

14 December 2007

CENTRICA FULL YEAR 2007 TRADING UPDATE

Centrica plc has today issued the following trading statement ahead of entering close period on 1 January 2008.

Overall the company has performed well in 2007 although market conditions have become more challenging in recent months as wholesale gas prices have risen. This has altered the mix of the Group's profits significantly, leaving underlying pre-tax results* in line with expectations but with a slightly increased effective tax rate.

British Gas Residential has continued to add customers in the second half, regaining the number lost in the first quarter, and we now once again serve 16.0 million customer accounts. This is partly due to the lead British Gas took in lowering retail tariffs twice in March and April 2007 and partly to the improving customer service. Although we have made substantial progress here, improving customer service further remains a key priority. We remain on track to achieve our cost reduction targets.

The higher wholesale gas prices have reduced margins for gas and power sales in the UK residential market. Nevertheless, we still expect British Gas Residential to be profitable in the second half of this year, with full year margins still above the long run expectations due to the strong first half. Looking forward, the high wholesale prices will, if sustained, create a more difficult environment for retail energy suppliers in the UK going into 2008. We will continue to monitor this with regard to future pricing policy.

In Centrica Energy the high wholesale energy prices in the second half have resulted in increased gas and oil production volumes and we currently expect the total 2007 hydrocarbon production levels to be slightly ahead of 2006. In contrast, although the legacy Industrial and Commercial gas supply contracts are expected overall to make a small positive contribution in the second half, they moved back into a loss position in the fourth quarter due to the higher gas price and, at current forward prices, would be increasingly loss-making in 2008. The power generation segment is expected to be around break even in the second half, with the result impacted by lower realised spark spreads and higher levels of plant outages.

The rest of the Group has continued to perform well. Both British Gas Services and British Gas Business have had a strong second half and are forecast to deliver full year operating profit ahead of expectations. The North American business is expected to be marginally ahead of the 2006 full year result, despite the negative impact of foreign exchange translation.

Underlying interest charges in the second half are below expectations. However, the results will also include the impact of prepaying the finance lease on the Humber power station, which will simplify the Group's debt structure, as well as generating a positive net present value and earnings impact over the remaining life of the plant. Although this has no material impact on the level of net debt, it will result in a one-off additional interest charge of around £40 million and, as a result, will reduce earnings per share* by 0.6 pence.

Excluding the impact of the Humber lease prepayment, the Group's 2007 pre-tax results* are in line with expectations, with the reduction in UK residential margins in the second half of the year offset by the stronger performance from Centrica Energy and the lower underlying interest charge. However, the shift in profits from downstream to the more highly taxed upstream is expected to increase the Group's 2007 tax rate from current market forecasts to just under 40%.

The Company will announce its 2007 full year results on 21 February 2008.

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* including joint ventures and associates stated net of interest and taxation, and before exceptional items and certain re-measurements and, for underlying pre-tax results excluding the one-off impact of the Humber lease prepayment