

11 December 2017

Centrica plc

(“Centrica” or ‘the Company’)

SPIRIT ENERGY LAUNCHED FOLLOWING COMPLETION OF CENTRICA AND BAYERNGAS NORGE E&P JOINT VENTURE

Spirit Energy, the E&P joint venture which combines Centrica plc's E&P business with Bayerngas Norge AS, has begun trading as an independent oil and gas operator. Completion of the transaction – which was announced on 17 July, 2017 – follows receipt of all the required regulatory approvals and Spirit Energy now becomes a leading independent European E&P company.

Centrica plc owns 69% of Spirit Energy, with Bayerngas Norge's former shareholders, led by Stadtwerke München Group (SWM), owning 31%.

2017 production from the combined portfolios is expected to be around 50 million barrels of oil equivalent (mboe) from 27 producing fields, and total 2016 year end 2P reserves and 2C resources were 625 mboe. The company employs more than 700 people in the UK, Norway, Netherlands and Denmark.

The formation of Spirit Energy creates a strong and sustainable European E&P business, combining Centrica's cash-generative and relatively near-term production profile with Bayerngas Norge's more recently on-stream producing assets and development portfolio. The new company will be a robust, self-financing entity, and will invest in the range £400-£600 million per annum to deliver sustainable medium-term production of 45-55 mboe. The transaction is expected to generate £100-£150 million net present value of synergies and the joint venture will have the opportunity to strengthen through further consolidation and joint ventures.

For Centrica, the creation of Spirit Energy completes the first phase of its planned portfolio transformation, as it continues to pursue delivery of longer-term returns and growth with a greater focus on its customer-facing businesses within clear strategic frameworks for both Consumer and Business divisions. The establishment of Spirit Energy also gives its shareholders greater strategic optionality including the potential to participate in further industry consolidation.

Spirit Energy's focus in 2018 will be to maximise efficiency from its producing assets, as well as progressing several key projects including the developments of Maria and Oda, appraisal drilling at the Fogelberg discovery and drilling on a number of exploration prospects. Spirit Energy will also partner with Wintershall in submitting a plan for development and operation for the Skarfjell development.

Iain Conn, Group Chief Executive of Centrica plc, said:

“I'm delighted that the Spirit Energy joint venture has completed, creating a more focused and sustainable European E&P business which will contribute to the resilience of Centrica while limiting the Group's E&P participation. With the creation of Spirit Energy we have now completed the first phase of our portfolio transformation as we reallocate resources towards our customer-facing businesses, leaving Centrica well-positioned to deliver longer-term returns and growth.

“As one of the largest independent E&P companies in North-West Europe, Spirit Energy will have the possibility to participate in further consolidation and joint ventures, and creates further optionality for Centrica's shareholders.”

Florian Bieberbach, Chief Executive of Stadtwerke München Group, said:

“Combining our E&P business units will enable us to run our joint business more effectively and cost efficiently in the future. Future investments and risks will be spread broader in the more diversified and balanced portfolio. SWM Group is looking forward to the future cooperation with Centrica in the joint company Spirit Energy.”

Chris Cox, Chief Executive of Spirit Energy, said:

“Teams across both Centrica’s E&P business and Bayerngas Norge have been working hard over the last few months to combine the businesses and today that hard work is reflected in the launch of Spirit Energy.

“Now that both businesses have been brought together, these teams and complementary portfolios set us up to be a strong and sustainable E&P business, built for the long-term and committed to Europe.”

Chris Cox will be joined on the Spirit Energy management team by Andrew le Poidevin as Chief Financial Officer and Gerry Harrison as Chief of Staff. Spirit Energy’s board will be made up of Chris Cox, plus four appointees from Centrica and two from Stadtwerke München. It will be chaired by Centrica’s Group Executive Director Mark Hanafin.

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Notes to editors

About Spirit Energy

- Spirit Energy Limited is a leading independent oil and gas operator in Europe, with 2017 production of around 50mmboe, and 2P reserves of 409mmboe and 2C resources of 216mmboe as at the end of 2016.
- Spirit Energy has operated and non-operated interests across the UK, Norway, the Netherlands and Denmark, with 27 producing fields and more than 70 exploration licenses.
- Employing more than 700 people, Spirit is headquartered in the UK, with offices in Windsor, Aberdeen and Sevenoaks in the UK; Oslo and Stavanger in Norway; Hoofddorp in the Netherlands, and Copenhagen in Denmark. The business also owns and operates the Barrow Gas Terminals in the UK.
- The company is owned by Centrica plc (69%) and Bayerngas Norge’s former shareholders, led by Stadtwerke München Group (31%).
- For more information, visit www.spirit-energy.com

About Centrica plc

- Centrica plc is an international energy and services company. Our purpose is to provide energy and services to satisfy the changing needs of our customers.
- We’ve been serving customers for over 200 years and aim to be at the centre of their daily lives - central to helping them run their world.
- Our two global customer-facing divisions, Centrica Consumer and Centrica Business, supply energy and energy-related services to around 27 million customer accounts in the UK, Ireland and North America, through strong brands such as British Gas, Direct Energy and Bord Gáis Energy. They do this with the support of around 12,000 engineers and technicians.
- We’re also developing new and innovative products, offers and services for customers through our five growth businesses: Energy Supply, Services, Connected Home, Distributed Energy & Power (DE&P), and Energy Marketing & Trading. Our Connected Home business has developed the Hive product range, including the smart thermostat, which allows customers to control their energy usage from their phone, while DE&P offers integrated energy solutions for commercial and industrial customers, providing customers with end-to-end services – from insight to optimisation and solutions.
- Centrica has been shifting the emphasis of its resources from its asset businesses to its customer-facing divisions. Recently, Centrica has completed the disposal of its Trinidad and Tobago and Canadian E&P assets, and completed the sale of its two large gas-fired power stations in the UK. Centrica continues to own a number of smaller gas-fired power plants in the UK and a 20% interest in EDF Energy’s UK nuclear fleet.
- The role of E&P in Centrica’s portfolio is to provide cash flow diversity and balance sheet strength. Having our own production also improves the efficiency of certain aspects of our customer-facing businesses, including the cost of hedging and risk management.

About Stadtwerke München

- Stadtwerke München Group (SWM), Munich's municipal utilities company, is one of the largest energy and infrastructure companies in Germany. Over one million private households, SMEs and business clients benefit from the services provided by SWM on a daily basis. SWM employs over 9,000 staff and in 2017 fiscal year turnover is expected to be around 7.1 billion euros.
- SWM's products and services include electricity, natural gas, district heating, drinking water and broadband internet. Additionally, SWM, operate most of Munich's public transport system.
- SWM's international investments include, in addition to its E&P business, onshore and offshore wind farms in several European countries. In the UK, SWM is a key investor in one of the largest offshore wind farms, Gwynt y Mor.

Centrica plc is listed on the London Stock Exchange (CNA)

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