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Centrica plc

22 July 2025

Investment in Sizewell C

Centrica plc (the "Company") is pleased to announce it has signed an agreement to acquire a 15% equity stake in Sizewell C (Holdings) Limited ("Sizewell C"), with committed construction funding of £1.3 billion. Centrica will jointly own Sizewell C alongside HM Government (44.9%), La Caisse (20%), Électricité de France SA ("EDF") (12.5%) and Amber Infrastructure Group (7.6%, with an option to acquire a further 2.4% from HM Government exercisable within 24 months of Revenue Commencement).

Key highlights

- Regulated Asset Base ("RAB") model with no pre-productive capital period
- Incentives to deliver the project on time and on budget, with robust protections against construction delays and cost overruns
- Inflation-protected, regulated returns
 - 10.8% Allowed Return on Equity (real CPIH; WACC 6.7% real CPIH) during construction and initial operations period
 - IRR >12%²
- Phased investment capped at £1.3 billion (nominal) for 15% stake
- Centrica's equity share of the RAB expected to grow to around £3 billion at commercial operations date³
- Regulated returns and incentives during the operations phase to be set by Ofgem will draw from established principles of network regulation, with additional protections
- Agreement in principle for initial 20-year offtake agreement for our share of Sizewell C's production, and for Centrica to provide Sizewell C with route to market services for additional volumes
- Rebuilding Centrica's infrastructure portfolio, with regulated assets that deliver predictable earnings and are supportive to credit metrics

From today, a set of procedural steps will begin which include finalising Sizewell C's economic licence. A final statutory decision by the Secretary of State will follow, after which Revenue Commencement will be declared and the transaction completed. We expect Revenue Commencement to take place in the fourth quarter this year.

Chris O'Shea, Group Chief Executive, Centrica plc, said:

"The UK needs more reliable, affordable, zero carbon electricity, and Sizewell C will be critical to supporting the country's energy system for many decades to come. That's why I'm delighted to be announcing this milestone investment which will see Centrica commit £1.3 billion for a 15% equity stake in the project, and deepens our long-standing involvement in the UK nuclear industry. This isn't just an investment in a new power station - it's an investment in Britain's energy independence, our net zero journey, and thousands of high-quality jobs across the country.

"Sizewell C is a compelling investment for our shareholders and the country as a whole, and I look forward to working with our world-class partners, EDF, La Caisse, Amber Infrastructure Group and the UK government, to make the project a great success."

The Rt Hon Rachel Reeves, Chancellor of the Exchequer, said:

"La Caisse, Centrica and Amber's multi-billion pound investment is a powerful endorsement of the UK as the best place to do business and as a global hub for nuclear energy.

"Delivering next generation, publicly-owned clean power is vital to our energy security and growth, which is why we backed Sizewell C. This investment will create thousands of good quality jobs and boost the local economy as we deliver on our Plan for Change."

Julia Pyke and Nigel Cann, Joint Managing Directors of Sizewell C, said:

"Today's announcement marks the biggest investment in clean, homegrown energy in a generation and a major step towards delivering secure, low-carbon, electricity for the UK. Centrica's involvement brings decades of expertise and a deep understanding of our energy system. Their backing is a powerful vote of confidence in Sizewell C and the essential role nuclear will play in a balanced, resilient energy mix."

Transaction background

Regulated returns supported by a long-term framework

Sizewell C benefits from a regulatory and contractual framework designed to mitigate key nuclear-specific risks associated with previous nuclear new build projects, and which includes a funding model that spreads the cost and risk of constructing Sizewell C between consumers, taxpayers and private investors. The key components of the framework are the RAB model, providing protection against cost overruns and delays, and a Government Support Package to protect against

RAB model, providing protection against cost overruns and delays, and a Government support package to protect against low-probability, high-impact risks during both construction and operations. Centrica's investment in Sizewell C will be added to the RAB during construction and the Secretary of State has set the real Allowed Return on Equity for the RAB during construction and initial operations at 10.8% (WACC of 6.7% real).

Sizewell C plans to deliver the project at a capital cost of around £38 billion⁴, with a commercial operations date commencing in the mid-to-late 2030s. Centrica will work hard to achieve these targets, alongside our partners.

To incentivise this, the government has set two regulatory thresholds - the Lower Regulatory Threshold ("LRT") which is based on a moderate outturn on cost and schedule, and the Higher Regulatory Threshold ("HRT") which is based on a severe outturn on cost and schedule - around which the government has calibrated incentives which relate to delivering the project on time and below budget, with no other penalty or incentive mechanisms in the construction and initial operations phase, providing clear visibility on returns.

Up to the LRT, 100% of construction costs will be added to the RAB plus 50% of the cost savings below LRT. Centrica's returns are presented on an LRT scenario. Between the LRT and the HRT, 50% of additional construction costs will be added to the RAB. Above the HRT, in the event further funding is unavailable from the private market, HM Government has committed either to provide the required funding or to discontinue the project and provide compensation to investors in respect of the RAB as at the discontinuation date. Returns continue to accrue during construction in the event of delay.

Following the end of the construction and initial operations phase, Ofgem will assume its full regulatory role for the operations phase, with the regulatory framework detailed in the economic licence establishing 5-yearly periodic reviews at which Ofgem will confirm the regulated return and calibrate the incentives regime. Ofgem is expected to draw on established and well-understood principles of network regulation, and has indicated that it will take account of the specific nature of this nuclear asset relative to networks when periodically setting the regulated return for the project. The project also benefits from additional protections, with revenue support available in certain circumstances, and with the cumulative impact of most incentives being bounded.

Centrica's IRR is above 12%² based on an LRT scenario. Centrica's IRR is above 10%² based on a HRT scenario.

Investment supports Centrica's strategy and financial framework

This investment forms part of Centrica's £4 billion green-focused investment programme and guidance through to the end of 2028. We expect gross investment of approximately £500 million cumulatively through to the end of 2028 and over £1 billion cumulatively by the end of 2033. Sizewell C is expected to contribute approximately £50 million of EBITDA per annum to Centrica by the end of 2028 and around £150 million per annum immediately pre-operations, with a significant acceleration once the plant enters the operational phase.

We now have £2.5 billion (approximately 65%) of our investment programme committed, of which around £1.7 billion is committed to assets with regulated or contracted earnings, including Sizewell C. The remaining £1.5 billion of uncommitted investments will be deployed with a continued focus on attractive returns, and a significant opportunity set is under review.

Background to Sizewell C

Sizewell C is a new 3.2GW nuclear power station under construction in Suffolk, in the South East of the UK. Once operational, Sizewell C will generate enough reliable, affordable sustainable electricity equivalent to approximately 7% of the UK's current demand. The project will have two European Pressurised Reactors and has been significantly de-risked through design learnings from Hinkley Point C. It will support 10,000 jobs at peak construction and thousands more across the nationwide supply chain, as well as creating 1,500 apprenticeships during construction, and provide at least 60 years of electricity generation to power six million of today's homes. Sizewell C benefits from a unique regulatory framework covering the entire construction and operations period, with long-term UK government commitment and cross-party political support. Our investment will allow Sizewell C to contribute to the UK's baseload power generation, support the UK's net zero ambitions, and help maintain grid stability as more intermittent renewable generation is added to the energy mix.

Investor presentation

Centrica will hold a question and answer session on the investment for analysts and institutional investors at 9.30 am (UK) on 22 July 2025. A presentation on the transaction will be available at www.centrica.com/sizewellc shortly after the release of this announcement and should be viewed prior to the Q&A session.

Please register to participate in the Q&A session via webcast at:

<https://secure.emincote.com/investor-call/2025qanda>

You may also listen to the Q&A session via conference call. To register and receive a unique caller reference number, please visit:

https://secure.emincote.com/investor-call/2025qanda/vip_connect

Questions may be submitted via the chat function in the webcast, or asked verbally via the conference call.

Interim results

Centrica will release its 2025 Interim Results on Thursday 24th July.

The person responsible for arranging the release of this announcement on behalf of the Company is Raj Roy, Group General Counsel & Company Secretary.

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Slaughter and May is acting as legal adviser to Centrica.

Notes

1. WACC assumptions during construction and initial operations phase: 10.8% allowed return on equity (real CPIH), 4.5% cost of debt (real CPIH) with any changes in cost of debt passed through, 65% gearing.
2. Based on Centrica modelling assumptions. Post-tax nominal, unlevered return on Centrica's cash investment; ~2% CPIH inflation; includes all cash flows through to the end of the construction and initial operations period, and a terminal value of 1.0x RAB (at the end of that period). For modelling purposes it is assumed Commercial Operations Date (COD) is end-2039 under LRT (in line with expected target COD under the licence, noting management estimate for COD is mid-to-late 2030s) and November 2043 under HRT.
3. Under Lower Regulatory Threshold scenario.
4. Real 2024 basis.

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Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD
Registered in England & Wales number: 3033654
Legal Entity Identifier number: E26EDV109X6EEPBKVH76
ISIN number: GB00B033F229

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