

14 May 2007

Centrica 2007 AGM Statement

At the Centrica Annual General Meeting to be held today, the Chairman Roger Carr will update shareholders on the Group's performance in the year-to-date and on the outlook for the remainder of the year.

Period Review

Centrica has performed well through the early part of 2007 and delivered strong financial results in the period, with higher profits from downstream businesses more than offsetting lower upstream contribution.

Our downstream activities have all benefited significantly from unusually low wholesale prices for gas and power. The industrial and commercial contracts have been profitable and we have continued to increase the number of British Gas Business customers. The low wholesale energy prices have enabled us to reduce prices twice for residential customers. Since the announcement on 8 February of our initial price cut, around 900,000 customers have chosen to join British Gas, an average of over 65,000 per week. Recently we have begun to grow our customer base and currently have 15.8 million energy accounts on supply. We continue to invest in improving service for residential customers, including recruiting 800 additional front line customer service staff, whilst reducing costs elsewhere in the business. Given the timing of the price reductions, we expect the results from the residential business to be weighted heavily towards the first half of the year.

Profits from upstream gas production in the UK have fallen significantly as a result of the lower wholesale prices. Gas production in the first four months of the year was 642 million therms, 48% lower than the same period in 2006. We have seen a stronger contribution from our power stations, where electricity generated was up 133% at 5.9 Terawatt hours as our gas-fired stations benefited from low gas prices, allowing their output to displace that of the more carbon-intensive stations of other operators.

Our UK services business is on track to deliver a year of strong operating profit growth, driven by higher customer numbers and improved service levels. The UK storage business is also performing well, with all capacity for the 2007/8 storage year now sold, at an average price of 53.4p per Standard Bundled Unit.

Internationally, in North America, our business is trading ahead of last year with a significant improvement in results in commercial supply and wholesale energy and a consistent performance from the rest of the energy supply business, despite increased competition for residential customers in some areas. The reported result for North America will be impacted by the weakness of the Canadian and US dollars against sterling. In Europe we have also made an encouraging start to the year, with continued growth in the customer base in Belgium and Holland.

Outlook

Overall the outlook for Centrica in all markets is encouraging, although significant uncertainty remains over wholesale gas and power prices for the balance of the year and over demand levels due to unusual weather patterns. However, if wholesale prices turn out in line with current forward market prices and temperatures are seasonally normal, we would expect to deliver a Group operating profit above current consensus estimates, due to the significant

out-performance already seen in the first half. In addition, the Group's earnings will benefit from a lower interest charge due to lower debt and a lower effective tax rate, currently forecast to be below 40%, as a result of the significant shift in profits from upstream to downstream.

Centrica is currently scheduling its pre-close statement for 25 June 2007, ahead of its half year results on 2 August 2007.

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