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Langage Analyst Visit

Centrica Energy and Centrica Storage

9 December 2009

Introduction

Sam Laidlaw

Introductions



Mark Hanafin
Managing Director, Centrica Energy



Sarwjit Sambhi
Director of Power Generation, Centrica Energy



Andrew Le Poidevin
Finance Director, Centrica Energy



Simon Wills
Managing Director, Centrica Storage

Today's agenda

Centrica Energy overview

Mark Hanafin

Power Generation

Sarwjit Sambhi

Power Station Tour

Upstream Gas

Mark Hanafin

Storage

Simon Wills

Financials

Andrew Le Poidevin

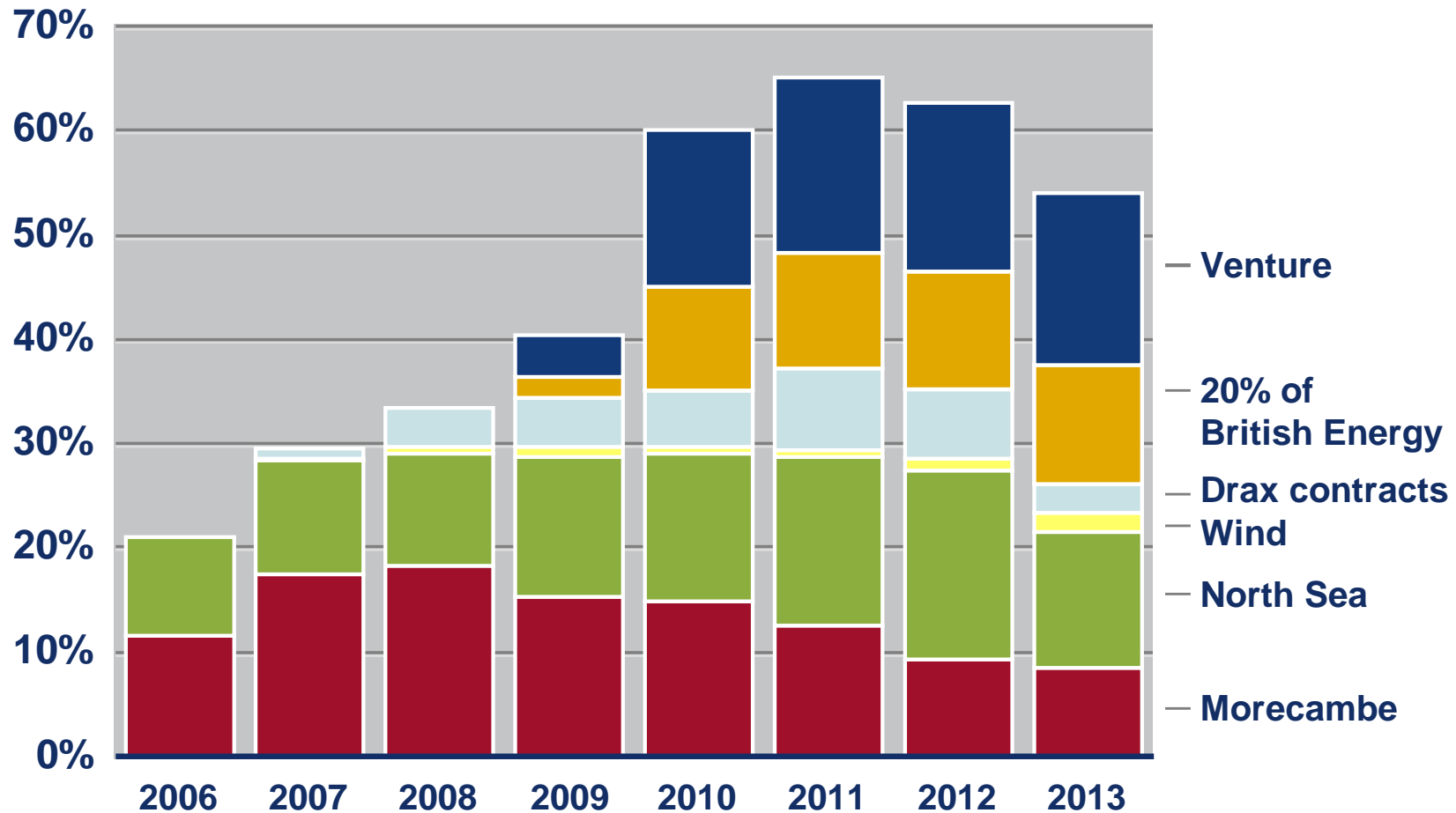
Wrap-up / Final Q&A

Sam Laidlaw

Strategic priorities now achieved

- ✓ **Transform British Gas**
- ✓ **Sharpen the organisation and reduce costs**
- ✓ **Reduce risk through increased integration**
- ✓ **Build on our growth platforms**

Integration improving our energy hedge ratio



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

Strong platform for growth across the Group

- **Strong Group cash generative capability underpins ongoing investment**
 - Robust Group cash flow even in low commodity environment
- **Broad range of investment and growth opportunities**
 - **British Gas** – Integrated energy & services propositions in the existing business; take advantage of evolution to low carbon economy (e.g. smart meter revolution)
 - **North America** – Potential for further building of the integrated energy model (opportunities upstream and downstream)
 - **Centrica Energy** – Significant pipeline of opportunities under our control to drive growth
 - Power generation (CCGT, Wind, Nuclear New Build)
 - Gas (near field exploration, development, LNG)
 - **Centrica Storage** – Development pipeline of three new storage projects
- **Capital allocation process will assess competing opportunities**
 - Well positioned to ‘high grade’ and select from opportunity set
 - Value enhancing returns required

Centrica Energy Overview

Mark Hanafin



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Centrica Energy's vision

- 1. Support Centrica's integrated energy model by procuring or acquiring gas and power for the downstream business**
 - Providing competitive cost of gas and power
 - Security of supply and
 - Contributing to a structural price hedge
- 2. Sustain and grow our upstream gas and power generation business contributing attractive returns for Centrica plc**

Centrica Energy strategy is based on fundamental beliefs in long term market trends

Security of supply

- Declining gas reserves in the UK and increased dependence on imports
- Need for security of supply

Climate change

- Climate change policy driving need for low carbon energy
- Need for renewables and low carbon generation sources

Forward market trends

- Forward market trends in gas / power supported by fundamentals
- Short term volatility, yet long term gas and power prices expected to increase

Government policy and incentives

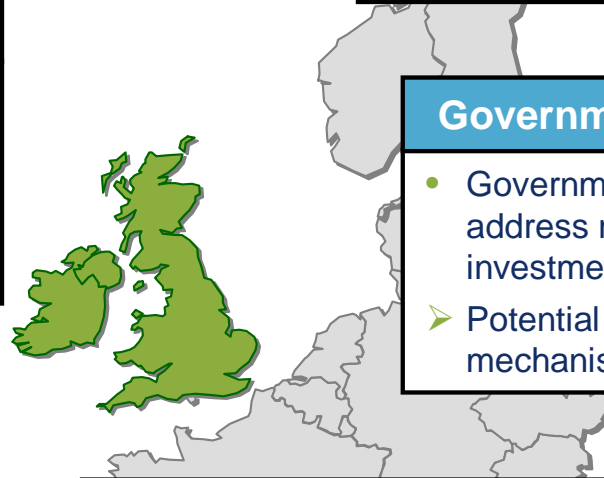
- Governments are looking at options to address market reform and incentives for investment in low carbon economy
- Potential change in policy and market mechanisms (e.g. carbon floor)

Infrastructure investment required

- Need for infrastructure replacement in generation as a result of LCPD
- Challenge to ensure incentives necessary for investment

Recession and recovery

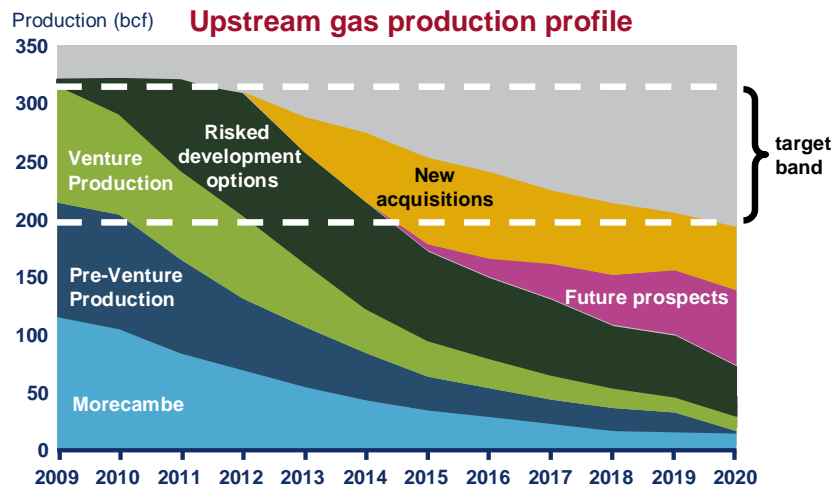
- Global financial / economic environment searching for direction
- Portfolio requires flexibility – and ability to mitigate demand destruction



Our strategy – a sustainable business, balanced generation and leading UKCS/NCS gas positions

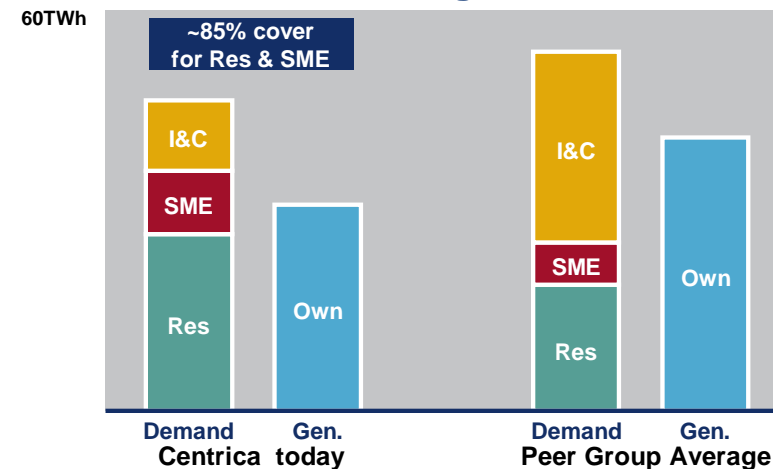
Upstream Gas

- Leading consolidator of mature and orphaned assets on the UKCS
- Exploration and development focused on existing hubs and infrastructure
- Develop Atlantic Basin LNG



Power Generation

- Provide cover for residential and SME load
- Market neutral generation mix, but with lower carbon intensity
- Competitive cost of generation
- Leader in renewable generation



... supported by a Midstream function

- Procurement, hedging, and risk management for downstream (lower cost of gas/power)
- Maximise value through trading and optimisation

Centrica Energy presents an attractive proposition for shareholders

**Vertical
integration
benefits**

Integration provides significant support for Downstream business and additional incremental benefits

**Growth
platform**

Centrica Energy provides a robust platform for earnings growth

**Competitively
advantaged**

We have built an advantaged suite of assets and capabilities

**Strong
returns**

Balanced portfolio well positioned to deliver strong returns through the next 5 to 10 years

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Vertical integration confers a number of benefits to Centrica

Stability

- ✓ Security of supply
- ✓ Reduced earnings volatility (margin migration)
- ✓ Improved headroom with lower credit thresholds
- ✓ Improved competitive position (in particular, gas integration)

Better decisions

- ✓ Access to information and market insights across the value chain (e.g. better hedging decisions)
- ✓ Timing / sequencing on investments, selective capital allocation decisions

More options

- ✓ Across gas, renewables, nuclear, storage and coal
- ✓ Access to more options (downstream, upstream, midstream)
- ✓ Flexibility and optionality for trading decisions
- ✓ More 'make' or 'buy' options (e.g. Morecambe / CCGT)

Lower costs

- ✓ Lower balancing costs
- ✓ Lower weighted average cost of gas and power
- ✓ Less cash or collateral requirements
- ✓ Removes need to pay forward premium

A robust platform for growth

2008

8 **CCGT**

Morecambe
and non-operated JVs

Rough **STORAGE**

Accord **TRADING**

2009

British Energy **NUCLEAR**

Langage **CCGT**

Venture **GAS**

Lincs **WIND** farm

2010 + options

NEW NUCLEAR

NEW GAS development &
exploration

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

Baird, Bains and Caythorpe
NEW STORAGE



~4GW (power gen.)

~7GW (power gen.)

~200 bcf (gas prod.)

~300 bcf (gas prod.)

~100 bcf (storage)

~190 bcf (storage)

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Distinctive competitive advantages

Gas

- Largest North Sea gas reserves for a UK Utility
- Leading position in Storage capability in UK
- Ability to manage shape and weather risk
- Sustainable production for the next decade

Power

- Track record in new wind development
- JV with leading nuclear business
- Competitive new-build in CCGT
- Low carbon
- Balanced between peak and baseload

Advantages for Group

- Only 'dual fuel' hedged UK supply business
- Track record of asset reliability, operational excellence
... will drive advantaged energy costs for British Gas

Well positioned to deliver strong returns through the next 5 to 10 years

- **Despite recent volatility in commodity prices, Centrica Energy remains a strong contributor to Group results**
 - Strong EBITDA and cash generation
- **Returns robust against changes in market fundamentals over the next 5 to 10 years**
 - Portfolio provides us the flexibility to choose investments with highest returns
 - Balanced portfolio positioned to deliver consistent returns through the cycle
- **Capabilities allow us to capture additional value and exceed our hurdle rates**

Power Generation

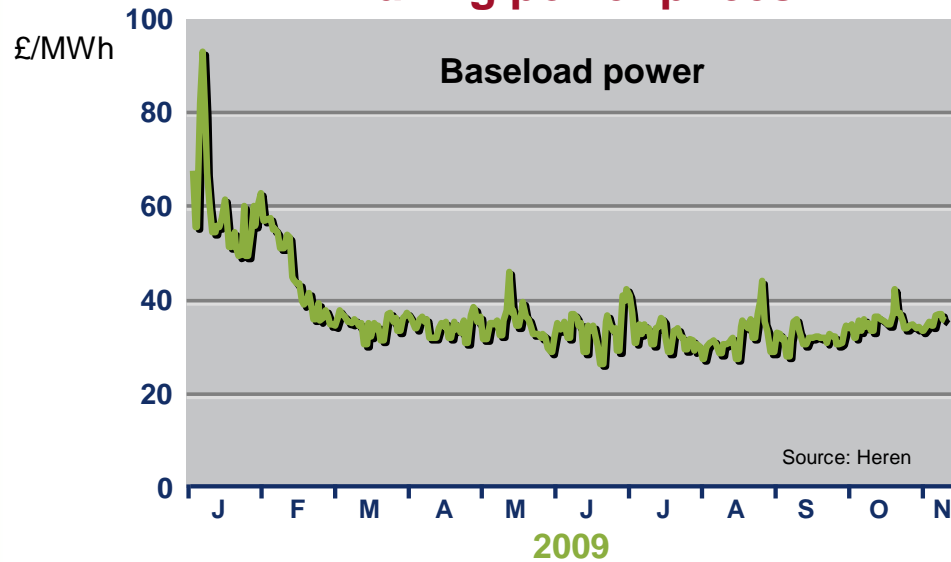
Sarwjit Sambhi

Agenda

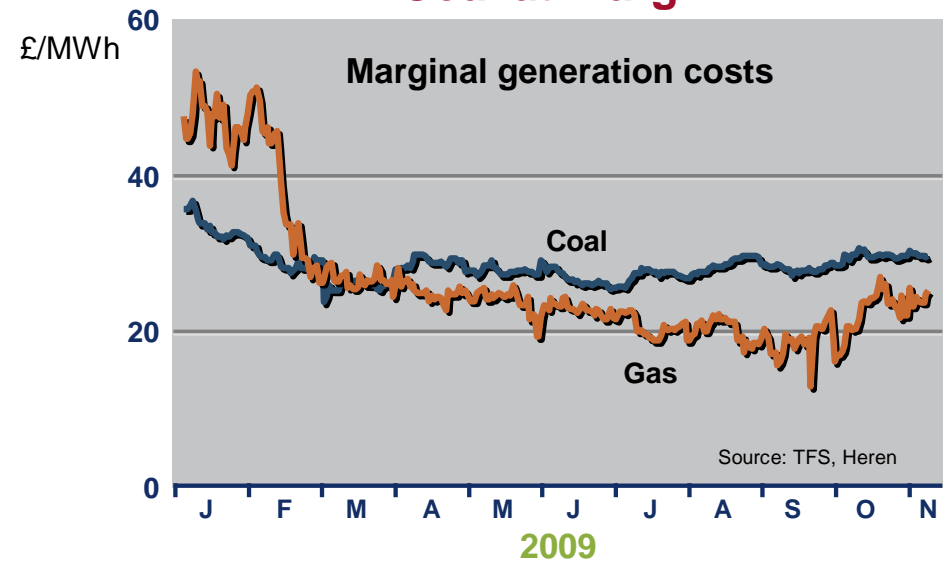
- **UK wholesale electricity market**
- **Centrica power generation portfolio**
 - CCGT
 - Renewables
 - Nuclear
- **Summary**

Recent market dynamics

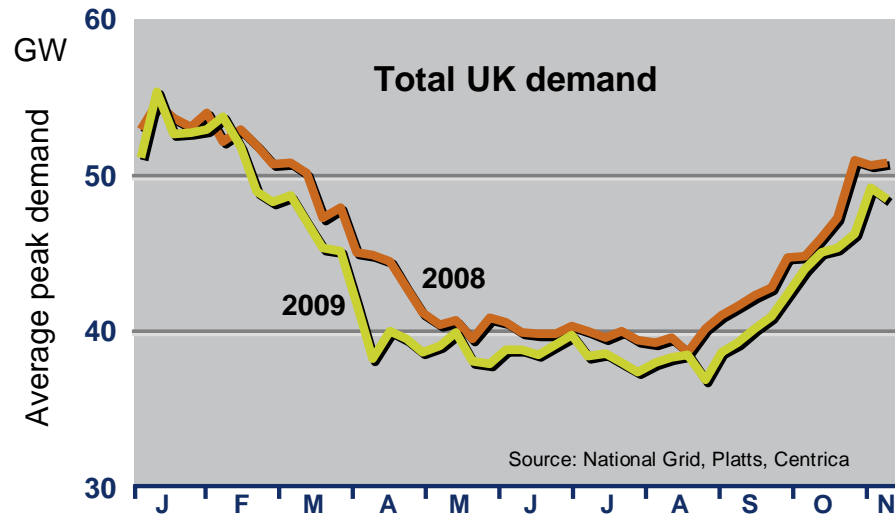
Falling power prices



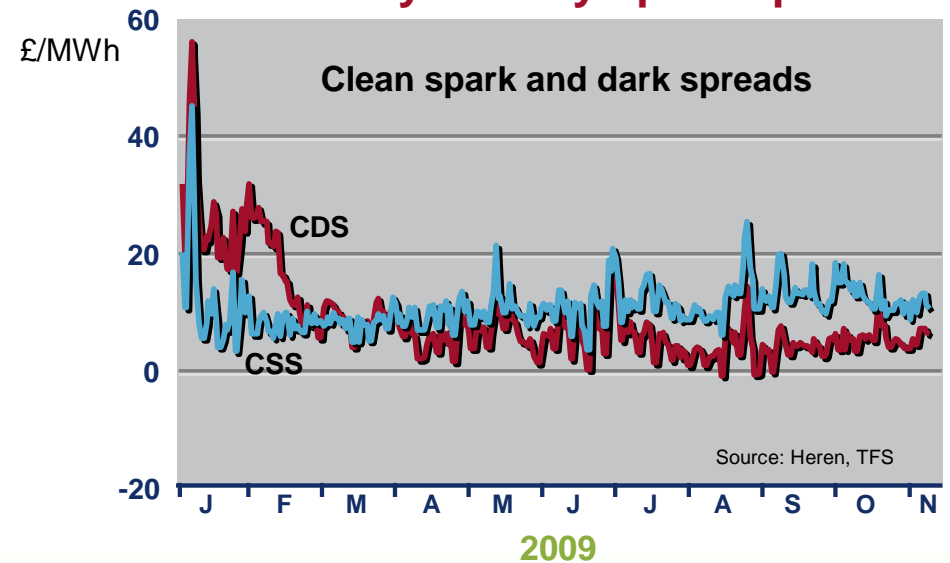
Coal at margin



Lower demand

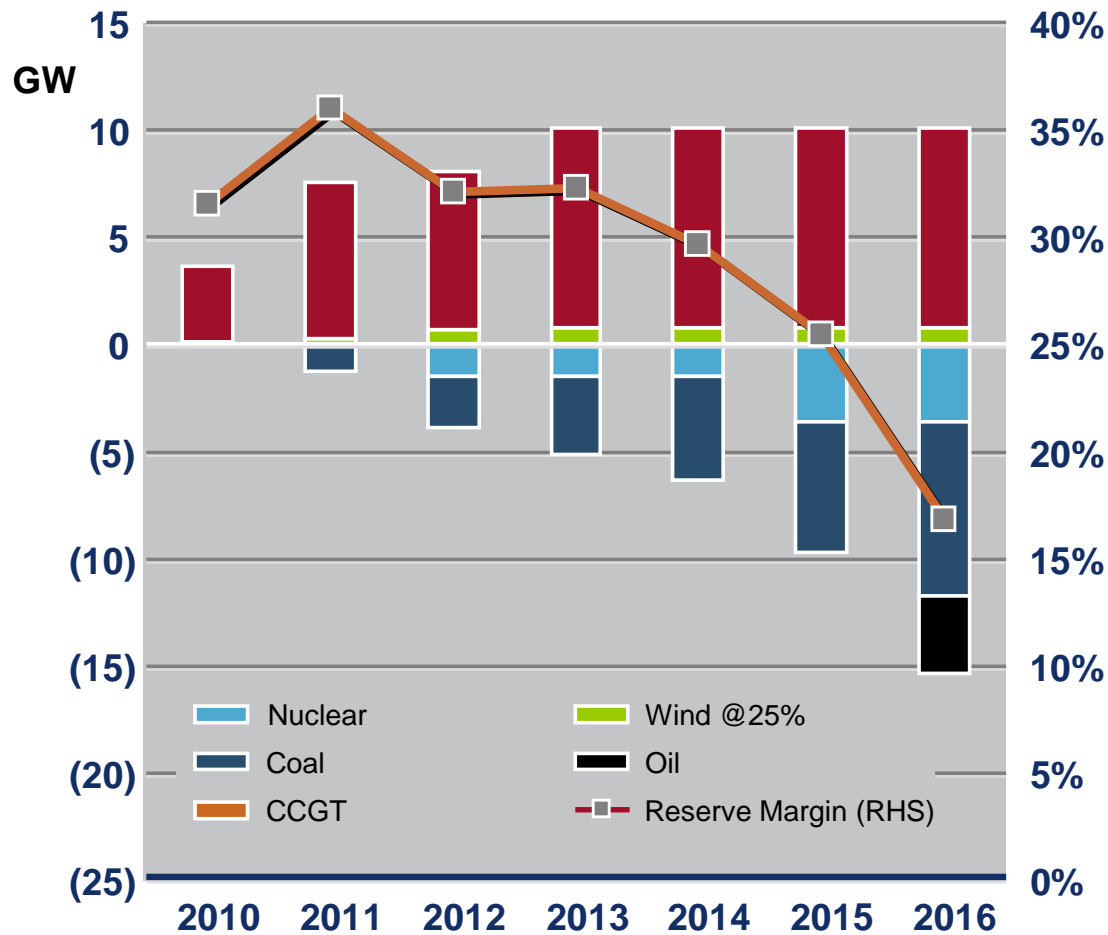


Relatively healthy spark spreads



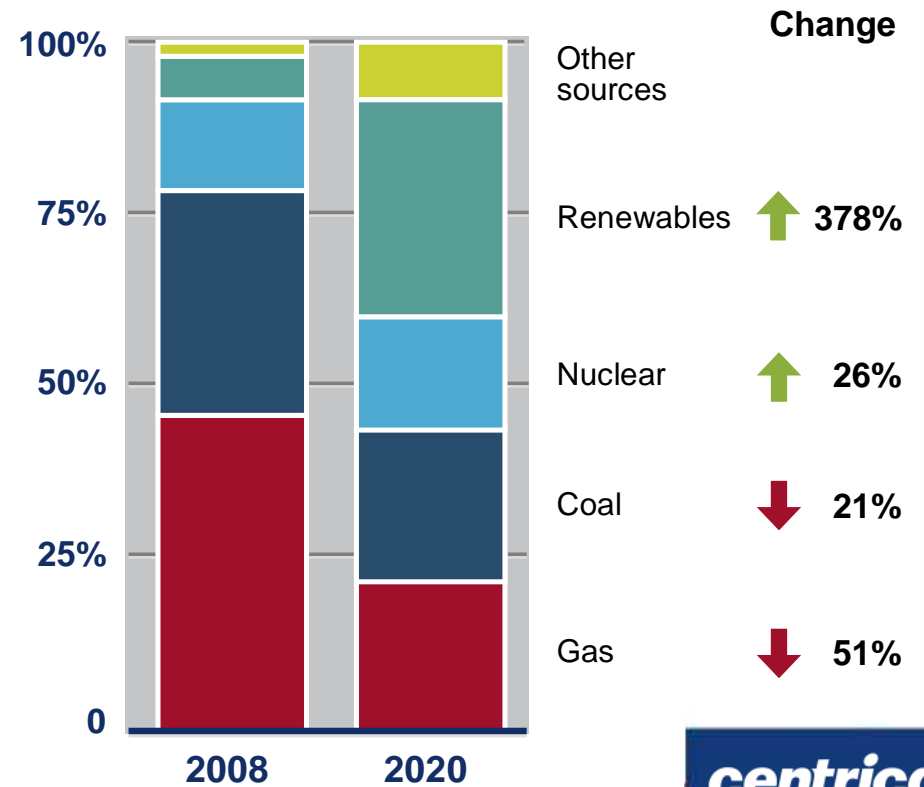
Future market dynamics

Declining reserve margin due to plant closures . . .



Low carbon aspirations

Potential generating output if UK Government targets met

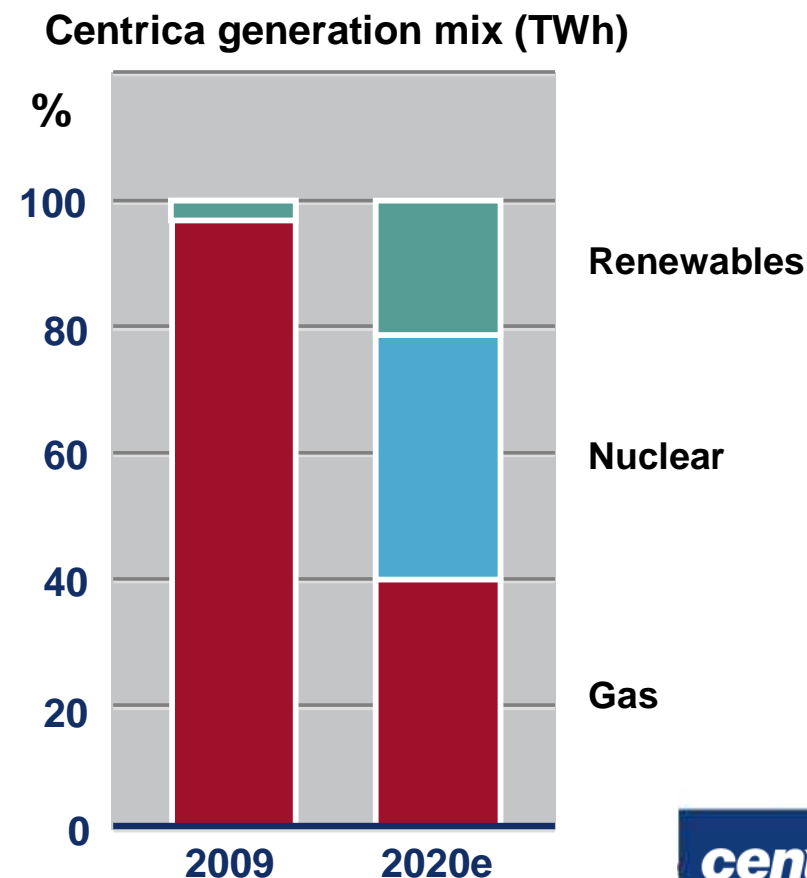


Centrica's power generation strategy

Strategy aims for increased cover and balanced fleet

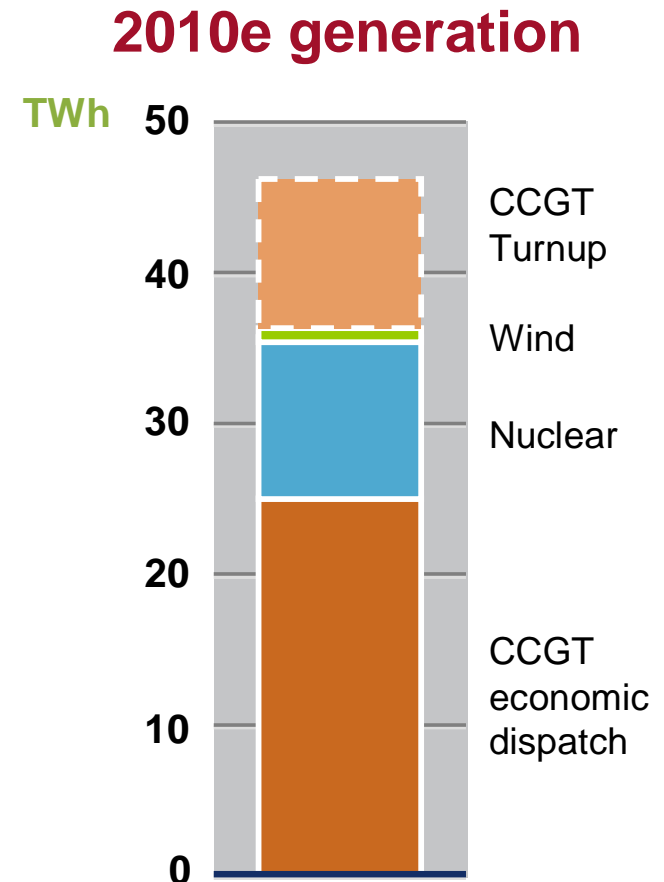
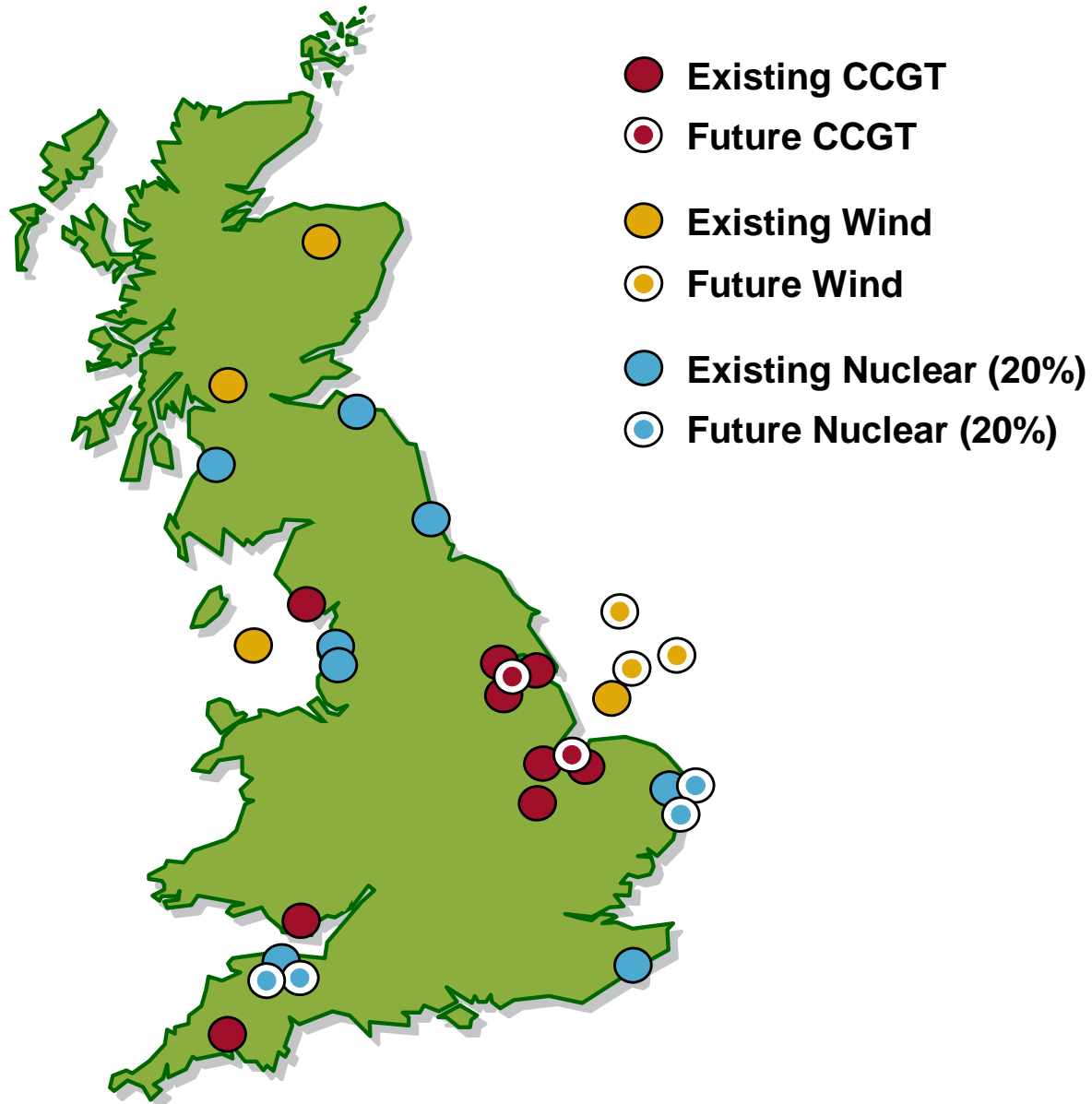
- Target increased cover for downstream
- Target diversified generation fleet
- Specific strategies for:
 - Nuclear - JV with EDF
 - Wind - new build
 - Gas - asset replacement
 - Coal - contractual

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



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Strategy execution well underway



Agenda

- UK wholesale electricity market
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CCGT generation portfolio - mix of vintages



	Technology	Start Year	MW	Thermal Efficiency (HHV)
1 Roosecote	1 x Alstom GT13E	1991	229	44%
2 Brigg	4 x GE frame 6E	1993	240	41%
3 Peterborough	2 x GE 9E 9161/71	1993	360	43%
4 Killingholme	3 x Alstom 13-E1	1994	652	45%
5 Kings Lynn	1 x Siemens v94.3	1997	325	47%
6 Humber	3 x Alstom GT13E-2 2 x Alstom GT13E-2	1997 1999	750 500	49%
7 Barry	1 x Siemens v94.2 (Ansaldo)	1998	230	44%
8 Spalding	2 x GE9FA-e	2004	760	50%
9 Langage	2 x Alstom GT26	2009	885	53%

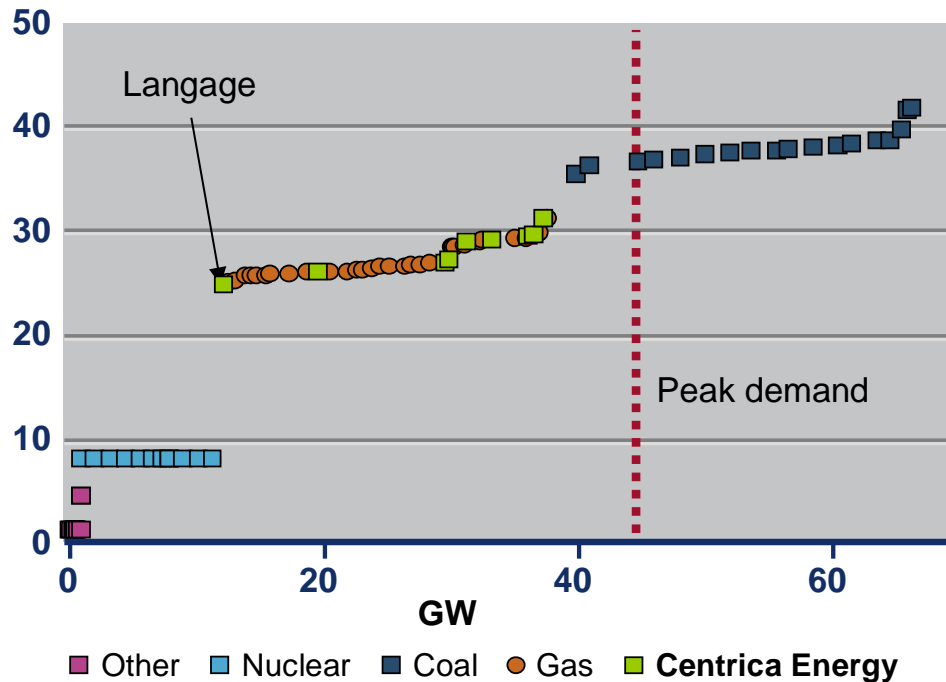
Centrica plants are benefiting from low gas prices

Current gas prices benefit Centrica Energy's CCGT fleet . . .

. . . and the market looks favourable for much of 2010

November 09 merit order*

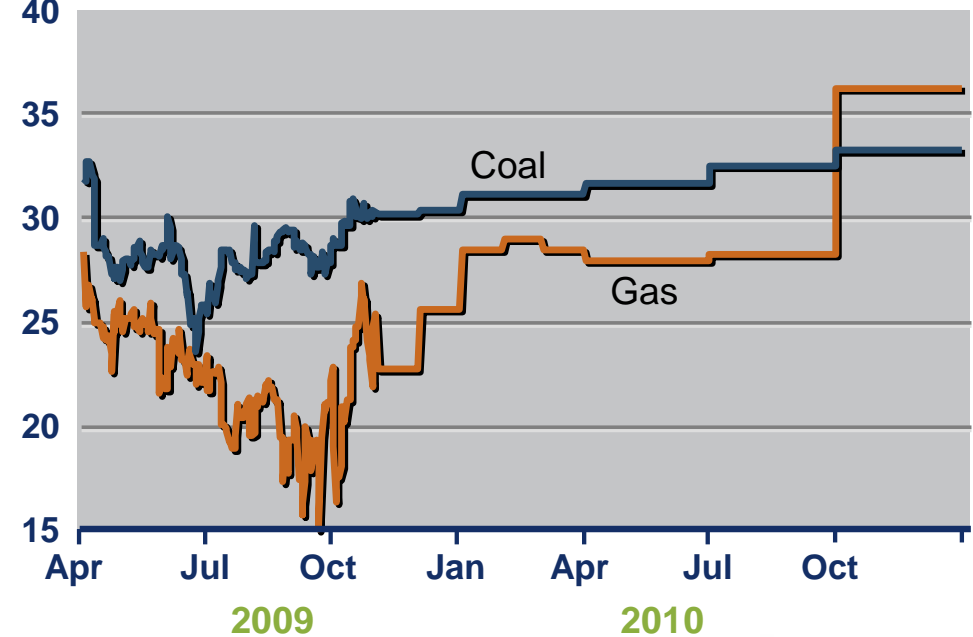
Generation cost £/MWh



* Assumes 100% availability

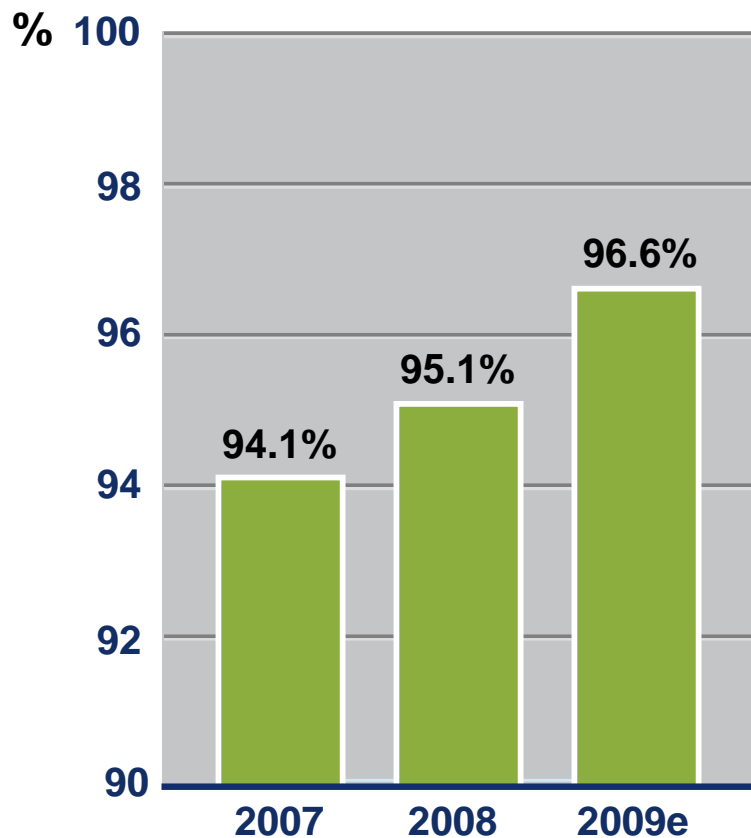
Gas and coal generation costs

£/MWh



Focus on reliability

CCGT portfolio reliability

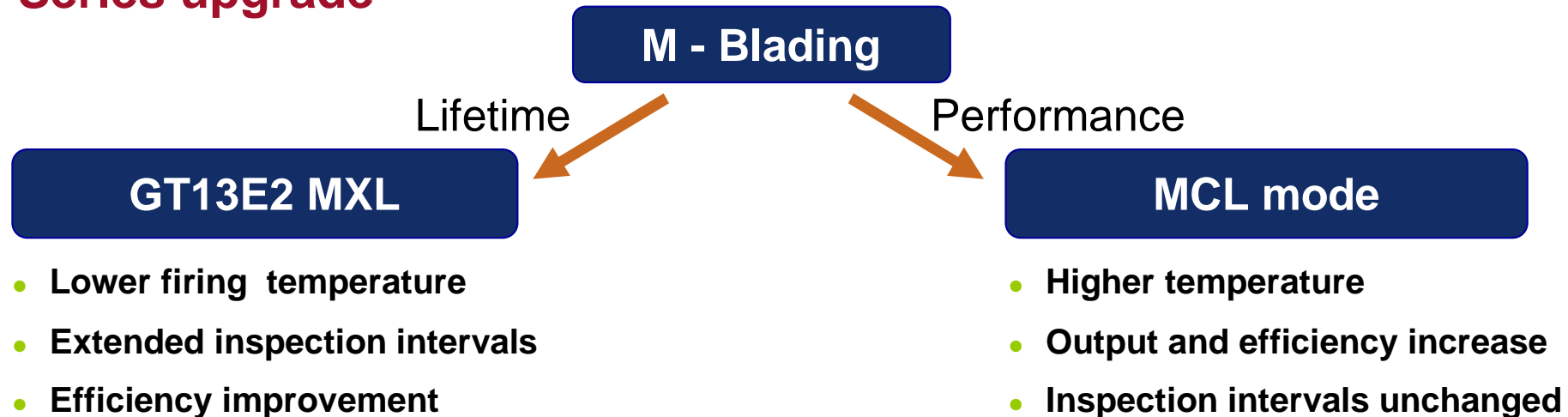


Focus areas

- Asset strategy and capital management
- Best practice powertrain overhauls
- Effective balance of plant maintenance
- Optimised plant performance and efficiency

Efficiency improvement - Humber case study

M-Series upgrade



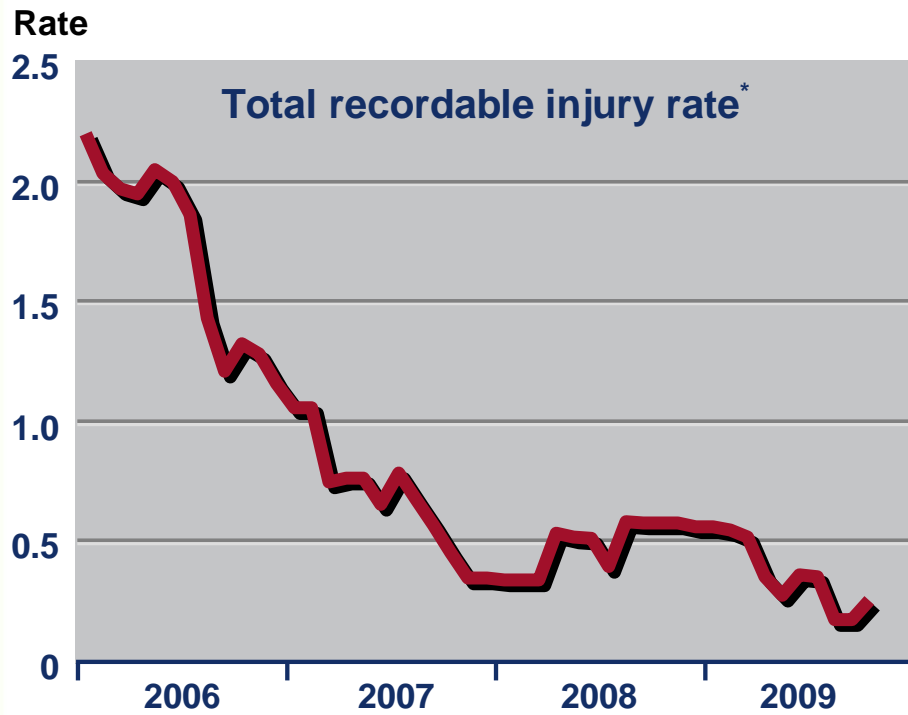
South Humber Bank Phase II GT upgrade

- GT upgrade in 2009 outage for South Humber Phase II
- Observed performance improvement
 - efficiency: +1.5%
 - output: +26MW
- Interval between outages could be extended by 50%



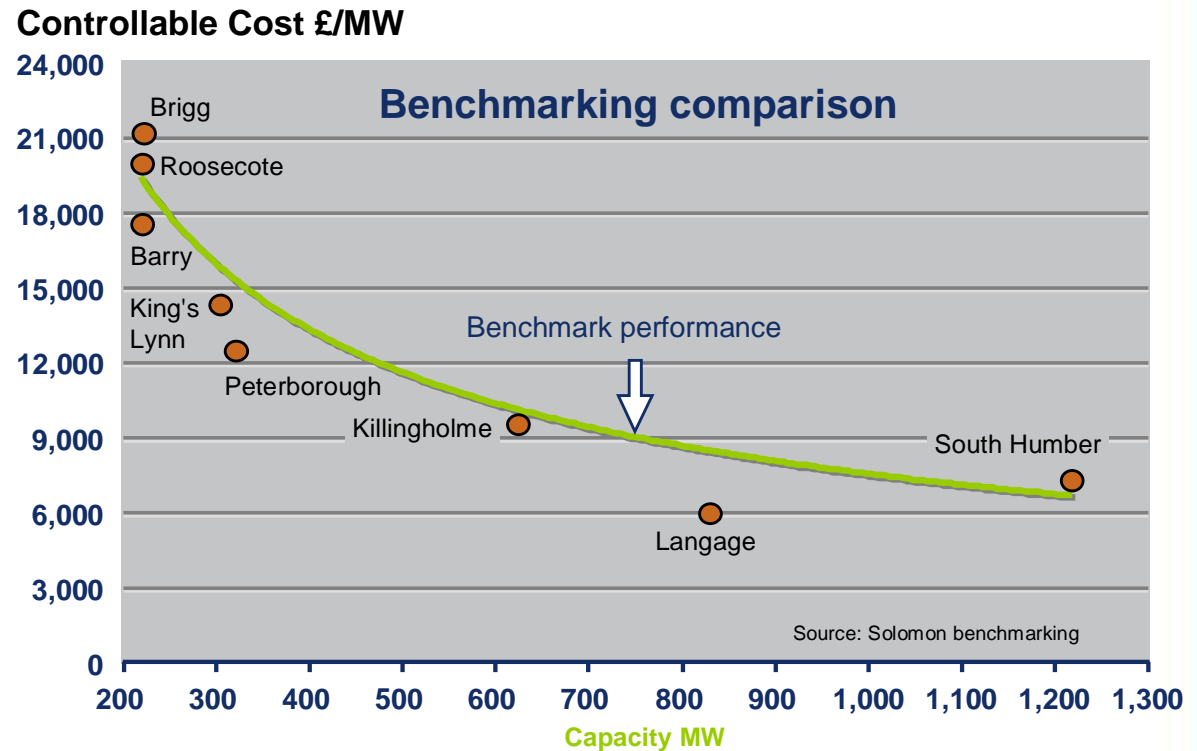
Operational performance

Strong safety culture built over time



Note: * Per 100,000 hours worked

Competitive cost performance

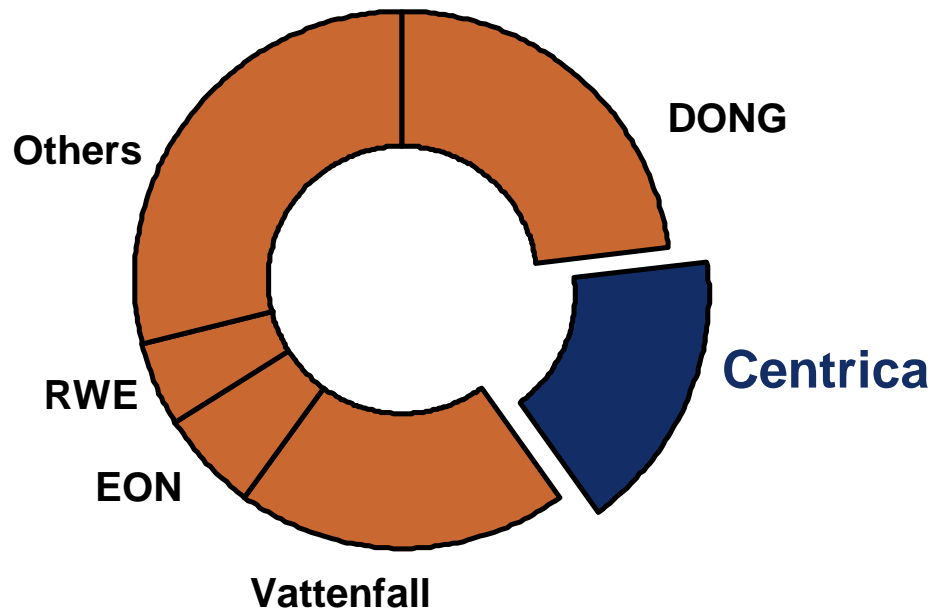


Agenda

- UK wholesale electricity market
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Leading position in offshore wind

Operators of offshore wind (Global)



- In house turnkey capability
- Lynn and Inner Dowsing delivered on budget and on time

Access to scarce resource



A2 Sea- Sea Worker



A2 Sea- Sea Jack



MPI Resolution



Smit - Lisa



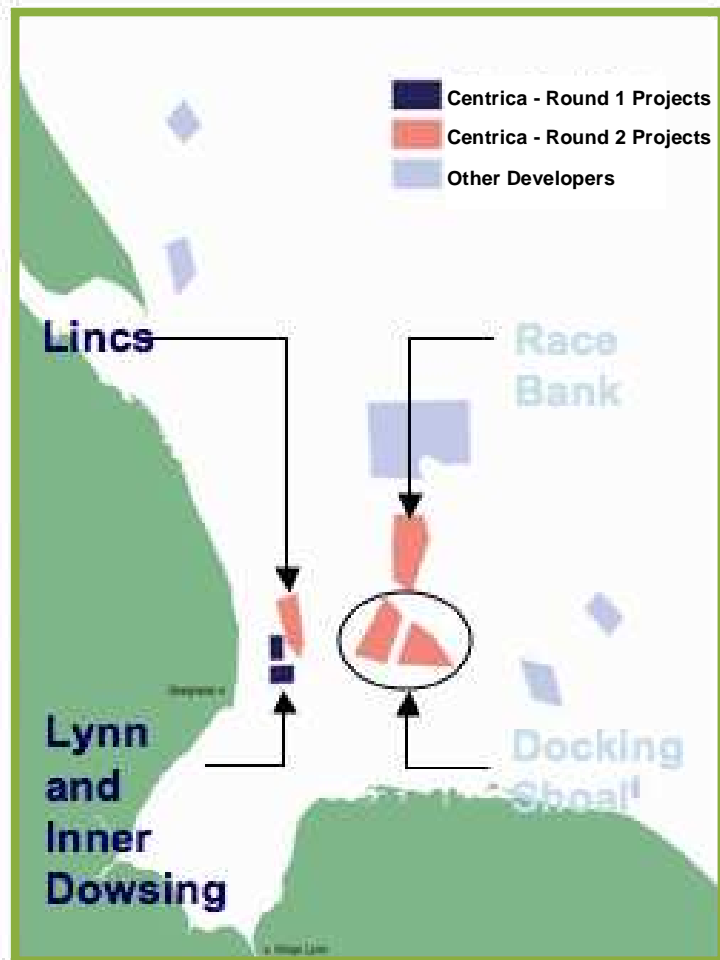
Jack-Up Barge BV
-JB114



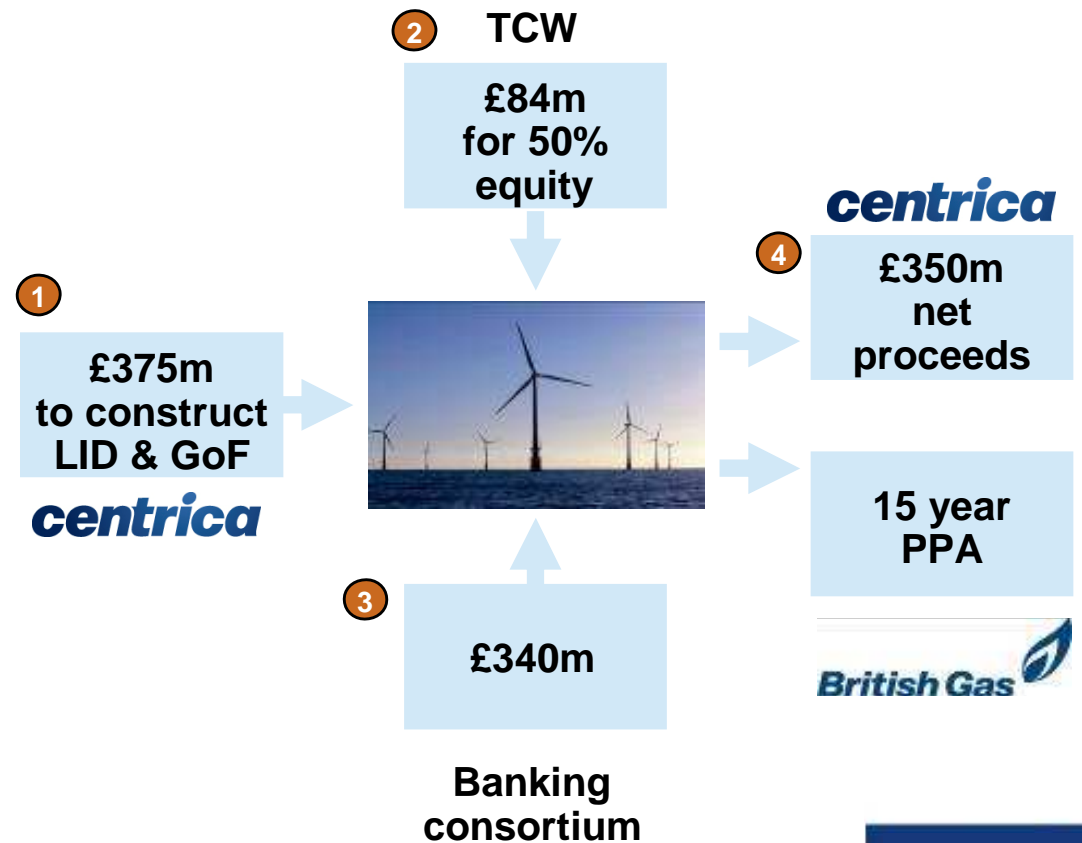
Siemens - Titan 2

Growing the offshore wind portfolio

Greater Wash developments



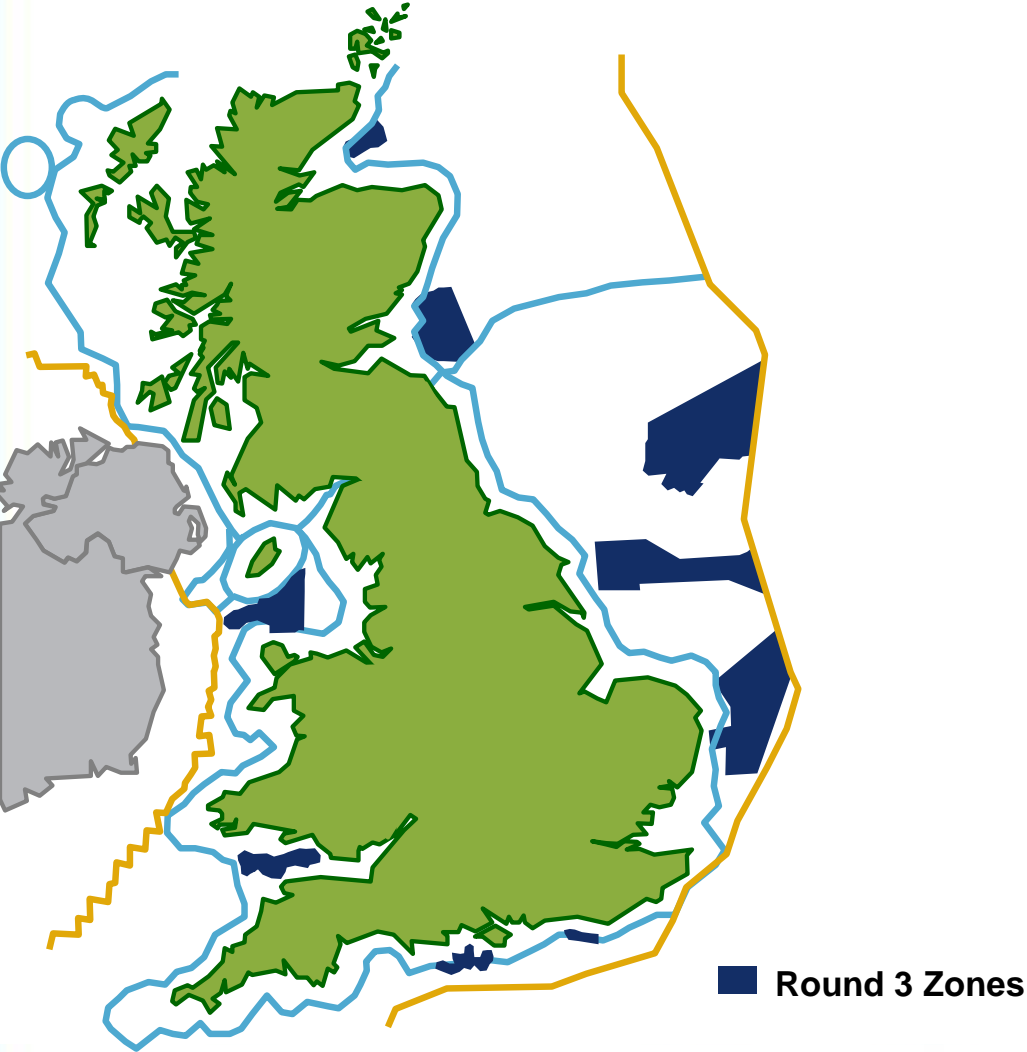
Releasing capital



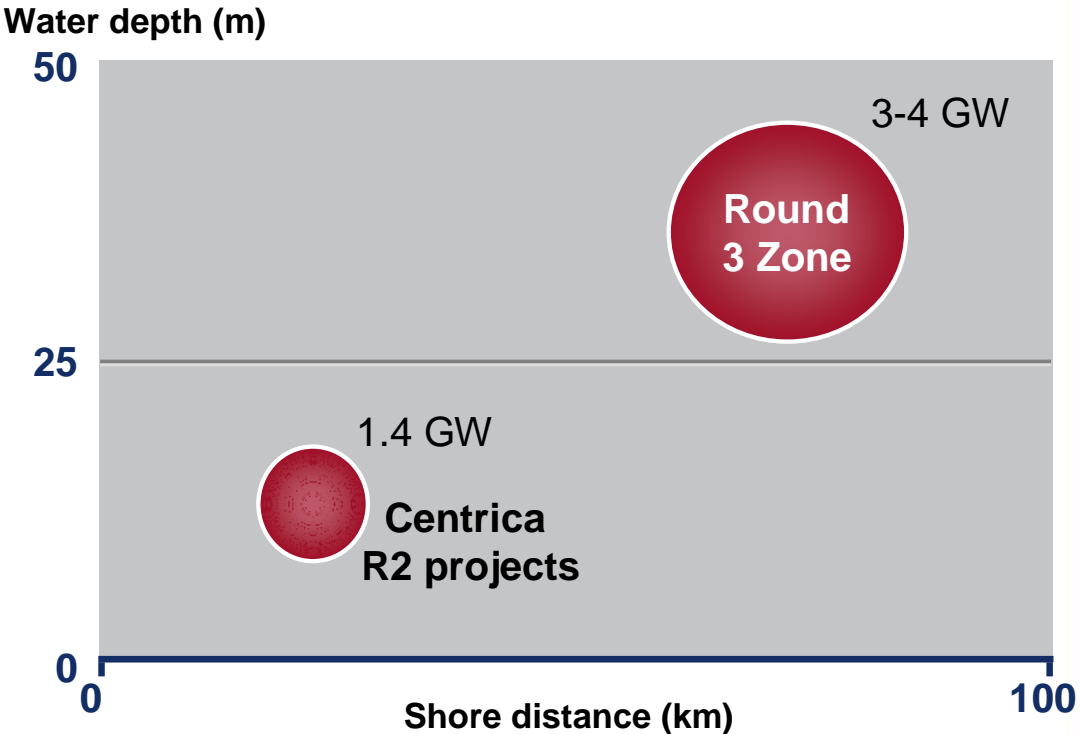
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Round 3 is a different technology proposition

Strategic zones

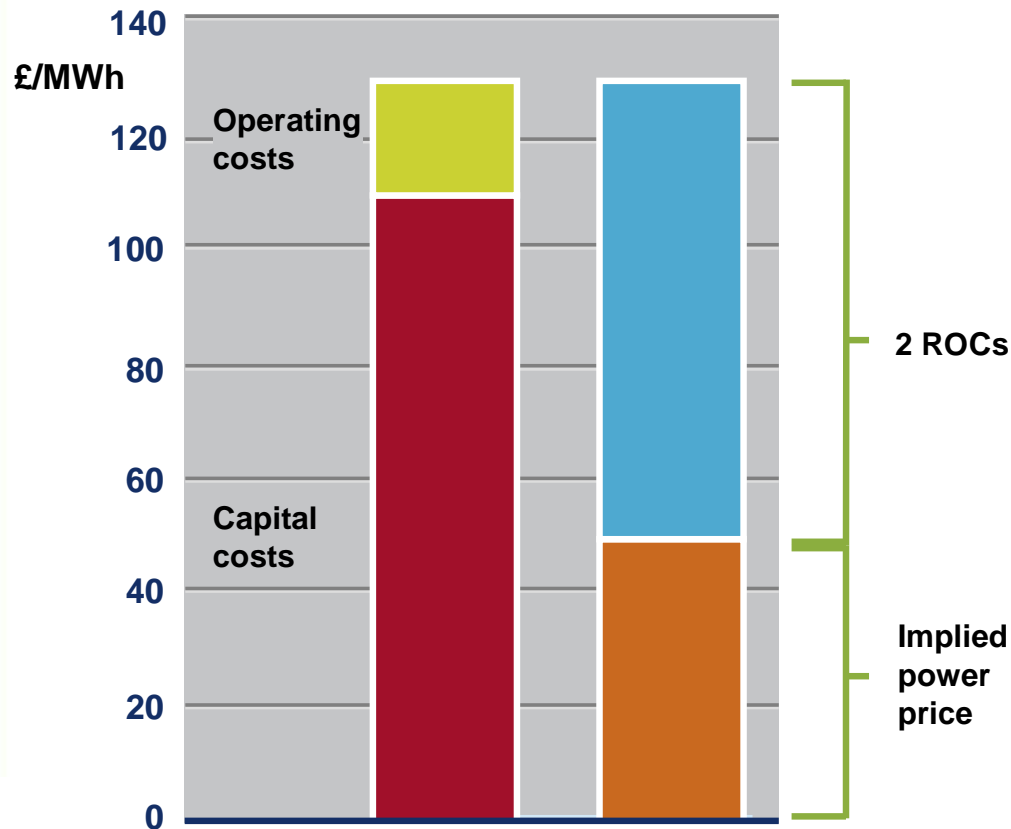


New technology required

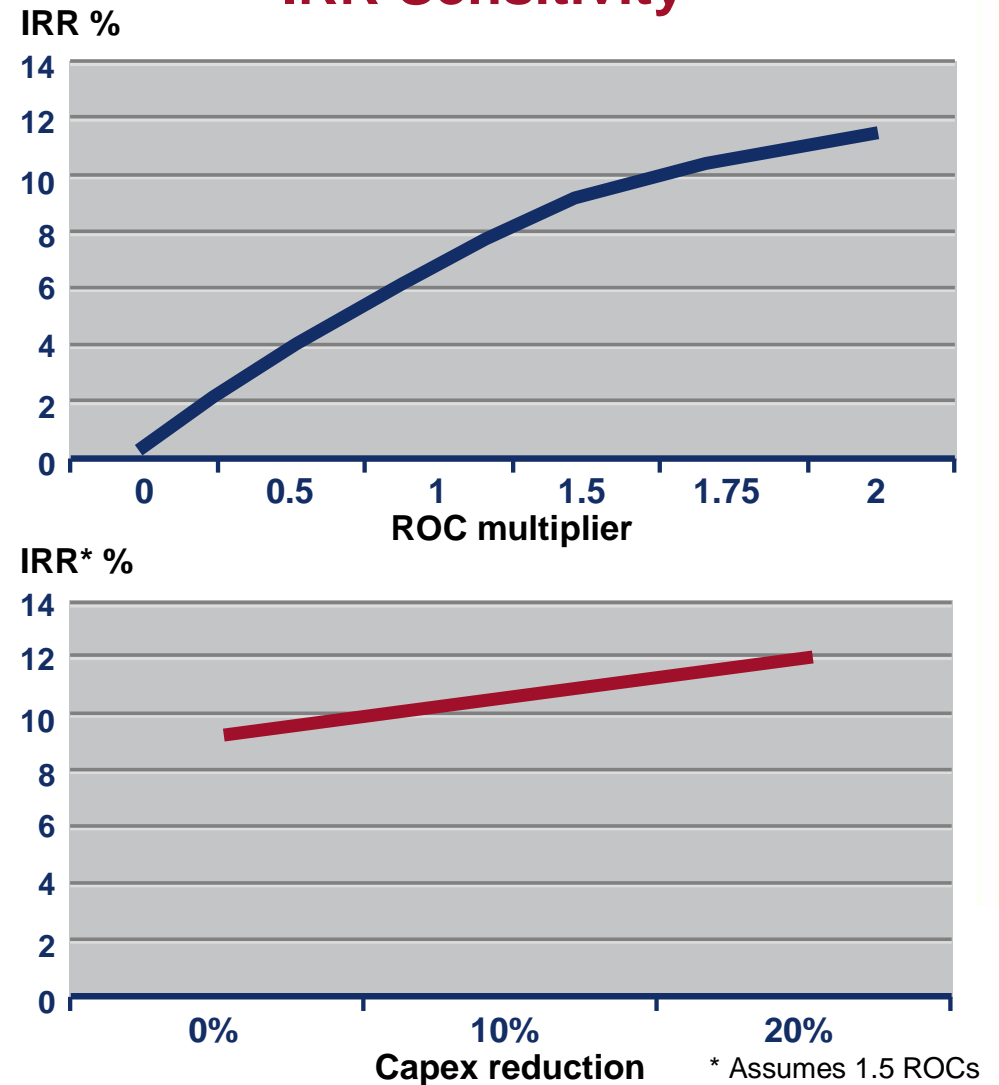


Future development dependent on economics

Cost of offshore wind



IRR Sensitivity



Agenda

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Overview of the British Energy (BE) deal

Key components

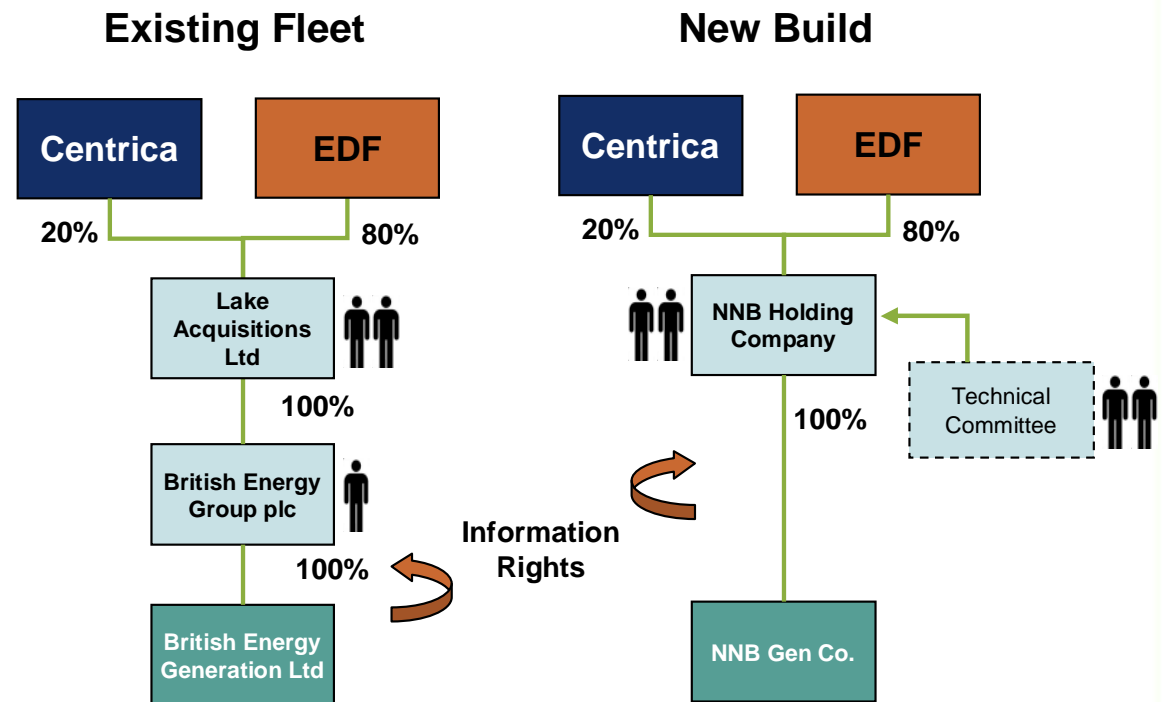
20% equity stake in BE fleet

Rights to offtake 20% of uncommitted power

Additional offtake rights 2011-2015 (18 TWh in total)

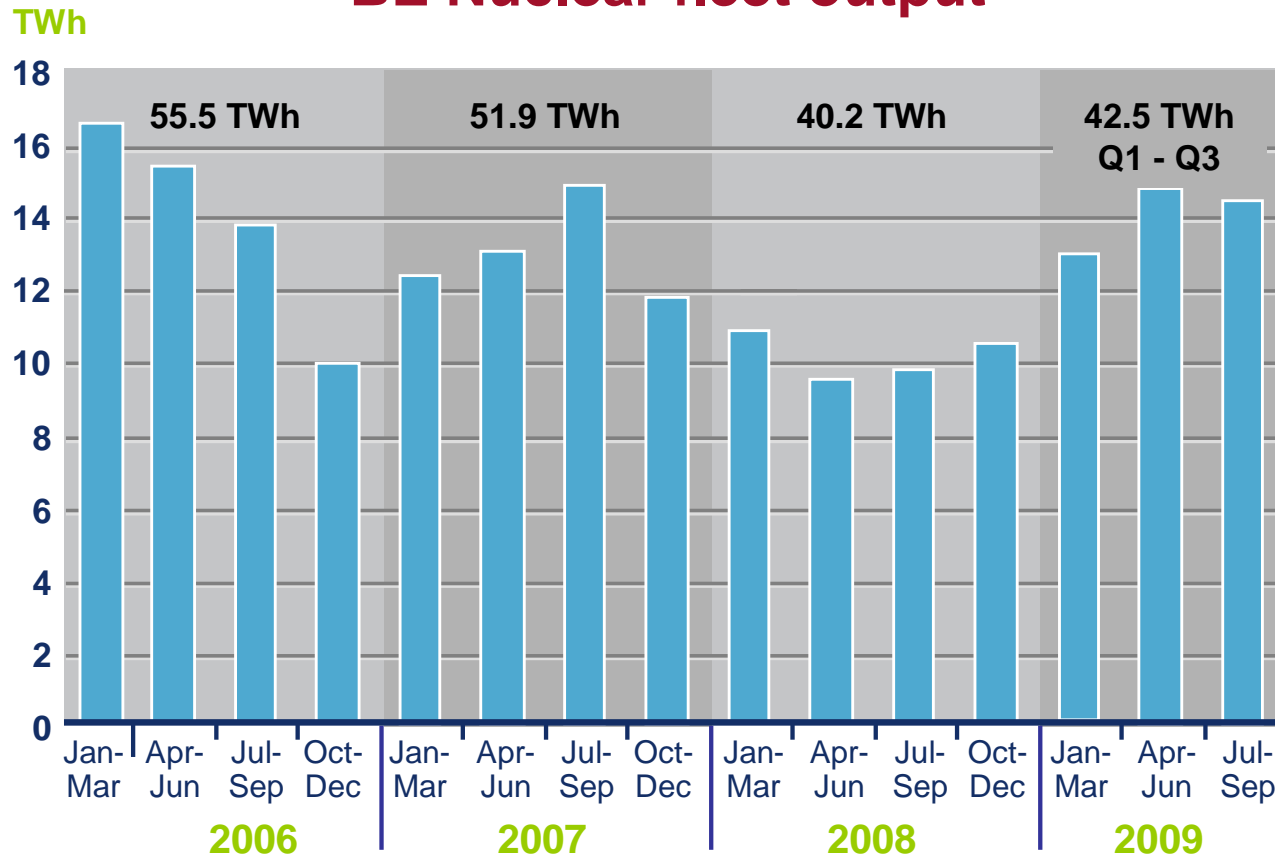
Option to participate up to 20% in New Nuclear Build

Governance



Significant improvement in performance of BE fleet

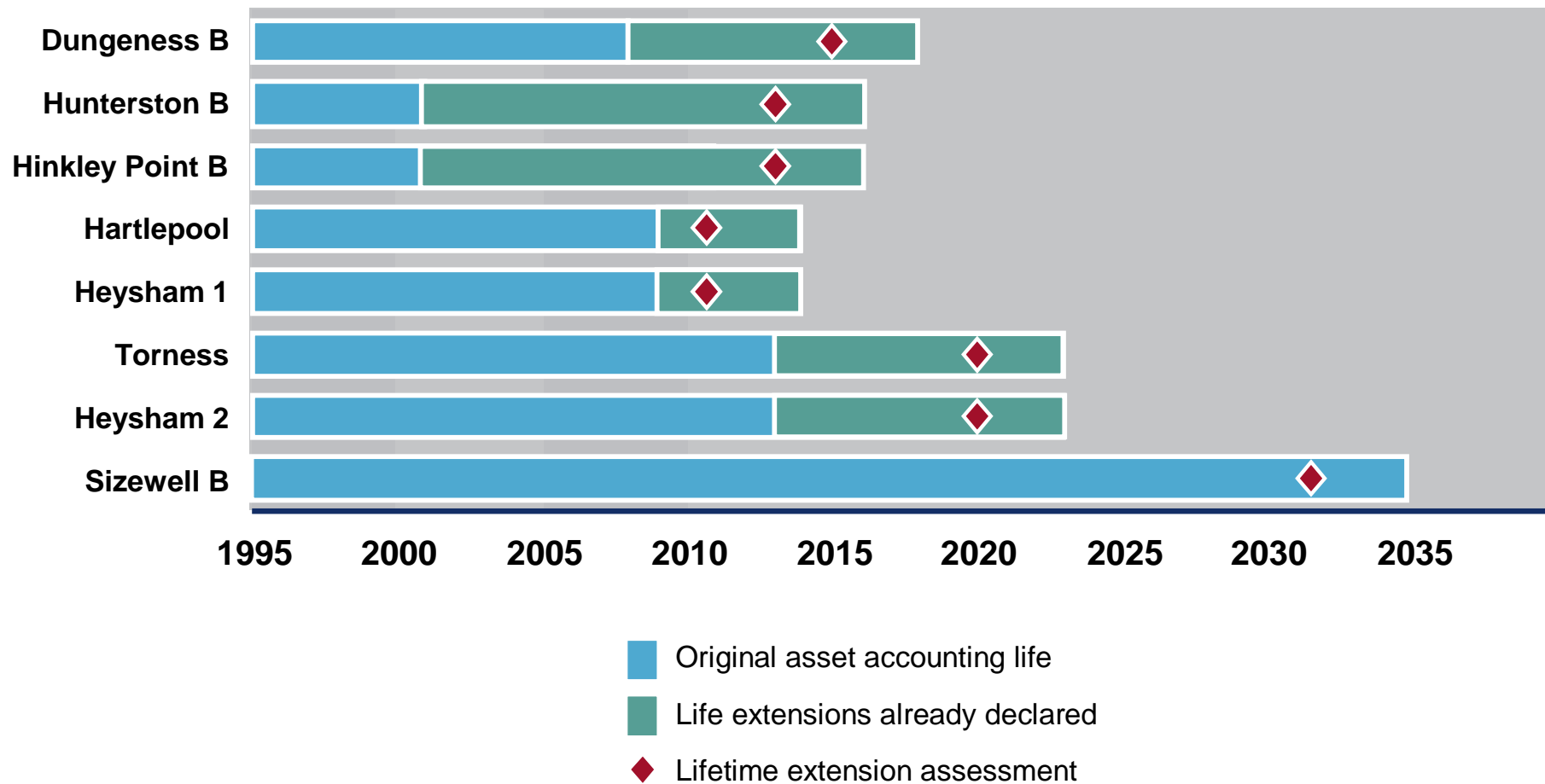
BE Nuclear fleet output



- 2008 technically challenging year
- 2009 output improved
- 50.7TWh output for 11 months to November 2009

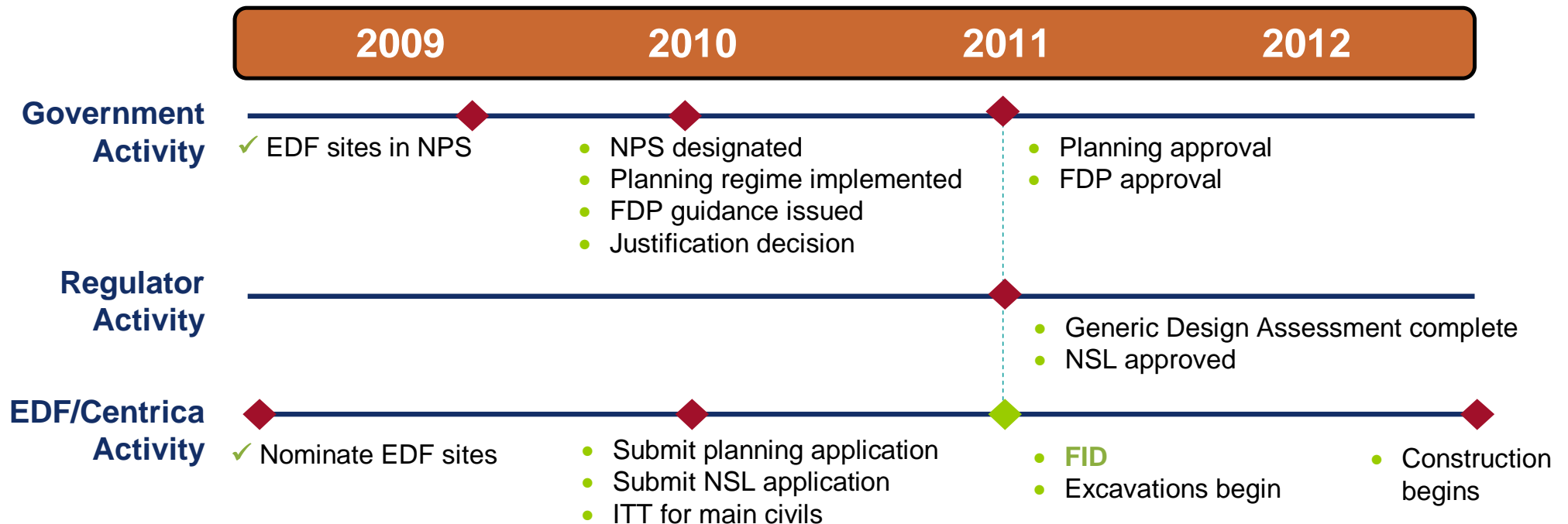
Scope for possible life extensions

Current position of BE station lifetimes



Key future decision is new build final investment decision

New build development



Abbreviations: NPS = National Policy Statement, FDP = Funded Decommissioning Programme, NSL = Nuclear Site Licence, ITT = Invitation to Tender, FID = Final Investment Decision

Summary

**Competitively
advantaged**

- **Increasingly diversified generation portfolio**
 - Range of fuel mix
 - Lowest carbon intensity
 - Combination of baseload and mid-merit
- **Performance of existing plant improving**

**Growth
platform**

- **Proven capability in wind development and financing**
- **World class nuclear joint venture**
- **Significant pipeline of future projects**

**Strong
returns**

- **New investment must meet required hurdle rate**
- **Economics dependent on incentives**

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Upstream Gas

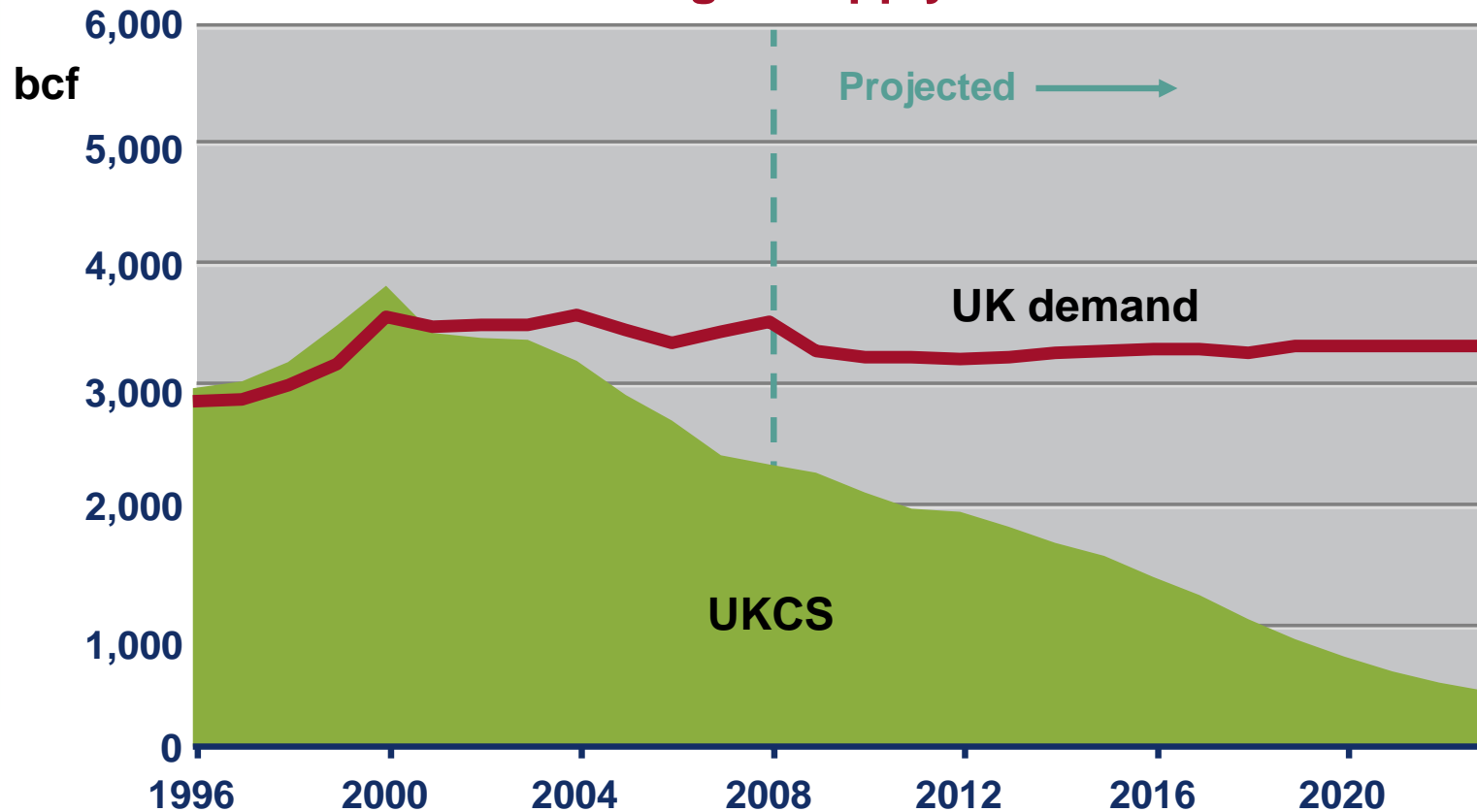
Mark Hanafin

Agenda

- **UK gas market fundamentals**
- **Strategic rationale for investment**
- **Benefits from strategy**
 - Capability
 - Sustainability
 - Flexibility
- **Summary**

UK, as the 5th biggest gas market, is rapidly becoming a major importer

UK annual gas supply and demand



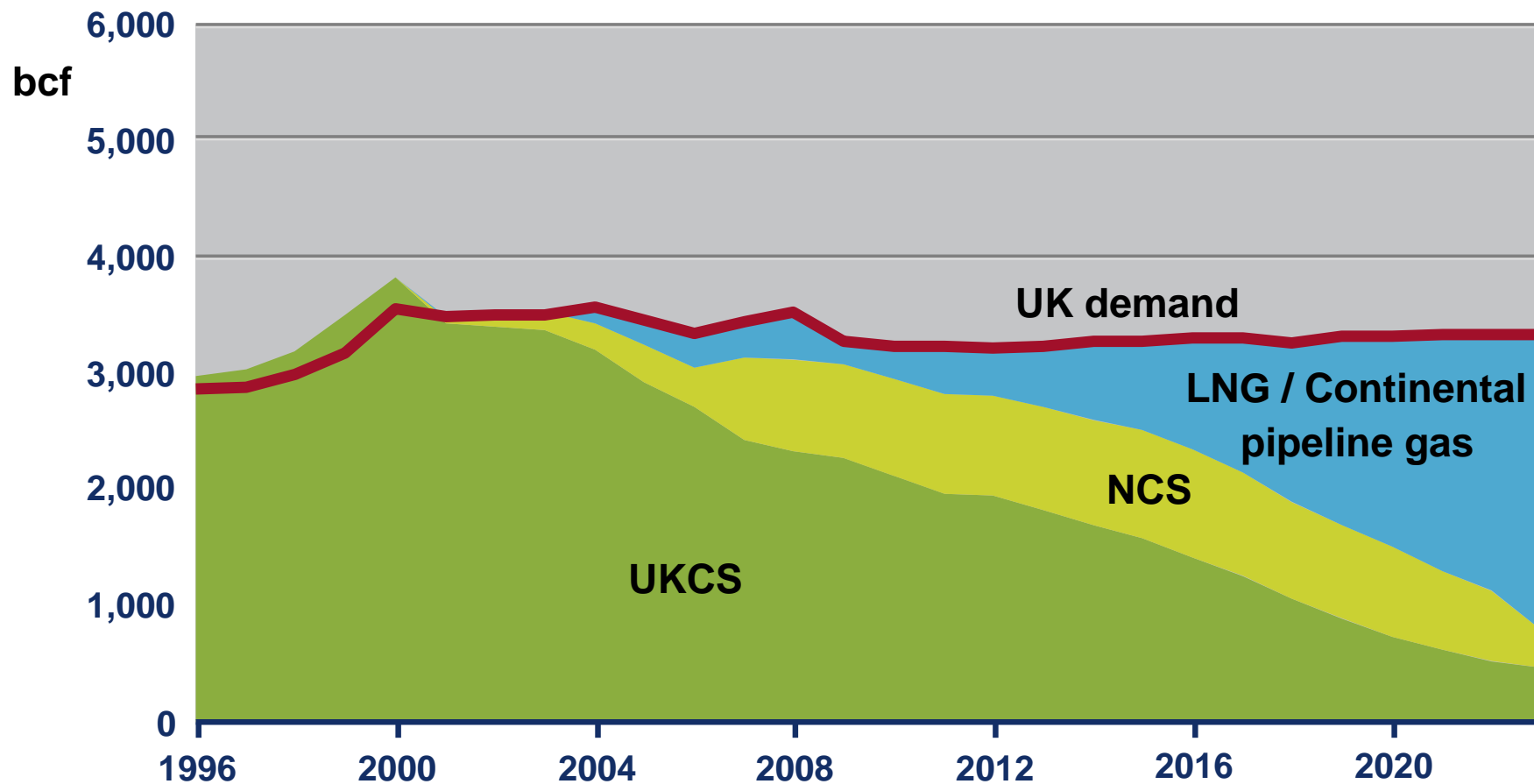
Balance of supply sources will be driven by:

- Relative price
- Availability of supply
- Perceived reliability/security of supply

Note: 2008 UK demand and supply show slight variation due to IUK flows, storage and variability within data sets
Source: National Grid

UK gas will need to be sourced increasingly from NCS, LNG and potentially continental pipeline gas

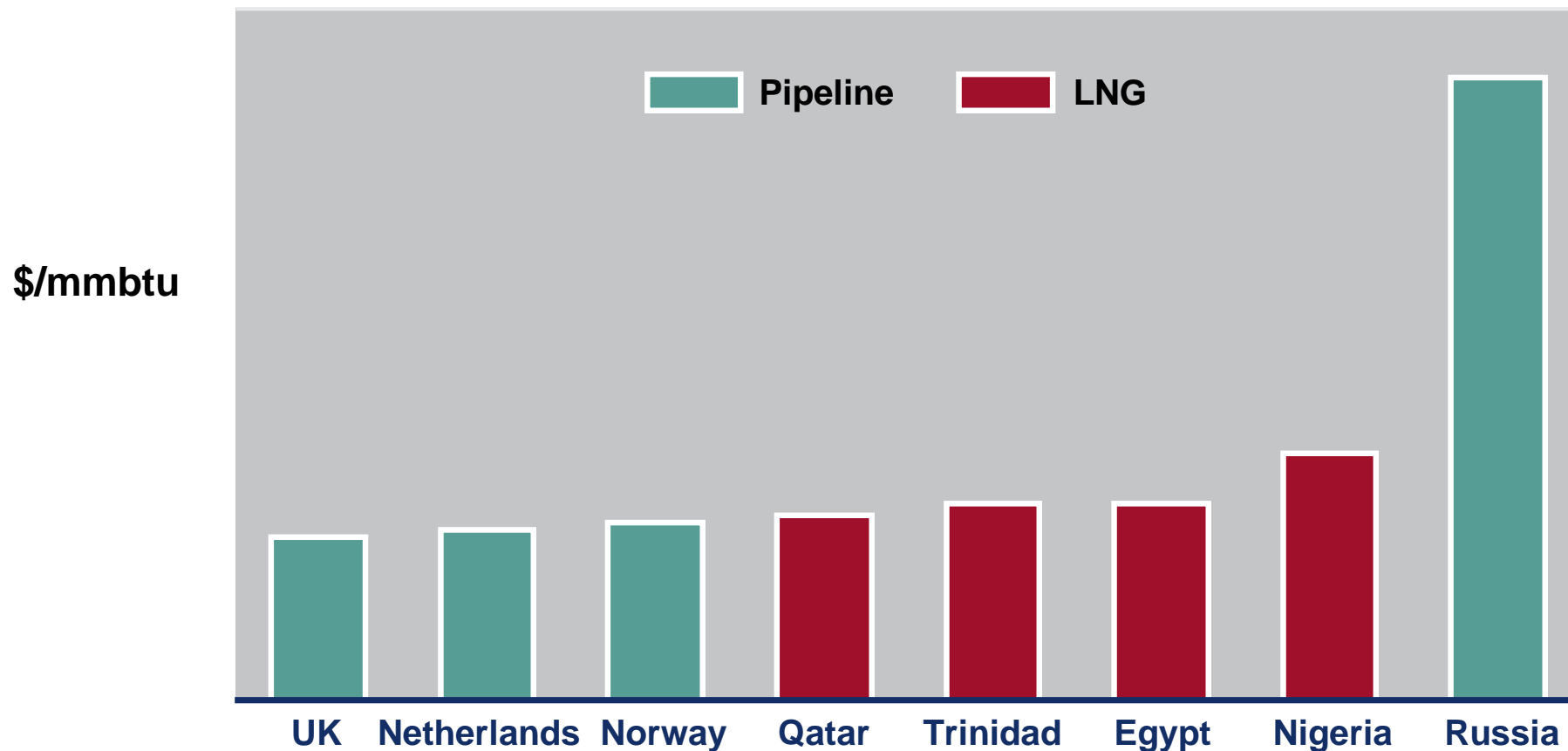
UK annual gas supply and demand



Note: Imports from NCS are low case, based on 90% utilisation rates of Norwegian pipelines to continent, with UK taking remaining gas
Source: National Grid

North Sea fields are currently the best value source of gas for the UK

Average cost for UK delivery



These fundamentals drive our strategy for upstream gas investment

- **UK increased dependence on imports**
 - Need for security of supply
- **Volatile prices and potential supply disruptions increasing value of production flexibility**
- **Long term gas prices expected to rise in the UK**
 - Downstream business must have access to competitive cost gas
- **Opportunity as major players refocus their global portfolio**
- **We have the capabilities to execute**
 - Delivery of synergies

Upstream Strategy: Sustain and grow an upstream gas business contributing strong returns

Upstream 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

Capability

Sustainability

Flexibility

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Venture acquisition fundamental to strategy

Key benefits of Venture acquisition

Capability

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

Sustainability

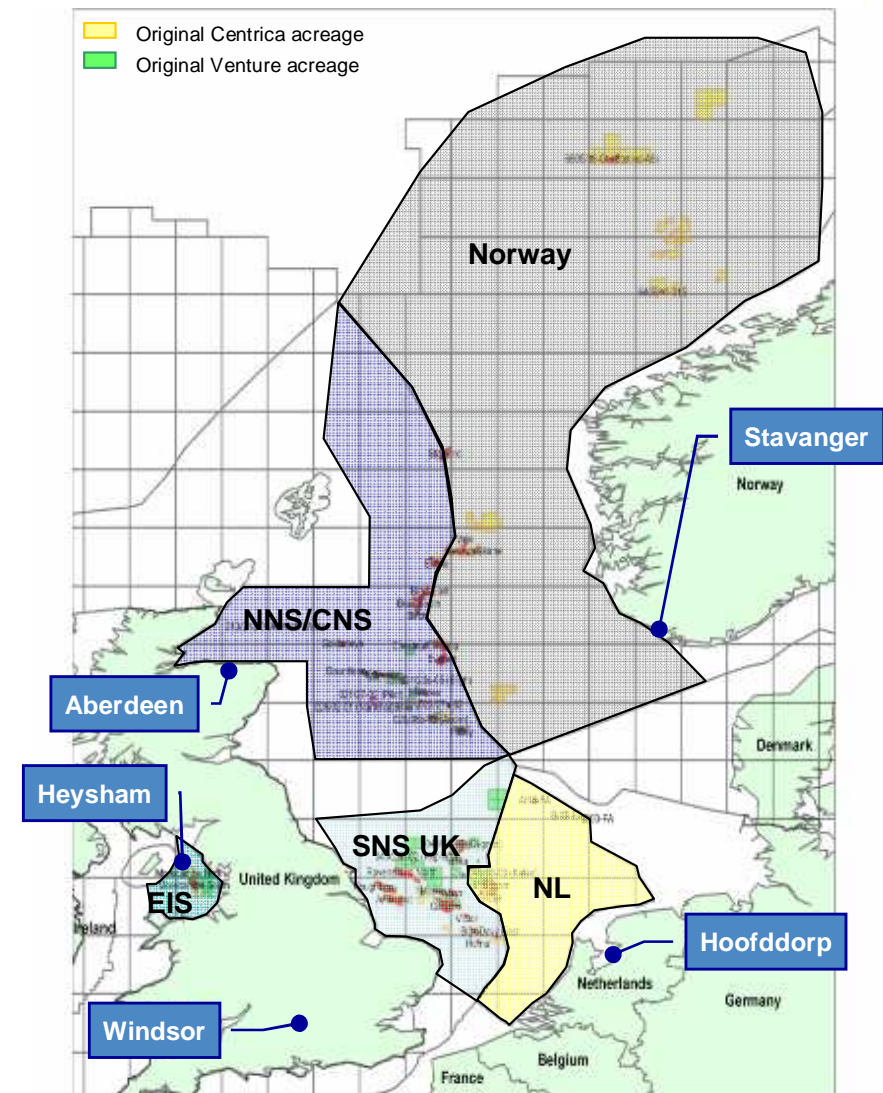
- Transform Centrica Upstream business from ‘blow down’ to sustainable production
- Portfolio of valuable development options going forward

Flexibility

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

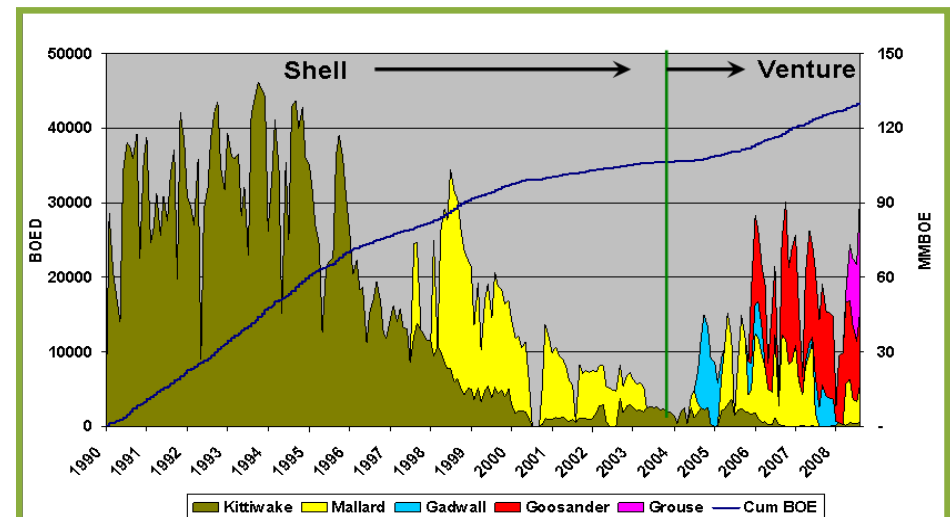
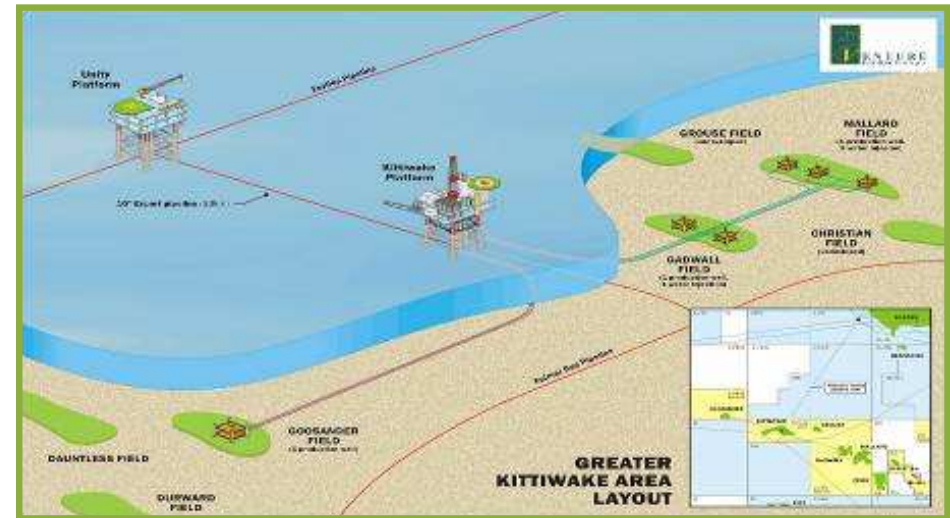
Capability: Aligned around 'regional / hub' based strategy, with well-defined E&P capabilities

- **Five core regions in the portfolio, each with a P&L**
- **Benefits of regional / hub based strategy**
 - Builds detailed area knowledge and focus
 - Lower risk step-out exploration and appraisal drilling
 - Control of infrastructure
 - Diversifies export routes
 - Marginal cost of development and supply reduced
- **E&P capabilities leading to higher value**
 - Stewardship of mature assets
 - Efficient field development, sub-sea tiebacks
 - Directional drilling and horizontal wells
 - Subsurface engineering



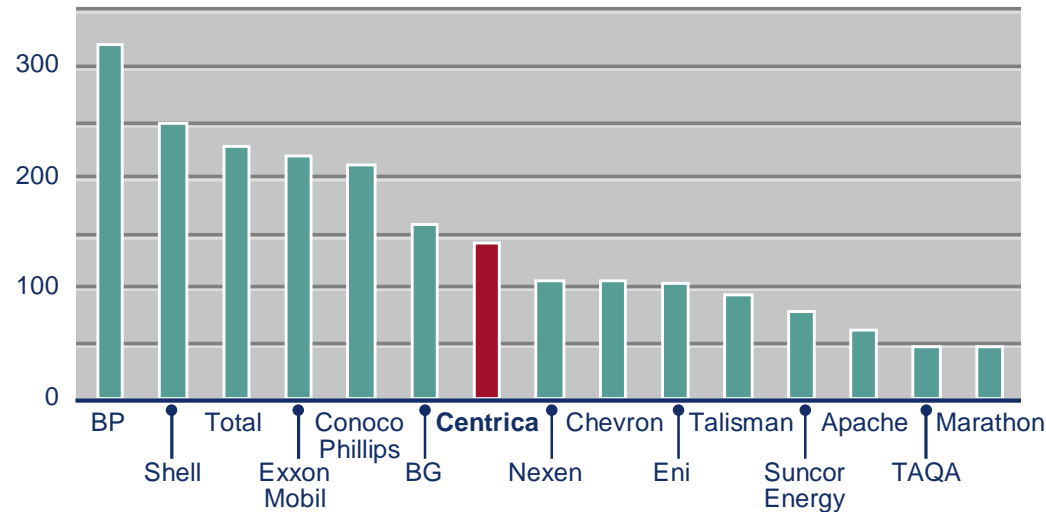
Capability Case Study: Greater Kittiwake Area (GKA) rejuvenation

- Venture acquired a 50% operated interest in the GKA in 2003
- At that time ~5,000 boepd (gross) with forecast abandonment ~2005
- Venture initiated a programme of maintenance catch-up and has brought 3 new discoveries onstream with a 4th in planning
 - In 2007 a new pipeline was constructed from Kittiwake to the Forties Pipeline system
- Current production is ~25,000 boepd (gross) with abandonment ~2016
- Significant added value through focus and investment

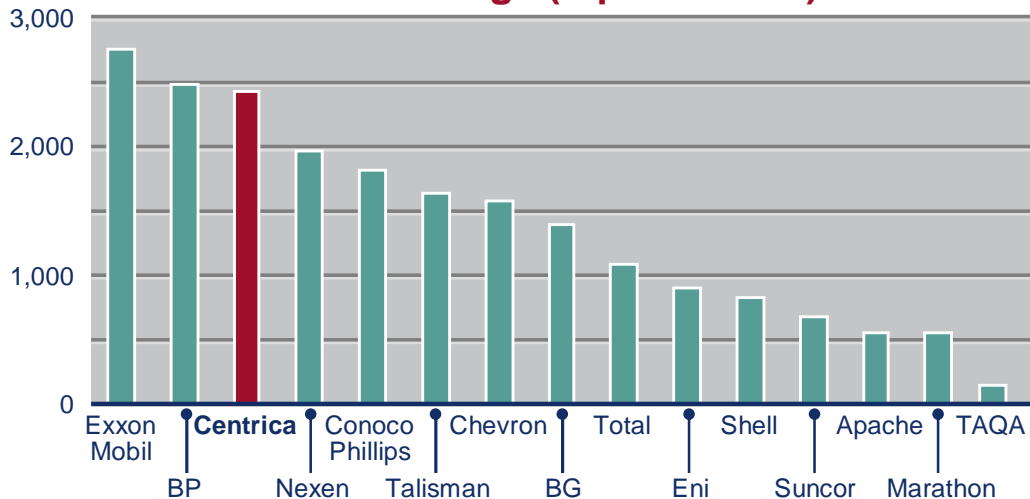


Capability: Combined business has substantial scale and capability in the UKCS

2009 production (mboe/d est.)



Net acreage (square miles)



- Centrica Energy now **7th largest gas producer** in the UKCS
- **#1 UK Utility** with access to gas hedge
- **#3 largest owner of net acreage**
- Excellent portfolio fit between Centrica and Venture assets
- Industry leading operating and project development capability

Sustainability: Strong HSE track record built over a period of time



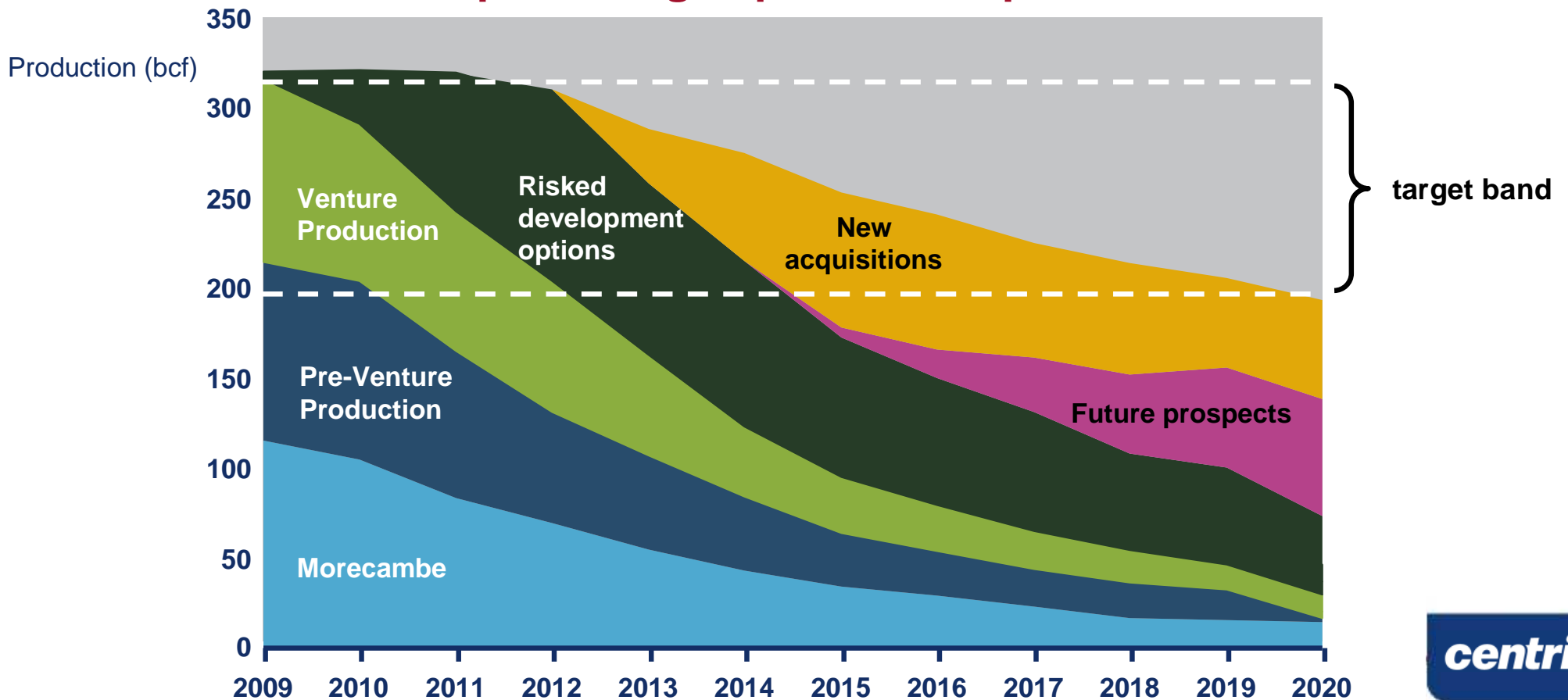
**Strong HSE culture
built over time**

People looking after people



Sustainability: Leading operator of mature and orphaned fields, delivering sustainable level of production

Upstream gas production profile

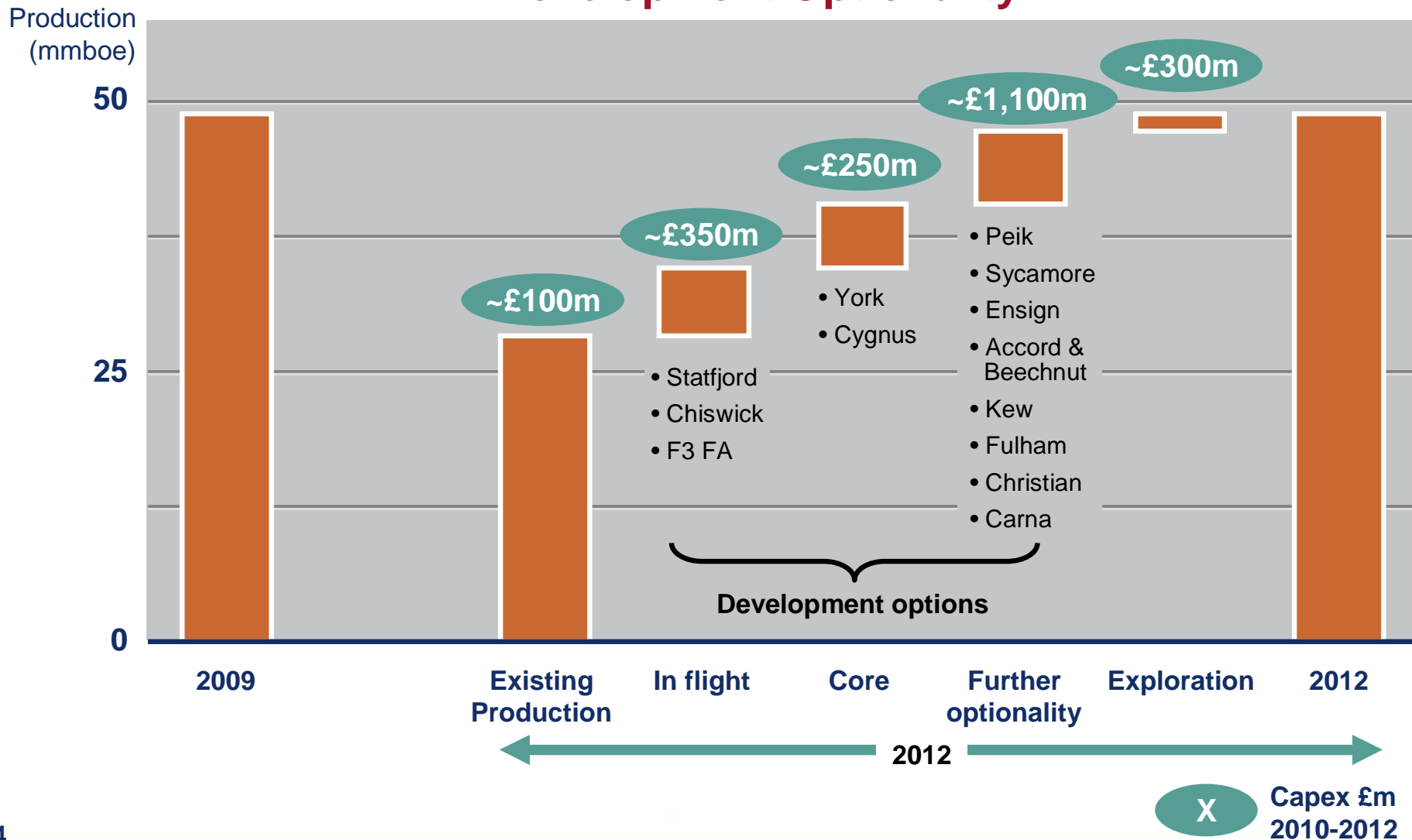


Flexibility: A unique portfolio of options

- **Short term flexibility: Morecambe provides unique operating flexibility benefits**
 - If spot market prices fall below economic signals, options exist to shut-in production and buy gas from the market
 - *In November, we shut in production for 19 days*
 - Where production is forward sold, we have the option to buy back at spot market prices
 - *e.g. September gas was sold at 58.8p/th, and bought back at 20.6p/th*
- **Longer term development flexibility and control**
- **A majority operated portfolio across combined assets**
 - 53% of fields operated
 - 66% of production operated
 - 65% of undeveloped fields operated
- **Significant opportunities to target and time investments**

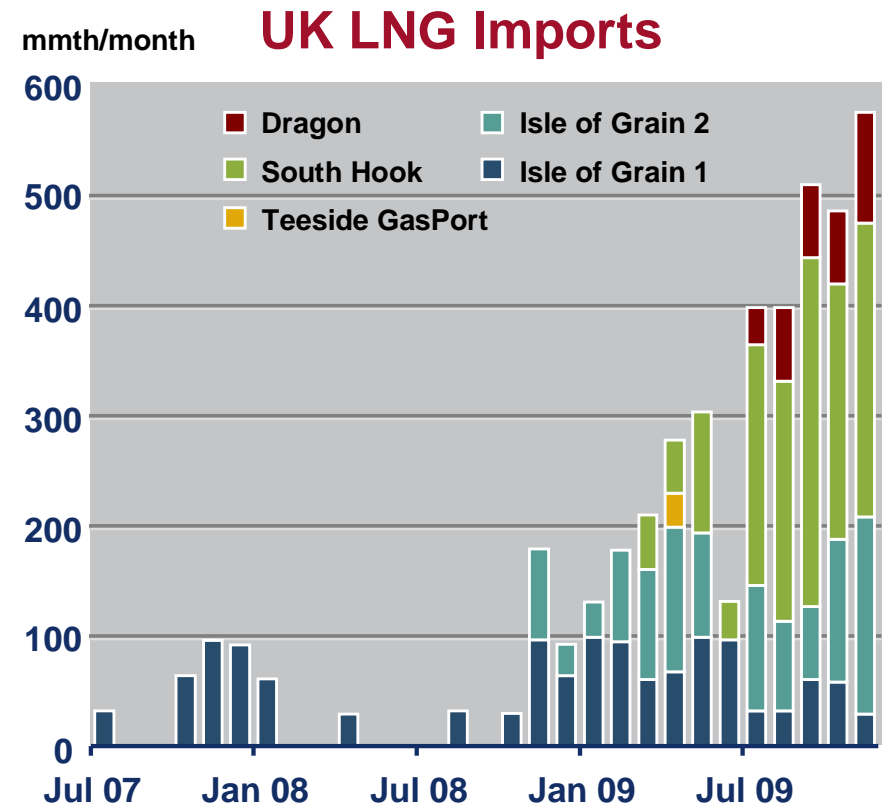
Flexibility: Significant opportunities to target and time investments

Development Optionality



Flexibility: Centrica capabilities makes us well positioned to procure LNG

- Centrica represents a 'major demand holder' in the UK, a market well placed for LNG
 - Significant partner for major resource holders
- Centrica is the largest holder of LNG import capacity and storage facilities in the UK
 - A significant buyer and shipper of LNG
 - Bought 26 LNG cargoes to date in 2009
- LNG represents flexibility to meet security of supply and create future value
- An attractive investment partner in new Atlantic Basin LNG liquefaction



Summary

**Competitively
advantaged**

- **Strong support for ‘dual fuel’ gas hedge**
- **Well defined capabilities across our core markets**
- **Significant flexibility to react to market conditions**

**Growth
platform**

- **Sustainable gas business, rather than ‘blow down’ reserves**
- **Access to a strong platform of growth options**

**Strong
returns**

- **Able to target and time investments with strong returns**

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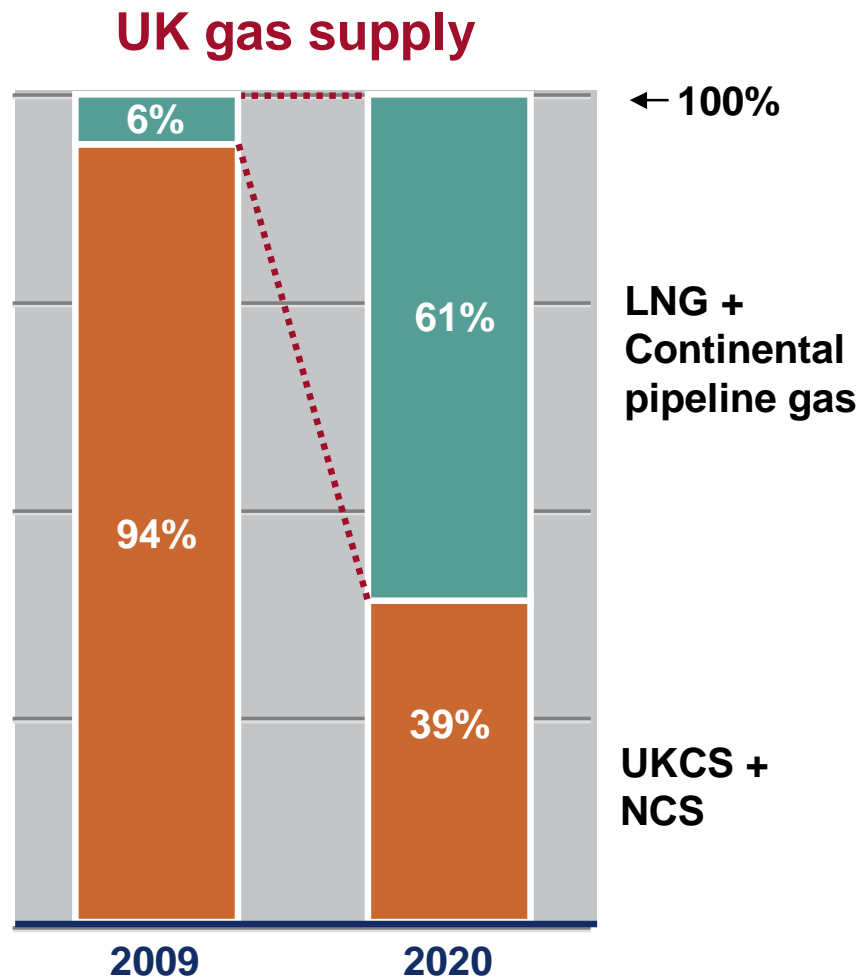
Centrica Storage

Simon Wills

Agenda

- **UK storage market fundamentals**
- **Centrica Storage**
 - Rough
 - New projects
- **Summary**

In future, the UK will need to import and store more gas to satisfy its requirements



- **UKCS decline will continue and Norwegian production will plateau**
 - Gap created by declining UKCS and NCS supplies expected to be replaced by LNG and continental gas
 - After Norway, future UK prices expected to be set by LNG or Russian gas
- **Europe's most gas intensive economy will have moved from being a source of cheap gas to "end of pipe" importer requiring highest prices to support transportation costs across Russia and Europe**
- **Gas storage forms a critical part of ensuring security of supply for UK market stability**

Gas storage is required to address seasonal variations and short-term volatility

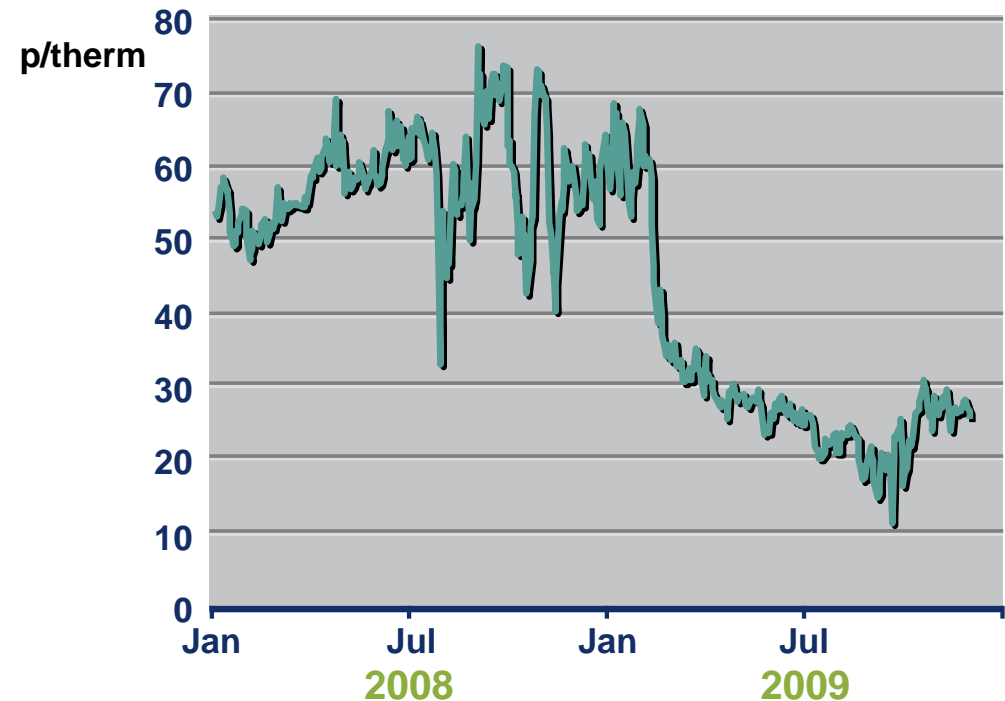
Fluctuations in UK gas demand



Storage needed for seasonality...

- Seasonal variations in UK heating demand
- NBP pricing fluctuations
- Increased imports

Volatility in UK gas prices

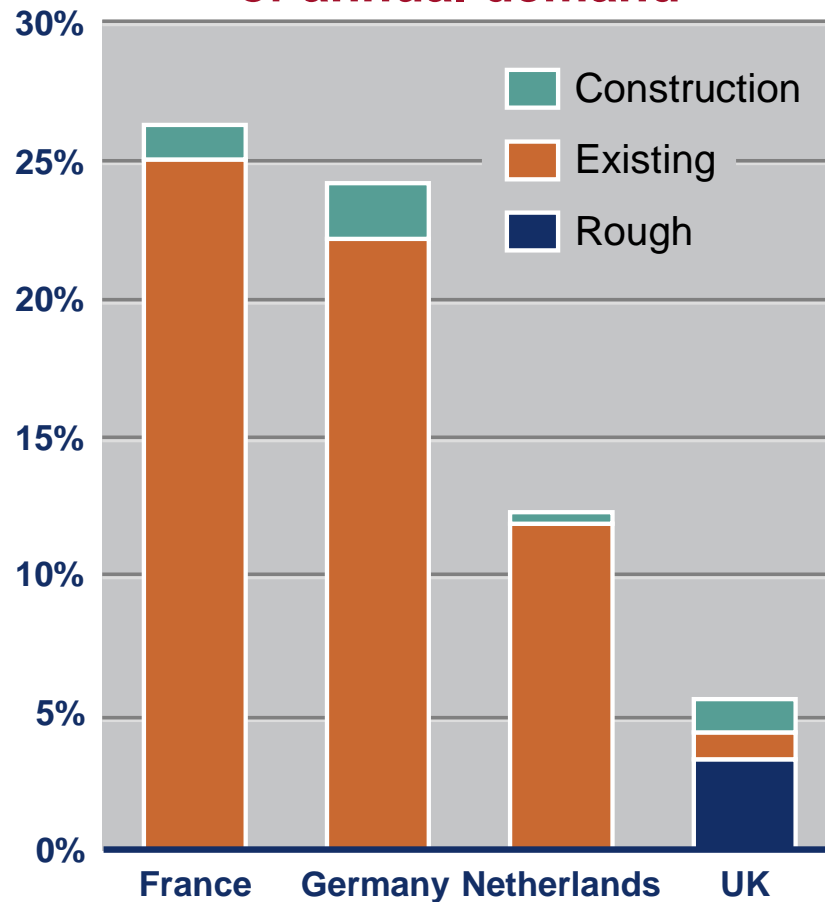


Storage needed for volatility...

- Geo-political issues / supply shocks
- Climate change (intermittent wind)
- Increased imports

UK storage capacity one of lowest in Europe, making strong case for additional investment

Gas storage as a % of annual demand



	Working volume (BCM)	Annual demand (BCM)	Present storage capacity as a % of demand	Present storage capacity as days of average demand
France	12.3	49	25%	92 days
Germany	19.8	89	22%	81 days
Netherlands	5.1	43	12%	43 days
UK	4.2	102	4%	15 days

Centrica Storage (CSL) owns and operates the Rough Storage facility in the UK

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Our vision is to become the leading multi-asset, multi-product gas storage business in the UK

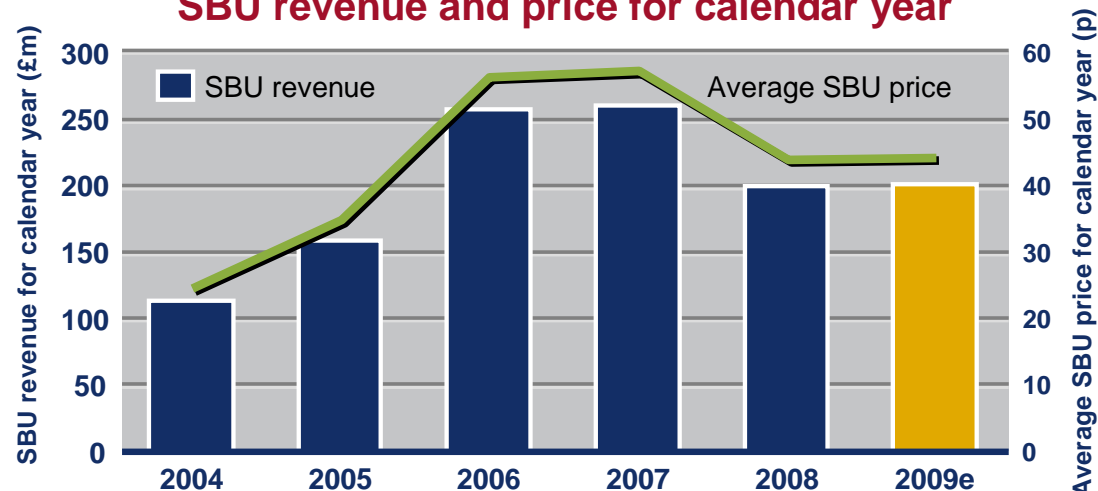
Rough is the 2nd largest gas storage facility in Europe and accounts for 75% of UK storage capacity

Our innovative storage offerings instrumental in creating additional value through optimisation

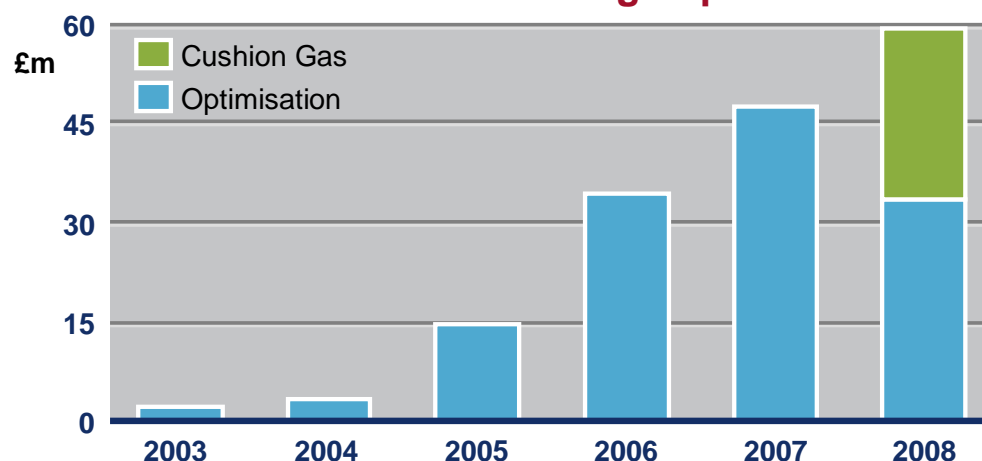
CSL Product and Service Offerings

- **S Store - Standard Storage**
 - WD and DA options
 - Customer books NTS capacity
 - Asset based
- **C Store - Entry Paid Storage**
 - WD and DA options
 - NTS capacity built into the service
 - Asset based
- **V Store – ‘Virtual’ Storage**
 - Available as DA only
 - Includes NTS capacity
 - Non asset specific
- **Incremental Capacity**
 - Extra space, extra injection, extra withdrawal, gas in store sales
- **Interruptible Products**
 - SIS
 - Bronze

SBU revenue and price for calendar year

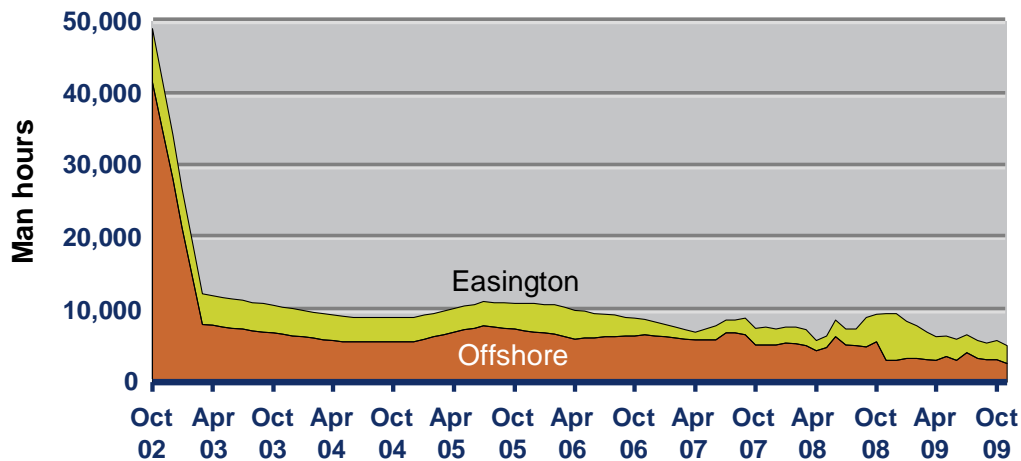


Additional value through optimisation

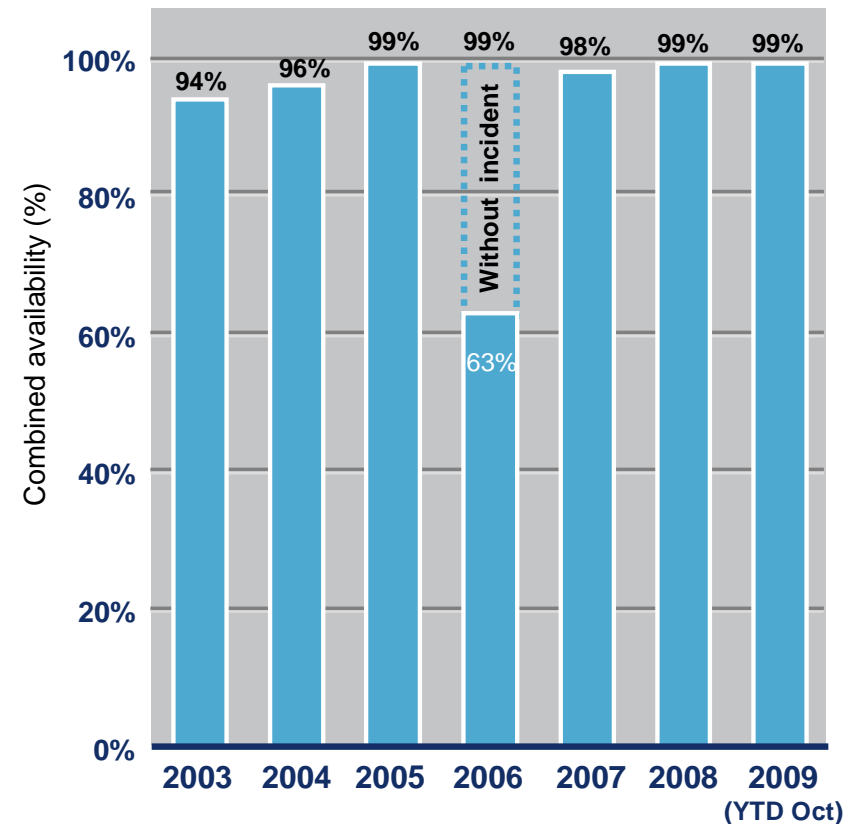


CSL's operational performance is strong across all key parameters

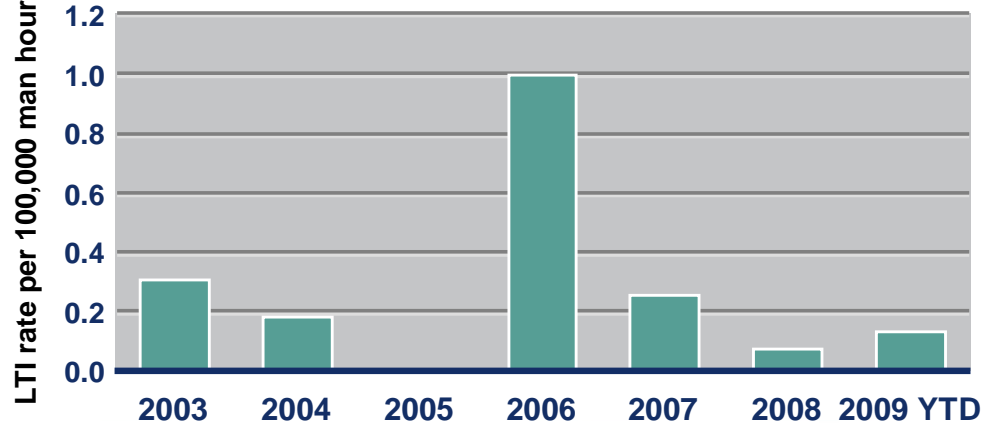
Total offshore (3B & 8A) & Easington Terminal combined maintenance backlog (hours)



Availability performance

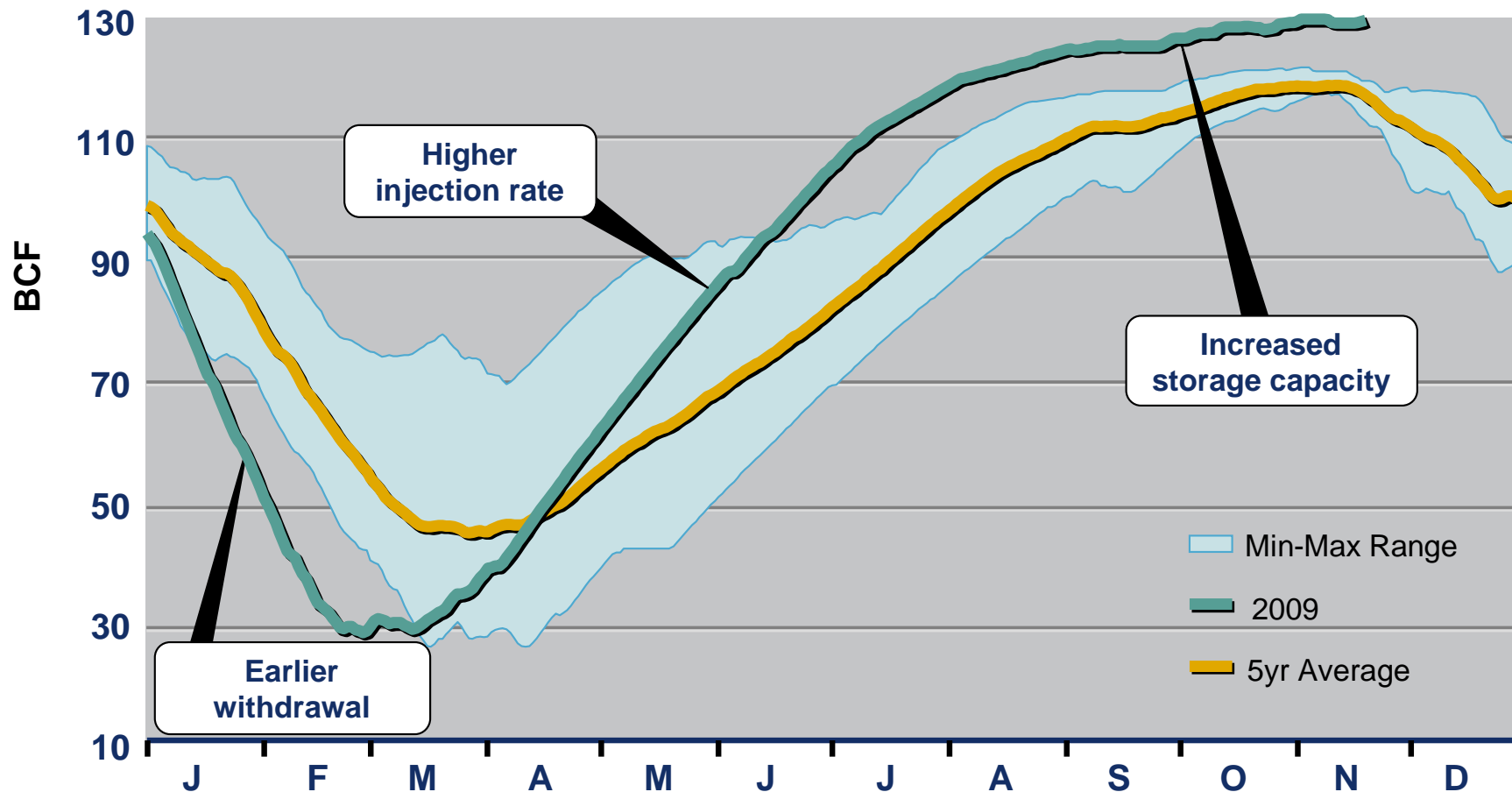


LTI Rate per 100,000 man hours



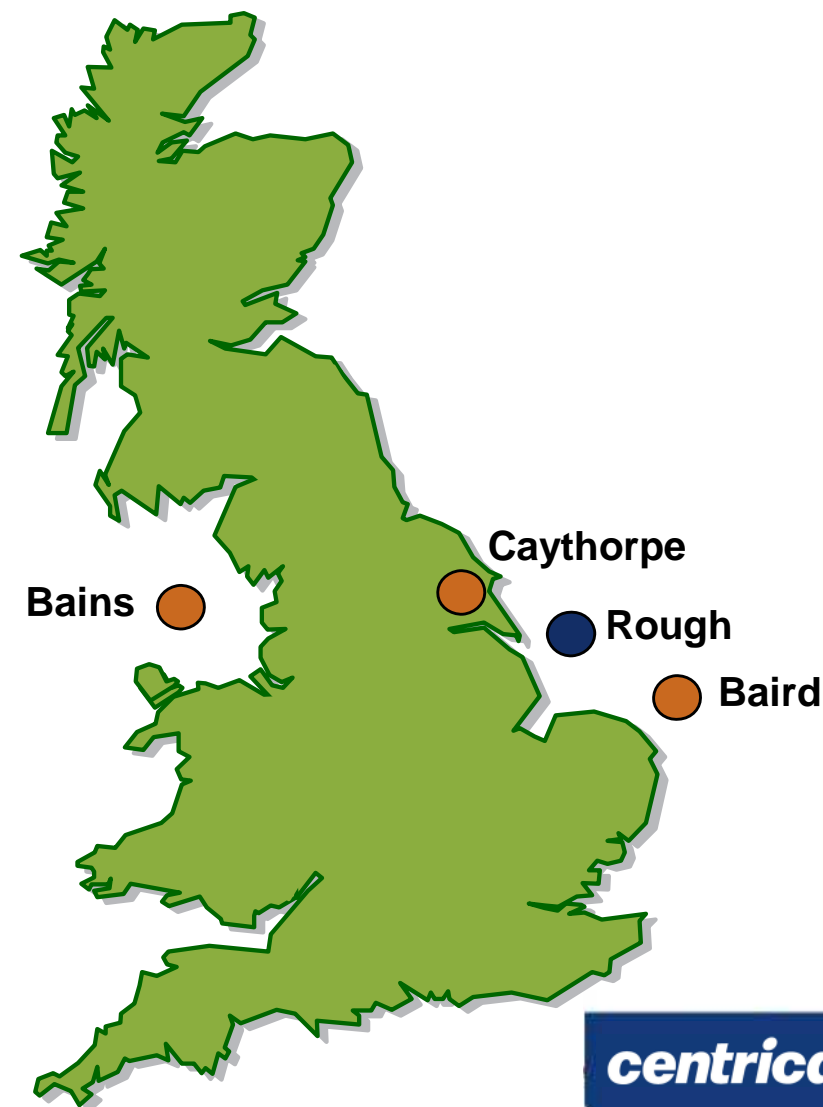
In particular, our Rough storage facility has seen a record withdrawal and injection season

5 Year historical profile (2004 – 2009)



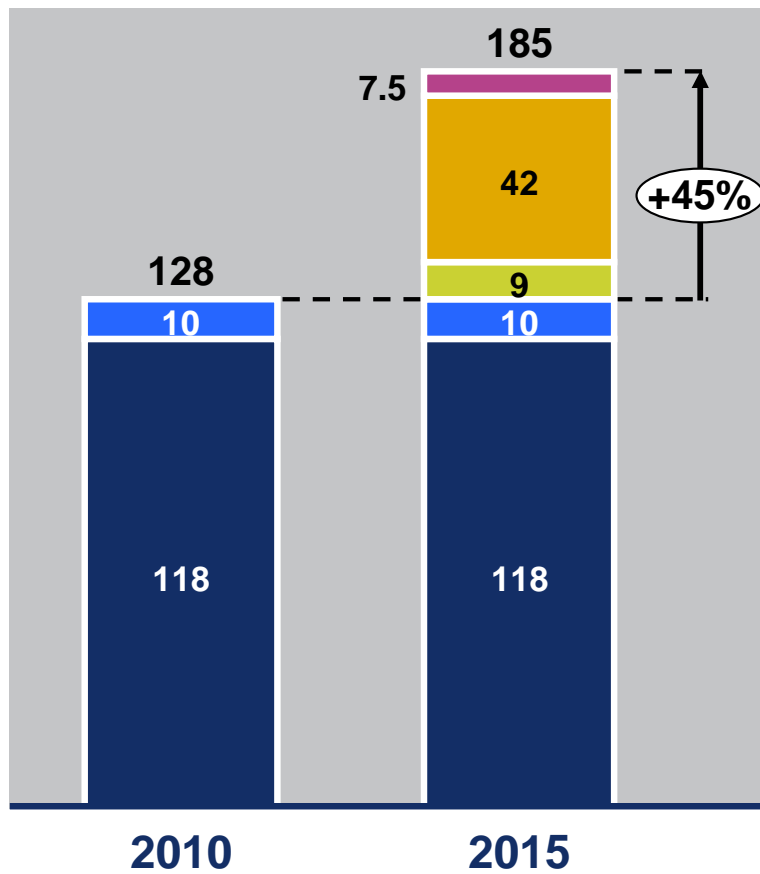
CSL has announced new storage projects to address future UK requirements

	Caythorpe	Baird	Bains
Description	Onshore depleted gas field	Existing gas field in Southern North Sea	Existing gas field in East Irish Sea
% Owned by Centrica	100.0%	70.0%	52.8%
Working Gas (bcf)	7.5	60	15-20
Cushion Gas Required (bcf)	4	50-70	27
Injection / Withdrawal Duration (Days)	20 - 30	60	60
Planning Status	Planning permission granted; FEED completing December 2009	FEED commenced October 2009	Onshore planning granted
Final Investment Decision	Q3 2010	Q3 2010	Q4 2010
Operational	2012	2013/14	2013/14

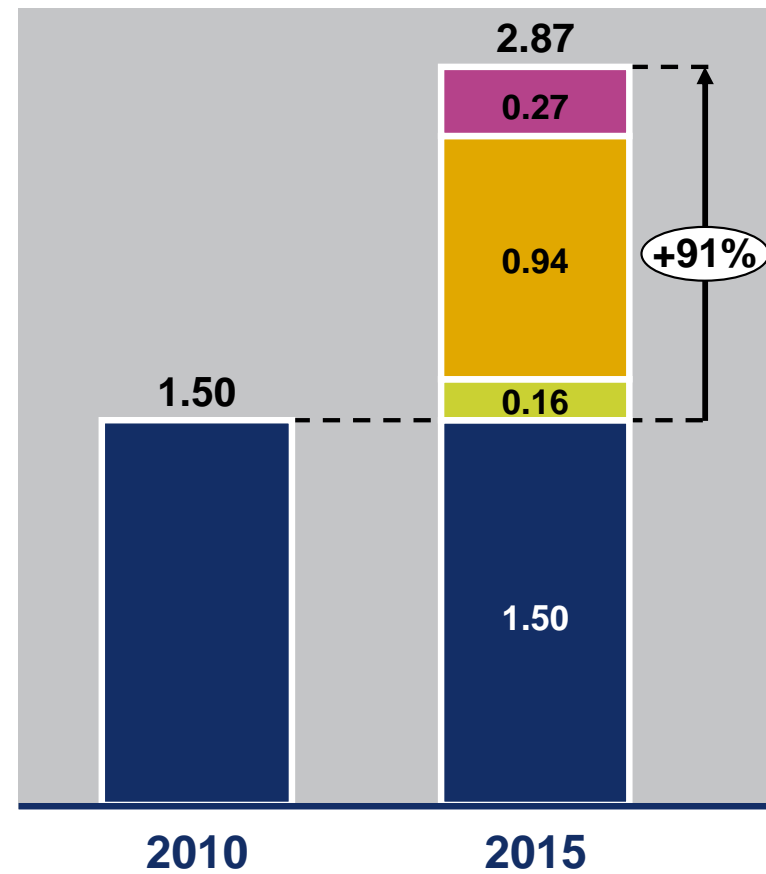


Development of CSL's three storage assets will make significant contribution to UK storage capacity

CSL storage capacity (BCF)



CSL withdrawal capability (BCF/day)



- Caythorpe (100%)
- Bains (52.8%)
- Rough (100%)
- Baird (70%)
- Rough Improvement Initiatives

Summary

**Competitively
advantaged**

- **Unique position in UK storage market**
 - Knowledge of UK storage market
 - Extensive third party sales experience
 - Excellent HSE & operational record

**Growth
platform**

- **Proven capability in storage operation**
- **Proven development capability via Centrica Energy**
- **Pipeline of future projects**
- **Development of portfolio business/risk diversification**

**Strong
returns**

- **Continued strong performance of Rough**
- **New build must meet hurdle rate**

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Financials

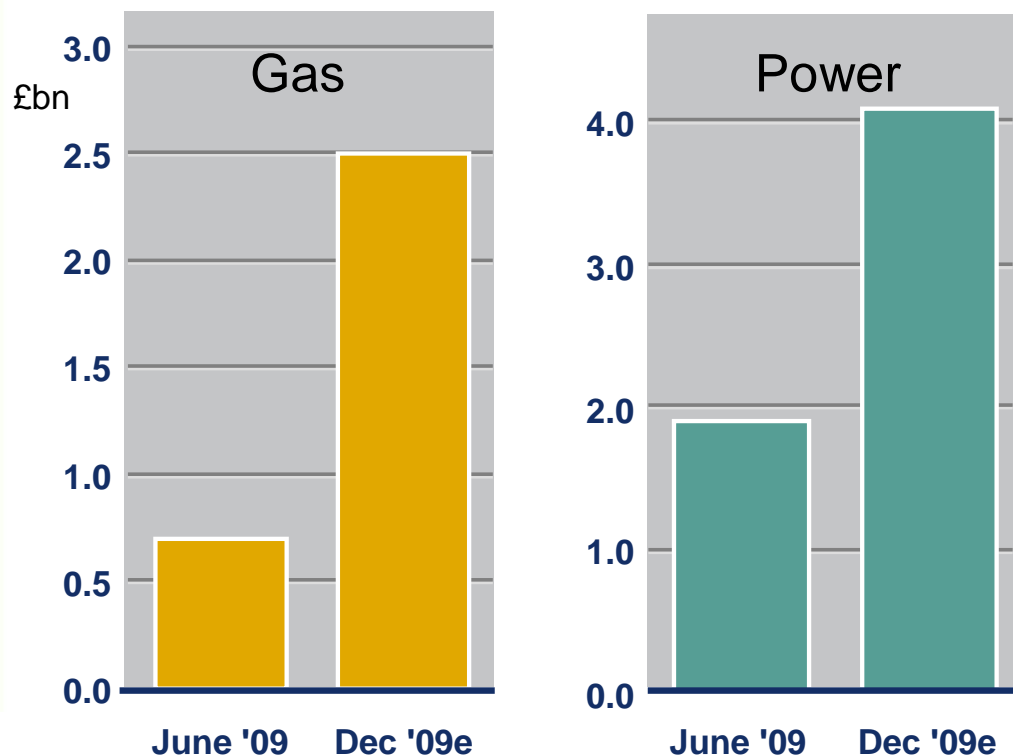
Andrew Le Poidevin

Agenda

- **Balance sheet**
- **Investment programme**
- **Cash generation**
- **Hedging**
- **Costs**

British Energy and Venture represent a step change in the size of Centrica Energy

Capital Employed



- **Venture Acquisition**

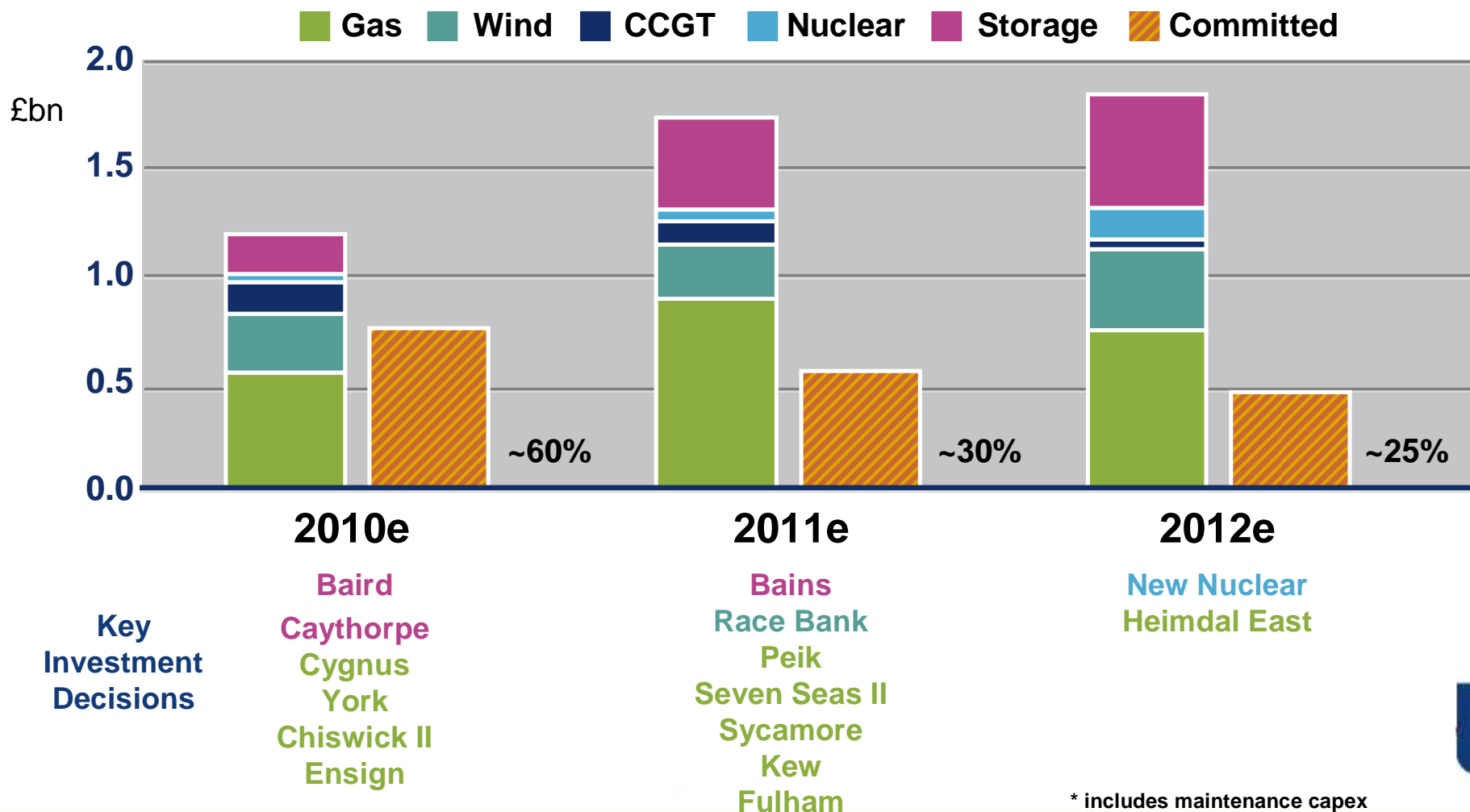
- Fair value uplift of producing and development assets
- Incremental depreciation will be separately identified – excluded from underlying EPS
- Mark to market of hedging transactions through middle column

- **Stake in British Energy**

- Segment disclosure will include 20% of BE's operating profit
- Share of interest and tax shown separately
- Fair value uplift of existing nuclear plants
- Incremental depreciation will be separately identified – excluded from underlying EPS
- Mark to market of hedging transactions through middle column

Investment opportunities offer a growth platform with embedded optionality

Potential project pipeline – investment opportunities*



* includes maintenance capex

Group capital allocation process ensures a portfolio view when prioritising investments

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

- Option to 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

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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**

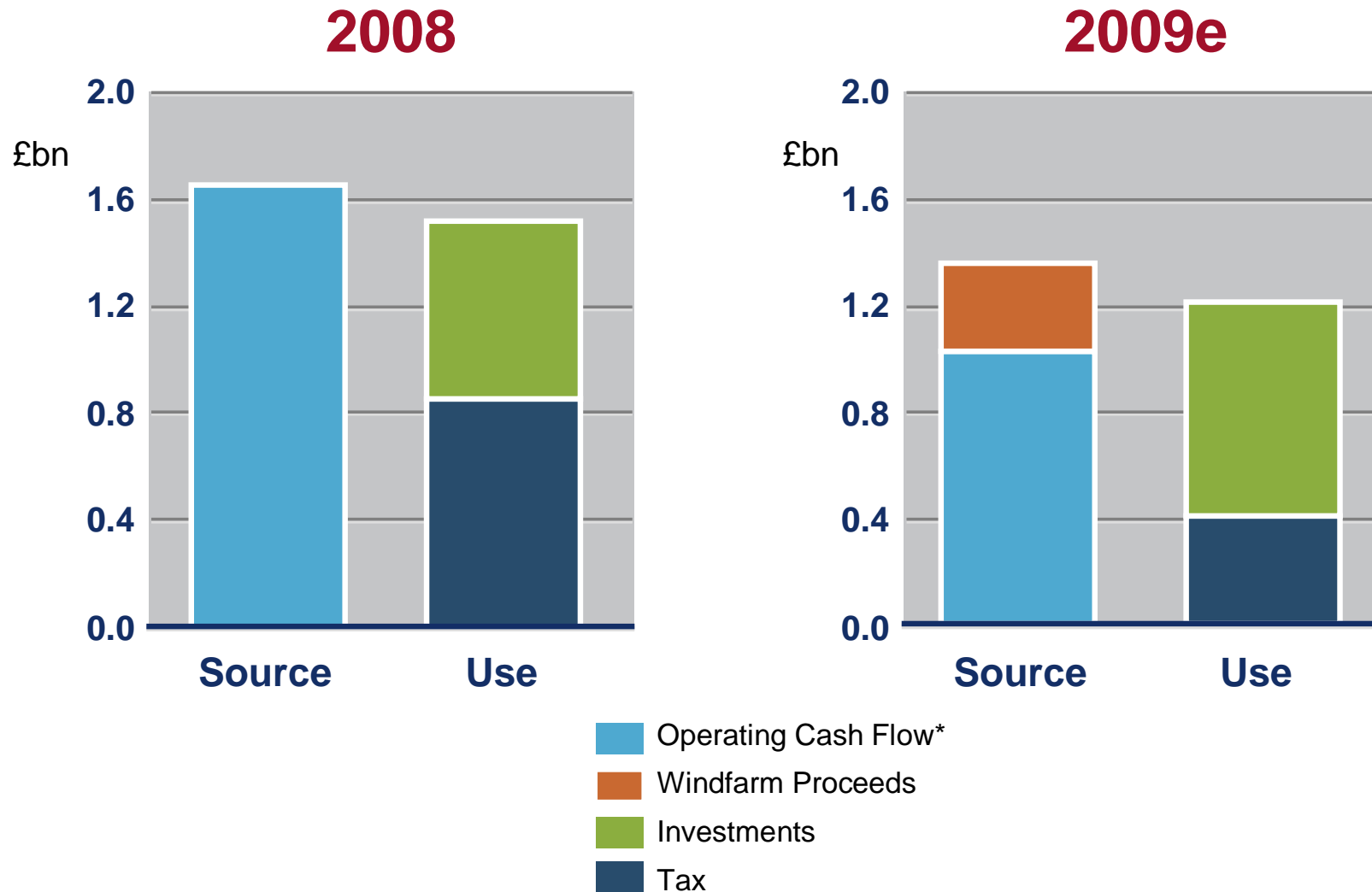
- Business case revisited
- Additional revenue from two ROC's
- Project **approved**

**Strong
returns**

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

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Strong cash generation from underlying business to fund investments



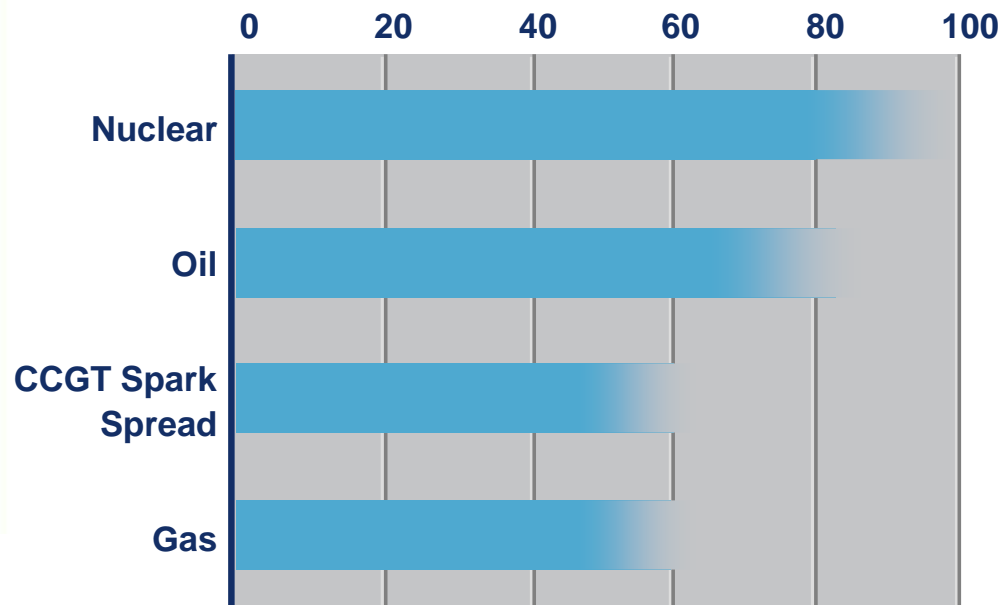
* From Centrica Energy and Centrica Storage

Hedging underpins financial returns

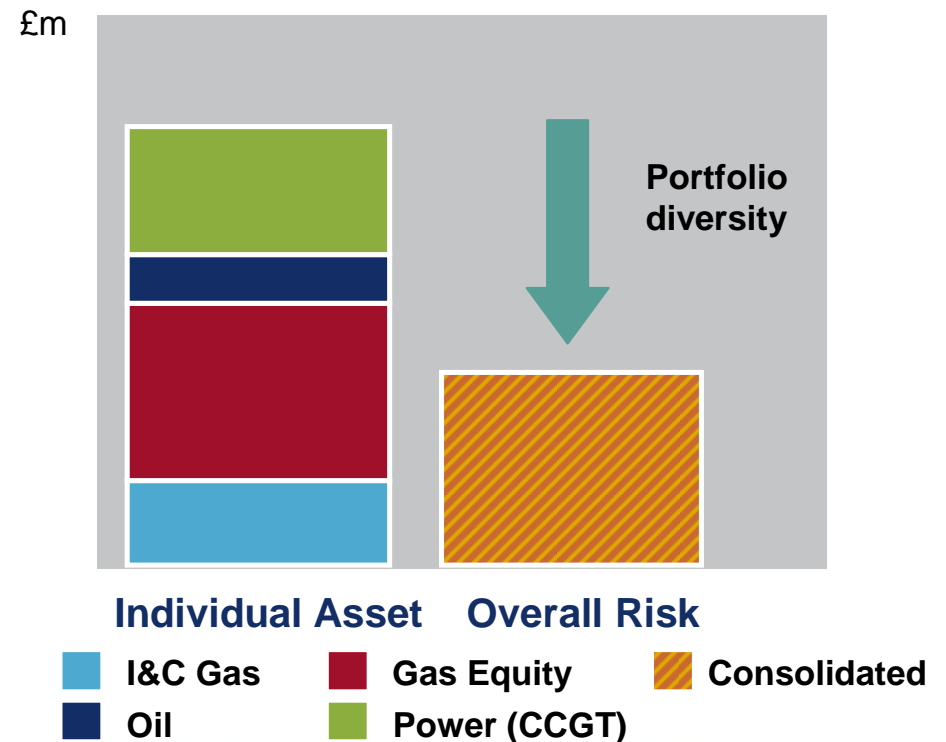
- **Hedging Principles**

- Rateable selling strategies, profile approaching 100% by month ahead
- Flexibility to deviate to exploit fundamental view, maximise extrinsic value and asymmetric returns, subject to PaR limits

2010 Production Hedging

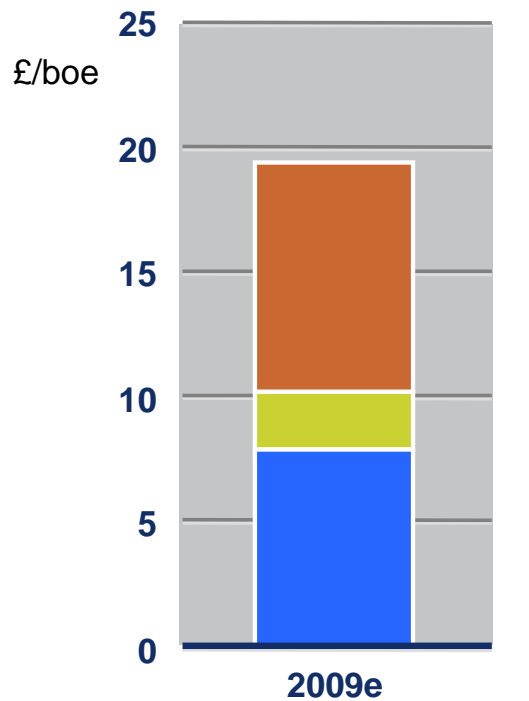


2010 Profit at Risk (PaR)



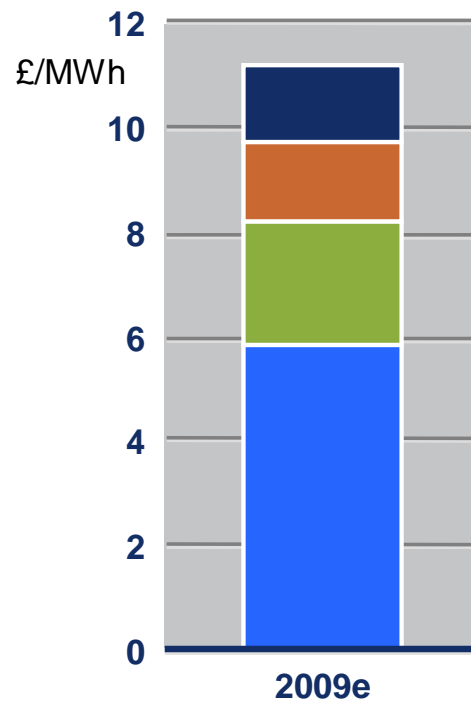
Gas and Power cost structure

Gas and Oil (full year Venture)



- DDA - variable
- Tariff - variable
- Fixed and overheads

CCGT *



- BSUoS - variable
- DDA - variable
- DDA - fixed
- Fixed costs & overheads

* Own assets

• Oil and Gas

- DD&A charged on unit of production basis by field
- Product and field mix affect Upstream average
- New developments leading to higher unit costs

• Power Stations

- Production varies with spark spread
- Langage operational in 2010, increasing unit costs
- Depreciation charged on unit of production basis by station

UK Upstream Energy's tax rate will decline over time

2010 Tax Rate

Morecambe, Statfjord, Brae	75%
Other UK	50%
Venture	50%
<hr/>	
Norway	~78%
Netherlands	48%
<hr/>	
Power Generation	28%
<hr/>	
Gas Storage	28%

- Morecambe production highly taxed
- Tax rate will reduce as Morecambe declines

Summary

**Competitively
advantaged**

- **Capital allocation process ensures risk assessment and investment prioritisation**
- **Business capabilities allow us to create value**

**Growth
platform**

- **Investment pipeline of ~£5bn (2010-2012)**
- **Portfolio provides flexibility around options and timing**

**Strong
returns**

- **Balanced portfolio is cash generative**
- **Value creating investments**
- **Well positioned for market fundamentals**

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Wrap up / Q&A

Sam Laidlaw

Appendix 1: Centrica Group Weighted Average Cost of Capital (WACC)

Risk Free Rate ¹	3.6%
Market Risk Premium ²	6.0%
Beta	0.70
Cost of Equity	7.8%
Tax Rate	28%
Debt Premium ³	1.5%
Cost of Debt (before tax)	5.1%
Cost of Debt (after tax)	3.7%
Equity / (Debt + Equity)	20%
WACC	7.0%

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Note: 1) 10yr GILT 2) Implied market risk premium 3) Current credit spread

Appendix 2: Displays

Langage...

- Will be one of the most modern and efficient gas fired power stations in the world
- Comes online at the end of 2009, generating enough power to serve 1 million homes
- Increases Centrica's proportion of owned or operated capacity
- The South-West has the lowest level of power generation in the UK. Langage negates the need for power to be brought in from elsewhere, reducing the cost of transporting electricity for the region.



What is innovative about Langage?

- Architecturally innovative and designed to blend into the landscape
- Uses 2 GT26 gas turbines, which will produce 885MW of power
- The GT26 is highly efficient, using a 2-stage combustor, which also produces lower emissions
- The technology at Langage is proven and best in class

Langage

Benefits

Lead Time

Shorter lead times to produce electricity faster

Environment

Langage will meet stringent environmental criteria and be smaller in size, height and area than similar plants

Availability and Flexibility

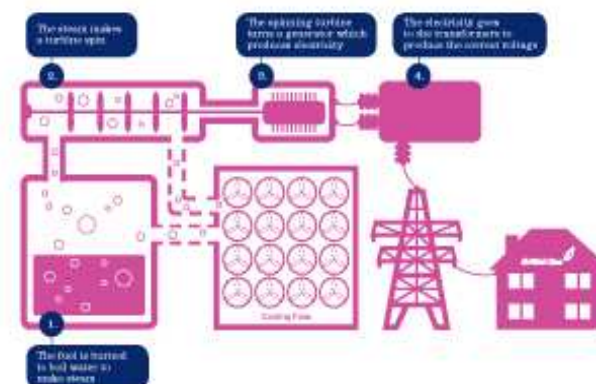
Better reliability, availability and flexibility. Langage can run at part load in order to meet variable demand requirements

Performance

Higher plant efficiency for increased power output at a wide range of operational modes. Lower emissions to meet environmental concern

How does a power station work?

There are four main stages:



What makes Langage Power Station different?

Air Cooled Condenser (ACC)

Langage has the largest Air Cooled Condenser (ACC) in Europe, improving performance during summer.

It has a ground area bigger than 100 football pitches.

Heat Recovery Steam Generator (HRSG)

Higher pressure and temperature in the steam circuit allows Langage a combined cycle design over many similar plants.

The advanced design allows rapid start up capability to respond to market conditions.

Gas Turbines

The sequential combustion system and gas thermal efficiency to be maintained over a wide load range, this single combustion system competition.

This results in very low NOx levels of nitrogen oxides which benefits the local environment.

Control Room

The control system is designed with high levels of automation and high button start capability.

This results in a very competitive low running requirement and consistent operation of the plant.

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Renewables

Why renewables?

- Centrica's existing and proposed wind farms will reduce emissions of carbon dioxide, the main greenhouse gas
- Wind diversifies our generation mix and reduces the UK's dependence on traditional fuels
- Centrica has a strong pipeline of renewable power projects

Current and future wind farms

The map shows how many homes each wind farm could provide power for

Glens of Foudland

200MW - 10,000 homes

Beas of Doune (F)

220MW - 10,000 homes

Barrow Offshore Wind (F)

900MW - 50,000 homes

Llyn and Inner Cowering

900MW + 900MW - 50,000 homes

Lines

2700MW - 200,000 homes

Docking Shoal

1000MW - 50,000 homes

Race Bank

1000MW - 50,000 homes



Lines Offshore Wind Farm

- A 2700MW wind farm project 5 miles off the Lincolnshire coast
- Consisting of 75 turbines
- Will receive 2 Renewable Obligation Certificates (ROCs) making the economics attractive with an internal rate of return (IRR) of 11-12%
- Generating sufficient power for 200,000 households

Round 3

In Rounds 1 and 2, the Crown Estate provided for 800MW of offshore wind power. Round 3 adds another 2500MW by 2020.



Our Environment and Community

- Our approach ensures a low impact level on birds and marine mammals during the construction of wind farms
- It also ensures minimal impact on marine ecology - with wind turbine structures being colonised by animals and plants providing additional food sources for fish and shellfish

Power



Nuclear

Why Nuclear?

- It reduces our exposure to volatile wholesale markets and helps us manage prices for our domestic and commercial customers
- Nuclear provides us with reliable baseload power and increases the share of electricity generated from our own sources from 60% to 85% of residential and SME power demand
- Its equivalent CO₂ emissions are almost zero, which is critical in helping the UK to meet its climate change target

Building the future

- We own a 20% stake in the existing British Energy fleet which equates to around 1.7GW power output
- Our 20% stake also gives us the option to participate in EDF's new nuclear build programme, including two new reactors at Hinkley Point and two at Sizewell
- The new plants will use AREVA European Pressurised Reactor (EPR) technology - designed for improved safety and environmental performance
- Each unit will generate 1600MW of electricity - enough to power 8 million homes
- New build will create around 15,000 jobs across the supply chain over the next 25 years

British Energy's Nuclear Power Stations



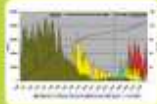
Where Venture was...

- North Sea Operator since 2000, interests in 48 fields, 21 in production
- Full complement of skills including sub-surface, drilling, field development and production operations
- Proven track record of technological innovation
- First North Sea oil field development to use the Sevan Floating Production Storage and Offloading vessel (FPSO) concept
- Venture's operated infrastructure
 - 2 manned platforms
 - 1 FPSO
 - 5 normally unmanned installations
 - 11 subsea fields
 - 2 onshore office locations



Greater Kittiwake Area (GKA) Rejuvenation case study

- Venture acquired a 50% operated interest in the GKA in 2003
- At that time production was ~5,000 boepd (gross) with forecast abandonment ~2005
- Venture initiated a programme of maintenance catch-up and has brought 3 new discoveries onstream with a 4th in planning. In 2007 a new pipeline was constructed from Kittiwake to the Forties Pipeline System
- Current production is ~26,000 boepd (gross) with abandonment ~2016
- This has created significant added value through focus and investment



Upstream

Chiswick and Annabel case study

- We used innovative sub-surface techniques in order to unlock 'orphaned' Southern North Sea (SNS) gas reserves in the development of the Chiswick field and the discovery of the Annabel field. These included:

- Detailed understanding of the carboniferous reservoirs
- Seismic depth conversion in complex and soft associated areas
- Drilling of long horizontal wells through multiple sand bodies
- Artificially fracturing reservoirs in multiple prints along horizontal well bores

- Future success is expected from our gas portfolio by using these technologies



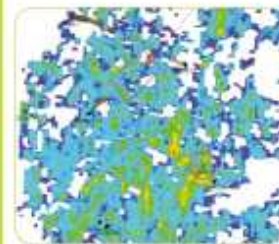
Close-up attention to the understanding of complex carboniferous reservoirs



Detailed seismic depth conversion in complex and soft associated areas

Chestnut case study

- Development of the Chestnut field required specialist skills and technology, including an innovative FPSO design, and complex seismic processing



Chestnut drilling when an innovative FPSO was used to drill in order to identify an additional 100 million barrels of gas

Building Centrica Energy Upstream

Centrica Energy Upstream now has well defined Exploration and Production (E&P) capabilities across our core markets

- Venture was acquired by Centrica in August 2009
- Offices in 5 key locations
- Proven expertise in managing mature assets
- Proven track record of field development and sub-sea techs
- Core capability in directional drilling and horizontal wells leading to lower well costs and reduced Finding & Development (F&D) costs
- Better understanding of the complicated reservoirs in the North Sea, helping maximise the asset value
- Current developments coming on-stream will make Centrica one of the UK's top 3 gas producers in 2011



Centrica Energy Upstream Organisation

Capabilities aligned around regional hub-based strategy

- Five core regions in the portfolio

- 4 gas hubs and 1 oil hub
- Each hub is a material business led by a P&L holder
- Significant upside potential in each of the hubs

- Benefits of regional hub-based strategy

- Diversifies export routes
- Builds detailed area knowledge
- Lower risk step-out exploration and appraisal drilling
- Control of infrastructure
- Marginal cost of development and supply reduced

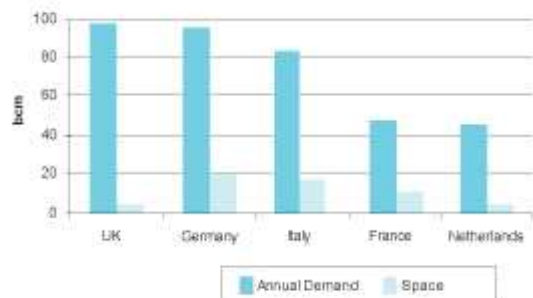


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The case for UK gas storage

The UK has a growing dependence on gas imports and relatively little gas storage capacity

Space vs Annual Demand in Europe



	Storage Working Volume (bcm)	Annual Demand (bcm)	Storage / demand (% of demand)	Days of avg demand
UK	4.3	98.00	4.4%	16.0
Netherlands	5.0	45.45	11.0%	40.2
Germany	20.2	96.16	21.0%	76.7
Italy	17.5	83.33	21.0%	76.7
France	11.5	47.92	24.0%	87.8

A number of recent legislative changes support the development of UK gas storage

- Energy Act 2008
- Planning Act 2008
- HMT clarification of capital allowances on cushion gas

Centrica Storage

Our Capability

UK's largest storage facility – Rough

24 hours

... on standby 24 hours a day, 365 a days a year

455 GWh

... can deliver more than 455 GWh (1.5 billion cubic feet) of gas per day

35 TWh

... stores around 35 TWh (120 bn cubic ft) of natural gas at pressures of over 200 bar

10x3km

... is approximately 10km long by 3km wide, and varies from 80 to 117 feet in depth

10%

... can meet approximately 10% of UK peak day demand

Storage Projects

Shaping the future through flexible and reliable gas storage

	Caythorpe	Baird	Bains
Description	Onshore depleted gas field	Existing gas field in Southern North Sea	Existing gas field in East Irish Sea
Working Gas (bcf)	7.5	60	15-20
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