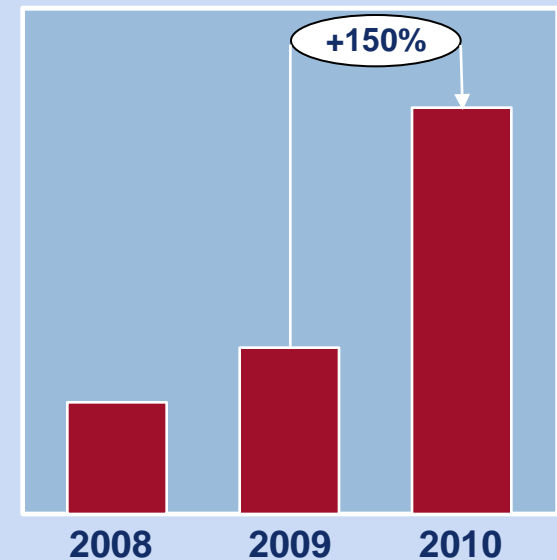
Multi Sites

Segment focus

- Multi-disciplinary hubs delivering customer service
- Clear options for product, service and risk offerings
- Efficient query resolution and billing accuracy
- Energy management services to reduce consumption

- *Energy buyer / intermediary*
- *Annual spend £0.5m to £70m*
- *Up to 9,000 sites per customer*
- *Fixed and flexible contracts*
- *Growing segment, churn less, choosing to pay more for service*

Increasing achieved % margins through focus on Multi Sites



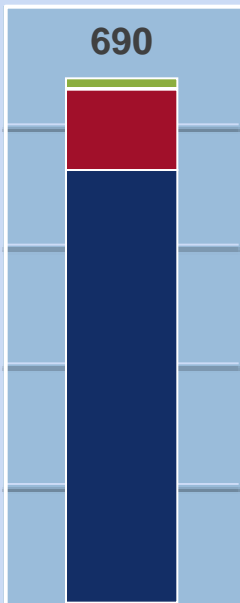
■ Margin %

Note: 2008 and 2009 margins are for the Industrial and Commercial segment

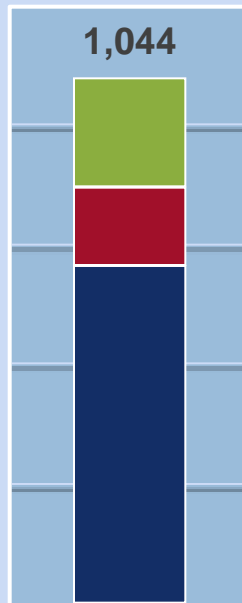
British Gas Business

Meeting the differing needs of customers in three selected segments

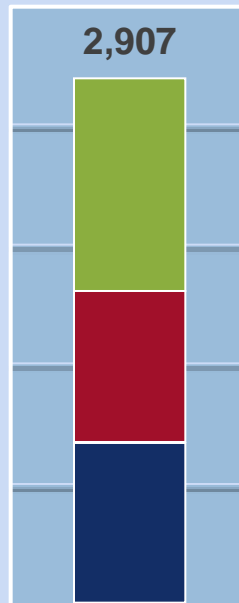
Customers
(000's)



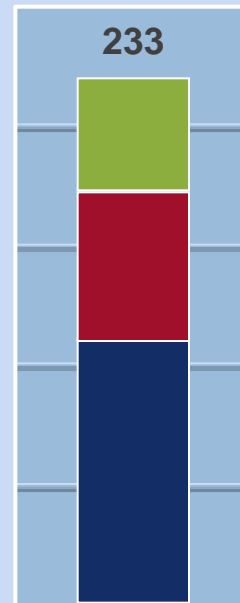
Sites
(000's)



Revenue
(£m)

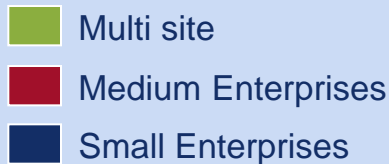


Profit
(£m)



- Tailored propositions for **Multi Site** customers served by multi-disciplinary hubs
- Differentiation through value added services in **Medium Enterprises** served by account managers
- Lower cost model in **Small Enterprises** in a call centre format

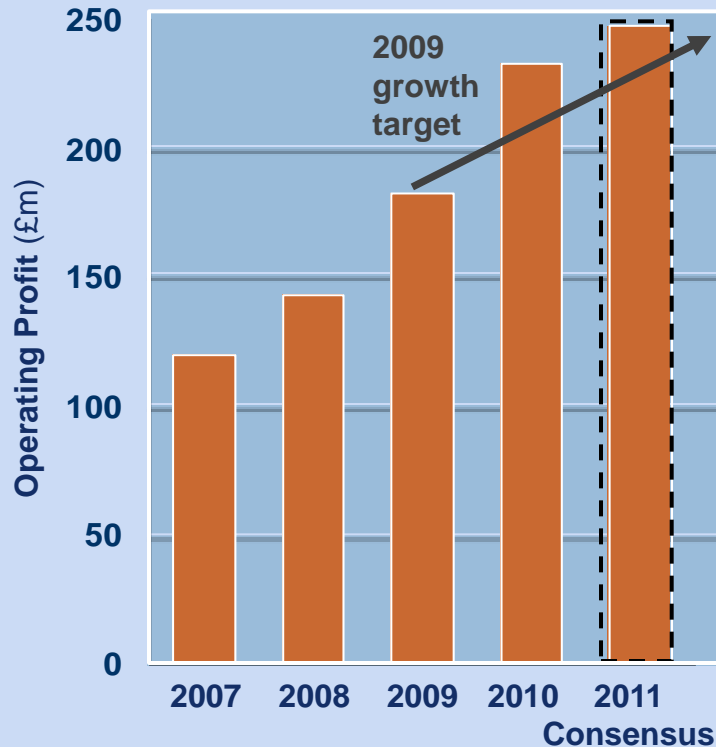
As at 31 December 2010



British Gas Business

Our segmented model has brought growth ahead of expectations

Strong operating profit growth



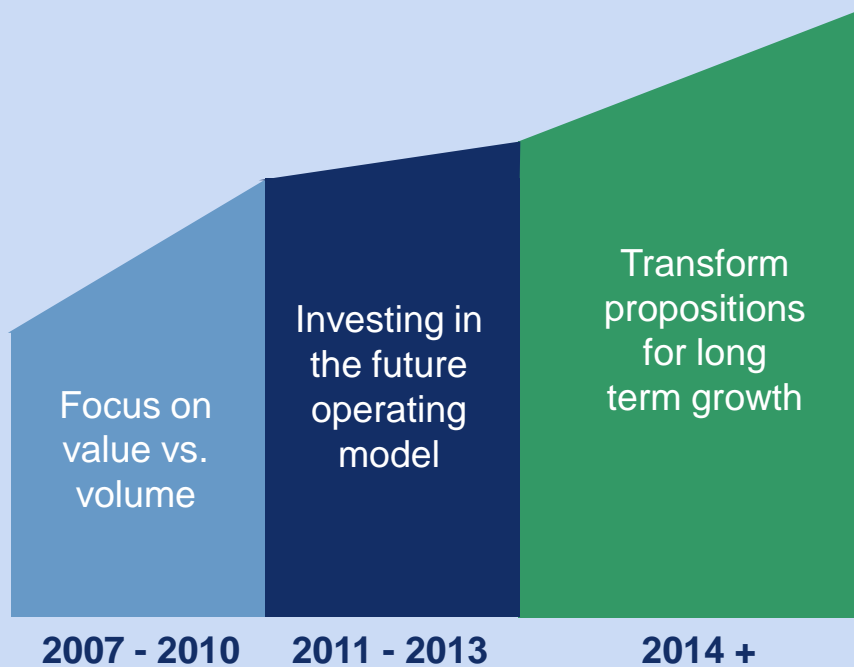
Drivers of growth

- Focus on economic value
 - acquisitions from existing customers (40%)
 - high contract renewals
 - cost reflective pricing
 - strong credit vetting (40% less insolvencies)
 - tighter contract management
 - focus on multi-premise segment
- A successful push model in sales
 - excellent B2B telesales team
 - less reliance on brokerage
- Value accretive acquisitions (e.g. E4B, Bizz Energy)

British Gas Business

Positioning for long term growth

Near term flattening of profits during investment phase . . .



. . . driving long term growth

- Reducing costs
 - investment to leverage BGR systems
- New propositions and 'pull' channels
 - investment in Smart, Online, Marketing
- Growing B2B Energy Services
 - investment in business development, product sets, systems

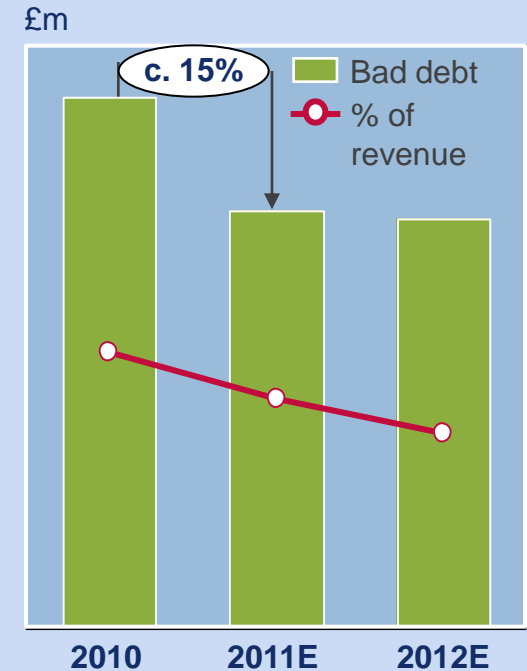
British Gas Business

Reducing costs: Investment to leverage BGR systems

Leveraging BGR expertise & capabilities

- Already realised synergies in debt
 - increased field visit capacity by 60% through merged in-house collection teams
 - increased collections by 26% through shared use of external debt collection agencies
 - Credit Account Information Scheme (CAIS) with Experian
- Systems investments will reduce costs
 - migrate SME customers onto lower cost residential metering, billing and debt systems
 - leverage BGR offshore back office
 - leverage BGR call centre, online self-service solutions

Reducing bad debt



British Gas Business

New propositions and 'pull' channels: Multi site menu proposition

Multi site menu propositions

Product	Risk	Service & Reporting
Fixed Price Total Confidence	Low Risk Industry costs priced in	Megawatt Reliable support
Quarterly Block Multiple purchasing decisions	Medium Risk Industry costs passed through	Gigawatt Comprehensive support
Monthly Block Fix or float	Options Average Pricing Consumption Tolerances	Terawatt Active management
Full Flex Active management		

- Simplified products, risk and service
- Better contracted and actual margins
 - customers actively choosing higher-priced Terawatt service
- Clearer conversations with broker network

British Gas Business

New propositions and 'pull' channels: Smart enabled online ME proposition

Energy Insight: A unique and smart enabled analytics tool

- Analysis of smart metering data
- 30% of BGB's Medium Enterprise customers have smart electricity meters
- Online energy dashboard with analytics
- Proactive calls by account managers to discuss insights
- Developing expansion into gas



British Gas Business

New propositions and 'pull' channels: New marketing and propositions

- New campaign targeting high priority industry sectors
- Aligned with Energy Insight
- Building on Smart meter lead
- Industry focused propositions
- Strong link with energy services
- Unlock new channels in local authorities, industry groups, alliances from banking, telecom and facilities management



The advertisement shows a man in a white shirt and dark trousers standing on a small, green, floating island. He is holding a large bill in his right hand and a gas meter in his left. The island is surrounded by a blue sky with stars and a white building with a sign that says 'MOTEL'. The man has a surprised expression, looking up at the bill.

**Hands up if you want
an end to estimated bills**

All British Gas we're investing for a future where meter readings are more accurate. Our Smart Meters show how much electricity your business uses, which means we can bill you more accurately. And once your business has a Smart Meter, we can show you new ways of saving energy in the future.

Find out more about our Smart Meters today
0845 955 5820 britishgas.co.uk/business

British Gas
Business

British Gas Business

Growing B2B Energy Services

Recent investments and capabilities . . .



Energy Insight



Smart metering



Installation and maintenance of commercial boilers and electrical systems



Energy and building management solutions



Scheme design and project management



Installation and contract servicing of specialist building control systems

SempliceEnergy

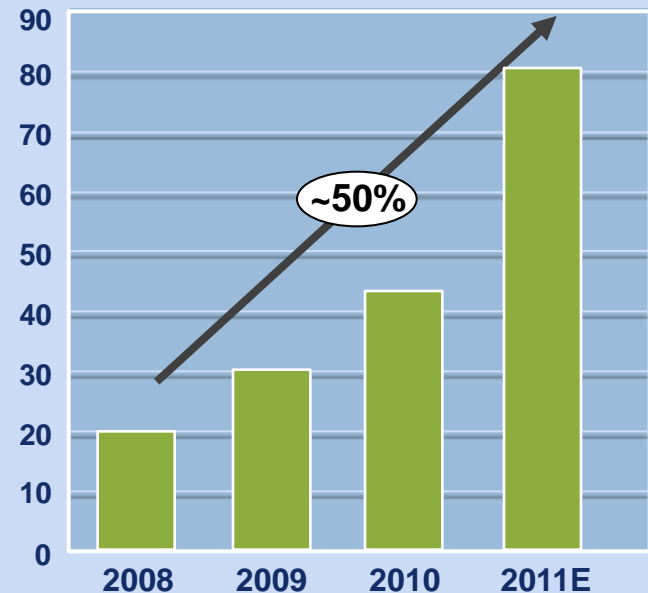
Clean technology system design, integration and consulting



Onsite generation technology installation

. . . delivering top line growth

Revenue (£m)



British Gas Business

Well positioned for growth in UK's B2B energy and services markets

Customers

- Leading energy supplier to UK businesses (0.7m customers, 1m sites)
- Public sector opportunities via Local Authorities and Communities
- Focus on profitable but difficult to serve Multi sites

Skilled workforce

- Low attrition, high tenure, highly engaged people
- Over 500 skilled B2B engineers

Innovation

- Leader in Smart meter roll-out for businesses
- Unique Smart enabled propositions – Energy Insight
- Able to deliver a wider breadth of energy services in-house
- Credible EPC player with financing capability

Investments

- Reducing costs - in billing and metering systems
- New propositions and channels
- Growing B2B energy services

Gearoid Lane

British Gas New Markets



British Gas New Markets

Market opportunity

- Imperative to transform energy efficiency in Britain's homes and businesses
- 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



The energy 'trilemma' is changing the way energy is produced and consumed and the market winners will be energy suppliers with broad servicing capabilities

British Gas New Markets

Government policy is driving significant change across the industry

Insulation

✓ **CERT extension** - growing insulation market

✓ **ECO in consultation** - delivering continued focus on energy efficiency retrofit

Microgeneration

✓ **FIT implemented** - giving strong growth in solar

✓ **RHI in place** - enabling similar growth in renewable heat solutions

Smart metering

✓ **DECC Prospectus and Spring package** - confirming supplier led Smart roll-out by 2019, supporting our preferred meter design

Social Housing

✓ **CESP** - delivering whole community approaches and solid wall capability

Green Deal – launching in 2012, creating major market for whole-house energy efficiency retrofit

British Gas New Markets – Insulation

Within two years we have become one of the UK's leading insulation companies

Opportunity

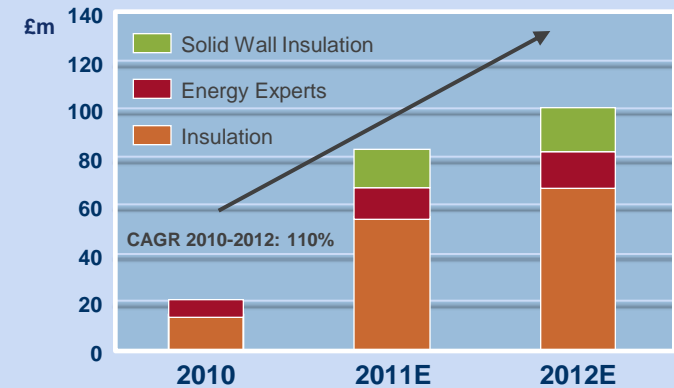
- **Market worth an estimated £1.5bn by 2015**
 - c5m cavity walls, 7m lofts and 8m solid walls in the UK to insulate
- **Cross-sell and up-sell potential**
 - engage customers through 'Energy Experts'
- **Delivering regulated obligations**
 - CERT and CESP drive substantial market

Right to win

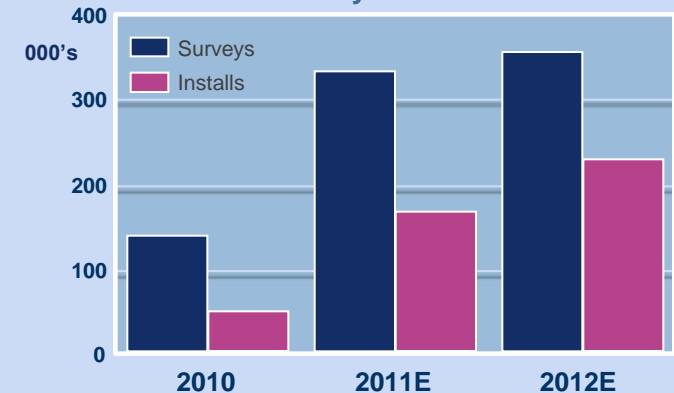
- **Organic growth**
 - 1,100 insulation workforce
- **Work planning**
 - utilising existing services capabilities
- **Leading in-house capability**
 - only supplier with in-house loft, cavity wall and solid wall insulation capabilities

Early successes

Insulation: Revenue



Insulation: Surveys and Installs



British Gas New Markets – Microgeneration

We are building the UK's leading low carbon microgeneration business

Opportunity

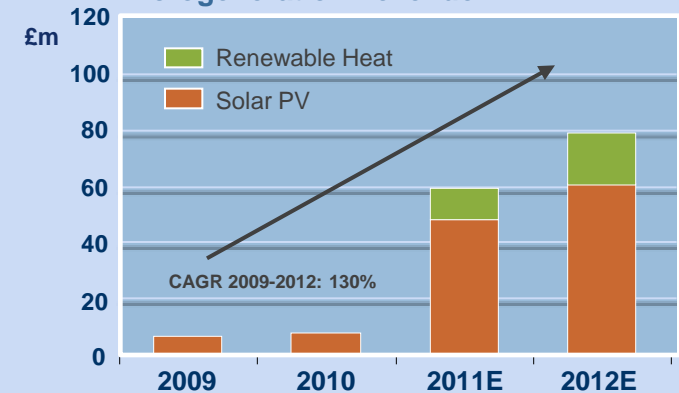
- **Market to grow to £4bn by 2020**
 - emerging technologies and cultural change
- **Government FIT review**
 - skewed to domestic sector
- **Favourable incentives for renewable heat technologies**
 - biomass and heat pumps supported by legislation

Right to win

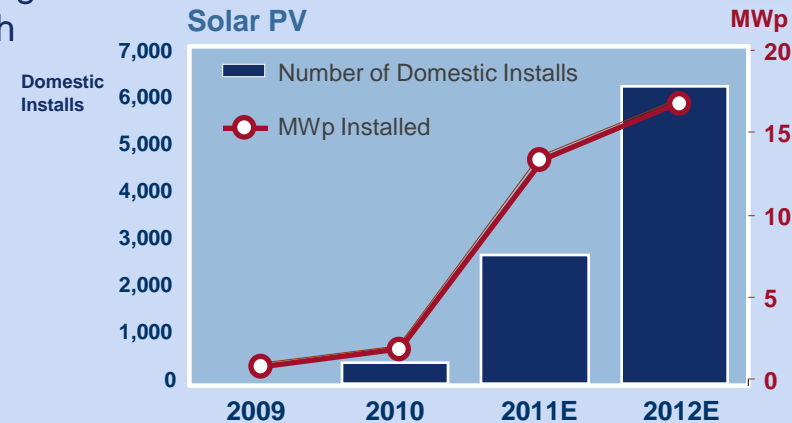
- **Supply chain**
 - utilising National Distribution Centre
- **Training**
 - academy equipping 1,000 trainees p.a.
- **Financing propositions**
 - ability to offer customers a wide range of opportunities, such as 'Rent-A-Roof'

Early successes

Microgeneration Revenue



Solar PV



British Gas New Markets – Smart metering

Taking a leadership position in the roll-out of Smart metering in the UK

Opportunity

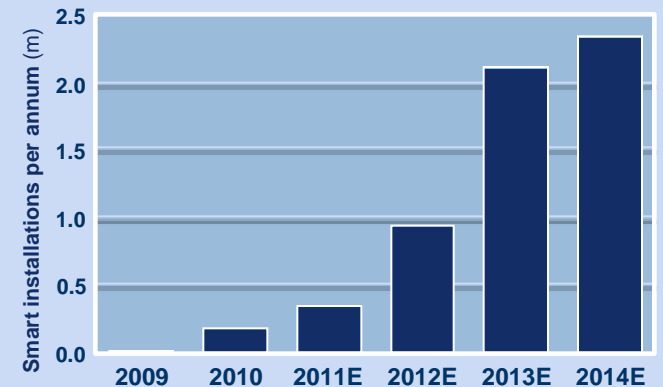
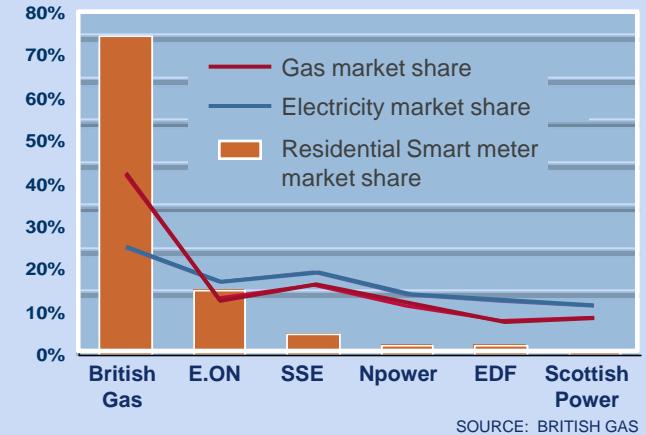
- **Market size: all homes and businesses**
 - Government mandate for total Smart installation by 2020
- **Attractive characteristics**
 - enhanced customer interaction and insight, new channels to market
- **Significant cost benefits**
 - lower cost to serve, fewer calls, reduced debt and churn

Right to win

- **Technology pioneers**
 - driving industry standards
- **Smart enabled propositions**
 - hub technology, Smart-enabled electrical vehicle tariffs
- **Operational scale**
 - fleet of 1,500 vans engaged in green activities, multiple field forces



Early successes



British Gas New Markets – Social Housing

Public Sector is an important channel to market for growing these businesses

Opportunity

- **Significant market worth £3bn**
 - social housing 20% of UK's housing stock, £3bn spend on energy services
- **Attractive characteristics**
 - good financial strength; carbon targets to meet
- **Early adopters**
 - social housing providers taken the lead in microgen and renewable heat

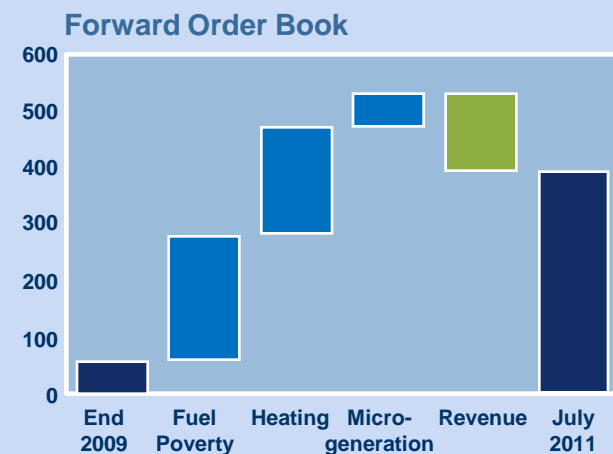
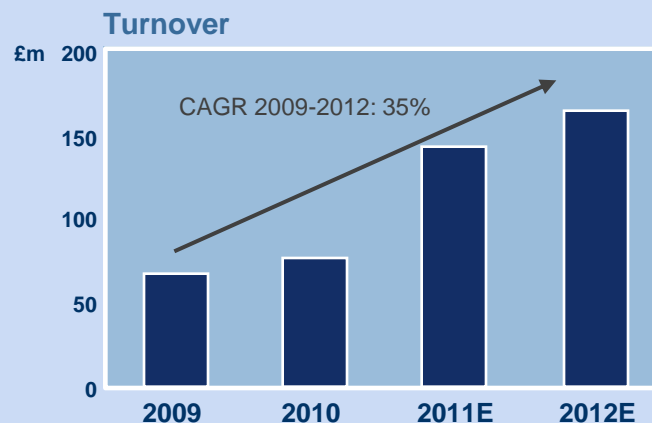
Right to win

- **Density and diversity**
 - develop via Mears partnership and PH Jones acquisition



- **CERT and CESP**
 - leveraging funding capacity
- **Business development**
 - specialised business development team created to build long term relationships

Early successes



British Gas New Markets

Utilising our unique capabilities to lead the low carbon energy services market

- Energy Market is changing
 - responding positively by building capability across a range of technologies
- Leading positions in rapidly growing markets
- Substantial progress has already been made growing our revenues:
 - over £250m revenue in 2011; significant growth from 2009 base
 - near break-even in 2011; positive and growing profit in 2012 and beyond

Profitable growth and further deepening of the customer relationship across energy and services

British Gas Investor Day

7 September 2011

