Centrica plc

Interim Results
for the 6 months ended 30 June 2000
(unaudited)

SUMMARY

	6 months ended 30 June 2000	6 months ended 30 June 1999	*Year ended 31 December 1999*
Turnover	**£4,707m**	£3,887m	*£7,217m*
Group operating profit	**£390m**	£255m	*£335m*
Profit before tax, exceptionals and goodwill amortisation	**£401m**	£286m	*£417m*
Earnings before exceptionals and goodwill amortisation	**£364m**	£243m	*£331m*
Operating cash inflow before exceptionals	**£484m**	£901m	*£1,453m*
Cash inflow / (outflow) before financing	**£292m**	£274m	*£(690)m*
Earnings per ordinary share	**8.5p**	4.0p	*4.3p*
Earnings per ordinary share before exceptionals and goodwill amortisation	**9.2p**	5.5p	*7.9p*
Dividend per ordinary share	**1.1p**	1.0p	*2.5p*

The main features include:

- **Earnings, before exceptional charges and goodwill amortisation, up by 50%**
- **Market share in the residential gas market in Great Britain just under 72%**
- **3 million electricity customers on supply**
- **Continuing improvements in customer service**
- **Gas production volumes increased by 10%**
- **AA businesses performing on target and integration going well**
- **Interim dividend declared of 1.1p, up by 10%**
- **Direct Energy acquisition completed on 18 August 2000, for £ 406 million, bringing a base for growth in North America**
- **Telecom products launch announced**

CHAIRMAN'S STATEMENT

In the first half of 2000 we have continued to develop Centrica as the leading supplier of products and services in and around the home. We continue to be satisfied with the retention of residential gas customers in Great Britain, with a market share of just under 72%. As a result of our success in growing our base of residential electricity customers, we have raised our target so as to have 4 million customers on supply by the end of the year. The Automobile Association (AA), which we acquired in September 1999, is being integrated with our other business activities and is on target to deliver the planned benefits. AA personal and associate membership increased by 5.9%, giving a higher roadside assistance market share.

Financial Performance and Position

I am pleased to report a substantial increase in profits. First half earnings before exceptional charges and goodwill amortisation were £364 million, an increase of 50% compared with the six months to June 1999. The improvement largely came from lower gas and transportation costs, lower gas business operating costs, a 10% increase in own gas production and the inclusion of the AA businesses. The market prices for gas and oil however, both of which represent material index constituents in our long-term gas contracts, have increased sharply since 1999. These increases will feed through into our gas costs from October 2000, when the new gas year starts.

Group cash inflow in the period was £292 million (1999; £274 million) and net cash and money market investment balances as at 30 June 2000 stood at £174 million (1999; £498 million).

Customer Service

All of our businesses have continued to focus on improving service. Customer surveys show that there have been continuing improvements in performance across the British Gas brands and that satisfaction levels remain high for AA members and Goldfish customers.

Dividend

In 1999 we paid our first interim dividend of 1p per share. I am pleased to report that the Board have declared an interim dividend for 2000 of 1.1p per share, an increase of 10%.

Strategy

Our strategy continues to be one of growth. In our home market we are investing in our brands and in developing the range of services we can offer to new and existing customers. Our telecommunications business will soon be launching a package of attractive product offers and we intend to expand our range of financial services. Increasingly we are using the e-commerce channel for conducting business across all parts of the Group. Our business model is now being extended internationally with the acquisition of Direct Energy in Canada, which provides us with a platform to extend our strategy into North America.

Sir Michael Perry, CBE
Chairman
7 September 2000

CHIEF EXECUTIVE'S REVIEW

Group Results

Turnover

Group turnover from continuing operations at £4,707 million was 23% higher than in the first half of 1999. Higher volumes of wholesale gas, growth in the electricity customer base and inclusion of sales made by the Automobile Association (AA) business units were primarily responsible for the increase. Gas sales in the residential market reduced by 6% compared with the first six months of 1999; market share as at 30 June 2000 was 71.7% (31 December 1999; 73.3%).

Gross profit

The Group's gross profit of £1,133 million was £268 million higher than in the first six months of 1999. The main improvements came from lower unit costs of gas and transportation, higher non-residential gas selling prices, an increase in own gas production, the inclusion of the AA for the first six months of 2000, and growth in our electricity customer base. These improvements were partly offset by lower selling prices and volumes in the residential gas market.

Operating costs

The inclusion of AA business segments for the first half of 2000, growth in our electricity customer base, and additional revenue investments, including the development of our Telecoms business, were the main reasons for the rise in operating costs compared with the first half of 1999. We continue to drive down costs in our established businesses, and in particular we achieved a £46 million (14%) reduction in operating costs in our residential gas supply business, when compared with the first half of 1999.

Our strategy is to invest for growth. Much of this investment has a direct impact on our short-term profitability. In the first half, and in addition to capital expenditure, we invested a total of £81 million (1999 first half; £70 million) in growing our electricity customer base, establishing our Telecoms business in preparation for its product launch, e-commerce developments and launching other new products. In addition the £79 million invested in marketing (1999 first half; £51 million) will ensure the continuing strength of our consumer brands.

Exceptional charges and goodwill amortisation

The goodwill amortisation charge of £25 million primarily related to the acquisition of the AA in 1999. Restructuring costs of £3 million were also incurred mainly in respect of integration of the AA.

Net interest

Net interest payable of £17 million arose compared with net interest receivable of £7 million in the first half of 1999. These figures include notional interest charges, which arise on the unwinding of discounted liabilities. The switch from interest receivable to payable was the result of a reduction in average net cash and investment balances. These balances decreased largely as a consequence of the acquisition of the AA in September 1999 for a net cash outflow of £780 million, and the £530 million special dividend which was paid to shareholders in June 1999.

Taxation

The tax charge of £37 million (1999; £43 million) mainly related to offshore gas production activities which are ring-fenced for tax purposes. Taxable profits in other businesses are largely offset by tax losses brought forward from earlier years.

Cash Flow

Operating cash flow before exceptionals from continuing operations was £484 million compared with £920 million in the first six months of 1999. This reduction was largely caused by the timing of transportation payments (£270 million), the lower rate of decline in residential gas customer receivables, and gas contract renegotiation payments.

Acquisitions

Integration of the AA into the Centrica structure is going well and the business performance is in line with our expectations. Integration costs will continue to be incurred over the next two years.

E-commerce

We believe e-commerce is of growing importance to our future success. Our brands are well suited for trade over the Internet and this medium is also ideal for delivering customer services, such as billing and on-line payments.

The popular Goldfish Guide has now been put on-line, with the site providing advice and guidance on major purchases, helping consumers through the whole buying process. The Goldfish credit card is now internet enabled and customers can view and pay their bills, redeem their loyalty points and take up other offers. The AA's on-line insurance facility recently won the e-commerce category at the Insurance Awards ceremony.

Customer Relationships

Centrica regards Customer Relationship Management (CRM) as central to the Group's strategy. Across our businesses we serve some 18 million households, who take from us approximately 34 million products and services each year, giving us one of the largest customer bases in Great Britain.

In the first half of 2000 we have continued to invest in CRM capability, and this is reducing our cost of customer retention and acquisition, as we better understand and meet our customer needs.

Customer Service

During the first six months of this year complaint volumes to the Gas Consumers Council have continued to fall, down 23% on last year. Home Services' complaints were down by 7% and Gas Supply complaints were 26% lower.

The efforts we have made, together with Ofgem, to improve and simplify the process for customers changing supplier, have reduced the number of complaints within the change of supplier category by 33% compared with the first half of 1999.

PERFORMANCE BY BUSINESS

Energy Supply

Our Energy Supply business has grown in the six months ended 30 June 2000, with our share of the residential gas and electricity energy market in Great Britain rising from 35% at 30 June 1999 to 38% at 30 June 2000. We were supplying 3 million customers with electricity as at 30 June 2000, and we are now well on the way to achieving our revised target of 4 million electricity customers on supply by the end of 2000. The rate of customer losses in the residential gas market continues to decline, and our market share stood at 71.7% as at 30 June 2000 (30 June 1999; 76.4% and 31 December 1999; 73.3%).

Operating profit (including our share of joint venture results, but excluding exceptional items and goodwill amortisation) was £399 million, an increase of £92 million compared with the first half of 1999. The improvement was achieved primarily in the residential gas market with profit rising by £56 million to £256 million. Lower unit gas and transportation costs, and lower operating costs, were partly offset by reduced volumes as a consequence of competition, and falling average selling prices. The market price for gas and oil has risen sharply since 1999 though to a large extent this has not yet fed through to our own gas costs. Our gas portfolio will however experience material cost increases from October 2000, as the impact of indexation feeds through in the new gas contract year.

A better first half performance was also achieved in the non-residential gas market where a profit of £17 million was achieved compared with £2 million in the first six months of 1999. This improvement arose from higher unit selling prices, lower unit gas and transportation costs, and lower operating costs. As in the residential gas market, the margins experienced in the first half will not be sustainable as our unit gas costs will increase from October 2000.

Operating profit from our gas production activity at £171 million was up £7 million compared with the first half of 1999. Production volume at 2.3 billion therms was up by 10%, and was significantly higher than planned. For much of the first six months of 2000, production from the South Morecambe field was close to maximum capacity. This high rate of production was maintained in order to take advantage of rising gas prices in the market place. The profits from this higher than planned level of production and higher prices were partly offset by losses incurred on hedging contracts, which to some extent protect the Group against the possibility of gas prices falling.

Electricity contributed £41 million of gross profit, on sales of 5.4 terawatt-hours to an average of 2.6 million customers on supply. In the first half of 1999 the gross profit from electricity sales was £6 million, based on 0.7 terawatt-hours and 0.4 million customers. In the first half of 2000 a further £50 million was invested in growing the customer base, which contributed to a loss in electricity of £45 million, compared with a loss of £59 million in the first half of 1999. Since we entered the electricity market in Great Britain, a total investment of £277 million has been incurred.

We have been active in the implementation of the industry's New Electricity Trading Arrangements (NETA), which are expected to become live in the fourth quarter of this year. Electricity pool prices were volatile in the first half of 2000, though our exposure to pool price movements was mitigated by the use of forward contracts. For the medium term we continue to seek out equity interests in electricity generation assets so long as they can be obtained at realistic cost.

Home Services

Operating profit before exceptional charges at £9 million was 12% higher than the £8 million achieved in the first half of 1999. Turnover increased to £303 million, 7% higher than the first six months of 1999.

The number of gas service cover contracts, at 3.2 million as at 30 June 2000, showed an increase of 100,000 compared with the position as at 30 June 1999. Gas central heating system replacement volumes declined following another mild winter, although our market share remains stable. The first half of 1999 also benefited from sales generated by our former retail operation, which was closed during the second half of 1999. Buy now pay later incentives and marketing campaigns are being used to stimulate more demand for the second half.

Our plumbing and kitchen appliance maintenance products are proving popular. During the period plumbing contracts increased by 71,000 to 312,000 as at 30 June 2000, and kitchen appliance contracts grew by 73,000 to 145,000. A new plumbing and drains contract has recently been under trial and we expect to launch this product nationally later this year.

Our home security business is one of the UK's largest suppliers of monitored alarms for the home, with new alarm installations of just over 6,000 in the first half. We are currently developing new channels to market, affinity deals and a new wireless system, and have recently become the preferred supplier of security systems for Beazer homes.

Road Services

An operating profit before exceptionals and goodwill amortisation of £18 million was achieved in the six months ended 30 June 2000. Group results did not include AA activities for the same period in 1999, but if they had (i.e. on a pro-forma basis), we would have reported a profit for Road Services of £3 million during that period. The improvement in financial performance was the result of cost reductions, for example as a result of reducing the number of deployment centres, and improved efficiencies arising from operational integration with Home Services.

Out of a total membership of 9.8 million, at 30 June 2000, personal and associate AA members numbered 6.4 million, an increase of 357,000 (5.9%) over the number at 30 June 1999. During the first half of 2000 we attended almost 2 million breakdowns, with an average 'call to arrive' time of just under 35 minutes. For the second year running, the AA has been voted the best all round breakdown service by the JD Power survey of 24,000 motorists.

Financial Services

In Financial Services, we made an operating profit before exceptionals and goodwill amortisation, but including share of joint venture results, of £9 million (1999 first half; loss of £7 million). On a pro-forma basis, i.e. including AA Financial Services, turnover increased by 8% compared with the first half of 1999, and operating profit in the first half of 1999 would have been reported as £5 million.

Against the backdrop of rising premiums, price competition in the motor insurance market place has intensified, driving up the level of 'churn'. This resulted in a decline in the number of motor policies taken up by our customers in the first half, although premiums increased from £136 million in the first half of 1999, to £141 million in the first half of 2000. In home insurance we achieved strong quotation conversion and customer retention rates.

In June 2000 we introduced Churchill Insurance onto our panel of Insurers. This has been seen as a significant change within the industry, as it represents an innovative link-up between an intermediary and a major direct underwriter. This provides us with enhanced competitive rates, ensuring our customers continue to receive the best value and choice in line with our 'Trusted First Choice' positioning. We continue to seek further opportunities to grow our insurance panel to ensure that we remain competitive.

We have continued to invest in the development of the AA Internet site. 'Rapid quote' is now available and the facility for customers to make on-line amendments is due to go live shortly. We are actively promoting our Internet presence to maintain our competitive advantage in financial services.

Our credit business operates primarily through joint ventures, which as at 30 June 2000 had in excess of £1 billion of customer receivables under management across the AA and Goldfish brands, with a range of products including credit cards and personal loans. In a very competitive environment, we have been able to maintain our position in the market.

In the first quarter of 2000 we successfully trialled our Goldfish ISA. This has highlighted the strength of the Goldfish brand and we are currently evaluating the potential to develop the brand over a broader range of financial service products.

Other Activities

Other Activities include the AA driving school, signs and publishing businesses, the Goldfish Guide, and a number of other development activities. The results for the six months to 30 June 2000 reflect substantial investments in telecommunications and in e-commerce.

Outlook

On 18 August 2000 we completed the acquisition of Direct Energy Marketing Limited, a Canadian company, for £406 million. Direct Energy has approximately 820,000 gas customers, primarily in Ontario and owns and operates natural gas reserves in Alberta. It also has a 27.5% equity interest in Energy America L.L.C., which currently has 450,000 customers in the United States. The acquisition provides us with a strong energy customer base in North America, where parts of the Canadian electricity market are due to open to competition in 2001, and the US gas and electricity markets are in the early stages of deregulation.

As already reported in the press, we have now started the launch of our telecommunications products. An advertising programme will run from the end of this month, with customers being connected in October.

We are making good progress in building our e-commerce capability in an integrated way across our businesses. Our future plans include the development of leading sites for the motorist and traveller, the home and for personal finance.

In the first half our gas purchase contract position largely protected us from the substantially higher and more volatile gas prices that have prevailed in the market place since the early part of this year. Our externally sourced gas costs are expected to rise by just over 3p per therm from October 2000 however, as a result of indexation, including that due to oil price increases. This is against a backdrop of an increase in the annual market price of gas of 9p per therm, since January 2000.

Our balance sheet remains strong enabling us to continue with our programme of investment for long-term growth. The second half will see further revenue investment aggregating some £120 million in our electricity customer base, in financial services, e-commerce and our telecommunications business, up £20 million on the second half of last year.

Having taken into account our performance in the first half, the increase in gas costs from October 2000 and our planned level of investment, we expect to achieve satisfactory progress for the year as a whole.

Roy Gardner
Chief Executive
7 September 2000

Independent review report to Centrica plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 10 to 16 and we have read the other information contained in the interim report for any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report, including the financial information contained herein, is the responsibility of, and has been approved by the Directors. The Listing Rules of the Financial Services Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2000.

PricewaterhouseCoopers
Chartered Accountants

1 Embankment Place
London WC2N 6RH

7 September 2000

Summary Group Profit and Loss Account

	Notes	**6 months ended 30 June 2000 £m**	6 months ended 30 June 1999 £m	*Year ended 31 December 1999 £m*
Turnover:				
Continuing operations		**4,707**	3,822	*7,134*
Discontinued operations	4	**-**	65	*83*
	2	**4,707**	3,887	*7,217*
Cost of sales	3, 5	**(3,574)**	(3,022)	*(5,570)*
Gross profit		**1,133**	865	*1,647*
Operating costs	3, 5	**(751)**	(610)	*(1,308)*
Operating profit		**382**	255	*339*
Share of profits less losses in joint ventures and associates - continuing operations		**8**	-	*(4)*
Group operating profit / (loss):				
Continuing operations		**390**	280	*361*
Discontinued operations	4	**-**	(25)	*(26)*
	2	**390**	255	*335*
Exceptional provision for loss on operations to be discontinued	4	**-**	(42)	*-*
Loss on closure of discontinued operations	4	**-**	-	*(60)*
Net interest (payable) / receivable		**(17)**	7	*(7)*
Profit before taxation	6	**373**	220	*268*
Taxation	7	**(37)**	(43)	*(86)*
Profit after taxation	6	**336**	177	*182*
Dividends	8	**(44)**	(40)	*(100)*
Retained profit for the financial period		**292**	137	*82*
Dividend per ordinary share	8	**1.1p**	1.0p	*2.5p*
Earnings per ordinary share:				
Basic	9	**8.5p**	4.0p	*4.3p*
Diluted	9	**8.3p**	4.0p	*4.3p*
Adjusted Basic	9	**9.2p**	5.5p	*7.9p*

There were no recognised gains or losses other than those shown above.

Memorandum:		**£m**	£m	*£m*
Group operating profit before exceptionals and goodwill amortisation	2	**418**	279	*424*
Profit before tax, exceptionals and goodwill amortisation	6	**401**	286	*417*
Earnings before exceptionals and goodwill amortisation	6	**364**	243	*331*

Summary Group Balance Sheet

	As at 30 June 2000 £ m	As at 30 June 1999 £m	As at 31 December 1999 £m
Fixed assets	**2,799**	1,844	*2,905*
Stock	**79**	87	*84*
Debtors due within one year	**1,287**	889	*1,284*
Debtors due after more than one year	**73**	172	*120*
Cash and investments	**378**	743	*304*
Creditors due within one year	**(1,715)**	(1,092)	*(2,138)*
Net current assets / (liabilities)	**102**	799	*(346)*
Total assets less current liabilities	**2,901**	2,643	*2,559*
Creditors due after more than one year	**(166)**	(250)	*(178)*
Provision for liabilities and charges	**(1,468)**	(1,371)	*(1,414)*
Total assets less liabilities	**1,267**	1,022	*967*
Capital and reserves	**1,267**	1,022	*967*

Movements in Shareholders' Funds

	6 months ended 30 June 2000 £ m	6 months ended 30 June 1999 £m	Year ended 31 December 1999 £m
Shareholders' funds as at 1 January	**967**	885	*885*
Profit on ordinary activities for the period	**336**	177	*182*
Dividends	**(44)**	(40)	*(100)*
Shares issued	**41**	-	*1*
Reserves transfer	**(33)**	-	*(1)*
Shareholders' funds as at period end	**1,267**	1,022	*967*

Summary Group Cash Flow Statement

	Note	6 months ended 30 June 2000 £m	6 months ended 30 June 1999 £m	Year ended 31 December 1999 £m
Operating profit		**382**	255	*339*
Add back:				
Exceptional charges and goodwill amortisation		**28**	24	*89*
Depreciation and amortisation		**166**	134	*269*
(Increase) / decrease in working capital		**(132)**	466	*726*
Other non cash flow items		**40**	22	*30*
Operating cash flow before exceptionals:				
Continuing operations		**484**	920	*1,471*
Discontinued operations		**-**	(19)	*(18)*
		484	901	*1,453*
Expenditure relating to exceptional charges		**(43)**	(46)	*(135)*
Net cash inflow from operating activities		**441**	855	*1,318*
Dividends received from joint ventures and associates		**2**	-	*11*
Returns on investments and servicing of finance		**(9)**	15	*19*
Taxation		**(27)**	(9)	*(163)*
Capital expenditure and financial investment		**(55)**	(57)	*(143)*
Acquisitions		**-**	-	*(1,162)*
Equity dividends paid	8	**(60)**	(530)	*(570)*
Cash inflow / (outflow) before financing		**292**	274	*(690)*
Management of liquid resources		**(81)**	(375)	*392*
Financing		**(204)**	75	*248*
Net increase / (decrease) in cash		**7**	(26)	*(50)*
Opening (overdraft) / cash		**(31)**	19	*19*
Closing overdraft		**(24)**	(7)	*(31)*

Reconciliation of cash and investments, net of debt

	2000 £m	1999 £m	1999 £m
Debt, net of cash and investments as at 1 January	**(127)**	223	*223*
Money market investments acquired	**-**	-	*340*
Net increase / (decrease) in money market investments	**81**	375	*(392)*
Net increase / (decrease) in cash for the period	**7**	(26)	*(50)*
New finance lease obligations	**-**	(113)	*(113)*
Net decrease / (increase) in other debt	**213**	39	*(135)*
Cash and investments, net of debt, as at period end (i)	**174**	498	*(127)*

(i) Cash and investments, net of debt as at 30 June 2000 comprised cash and money market investments of £378 million (30 June 1999; £743 million, 31 December 1999; £304 million), less bank overdrafts and loans of £36 million (30 June 1999; £46 million, 31 December 1999; £247 million) and finance lease obligations of £168 million (30 June 1999; £199 million, 31 December 1999; £184 million).

Notes

1 Basis of preparation

The unaudited financial information contained in this report does not comprise statutory accounts within the meaning of Section 240 of the Companies Act 1985. These results have been prepared using accounting policies consistent with those used in preparing the Group's 1999 Annual Report and Accounts.

The comparative information, for the six months ended 30 June 1999, has been restated to reflect the revised segmental analysis presented in the Company's 1999 Annual Report and Accounts. The segmental analysis presented in note 2 shows 'Group operating profit', which includes the Group's share of joint venture and associate profits and losses. This revised basis has been adopted since a significant proportion of our Financial Services business's activity is conducted through joint ventures, and the revised basis gives a better understanding of the Group's operations.

2 Segmental analysis
for the 6 months ended 30 June

	Turnover		Group operating profit / (loss) before exceptional charges and goodwill amortisation		Group operating profit / (loss) after exceptional charges and goodwill amortisation	
	2000	1999	**2000**	1999	**2000**	1999
	£ m	£m restated	**£ m**	£m restated	**£ m**	£m restated
Energy Supply	**4,090**	3,539	**399**	307	**399**	284
Home Services	**303**	282	**9**	8	**9**	7
Road Services	**226**	-	**18**	-	**(1)**	-
Financial Services	**60**	-	**9**	(7)	**-**	(7)
Other Activities	**28**	1	**(17)**	(4)	**(17)**	(4)
Continuing operations	**4,707**	3,822	**418**	304	**390**	280
Discontinued operations	**-**	65	**-**	(25)	**-**	(25)
Total from operations	**4,707**	3,887	**418**	279	**390**	255

2 Segmental analysis - continued
for the year ended 31 December 1999

	Turnover	Group operating profit / (loss) before exceptional charges and goodwill amortisation	Group operating profit / (loss) after exceptional charges and goodwill amortisation
	1999	1999	1999
	£m	£m	£m
Energy Supply	6,386	456	401
Home Services	592	20	16
Road Services	112	(3)	(21)
Financial Services	26	(8)	(17)
Other Activities	18	(16)	(18)
Continuing operations	7,134	449	361
Discontinued operations	83	(25)	(26)
Total from operations	7,217	424	335

3 Costs

	6 months ended 30 June 2000 £ m	6 months ended 30 June 1999 £m	Year ended 31 December 1999 £m
Cost of sales:			
Continuing operations	3,574	2,973	5,501
Discontinued operations	-	49	69
	3,574	3,022	5,570
Operating costs:			
Continuing operations	751	569	1,268
Discontinued operations	-	41	40
	751	610	1,308
	4,325	3,632	6,878

4 Discontinued operations

Discontinued operations comprised the Group's former retail operations which were closed during 1999.

5 Exceptional charges and goodwill amortisation

	6 months ended 30 June 2000 £m	6 months ended 30 June 1999 £m	Year ended 31 December 1999 £m
Included within cost of sales:			
Gas contract renegotiations - continuing operations	-	-	30
Included within operating costs:			
Year 2000 costs - continuing operations	-	6	9
- discontinued operations	-	-	1
	-	6	10
Restructuring costs - continuing operations	3	18	36
Goodwill amortisation - continuing operations	25	-	13
Provision for loss on operations to be discontinued	-	42	-
Loss on closure of discontinued operations	-	-	60
	28	66	149

6 Exceptional charges and goodwill amortisation

	6 months ended 30 June 2000 £m	6 months ended 30 June 1999 £m	Year ended 31 December 1999 £m
Profit before taxation	373	220	268
Exceptional charges and goodwill amortisation	28	24	89
Provision for loss on operations to be discontinued	-	42	-
Loss on closure of discontinued operations	-	-	60
Profit before taxation, exceptionals and goodwill amortisation	401	286	417
Taxation	(37)	(43)	(86)
Earnings before exceptionals and goodwill amortisation	364	243	331

7 Taxation

The charge comprises mainly corporation tax on 'ring-fenced' offshore gas production.

8 Dividends

An interim dividend of 1.1p per share (1999; 1.0p) will be paid to shareholders on 27 November 2000. The final 1999 dividend of 1.5p per share was paid in June 2000, whilst a special dividend of 12.0p per share was paid to shareholders in June 1999.

9 Earnings per share

Basic and adjusted basic earnings per share (EPS) are calculated as follows:

	6 months ended 30 June 2000		6 months ended 30 June 1999		*Year ended 31 December 1999*	
	Earnings £ m	**EPS pence**	Earnings £m	EPS pence	*Earnings £m*	*EPS pence*
Profit after taxation / Basic EPS	**336**	**8.5**	177	4.0	*182*	*4.3*
Add back exceptional charges and goodwill amortisation	**28**	**0.7**	66	1.5	*149*	*3.6*
Earnings before exceptional charges and goodwill amortisation / Adjusted Basic EPS	**364**	**9.2**	243	5.5	*331*	*7.9*
Average number of shares (million) used in the calculation of basic and adjusted basic earnings per share		**3,973**		4,403		*4,186*
Average number of shares (million) used in the calculation of diluted earnings per share		**4,038**		4,454		*4,249*

Enquiries

For further information please contact:

Charles Naylor, Director of Corporate Affairs
Chris Milburn, Head of Investor Relations

Telephone:
01753 758 442/3/4/5 (Press)
01753 758 112/3/4 (Shareholders and Analysts)

Facsimile:
01753 758 440 (Press)
01753 758 472 (Shareholders and Analysts)

Internet:
www.centrica.co.uk
www.gas.co.uk
www.goldfish.com
www.theaa.com

Financial Calendar

Ex-dividend date for 2000 interim dividend	25 September 2000
Record date for 2000 interim dividend	29 September 2000
Payment of 2000 interim dividend	27 November 2000
2000 Preliminary results announcement	22 February 2001
2000 Annual Report and Accounts published	End of March 2001
Annual General Meeting	14 May 2001

Registered Office

Charter Court
50 Windsor Road
Slough
Berkshire
SL1 2HA