

Centrica AGM

Notice of Annual General Meeting of Centrica plc

Queen Elizabeth II Conference Centre
London SW1

Monday 9 May 2005, 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

taking care of the essentials

Notice is hereby given that the ninth 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 9 May 2005, at 11 am for the transaction of the following business:

To consider and, if thought fit, pass Resolutions 1 to 10 as Ordinary Resolutions and Resolutions 11 to 15 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 2004.

Remuneration Report

2. To approve the Remuneration Report for the year ended 31 December 2004.

Note: The Remuneration Report forms pages 27 to 33 of the Annual Report & Accounts 2004. It sets out the Company's policy towards, and gives details of, Directors' remuneration and other relevant information. A summary of the Remuneration Report is on pages 16 and 17 of the Annual Review.

Dividend

3. That a final dividend of 6.1 pence per ordinary share be declared payable to shareholders on the register of members at the close of business on 29 April 2005.

Note: Subject to shareholder approval, the final dividend of 6.1 pence per ordinary share will be paid on 15 June 2005.

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.

The Board believes that each of the Non-Executive Directors standing for 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. Paul Rayner, who chairs the Audit Committee, also has recent and relevant financial experience.

Jake Ulrich brings considerable energy industry experience to the Board as we implement our stated energy investment programme of £4-5 billion over the coming years.

Patricia Mann is the only Director standing for re-election who was on the Board when, in 2004, it conducted its evaluation process. This review concluded that she continues to perform effectively and demonstrates the necessary objectivity and commitment to the role as both an independent Non-Executive Director and as the senior such Director. However, as Patricia Mann has already served on the Board for a period of eight years, she is being proposed for a further period of up to one year only and will retire from the Board at the end of that period.

4. That Patricia Mann be re-elected as a Director of the Company.

As a Non-Executive Director, Patricia Mann (67) does not have a service contract with the Company. She is Chairman of the Remuneration Committee and a member of the Nomination and Audit Committees. Patricia Mann was a Non-Executive Director of British Gas plc from December 1995 until Centrica was demerged in February 1997. She was a Vice President International of J Walter Thompson Co Ltd and remains a Director of JWT Trustees Ltd. She is on the Board of the UK Centre for Economic and Environmental Development and National Trust Enterprises, is a Trustee of

the AA Motoring Trust and was formerly a Director of the Woolwich Building Society and Yale and Valor plc.

5. That Mary Francis be elected as a Director of the Company.

As a Non-Executive Director, Mary Francis (56) does not have a service contract with the Company. She is a member of the Remuneration and Audit Committees. Mary Francis joined the Board in June 2004. She is Director General of the Association of British Insurers until 31 March 2005 and was formerly a senior civil servant in the Treasury and the Prime Minister's office. She is a Director of the Bank of England, a member of the Press Complaints Commission and a Trustee of the Almeida Theatre.

6. That Paul Rayner be elected as a Director of the Company.

As a Non-Executive Director, Paul Rayner (51) does not have a service contract with the Company. He is Chairman of the Audit Committee and a member of the Remuneration Committee. Paul Rayner joined the Board in September 2004. He has been Finance Director of British American Tobacco plc since January 2002. In 1991 he joined Rothmans Holdings Ltd in Australia, holding senior executive appointments, and became Chief Operating Officer of British American Tobacco Australasia Ltd in September 1999.

7. That Jake Ulrich be elected as a Director of the Company.

Jake Ulrich (52) has a service contract with the Company with a 12-month notice period. He is a member of the Centrica Executive Committee. Jake Ulrich was appointed to the Board on 1 January 2005. He was appointed Managing Director of Centrica Energy in 1997. Between 1994 and 1997 he was Managing Director of Accord Energy Limited, a joint venture between Natural Gas Clearinghouse (NGC) and British Gas. He previously worked for NGC, Union Carbide Corporation and the OXY/Mid Con/Peoples Energy Group.

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 8 August 2006 or, if earlier, the conclusion of the AGM to be held in 2006.

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 2004.

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 2006 AGM or on 8 August 2006, whichever is the earlier, and the maximum amount of relevant securities which the Directors may allot during this period shall be £43,564,579.

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 £43,564,579 (the unissued share capital), which is equal to approximately 18.82 per cent of the issued ordinary share capital of the Company as at 28 February 2005. The Company does not currently hold any Treasury Shares (see the note to Resolution 13). This authority, if renewed, will terminate at the conclusion of the 2006 AGM or on 8 August 2006, 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 2006 AGM or on 8 August 2006, 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 £11,571,771.

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 £11,571,771 other than in connection with a rights issue, representing five per cent of the issued ordinary share capital as at 28 February 2005.

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 2006 AGM or on 8 August 2006, 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 6¹/₆₁ pence each in the Company ('ordinary shares') provided that:

- the maximum number of ordinary shares hereby authorised to be purchased is 374,925,383;
- the minimum price which may be paid for each such ordinary share is 6¹/₆₁ pence;
- 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
- this authority shall expire at the conclusion of the 2006 AGM or on 8 August 2006, 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 the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 ("the regulations"), 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 pursuant to the regulations permit them to be held and dealt with by the Company (including selling the shares or transferring them for the purposes of employee share schemes or cancelling them) subject to certain limitations.

Following the announcement of the sale of the AA, the Board announced its intention to return £1.5 billion to shareholders, part of which was to take the form of a share repurchase programme to the value of up to £500 million. As at 28 February 2005, 30,287,932 shares had been repurchased for cancellation for a consideration of £71,893,768 under the programme.

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 28 February 2005) 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 28 February 2005 was 110,353,480 representing approximately 2.94 per cent of the issued share capital of the Company at that date (approximately 3.27 per cent if the authority to purchase shares under this Resolution is used in full). The Company does not currently hold any Treasury Shares.

Amendments to the Memorandum and Articles of Association

14. That:

- (a) the Company's Memorandum of Association be amended by the insertion of a new paragraph 4.34A as follows:
- 4.34A To provide any current or former Director, Secretary or other officer of the Company with funds to meet expenditure incurred or to be incurred by him in defending any criminal or civil proceedings or in connection with any application under those provisions of the Companies Act referred to in Section 337A(2) of that Act and to do anything to enable such persons to avoid incurring such expenditure.
- (b) the Company's Articles of Association be amended by the insertion of a new Article 149.3 as follows:
- 149.3 So far as the legislation allows, the Company may do anything which it has the power to do under paragraph 4.34A of its Memorandum of Association but so that any provision of funds or other things done will become repayable or any liability of the Company under any transaction connected with any provision of funds or other things done will become repayable, not later than:
- (i) in the event of the Director being convicted in the proceedings, the date when the conviction becomes final;
- (ii) in the event of judgment being given against him in the proceedings, the date when the judgment becomes final; or
- (iii) in the event of the court refusing to grant him relief on the application, the date when the refusal of relief becomes final.
- (c) Article 107.2 of the Company's Articles of Association (setting out when Directors can vote on things which they are interested in) be amended by the deletion of 'or' at the end of the penultimate paragraph and by the insertion of a new penultimate paragraph as follows:
- a resolution about any proposal relating to any indemnities in favour of a Director which are consistent with, or no more onerous than, the provisions of these Articles or the funding of expenditure by one or more Directors on defending proceedings against him or them or doing anything to enable such Director to avoid incurring such expenditure; or

Note: The Companies (Audit, Investigations and Community Enterprise) Act 2004 (the 'Companies Act 2004') widens the scope of the indemnification of Directors and others permitted by the Company's existing Memorandum and Articles of Association and inserts a new section 337A in the Companies Act 1985 which allows a company to provide its directors with funds to cover the costs incurred by a director in defending legal proceedings brought against him or her as they are incurred.

The Company intends to agree individual contracts of indemnity with the Directors and others within the limits of the new legislation, pursuant to the current authority in the existing Memorandum and Articles of Association.

Previously, a company has only been able to fund a director's defence costs once final judgement in his or her favour has been reached. Since directors are increasingly being added as defendants in actions against companies, and litigation is often very lengthy and expensive, the Board believes that the risk of Directors being placed under significant financial strain is increasing.

The Board therefore proposes that the Memorandum and Articles of Association be amended to take advantage of the new provisions so that the Company may fund a Director's defence costs in the event that an action was brought against him or her. The provisions of the Companies Act referred to in paragraph (a) of the Resolution are those dealing with the acquisition of shares by innocent nominees and the general power to grant relief in the case of honest and reasonable conduct. The proposed amendments will apply to the costs of applications under those provisions as if they were defence costs and will also apply to former Directors and officers.

Individual Directors would still be liable to pay any damages awarded to the Company in an action against them, and to repay their defence costs to the extent funded by the Company, if their defence is unsuccessful.

The final proposed changes are to ensure that Directors can vote and be counted in the quorum at meetings about any of the things referred to above or in the Resolution.

The UK Government consulted widely before introducing the changes to the legislation described above. The Board believes that the power for the Company to enter into contracts of indemnity with the Directors and to fund the Directors' defence costs as they are incurred is fair and reasonable and introduces a more appropriate balance of risk and reward. These measures are also important to ensure that the Company continues to attract and retain Directors of a high calibre.

Further amendments to the Articles of Association

15. That the Company's Articles of Association be amended by making the changes indicated in accordance with the document produced to this Annual General Meeting of the Company and initialled by the Chairman for the purposes of identification.

Note: Since June 2001 when the Company's Articles of Association were last amended, there have been a number of legislative, regulatory and best practice developments which the Board believes should be reflected in the Company's Articles of Association. A number of amendments to the Articles of Association are therefore being proposed to implement these various developments. Details of the principal proposed changes are set out below, the remainder being ancillary thereto or of an administrative, technical or presentational nature.

(a) Treasury Shares

Treasury Shares are shares in a listed company which have been purchased by that company under the regulations, as described in the note to Resolution 13 above.

The Articles of Association already permit the Company to buy back, or agree to buy back in the future, any Shares of any class in accordance with the Companies Act 1985 and other applicable laws. The Company is also currently

authorised to make market purchases of its own ordinary shares. It is proposed that this authority be extended as a result of the passing of Resolution 13 above.

The amendments specify that the Company may hold shares as Treasury Shares if they were unissued, and provide that the Company will not exercise any rights (such as voting or dividend rights) in connection with them whilst held in treasury, other than the right to sell or transfer indicated above, to participate in a bonus issue in respect of them or to redeem them if redeemable.

(b) Retirement of Directors

As a result of changes to the Combined Code in 2003 following the Higgs Report, in addition to the requirement for each Director to retire every three years, a Director must retire at any AGM if he or she has agreed to do so (for example, in his original letter of appointment) and, unless the Directors have otherwise agreed, he or she will not be eligible for re-election. Amending its Articles of Association to this effect will allow the Company to insert a provision in the letters of appointment of Non-Executive Directors to the effect that they should retire after a number of years, in line with the Combined Code. Without the above revision, Directors would remain eligible for re-election under the Company's Articles of Association.

(c) Voting by Poll

Under the Company's Articles of Association, votes at a General Meeting are taken, in the first instance, by a show of hands. The Chairman may exercise his discretion to call for a poll only when, or before, the result of a show of hands is declared by the Chairman.

In line with the recommendations of the Myners Report (2004), the proposed amendment to the Company's Articles of Association will allow the Chairman to specify that a poll will be held on all or some of the Resolutions to be put to a Meeting before any Resolutions are put to the vote on a show of hands. It will also permit polls to be held by electronic means.

(d) Borrowing Powers

Companies listed on the London Stock Exchange are required with effect from the current financial year to prepare their accounts in accordance with International Financial Reporting Standards (IFRS). The Board proposes to make limited amendments to Article 117 of the Company's Articles of Association at this time until the full implications of the new accounting regime can be seen in practice.

The Company's borrowing limit is currently the greater of i) £3 billion and ii) three times its Adjusted Capital and Reserves as defined in the existing Articles of Association. As at 31 December 2004, the Company's Adjusted Capital and Reserves was £7.8 billion. The figure of £3 billion was first set in 1997 when the Company was much smaller both in terms of turnover and market capitalisation. In view of the current uncertainty of the potential impact of IFRS on the Company's Adjusted Capital and Reserves, the Board proposes that this figure be increased to £5 billion.

The other proposed changes are to update the terminology used in Article 117 by replacing reference to historical cost and current cost conventions with a reference to the historical cost and fair value conventions. Also by replacing references to acting in accordance with United Kingdom generally accepted accounting principles with references to acting in accordance with IFRS and United Kingdom company law and removing a redundant reference to the borrowing limit prior to the Group's first audited accounts.

The Board confirms that in their opinion the Resolutions numbered 1 to 15 contained in this Notice of Meeting are in the best interests of the shareholders as a whole, and unanimously recommend shareholders to vote in favour of them. They intend to do so in respect of their own beneficial holdings, except with regard to Resolutions 2 and 14 on which they will not vote as they are interested parties.

A copy of the Company's Memorandum and Articles of Association, as amended to reflect these proposed changes, will be available for inspection at the Meeting at Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE from 10 am until the close of the Meeting and at the Company's registered office and the offices of Linklaters, One Silk Street, London EC2V 8HQ from the date of this Notice until the close of the Meeting.

By order of the Board



Grant Dawson
General Counsel and Company Secretary

Dated 10 March 2005

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.

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 contacting 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 7 May 2005, 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, which are available for inspection during normal business hours at the registered office of the Company and at the offices of Linklaters, One Silk Street, London EC2V 8HQ on any business day, 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) the register of interests of the Directors in the share capital of the Company;
 - (d) a copy of the Company's Memorandum and Articles of Association; and
 - (e) the proposed changes to the Memorandum and Articles of Association.
 5. The Company, pursuant to regulation 41 of the Uncertified Securities Regulations 2001, specifies that only those shareholders listed in the register of members of the Company as at 8 pm on 6 May 2005 (or, if the Meeting is adjourned, 8 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, 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

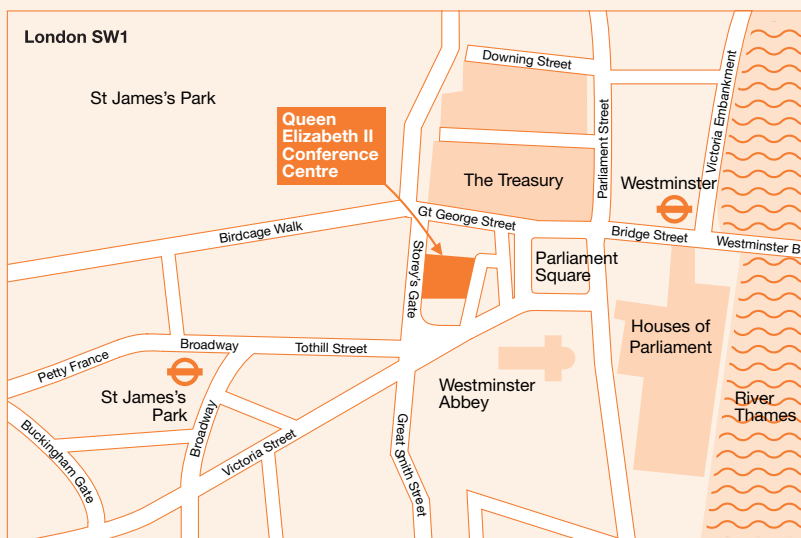
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the AGM to be held on 9 May 2005 and any adjournment(s) thereof by following the procedures described in the CREST Manual.

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 8 pm on Friday 6 May 2005, or, if the Meeting is adjourned, close of business on the day three days prior to the day fixed for the adjourned Meeting.

Alternative formats

If you would like this notice in an appropriate alternative format, such as large print, Braille or audio, please call us on 0870 600 3985. Alternatively, if you have a text phone, please make your request on 0870 600 3950.

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.