

Centrica E&P and Bayerngas Norge Joint Venture

17 July 2017

Disclaimer

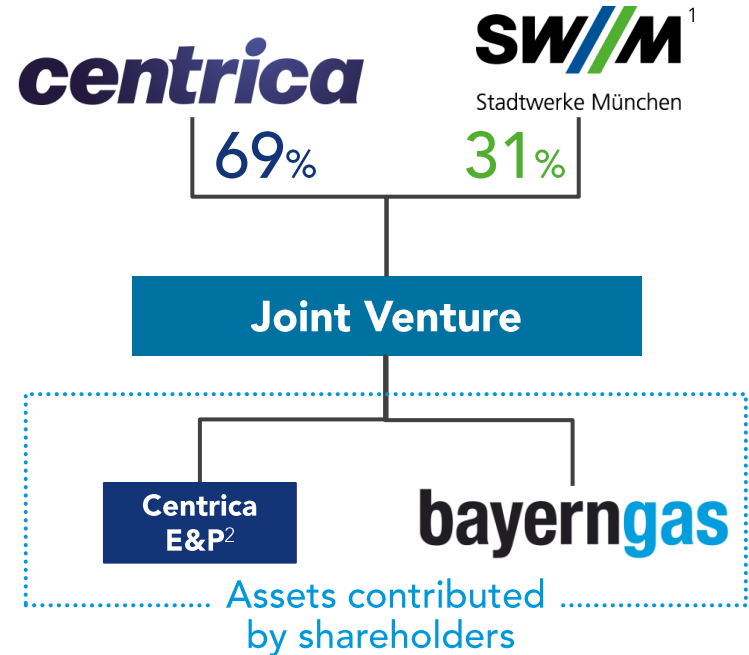
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Transaction overview

- Combination of Centrica's E&P business with Bayerngas Norge Group to create a newly incorporated independent JV
 - Centrica to contribute its European E&P business and make a series of deferred payments³ totalling ~£340m, post-tax, between 2017-22 for 69% of the JV
 - Stadtwerke München and minority shareholders to contribute Bayerngas Norge Group for 31% of the JV
- JV Board to comprise CEO, 4 Centrica plc Directors and 2 SWM Group Directors
- Effective date of transaction 1 January 2017; completion expected in Q4 2017



1. Bayerngas' 31% stake in the Joint Venture will be held by Bayerngas HoldCo, of which SWM Group will be the controlling shareholder
 3. Set by reference to near-term funding requirements for certain fields in or entering decommissioning

2. Excluding Canada and Trinidad & Tobago

Strategic rationale



- Like-minded shareholders; strategic alignment on the role of E&P
- Complementary mix of producing and development assets with strong positions in NW Europe
- Robust, self-financing entity with attractive financial profile, enabling reinvestment and distributions
- £100m-£150m of NPV expected through synergies from cost savings and portfolio optimisation
- Opportunity to strengthen entity through further consolidation and joint ventures, including the potential for an IPO in the medium-term

Joint Venture financial framework

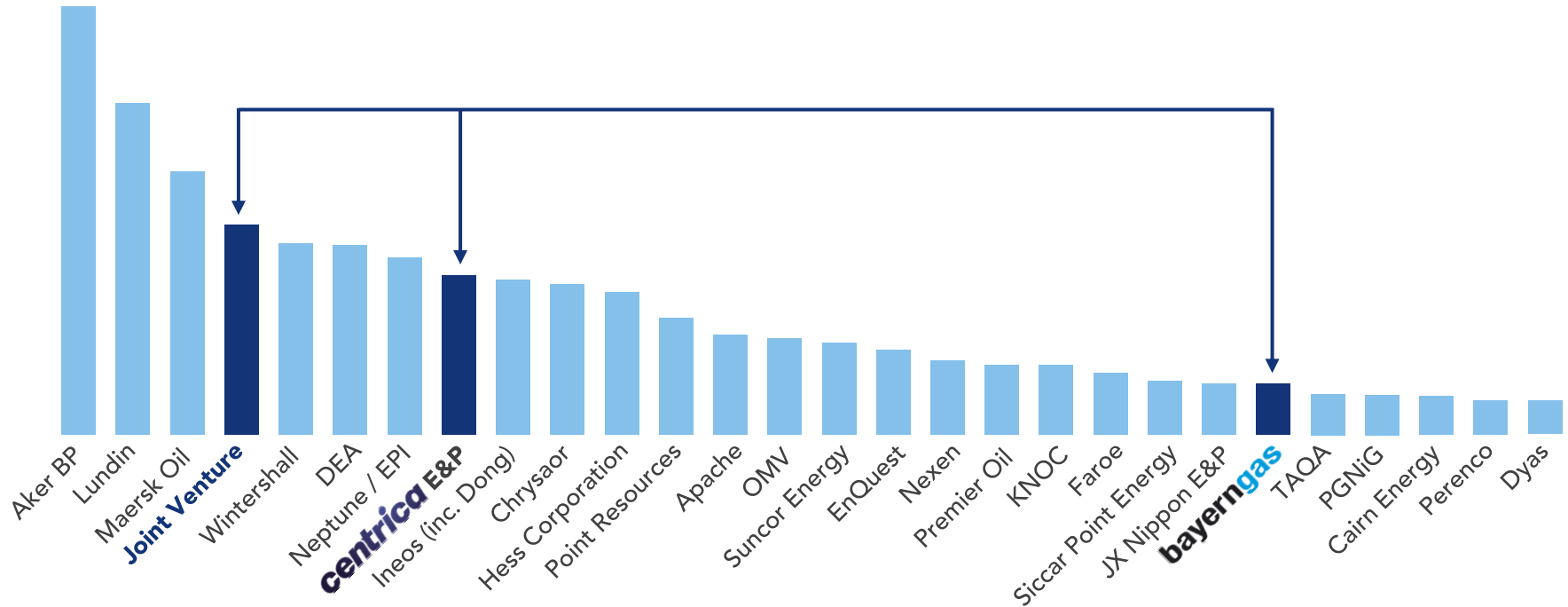
- Objective to create a sustainable European E&P business
- Capable of self-financing through operating cash flow in a range of price environments, including the Centrica low case of \$35/bbl Brent and 35p/th NBP gas
- JV expects to invest ~80% of post-tax operating cash flow through the cycle
 - Sustainable medium-term annual production of 45-55mmboe in current environment
 - ~£400m-£600m capex per annum in the near term
- Remaining post-tax operating cash flow distributed to shareholders

Impact on Centrica Group

- Increases reserves / production ratio and reduces net decommissioning liabilities by combining Centrica's mature E&P portfolio with Bayerngas' early life-cycle assets
- Reduces Centrica's share of annual production into the range ~30-40mmboe and share of capital expenditure to ~£300m-£400m
- Centrica's 69% share of synergies expected to generate ~£70m-£100m of NPV
- Centrica to fully consolidate the JV post-completion
- Centrica to provide functional services to the JV initially
- Transaction expected to be earnings accretive from 2018 at current commodity prices
- Positive impact on credit rating agency financial metrics

A leading independent European E&P company

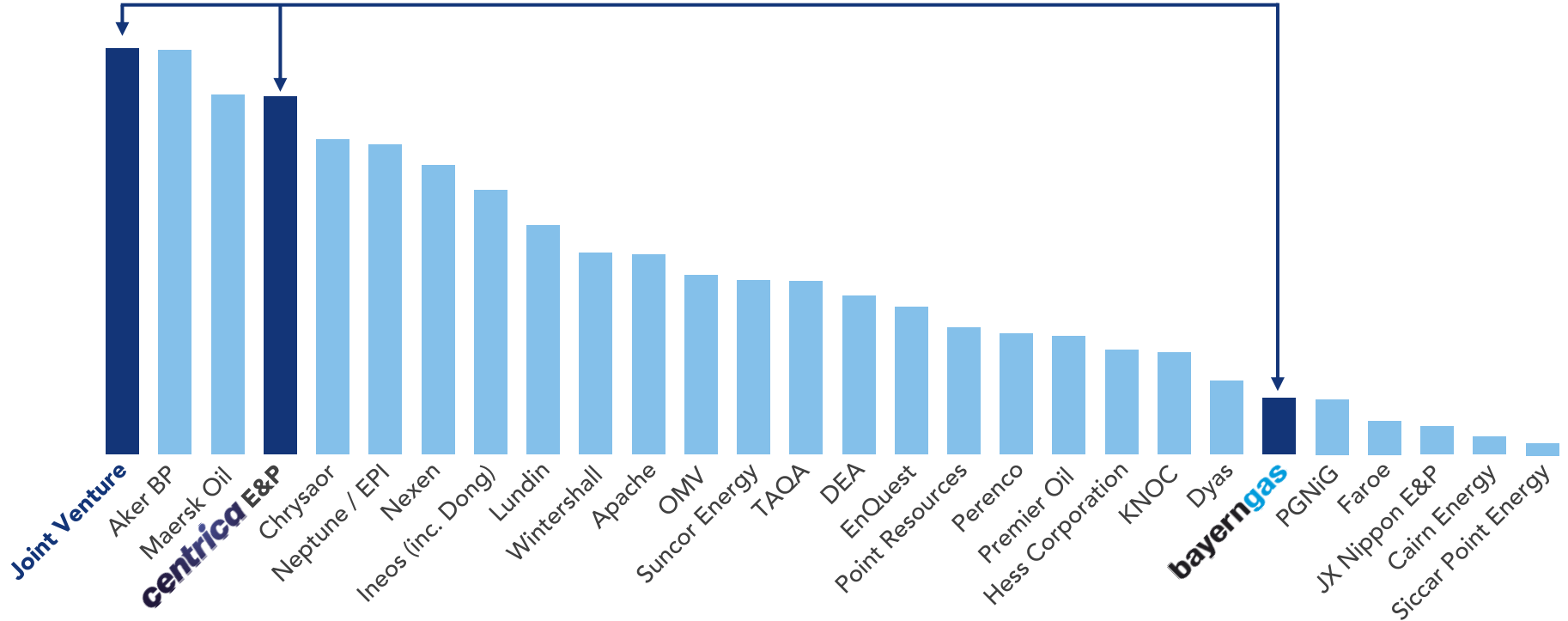
Reserve ranking of UK, Netherlands, Norway and Denmark combined (mmboe, excludes Majors)



Source: Wood Mackenzie as at 8 July 2017

A leading independent European E&P company

2017 production ranking of UK, Netherlands, Norway and Denmark combined (mmboe, excludes Majors)



Source: Wood Mackenzie as at 8 July 2017. Centrica E&P and Bayerngas based on company information

Complementary positions in North West Europe

50-55
mmboe

2017e production from 27 fields

625
mmboe¹

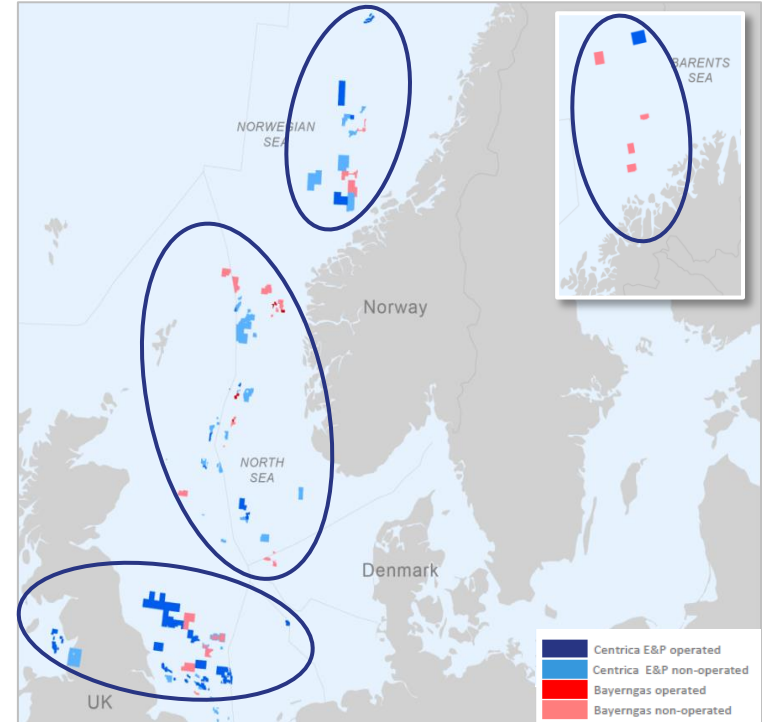
2P reserves and 2C resources

66%

Reserves and resources are natural gas

22%

2017 production from operated fields



1. 409mmboe of 2P reserves and 216mmboe of 2C resources

More balanced asset portfolio

% of reserves and resources	centrica E&P	bayerngas	Joint Venture
Established assets	<p>~55%</p> <p>Morecambe, Greater Markham, Kvitebjørn, Statfjord</p>	<p>~15%</p> <p>Vega, Clipper South</p>	<p>~45%</p>
Recent on-stream assets	<p>~15%</p> <p>Valemon, Cygnus</p>	<p>~30%</p> <p>Cygnus, Ivar Aasen</p>	<p>~20%</p>
Development assets	<p>~30%</p> <p>Maria, Oda, Fogelberg</p>	<p>~55%</p> <p>Skarfjell, Hejre, Solsort</p>	<p>~35%</p>
Exploration licences	<p>41</p>	<p>23</p>	<p>64</p>

% of reserves and resources includes all 2P reserves and 2C resources where development is currently pending

Strong European E&P capabilities

- Operated and non-operated assets
- Onshore and offshore operations
- Deep subsurface knowledge of Irish Sea, UK SNS, Norwegian CS and Barents Sea
- Over 650 employees
- Main offices in Aberdeen, Stavanger, Oslo and Hoofddorp

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