Centrica AGM

Notice of Annual General Meeting of Centrica plc

Queen Elizabeth II Conference Centre, London SW1
Friday 19 May 2006, 11 am

This document is important and requires your immediate attention. If you are in any doubt as to the action you should take, you should consult your professional adviser immediately.

centrica

Notice of Annual General Meeting of Centrica plc

Notice is hereby given that the tenth Annual General Meeting of Centrica plc (the 'Company') will be held at the Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE on 19 May 2006, at 11 am for the transaction of the following business:

To consider and, if thought fit, pass Resolutions 1 to 10 and 14 to 17 as Ordinary Resolutions and Resolutions 11 to 13 as Special Resolutions.

Report and Accounts

1. To receive the Accounts and the Reports of the Directors and the Auditors for the year ended 31 December 2005.

Remuneration Report

2. To approve the Remuneration Report for the year ended 31 December 2005.

   Note: The Remuneration Report forms pages 28 to 36 of the Annual Report & Accounts 2005. It sets out the Company's policy towards, and gives details of, Directors' remuneration and other relevant information. There is a summary of the Remuneration Report on pages 16 and 17 of the Annual Review 2005.

Dividend

3. That a final dividend of 7.4 pence per ordinary share be declared payable to shareholders on the register of members at the close of business on 28 April 2006.

   Note: Subject to shareholder approval, the final dividend of 7.4 pence per ordinary share will be paid on 14 June 2006.

Directors

Note: The Company's Articles of Association require Directors to retire and submit themselves for election at the first AGM following their appointment and for re-election at least every three years thereafter.

Sir Roy Gardner is standing for re-election as a Director. Sir Roy will be retiring as Chief Executive in the summer of 2006 and as this will be after the AGM, he will stand in respect of the period up to that time.

Helen Alexander is standing for re-election as a Non-Executive Director.

Paul Walsh is standing for re-election as a Non-Executive Director.

Andrew Mackenzie is standing for election following his appointment to the Board as a Non-Executive Director on 1 September 2005.

The Board believes that each of the Non-Executive Directors standing for election or re-election has considerable and wide-ranging experience, which will be invaluable as the Company continues to grow its business both in the UK and overseas. Each of the Non-Executive Directors has given an assurance to the Chairman and the Board that they remain committed to their role as a Non-Executive Director of the Company and will ensure that they devote sufficient time to it, including attendance at Board and Committee meetings.

4. That Sir Roy Gardner be re-elected as a Director of the Company.

   Sir Roy Gardner (60), Chief Executive, has a service contract with the Company with a 12-month notice period. He is Chairman of the Executive Committee and a member of the Disclosure and Nominations Committees. Sir Roy Gardner was appointed Finance Director of British Gas plc in 1994. From 1995, he had responsibility for the business units which subsequently formed Centrica plc. Prior to joining British Gas, he was Managing Director of GEC-Marconi Ltd and a Director of GEC plc. He is President of Carers UK and Chairman of the Apprenticeship Ambassadors' Network. He is the Senior Independent Director and Chairman designate of Compass Group plc.

5. That Helen Alexander be re-elected as a Non-Executive Director of the Company.

   As a Non-Executive Director, Helen Alexander (49) does not have a service contract with the Company. Helen Alexander joined the Board in January 2003 and was appointed Chairman of the Remuneration Committee in June 2005. She is also a member of the Audit and Nominations Committees. She is Chief Executive of The Economist Group, a Trustee of the Tate Gallery and an Honorary Fellow of Hertford College, Oxford. Formerly, she was a Non-Executive Director of BT Group plc and Northern Foods plc.

6. That Paul Walsh be re-elected as a Non-Executive Director of the Company.

   As a Non-Executive Director, Paul Walsh (50) does not have a service contract with the Company. Paul Walsh joined the Board in March 2003. He is a member of the Audit, Remuneration and Nominations Committees. He is Chief Executive of Diageo plc, having previously been its Chief Operating Officer and having served in a variety of finance roles. He is a Non-Executive Director of Federal Express Corporation, a Governor of the Henley Management Centre and Deputy Chairman of the Prince of Wales International Business Leaders Forum.

7. That Andrew Mackenzie be elected as a Non-Executive Director of the Company.

   As a Non-Executive Director, Andrew Mackenzie (49), does not have a service contract with the Company. Andrew Mackenzie joined the Board in September 2005. He is a member of the Audit and Remuneration Committees. He is Chief Executive, Industrial Minerals, at Rio Tinto plc. Previously, he spent 22 years with BP plc in a range of senior technical and engineering positions, and ultimately as Group Vice President, BP Petrochemicals.

Auditors

8. That PricewaterhouseCoopers LLP be reappointed Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid.

   Note: The Company is required to appoint Auditors at each general meeting at which accounts are laid, to hold office until the conclusion of the next such meeting. The Company's Audit Committee has recommended the reappointment of PricewaterhouseCoopers LLP.

9. That the Directors be authorised to determine the Auditors' remuneration.

   Note: This Resolution authorises the Directors, in accordance with standard practice, to determine the remuneration of the Auditors. The Audit Committee will approve the audit fees for recommendation to the Board.

Political donations

10. That in accordance with section 347C of the Companies Act 1985 ('the Act') the Company be authorised:

    a) to make donations to EU political organisations, as defined in section 347A of the Act, not exceeding £125,000 in total; and

    b) to incur EU political expenditure, as defined in section 347A of the Act, not exceeding £125,000 in total,

    during the period beginning with the date of the passing of this Resolution and ending on 18 August 2007 or, if earlier, the conclusion of the AGM to be held in 2007.

    Note: The Company has a policy that it does not make donations to, or incur expenditure on behalf of, political parties. However, the Act contains restrictions on companies making donations or incurring EU political expenditure and it defines these terms very widely, such that activities that form part of the normal relationship between the Company and bodies concerned with policy review, law reform and other business matters affecting the Company may be included. Such activities, which are in the shareholders' interests for the Company to conduct, are not designed to support, or implement support, for a particular political party.

    The Company believes that the authority proposed under this Resolution is necessary to ensure that it does not commit any technical breach that could arise from the uncertainty generated by the wide definitions contained within the Act when carrying out activities in the furtherance of its legitimate business interests.

    The Company neither made political donations nor incurred political expenditure in 2005.

Authority to allot shares

11. That the authority conferred on the Directors to allot relevant securities by Article 13.3 of the Company's Articles of Association be renewed for the period ending on the date of the 2007 AGM or on 18 August 2007, whichever is the earlier, and the maximum amount of relevant securities which the Directors may allot during this period shall be £51,612,016.

    Note: Under section 80 of the Companies Act 1985, the Directors of the Company may only allot relevant securities if authorised to do so. The Articles of Association give a general authority to the Directors to allot relevant securities, but that authority is subject to renewal by the shareholders each year. This Resolution proposes that the Directors' authority be renewed, giving the power to allot relevant securities up to a nominal value of £51,612,016 (the unissued share capital), which is equal to approximately 23.10 per cent of the issued ordinary share capital of the Company as at 6 March 2006. As at 6 March 2006, the Company did not hold any treasury shares. This authority, if renewed, will terminate at the conclusion of the 2007 AGM or on 18 August 2007, whichever is the earlier. The Directors have no present intention of issuing any relevant securities other than pursuant to existing rights under employee share schemes.

Authority to disapply pre-emption rights

12. That, subject to the passing of Resolution 11 set out in this notice, the power conferred on the Directors by Article 13.5 of the Company's Articles of Association be renewed for the period ending on the date of the 2007 AGM or on 18 August 2007, whichever is the earlier, and for such period the maximum amount of equity securities which the Directors may so allot (other than in connection with a rights issue as defined in Article 13.7) under that power shall be £11,169,399.

    Note: Under section 89(1) of the Companies Act 1985, if the Directors wish to allot any of the unissued shares for cash (other than in connection with an employee share scheme) they must in the first instance offer them to existing shareholders in proportion to their holdings (a pre-emption offer). There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of ordinary shares without a pre-emption offer to existing shareholders.

    The Articles of Association give a general authority to the Board to disapply this pre-emption requirement for allotments of shares for cash up to a specific amount or up to any amount pursuant to a rights issue as defined in Article 13.7 of the Company's Articles of Association. This general authority is subject to annual renewal by shareholders.

    Subject to the passing of Resolution 11, this Resolution proposes that this authority be renewed, limited to the issue of new shares up to a nominal value of £11,169,399 other than in connection with a rights issue, representing five per cent of the issued ordinary share capital as at 6 March 2006.

    For the purposes of this Resolution, allotments and issues of shares include sales of treasury shares – see the note to Resolution 13 for further details. This authority, if renewed, will terminate at the conclusion of the 2007 AGM or on 18 August 2007, whichever is the earlier.

Authority to purchase own shares

13. That, pursuant to Article 10 of the Company's Articles of Association, the Company be generally and unconditionally authorised to make market purchases (within the meaning of section 163(3) of the Companies Act 1985) of ordinary shares of 6 14/81 pence each in the Company ('ordinary shares') provided that:

    a) the maximum number of ordinary shares hereby authorised to be purchased is 361,888,534;

    b) the minimum price which may be paid for each such ordinary share is 6 14/81 pence;

    c) the maximum price which may be paid for each such ordinary share is an amount equal to 105 per cent of the average of the middle market quotations for an ordinary share in the Company as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and

    d) this authority shall expire at the conclusion of the 2007 AGM or on 18 August 2007, whichever is the earlier (except in relation to a purchase of such shares, the contract for which was concluded before such time and which will or may be executed wholly or partly after such time).

    Note: In certain circumstances, it may be advantageous for the Company to purchase its own shares. The Directors will only exercise this authority after considering the effects on earnings per share and the benefits for shareholders generally. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account before deciding upon this course of action. Save to the extent purchased pursuant to treasury shares provisions of the Companies Act 1985, any shares purchased in this way will be automatically cancelled and the number of shares in issue will be reduced accordingly.

    Shares purchased by the Company as treasury shares are permitted to be held and dealt with by the Company (including selling the shares or transferring them for the purposes of share incentive schemes or cancelling them) subject to certain limitations. It is the Company's current intention that of the shares repurchased under the programme, sufficient shares will be placed in Treasury to meet the requirements as they arise of the Company's share incentive arrangements.

    In September 2005 the Company completed its first £500 million share repurchase programme and in October 2005 commenced a second £500 million share repurchase programme.

    As at 6 March 2006, 45,688,346 shares had been repurchased in the second programme for cancellation for a consideration of £111,175,267.

    This Resolution specifies the maximum number of shares that may be acquired (10 per cent of the Company's issued ordinary share capital as at 6 March 2006) and the maximum and minimum prices at which they may be bought. The total number of options to subscribe for ordinary shares that were outstanding as at 6 March 2006 was 104,158,117 representing approximately 2.88 per cent of the issued share capital of the Company at that date (approximately 3.20 per cent if the authority to purchase shares under this Resolution is used in full).

Executive share incentive arrangements (Resolutions 14 and 15)

Note: In the second half of 2005, assisted by Kepler Associates[1] (independent executive remuneration adviser to the Remuneration Committee and the Company) and internal resource, the Remuneration Committee conducted a thorough review of the Group's executive incentive arrangements to ensure that they: provide a strong alignment with the delivery of value to shareholders; reflect current best practice, while meeting the Group's particular business needs; and enable the Group to continue to attract, retain and motivate high-calibre management in a highly-challenging business environment.

Following this review, the Remuneration Committee has proposed changes to the future policy and framework of annual and long-term incentive arrangements. Full details of the future policy and framework and how it will be implemented are included in the 2005 Remuneration Report on pages 28 to 36 of the Annual Report & Accounts 2005. The aim of the proposals is to re-balance total remuneration by strengthening the performance-related elements and encouraging executives to invest some of their bonuses in direct shareholdings in the Company. The Remuneration Committee has consulted with the ABI[2], the RREV[3] and the Company's major shareholders on these proposals. These proposals include the introduction of a new Long Term Incentive Scheme to replace the current Long Term Incentive Scheme and a new Deferred and Matching Share Scheme, details of which are set out in Appendices 1, 2, 4 and 6.

The performance targets, in respect of each of the new schemes (details of which are set out in Appendices 1, 2, 4 and 6) reflect present trading conditions, existing market expectations and current inflation rates. In a period of considerable uncertainty in the global energy markets, the Remuneration Committee believes that these new targets are stretching, but will review the targets at the beginning of each performance period to ensure they remain so. Performance targets will not be materially adjusted without prior consultation with major shareholders and will be published in the Annual Report. In line with best practice and the

[1] Kepler Associates has given, and not withdrawn, its consent to the issue of this document with the inclusion of the reference to its name in the form in which it appears
[2] ABI = the Association of British Insurers
[3] RREV = Research, Recommendations, Electronic Voting – a joint venture between the National Association of Pension Funds and Institutional Shareholder Services

Company's policy, none of the new schemes will allow the retesting of performance targets.

As a result of these changes, the Remuneration Committee expects that total remuneration for median performance will remain unchanged, but that total remuneration for upper quartile performance will be increased in line with market practice.

The Board has endorsed the Remuneration Committee's recommendations and believes that these proposals are important in providing a potential remuneration package that will attract, retain and continue to motivate Executive Directors and other senior executives in a marketplace that is challenging and competitive in both commercial and human resource terms. It is intended that this new remuneration policy and framework will continue for 2006 and succeeding years.

Authority to establish the Centrica Long Term Incentive Scheme 2006

14. That the Centrica Long Term Incentive Scheme 2006 (the 'LTIS'), the principal terms of which are summarised in Appendices 1, 4 and 6, be approved; and the Directors of the Company be authorised to do all acts and things necessary to give effect to the operation of the LTIS.

Authority to establish the Centrica Deferred and Matching Share Scheme 2006

15. That the Centrica Deferred and Matching Share Scheme 2006 (the 'DMSS'), the principal terms of which are summarised in Appendices 2, 4 and 6, be approved; and the Directors be authorised to do all acts and things necessary to give effect to the operation of the DMSS.

Authority to establish the Centrica Share Award Scheme 2006

16. That the Centrica Share Award Scheme 2006 (the 'SAS'), the principal terms of which are summarised in Appendices 3, 4 and 6, be approved; and the Directors be authorised to do all acts and things necessary to give effect to the operation of the SAS.

Note: Following a comprehensive review of the Group's other incentive arrangements, it is proposed that the Company introduce the SAS to retain and recognise a limited number of key individuals at senior and middle management levels across the Group. Executive Directors will not be permitted to participate in the SAS and it is not intended that senior executives immediately below Board level will participate in the SAS.

Authority to establish the Centrica Sharesave Scheme 2006

17. That the Centrica Sharesave Scheme 2006 (the 'Sharesave Scheme'), the principal terms of which are summarised in Appendices 5 and 6, be approved; and the Directors be authorised to do all acts and things necessary to give effect to the operation of the Sharesave Scheme.

Note: The Sharesave Scheme is to be established as a replacement for the Centrica Sharesave Scheme which has been in operation since 1997 and is due to expire in 2006. The terms of the Sharesave Scheme will mirror those of the existing scheme and will be submitted for approval to HM Revenue & Customs under Schedule 3 to the Income Tax (Earnings and Pensions) Act 2003.

The Board confirms that in its opinion, the Resolutions numbered 1 to 17 are in the best interests of the shareholders as a whole and unanimously recommends shareholders to vote in favour of them. The Directors intend to do so in respect of their own beneficial interests, although they will not vote in respect of Resolutions in which they are interested parties. The Resolutions in which the Directors are interested parties are as follows: Resolution 2 in respect of all of the Directors; any Director in respect of their own election or re-election (Resolutions 4 to 7 inclusive); and Resolutions 14 to 17 inclusive in respect of the Executive Directors.

By order of the Board

Grant Dawson
General Counsel and Company Secretary

Dated 10 March 2006

Registered office:
Millstream, Maidenhead Road
Windsor, Berkshire SL4 5GD
Registered in England and Wales No. 3033654

A proxy form is enclosed with this Notice and instructions for its completion and return by post are shown on the form. You can also vote online at www.sharevote.co.uk.

APPENDICES

Appendix 1

Summary of the principal terms of the Centrica Long Term Incentive Scheme 2006 (the 'LTIS')

The LTIS is to be established as a replacement for the Centrica Long Term Incentive Scheme (the 'Current LTIS') which has been in operation since 1997. Following approval of the LTIS by shareholders, no further awards will be made under the Current LTIS.

Eligibility
Any employee (including an Executive Director) of the Company and any of its subsidiaries will be eligible to participate in the LTIS at the discretion of the Trustee (see Appendix 4). In practice, participation in the LTIS will be extended to Executive Directors and a limited number of other senior executives.

Structure of the LTIS
Awards will be made by the Trustee and will take the form of conditional allocations, where a participant will receive free Centrica shares automatically following the vesting of his or her award.

Awards will normally vest on the third anniversary of the date of award provided that certain performance conditions have first been satisfied and that the participant remains in employment (save in certain specified circumstances). To the extent that an award does not vest it will lapse. The Trustee may decide to substitute (either in whole or in part) vested shares for a cash payment but, in each case, with the level of payment calculated on the same basis as a share-based award.

Limit on Awards
The maximum award to any participant in any financial year under the LTIS will be limited to such number of shares as have an aggregate market value not exceeding two times the participant's base salary. However, at least for initial awards, the Remuneration Committee proposes that awards with a value of not more than one and a half times base salary would be made to Executive Directors, with other senior executives receiving less than this.

Grant of Awards
Awards may be made by the Trustee within the 42-day period from approval of the LTIS by shareholders or within the 42-day period following the Company's announcement of its results for any period. The Trustee may also make awards outside these periods in exceptional circumstances.

Performance Conditions
The vesting of awards will depend on the Company's performance over a three-year performance period.

The Trustee, following receipt of a recommendation from the Remuneration Committee, will set appropriately challenging performance conditions in respect of each award. In respect of the initial awards, half of an award will be determined by reference to the earnings per share ('EPS') performance of the Company against the Retail Prices Index (All Items) ('RPI') and half will be determined by the Company's performance in terms of its total shareholder return ('TSR') relative to the other companies comprising the FTSE 100 at the start of the performance period (the 'FTSE 100 comparator group').

For Awards made in 2006, the performance conditions will be:

a) For half of each award:

Growth in EPS to exceed the growth in RPI over three years:	Vesting percentage
Below 9%	0%
At 9%	25%
At or above 30%	100%
Between 9% and 30%	Between 25% and 100% on a straight-line basis

Growth in EPS will be calculated by comparing the Company's EPS figure for the financial period preceding the date of award with that for the financial period three years subsequent. For a proportion of an award to vest, the growth in EPS must exceed the growth in RPI over the same period, in accordance with the above table. EPS is calculated as the Company's fully-diluted earnings per share, adjusted for exceptional items and certain re-measurements arising on the application of IAS 32 and IAS 39, both of which are excluded on the grounds that such standards do not represent the underlying performance of the business. The Remuneration Committee believes that this method of calculating EPS provides an objective, independent and verifiable measure of the Company's performance.

b) For the other half of each award:

TSR ranking of Centrica plc	Vesting percentage
Below median ranking	0%
Median ranking	25%
Upper quintile ranking	100%
Between median and upper quintile ranking	Between 25% and 100% on a straight-line basis

TSR will be calculated using the average TSR of each company in the FTSE 100 comparator group during the preceding six months ending on the date of award and the same period three years later. At the end of the performance period, the TSR performance condition will be measured and independently verified.

Initial Awards
Under the Current LTIS, allocations are normally made on or around 1 April in each year. Awards to Executive Directors under the LTIS cannot be made until the LTIS has been approved at the Annual General Meeting. The first awards under the LTIS will be made to all participants other than Executive Directors on 3 April 2006 (which is within the 42-day period following announcement of the Company's final results). In order to align Executive Directors' awards with those made to other participants, their first awards shall be deemed to have been made on 3 April 2006 for all purposes of the LTIS (for example, the calculation of the

number of shares comprised in the first awards, the EPS and TSR performance tests and the three-year vesting period).

Further provisions relating to the LTIS can be found in Appendices 4 and 6.

Appendix 2

Summary of the principal terms of the Centrica Deferred and Matching Share Scheme 2006 (the 'DMSS')

Eligibility

Any employee (including an Executive Director) of the Company and any of its subsidiaries will be eligible to participate in the DMSS at the discretion of the Trustee (see Appendix 4). In practice, participation in the DMSS will be extended to Executive Directors and a limited number of other senior executives.

Structure of the DMSS

The DMSS will be operated in conjunction with the Company's annual bonus scheme, the LTIS and Current LTIS.

Where the Trustee determines in any year that the DMSS will be operated, an eligible employee will be required to defer 20% of his or her annual bonus paid, under the terms of the DMSS. The Trustee may also invite eligible employees to defer either an additional part of their annual bonus paid or a proportion of their LTIS (or Current LTIS) award, which would otherwise vest in the same financial year, under the terms of the DMSS. The aggregate amount (including the value of any shares from the LTIS or Current LTIS) that may be deferred by an eligible employee may not exceed 50% of the maximum annual bonus entitlement in respect of the preceding year.

The amount deferred will then be used to acquire Centrica shares, on behalf of the employee. The shares acquired with the compulsorily deferred bonus will be known as 'Deferred Shares', and the shares acquired with the voluntarily deferred bonus or the shares transferred from the LTIS or the Current LTIS will be known as 'Investment Shares'. Deferred Shares and Investment Shares will be held, normally for a period of three years, by the Trustee.

Grant of Matching Awards

Where Deferred Shares and Investment Shares are held on behalf of a participant, the Trustee will make an award (a 'Matching Award') to that participant in the form of a conditional allocation, where that participant will receive free Centrica shares automatically following the vesting of his or her Matching Award. The Trustee may decide to satisfy Matching Awards in cash (either in whole or in part) but, in each case, with the level of payment calculated on the same basis as a share-based award.

Matching Awards may be made by the Trustee within the 42-day period following the Company's announcement of its results for any period. The Trustee may also make awards outside these periods in exceptional circumstances.

Performance Conditions Relating to Matching Awards

The vesting of a Matching Award will depend on the Company's performance over a performance period of three financial years. The Trustee, following receipt of a recommendation from the Remuneration Committee, will set appropriately challenging performance conditions in respect of each Matching Award. In respect of the initial Matching Awards, the performance conditions will be based on the Company's growth in group economic profit ('GEP') over the performance period:

Growth in GEP	Matching Award multiple
Zero growth	Nil
Growth of at least 25%	2
Growth of between zero and 25%	Between nil and 2 on a straight-line basis

The number of shares comprising the Matching Award which vests will be a multiple (not exceeding two) of the number of Deferred Shares and Investment Shares held on behalf of that participant (but grossed-up, where necessary, to take account of any tax or social security (or similar) contributions already paid prior to the acquisition of the Deferred Shares or Investment Shares), depending on the extent to which the performance targets have been met.

Matching Awards will normally vest on the third anniversary of the date of award, to the extent that the performance conditions have first been satisfied and provided that the participant has remained in employment (save in certain specified circumstances). In addition, a Matching Award made in respect of Investment Shares will only vest to the extent that the participant has not transferred or disposed of those Investment Shares.

Participant Rights in Relation to Deferred Shares and Investment Shares

During the three-year performance period, participants will be able to direct the Trustee to cast the votes in relation to their Deferred Shares and Investment Shares and will be entitled to receive dividends declared on such shares.

Participants shall not be entitled to withdraw Deferred Shares during the performance period, but may withdraw Investment Shares at any time (subject to forfeiting the proportion of the Matching Award to which those Investment Shares relate).

Deferred Shares and Investment Shares will cease to be subject to restrictions on the vesting or lapse of a Matching Award, and will be transferred into the name of the participant as soon as practicable thereafter.

Normally, Deferred Shares shall be forfeited on leaving employment. However, if a participant ceases employment with any company in the Group by reason of death, injury, disability or ill-health, redundancy, retirement, sale of their employing company or business out of the Group, or any other reason as determined by the Trustee, then the Deferred Shares will be released early. There is no possibility for the forfeiture of any Investment Shares.

Further provisions relating to the DMSS can be found in Appendices 4 and 6.

Appendix 3

Summary of the principal terms of the Centrica Share Award Scheme 2006 (the 'SAS')

Eligibility
Any employee (but excluding an Executive Director) of the Company and any of its subsidiaries will be eligible to participate in the SAS at the discretion of the Trustee (see Appendix 4).

Structure of the SAS
Awards will be made by the Trustee and will take the form of conditional allocations, where a participant will receive free Centrica shares automatically following the vesting of his or her award. The Trustee may, however, decide to satisfy awards in cash (either in whole or in part) but, in each case, with the level of payment calculated on the same basis as a share-based award.

Limit on Awards
The maximum award to any participant in any financial year under the SAS will be limited to such number of shares as have an aggregate market value not exceeding the participant's base salary.

The Trustee will retain discretion to set the level of individual awards. Other than in exceptional cases, it is anticipated that award levels will be up to 20% of base salary.

Grant of Awards
Awards may be made by the Trustee within the 42-day period from approval of the SAS by shareholders or within the 42-day period following the Company's announcement of its results for any period. The Trustee may also make awards outside these periods in exceptional circumstances.

Awards will be made in two parts. In relation to the first half of the award, the vesting period shall be two years from the date of award. In relation to the second half of the award, the vesting period shall be three years from the date of award.

Awards will normally vest at the end of the relevant vesting period, provided that the participant remains in employment (save in certain specified circumstances). Normally there will be no other performance conditions to satisfy. To the extent that an Award does not vest it will lapse.

Further provisions relating to the SAS can be found in Appendices 4 and 6.

Appendix 4

Summary of the provisions applying to each of the LTIS, DMSS and SAS

Set out below is a summary of the provisions which are common to each of the LTIS, DMSS and SAS:

Operation of the Schemes
The operation of the LTIS, DMSS and SAS will be supervised by a 'Relevant Body' which, in the case of the LTIS and DMSS, will be the Remuneration Committee of the Board, all of whose members are independent Non-Executive Directors. In relation to the operation of the SAS, the Relevant Body will be the Board, or a duly authorised committee.

Awards will be made under the LTIS, the DMSS and the SAS (the 'Awards') by the Trustee of the Centrica Employees Share Trust (the 'Trustee'). In administering these schemes, the Trustee will consult with the Relevant Body. Awards may be satisfied by the Trustee using funds provided by the Company or any company within the Group. Participants will not be required to make a payment for the grant of an Award.

Performance Conditions
Prior to the release of shares, the Trustee will consider whether the extent to which the performance conditions (if any) have been achieved is a genuine reflection of the Company's financial performance. There will be no opportunity to retest performance if the performance conditions are not satisfied over the initial performance period. The performance conditions may, however, be adjusted to reflect certain material events to maintain their original purpose, provided that the adjusted performance conditions are, in the view of the Trustee, not materially less challenging than those originally set.

The Relevant Body will review the performance conditions each time Awards are made in order to ensure that they are not materially less challenging, taking account of the Company's financial circumstances at the relevant time and may recommend different performance conditions for future Awards.

Dividends
To provide a closer alignment with shareholders, participants in the LTIS, DMSS and SAS will receive additional shares, or, at the discretion of the Trustee, a cash payment, on vesting, equivalent in value to the dividends that would have been paid, over the period from the date of award, on those shares which comprise the vested proportion of the Awards.

Leaving Employment
Normally, Awards lapse on leaving employment. However, if a participant ceases employment with any company in the Group by reason of death, injury, disability or ill-health, redundancy, retirement, sale of their employing company or business out of the Group, or any other reason as determined by the Trustee, then the Awards will vest on the normal vesting date to the extent that any performance conditions have been satisfied at that time, with a pro-rata reduction in the size of the vested Awards (based on the proportion of the two- or three-year vesting period worked since the date of award).

In the case of death, or the sale of the employing company or business out of the Group, the Trustee will have discretion to determine that the vesting should occur at the date of the relevant event with any performance conditions measured to that date. In these circumstances pro-rating for time shall still apply.

Corporate Events
In the event of a takeover, scheme of arrangement, or winding-up of the Company (not being an internal corporate reorganisation), Awards will only vest to the extent that any performance conditions have been satisfied at the time of such event with a pro-rata reduction in the size of the vested Award (based on the proportion of the two- or three-year vesting period worked since the date of award).

Awards may also vest on the same basis if a demerger, special dividend or other similar event is proposed which, in the opinion of the Trustee, would materially affect the market price of shares subject to outstanding Awards.

In the event of an internal corporate reorganisation, Awards will be replaced by equivalent new awards over shares in any new holding company, unless the Trustee determines that they should vest on the same basis as described above.

Variation in Ordinary Share Capital
In the event of any variation in the share capital of the Company or any other event that would materially affect the market price of the shares, the Trustee may make such adjustments as it considers appropriate to the number of shares subject to Awards to maintain the value of those Awards.

Appendix 5

Summary of the principal terms of the Centrica Sharesave Scheme 2006 (the 'Sharesave Scheme')

Structure of the Sharesave Scheme
The operation of the Sharesave Scheme will be supervised by the Board of Directors of the Company or a duly authorised committee (a 'Relevant Body').

Options granted under the Sharesave Scheme will enable participants to acquire Centrica shares at an acquisition price (exercise price) which is not less than 80% of the middle market quotation of those shares on the London Stock Exchange dealing day immediately prior to the day invitations are sent out (or some other date agreed with HM Revenue & Customs), or 80% of the average middle market quotation of the shares over the three London Stock Exchange dealing days immediately prior to the day the invitations are sent out. In either case, if shares are to be subscribed, the acquisition price will not be lower than nominal value.

Eligibility
All employees (including Executive Directors) who have worked for the Company or a participating subsidiary for a qualifying period as determined by the Relevant Body (but not to exceed five years) and any other employees nominated by the Relevant Body will be eligible to participate in the Sharesave Scheme.

Grant of Options
If the Relevant Body decides to operate the Sharesave Scheme, invitations for the grant of options will normally only be issued within the 42-day period following the Company's announcement of results for any period. Options will normally be granted within 30 days of the last dealing day by reference to which the exercise price of the option was fixed.

Savings Contract and the Right to Acquire Ordinary Shares
Participants granted an option under the Sharesave Scheme must enter into a savings contract with a designated savings carrier under which they make monthly savings for a period of three or five years. The amounts saved each month must not exceed the limit imposed by the relevant legislation (currently £250 per month). A bonus, also specified by legislation, will be payable, currently equivalent to: 1.4 times the monthly savings amount after three years; 4.4 times the monthly savings amount after five years; and (if the savings are left with the savings carrier for two further years under a five-year savings contract) 8.4 times the monthly savings amount after seven years. The Relevant Body will specify at the time of the operation of the Sharesave Scheme which length of savings contract employees may enter into and whether a five-year savings contract may include the seven-year bonus.

Options are normally exercisable during a six-month period following the bonus date under the relevant savings contract. Options not exercised within this six-month period will lapse.

Leaving Employment
Normally, options lapse on leaving employment. However, if a participant ceases employment with any company in the Group by reason of death, injury or disability, redundancy, retirement or on the sale of their employing company or business out of the Group, options may be exercised during a six-month period following cessation of employment, or a 12-month period following death. Exercise is also allowed where the participant leaves employment for any other reason, provided that the option has been held for at least three years.

If any option is exercised early, the participant (or his or her personal representatives) may only exercise to the extent of his or her accumulated savings under the savings contract (together with any interest due).

Corporate Events
Options may be exercised in the event of a takeover, scheme of arrangement or winding-up of the Company, to the extent of the accumulated savings under the participant's savings contract (together with any interest due).

In the event of another company acquiring control of the Company, participants may in certain circumstances be allowed to exchange their options for options of equivalent value over shares in the acquiring company.

Variation in Ordinary Share Capital
In the event of any variation in the share capital of the Company, the exercise price and number of shares over which options have been granted may be adjusted in order to maintain the options' value. Prior approval of HM Revenue & Customs must be obtained in relation to any such adjustments.

Further provisions relating to the Sharesave Scheme can be found in Appendix 6.

Appendix 6

Summary of the provisions applying to each of the LTIS, DMSS, SAS and Sharesave (the 'Schemes')

Set out below is a summary of the provisions which are common to each of the Schemes:

Operation of the Schemes
None of the Schemes will be operated more than ten years after adoption, and the Remuneration Committee or the Board (or other duly authorised committee), as appropriate, will continue to review the operation of the Schemes during this period.

Options under the Sharesave Scheme ('Options') and awards under the LTIS, DMSS and SAS ('Awards') are not transferable (other than to the participant's personal representatives in the event of his or her death) and do not form part of pensionable earnings.

Rights Attaching to Shares
Options and Awards will not confer any shareholder rights on participants (for example, the right to vote the shares), until the Options have been exercised or the Awards have vested and the participant has received his or her shares.

Shares allotted under the Schemes will rank equally with all other shares of the same class then in issue, but will not qualify for dividends or other rights arising by reference to a prior record date.

Alterations to the Schemes
The Board or Trustee, as appropriate, may at any time amend the Schemes, provided that the prior approval of shareholders is obtained for any amendments to the Schemes which are to the advantage of participants or potential participants in respect of eligibility, the limits on participation, the overall limits on the issue of shares or the transfer of treasury shares, the basis for determining a participant's entitlement to, and the terms of, shares or cash provided under the Schemes and the adjustment of Options or Awards.

The requirement to obtain the prior approval of shareholders will not, however, apply to any minor alteration made to benefit the administration of the Schemes, any alteration to take account of a change in legislation or any alteration required to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any company in the Group.

No amendment to any 'key feature' (as defined in the relevant legislation) will be made to the Sharesave Scheme without prior approval of HM Revenue & Customs.

Extension of the Schemes Overseas
The terms of each of the Schemes provide the Board or Trustee, as appropriate, with the power to extend the Schemes to countries outside the UK taking account of local tax, exchange control, or securities laws in the relevant jurisdictions. To do this, it may be necessary either to add schedules to the Schemes or to establish other schemes based on the Schemes. The terms of such other schemes will not provide participants with benefits greater than those provided under the Schemes.

Limits on the Issue of Shares
Each of the Schemes may operate over new issue shares, treasury shares or shares purchased in the market.

In any ten-year period the Company may not issue (or have the possibility to issue) more than:

a) 10 per cent of the issued ordinary share capital of the Company under the Schemes and any other employee share scheme adopted by the Company; and

b) 5 per cent of the issued ordinary share capital of the Company under the Schemes (other than the Sharesave Scheme) and any other discretionary employee share scheme adopted by the Company.

Treasury shares will count as newly-issued shares for the purposes of these limits for so long as institutional investor bodies consider that they need to be so counted.

Important Notes

The following notes explain your general rights as a shareholder and your right to attend and vote at this Meeting or to appoint someone else to vote on your behalf.

1. A shareholder entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend, and on a poll, vote instead of him or her. A proxy need not be a shareholder. Appointing a proxy will not prevent a shareholder from attending in person and voting at the Meeting.
2. You may register your proxy appointment or voting directions electronically by visiting the www.sharevote.co.uk website, where full details of the procedure are given (see note 3 for deadlines). If you return more than one proxy appointment, either by paper or electronic communication, that received last by the registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
3. The appointment of a proxy, and the original or duly certified copy of the power of attorney or other authority (if any) under which it is signed or authenticated, should be deposited with the Company's registrar, at the address shown on the proxy form or received via the sharevote website, not later than (a) 11 am on Wednesday 17 May 2006, or 48 hours before the time for holding any adjourned Meeting or (in the case of a poll not taken on the same day as the Meeting or adjourned Meeting) for the taking of the poll at which it is to be used, or (b) lodged using the CREST proxy voting service – see note 8 below.
4. The following documents are available for inspection during normal business hours at the registered office of the Company on any business day and may also be inspected at the Queen Elizabeth II Conference Centre from 10 am on the day of the Meeting until the conclusion of the Meeting:

   a) copies of Directors' service contracts with the Company;

   b) copies of the Non-Executive Directors' letters of appointment;

   c) copies of the Directors' deeds of indemnity entered into in connection with the indemnification of Directors provisions of the Company's Articles of Association as revised at the 2005 AGM;

   d) the register of interests of the Directors in the share capital of the Company;

   e) a copy of the Company's Memorandum and Articles of Association; and

   f) the draft rules of each of the proposed LTIS, DMSS, SAS and Sharesave Scheme.

   The draft rules of each of the proposed Schemes listed in f) above are also available for inspection at the offices of Herbert Smith LLP (Exchange House, Primrose Street, London EC2A 2HS) during usual business hours on any business day from the date of this Notice of AGM until the conclusion of the Meeting.
5. The Company, pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders listed in the register of members of the Company as at 6 pm on Wednesday 17 May 2006 (or, if the Meeting is adjourned, 6 pm on the day two days prior to the day fixed for the adjourned Meeting) shall be entitled to attend or vote at the AGM in respect of the number of shares registered in their name at that time. In each case, changes to entries on the register of members after such time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
6. As soon as practicable following the AGM, the results of the voting at the meeting and the numbers of proxy votes cast in respect of each of the Resolutions will be announced via a Regulatory Information Service and also placed on the Company's website www.centrica.com. Also, a summary of the business transacted will be available, on written request, from the Company Secretary at the Company's registered office.
7. If you have sold or transferred all your shares, this Notice and the accompanying proxy form should be passed to the person through whom the sale or transfer was made for transmission to the purchaser or transferee.

Electronic proxy appointment through CREST

8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 19 May 2006 and any adjournment(s) thereof by following the procedures described in the CREST Manual.

   All messages relating to the appointment of a proxy or an instruction to a previously-appointed proxy, which are to be transmitted through CREST, must be received by Lloyds TSB Registrars (ID 7RA01) no later than 11 am on Wednesday 17 May 2006, or, if the Meeting is adjourned, close of business on the day three days prior to the day fixed for the adjourned Meeting.

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Sign-up now to receive your future Centrica communications by email and help us to help the environment.

By registering for this service you can in future:

- help us to reduce print, paper and postage costs and the associated environmental impact of these
- view the Annual Report on the day it is published
- cast your AGM vote electronically
- receive notification of important shareholder communications electronically such as annual reports and notices of general meetings
- access details of your individual shareholding quickly and securely online

To take advantage of this service for future communications you may register your request on our website at

www.centrica.com/ecomms

where you will also be able to view more information about the service. Registration is free, so see how easy it is to sign up. All you need is the shareholder reference number which is shown on your tax voucher, FlexiShare statement or share certificate.

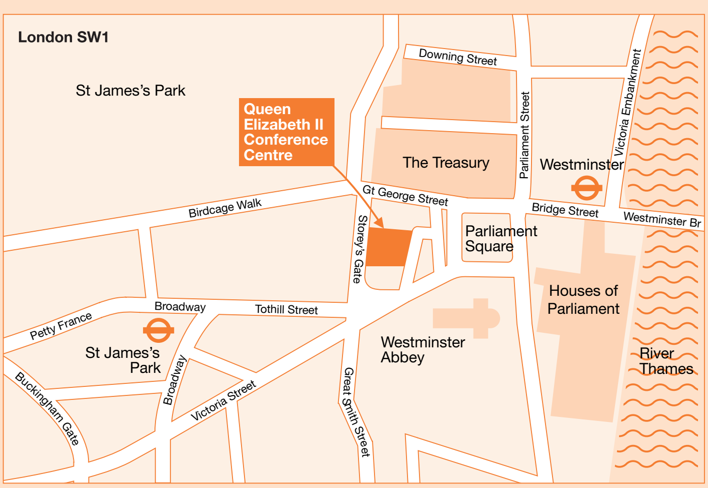
You may, of course, continue to receive all shareholder communications by post. Should you wish to do so you need take no further action.

Alternative formats

If you would like this Notice in an appropriate alternative format, such as large print, Braille, audio or digital (text CD or floppy disk), you can request these in the following ways:

Telephone: 0191 438 6063
Text phone: 0191 438 1122

Please note that these numbers should be used to order copies of alternative formats only. For general shareholder enquires, please use the shareholder helpline 0870 600 3985.



Directions to the Annual General Meeting

The doors will open at 10 am and you may wish to arrive by 10.30 am to enable you to take your seat in good time. Arrangements have been made to help shareholders with disabilities. Individual induction loops will be available at the registration desk for people with hearing difficulties and sign language interpretation will be provided in the auditorium. Anyone accompanying a shareholder who is in a wheelchair or otherwise in need of assistance will be admitted to the Meeting.