

Centrica AGM - 9 May 2005

Roger Carr - Chairman

Now, a few words on the business. Having been Chairman for just 12 months, I felt it may be helpful to share with you my perspectives on the performance and prospects of the company as we look ahead.

2004 was a year that saw unprecedented change in our energy markets. The UK became a net importer of gas as local reserves continued to decline. And, as a result of this and the ever increasing oil price, wholesale gas prices rose very steeply. And they have continued to do so this year as well. These dramatic rises in wholesale gas prices have meant increasing power prices for our customers as well as a real change in competitive market dynamics.

The nation as a whole now faces an uncomfortable period – we think probably two years – as new infrastructure is constructed and new supplies procured to meet demand. And I can reassure you that we are taking a key role in these developments to ensure we have the energy supplies to meet our customers' needs in the future.

As UK and international energy markets evolved, so did our strategy. We sold the AA at a very attractive price and we refocused the business on energy and related services.

Our customer focus will not be diminished but it must be underpinned by greater strength in energy assets – both gas and power - to maintain effective supply and to keep our competitive edge. This focus will be the model for Centrica in all our markets. But we will continue to apply the financial rigour and patience that has been the hallmark of our business and management team as we look at potential investments.

As energy prices in the UK rose, we like our competitors, had no choice but to increase prices. But the rate of customer losses was a disappointment and addressing this through 2005 is and will be a key priority of the complete management team.

We must do so with new and innovative products that go to the heart of what our customers want in terms of price and service. At the same time we will continue to take decisive action to reduce our costs and improve operational efficiency in order to remain competitive.

By any standard these were difficult trading conditions. But the overall financial performance in 2004 was good. Operating profit increased by 16% and turnover by 9%.

In terms of shareholder returns, we delivered on our promise to increase our ordinary dividend to 40% of our earnings with the 2004 dividend representing

a 59% increase on 2003. And as you know we paid over £1 billion in special dividends and embarked on a significant buyback programme.

The challenges of last year, and indeed the year ahead, inevitably place huge demands on the management of the company. They have risen to the challenge with considerable skill and are attacking the issues of the current year with commitment and vigour.

I recognise too that our wider employees have faced a very testing year. Since becoming Chairman I have visited many of our sites across the country, both offshore and onshore. I have listened to hundreds of employees and heard them talk with commitment and passion about their work and the business.

There is absolutely no doubt that they are skilled and enterprising and as we introduce further changes there is equally no doubt their flexibility and their professionalism will be essential to our continued success.

During the year there have been significant changes on the Centrica Board. Sir Michael Perry retired in May, having overseen the development of Centrica from its difficult early days to its position today as a successful and respected energy company. We are really indebted to him for his considerable contribution.

We are also grateful to Roger Wood who stepped down from the Centrica Board following the sale of the AA.

On the non-executive side, Bob Tobin left the Board to focus on his other interests in North America and we are all grateful for his contribution in the period of his office.

We continue to ensure the Board's composition fully meets the needs of a forward-looking, international energy group. Mary Francis, a Director of the Bank of England, joined in May and Paul Rayner, Finance Director of BAT, joined in September.

Reflecting our renewed focus on energy, Jake Ulrich, Managing Director of Centrica Energy, became an executive Board member from 1 January 2005. It is a key priority to ensure that we have the right balance of skills and experience at Board level to meet the challenges of the future and I shall ensure we continue to build on these very strong foundations we have created in recent times.

So ladies and gentlemen, it has been an interesting twelve months. There is no doubt that the market outlook is challenging. It's dominated by uncertainty around wholesale prices and there is work to be done to improve our short term competitiveness and secure our long term supply lines.

I can assure you however that in tackling these issues we will remain committed to shareholder value as our top agenda item. And I am confident

that with our clear focus, commitment to managing costs and strong financial discipline, we will continue to build value for you all.

I will now hand over to Sir Roy to describe in more detail the performance of the business in the year and the progress so far in 2005 – he will also take you through a statement we issued to the London Stock Exchange this morning.