Centrica plc
Interim Results
for the 6 months ended 30 June 1999
(unaudited)

SUMMARY

	6 months ended 30 June 1999	6 months ended 30 June 1998 as restated	*Year ended 31 December 1998 as restated*
Turnover	**£3,887m**	£4,125m	*£7,481m*
Operating profit before exceptionals	**£279m**	£114m	*£214m*
Profit before tax and exceptionals	**£286m**	£128m	*£252m*
Earnings before exceptionals	**£243m**	£88m	*£176m*
Operating cash flow before exceptionals	**£901m**	£673m	*£870m*
Earnings per share	**4.0p**	1.2p	*2.1p*
Earnings per share before exceptionals	**5.5p**	2.0p	*4.0p*
Special dividend per share	-	-	*12.0p*
Interim dividend per share	**1.0p**	-	-

- **Strong first half helped by lower gas costs and higher production**
- **Good progress growing domestic electricity base**
- **Rapid take-up of new products**
- **First interim dividend**
- **Recommended offer for the Automobile Association**

Commenting on the results, Chairman Sir Michael Perry said:

Our results in the first half of 1999 were satisfactory, with further earnings improvement and continued strong cash flows. The strategy we have pursued and developed has delivered considerable growth in shareholder value. In addition to the increase in share price we returned £530 million to shareholders by way of a special dividend of 12p per share in June 1999, and I confirm we will pay our first interim dividend of 1p per share on 7 December 1999.

CHAIRMAN'S STATEMENT

I am pleased to report the continuing progress of the Group in implementing our strategy to establish Centrica as the first choice supplier of energy and services to homes and businesses. As expected, we have lost domestic gas market share following the introduction of competition but are satisfied with the proportion of customers we have retained to date. We are delighted that many of those who had left are now returning to us. We have also signed up in excess of 1.9 million domestic electricity customers and are continuing to see substantial growth in our Services business.

Financial Performance

The results of actions we have taken over the last two years are now coming through in much stronger financial performance, with earnings before exceptional charges in the first half of £243 million, compared with £88 million in the corresponding period in 1998. In particular lower gas costs following renegotiation, which were evident in the fourth quarter of 1998, also provided further benefit in the first half of this year. We have continued to generate positive cash flows which enabled us to pay the special dividend of £530 million in June 1999 from our own cash reserves. As at 30 June 1999 we had net cash of £498 million which, together with funding arrangements already in place, will provide the finance for the proposed acquisition of the Automobile Association (AA).

Customer Service

Excellent customer service continues to be of paramount importance to us and goes hand in hand with brand development. Our customer satisfaction tracking shows we are maintaining the considerable improvements we have made in recent years, to the service we deliver. However, we recognise there is still more to be done and have wide ranging improvement plans in place, designed to enhance further our relationship with customers.

Board

During the period we have been delighted to welcome Sir Sydney Lipworth to the Board as a non-executive director. Sir Sydney brings long and wide ranging experience, which will be invaluable to us as we build on the early success of our company.

Dividend

As announced in February, the Board has forecast a dividend, in the absence of exceptional circumstances, of 2.5 pence in respect of 1999. An interim dividend of 1.0 pence per share, payable on 7 December 1999, is declared.

Strategy

The decision to close our British Gas Energy Centre shops was taken following an in-depth strategic review. The business had faced problems from depressed trading conditions and intense competition, and the decision to close was a difficult but necessary one.

We expect to complete our acquisition of the AA over the next month, subject to the approval of its members. With the AA, British Gas and Goldfish, we will have three very strong consumer brands. We will continue to invest in those brands to consolidate the Company's position as a leading provider of essential products and services.

Sir Michael Perry, CBE
Chairman
9 September 1999

CHIEF EXECUTIVE'S REVIEW

Group Results

Turnover at £3,887 million was £238 million lower in the first half of 1999, compared with the first six months of 1998. Domestic gas sales volumes were down by 14% due to market share reductions, following the full opening up of competition in May 1998. We saw turnover increases in central heating services, gas trades in the wholesale market, and the gradual build up of electricity sales. Turnover in our Retail business however declined by £15 million with depressed trading conditions in the high street.

Operating profit at £279 million, before exceptional charges, was £165 million better than the performance achieved in the first half of 1998.

Most of the profit improvement occurred in Energy Supply due to lower third party gas, transportation and storage costs and higher gas production from our own gas fields. In the first half of 1999, the average unit cost of gas purchased externally was 16.2 pence compared with 19.3 pence in the corresponding period in 1998. Much of this reduction came about as a result of the long-term take or pay gas contract renegotiations we concluded over the last three years, which took effect from October 1998. Gas production volumes from our own field interests were up by approximately 50% compared with the first half of 1998. This displaced more expensive externally purchased gas and improved the Group's profit by approximately £55 million.

Due to the seasonality of domestic energy consumption, first half year profits will normally exceed those in the second half. Whilst we estimate around 60% of our domestic Energy Supply revenues arise in the first half, our operating costs before reduction initiatives are flat across the year.

Progress continues to be made in our Services business, which made a profit before exceptional charges of £8 million compared with £3 million in the first half of 1998. In Retail we incurred a loss before exceptionals of £25 million, a disappointing deterioration compared with the loss of £16 million in the corresponding period in 1998. Following a strategic review, in July the closure of our Energy Centre shops was announced at an exceptional cost of approximately £60 million, of which £42 million has been recognised in these results.

Group operating costs of £586 million before exceptional charges were up by 14% on the first half of 1998 due primarily to expenditure on electricity customer acquisitions and systems, growth in Services and investment in other new businesses.

First half exceptional charges were £66 million (1998; £35 million). The main component was £60 million (1998; £nil) on restructuring, of which £18 million was in Energy Supply and £42 million was associated with asset impairments on the closure of our Retail operations. In addition £6 million (1998; £8 million) was incurred on Year 2000 computer system compliance preparations. In the first half of 1998, exceptional charges also included £27 million in relation to gas contract renegotiations.

Net interest receivable was £7 million (1998; £17 million), after taking account of notional charges of £12 million (1998; £12 million) in connection with discounted long-term liabilities. The reduction compared with 1998 reflected lower interest rates and the take-on of debt with the sale and leaseback of certain gas platform assets in Morecambe Bay.

The tax charge of £43 million (1998; £40 million) primarily related to ring-fenced offshore gas production activities.

Operating cash flow before exceptionals amounted to £901 million, an increase of £228 million on the first half of 1998, mainly due to lower payments for gas and transportation. In June 1999 a special dividend of £530 million was paid to shareholders. Net cash at the end of June 1999 was £498 million, a level £275 million higher than the level at the beginning of the current year.

Customer Service

We place the highest priority on the quality of service we provide to our customers who continue to confirm high levels of customer satisfaction.

In the first half of the year, complaints, excluding those relating to the switching of supplier in our gas supply business, fell by 17% compared with the same period last year. In the change of supplier category the impact of domestic gas competition has been to increase complaints to the Gas Consumers' Council (GCC). Including these, the overall levels of gas supply complaints rose in the first half by 6% compared with the first six months of 1998, and for the Group as a whole, the increase was 2%.

In our Services business the downward trend in complaints to the GCC has continued, with a further fall of 6% for the first half of this year.

Prices

We continue to reduce prices to our energy supply customers. Our Gas Choices package allows customers to select a payment method which best suits their needs, with payment outlets that include more than 19,000 Post Offices. Our pricing reflects the relative costs of administration, with direct debit being the least costly and, due to the need for special meters, prepayment as the most expensive. We have nevertheless cut prepayment prices three times over the past 15 months, totalling a 10% reduction in real terms. An Advance Payment Tariff has also been introduced, offering customers 15% savings from standard prices. With the opening up of the electricity market, British Gas has guaranteed to offer cheaper electricity prices than local suppliers until 2001. On average British Gas' direct debit electricity prices for its gas customers are currently 11% lower than the electricity prices offered by local suppliers. By supplying both fuels British Gas is passing administrative cost savings through to customers.

Regulation

Reform of the electricity pool price setting mechanism, the separation of the supply and distribution activities and the distribution price control reviews of the regional electricity companies are key regulatory issues. In this regard we are encouraged by the progress which the Regulator is making in pursuing these changes. Current supply price controls in gas (which apply to British Gas) and in electricity (which apply to regional electricity companies) run until March 2000. From the Regulator's initial consultation there appears to be scope for some relaxation of supply price controls as the gas and electricity markets become more competitive. We believe it is important that the nature of any remaining controls from April 2000 does not lead to any distortions in the converging energy market.

Year 2000

We have completed our year 2000 readiness programme for all of our key systems. If they had not been addressed, year 2000 issues could have potentially disrupted many of our key business processes including gas production, customer billing and collection, customer liaison, and servicing and installation of appliances. From now on we are concentrating our efforts on ensuring our contingency and operating plans are adequate for the critical period. Centrica is making every effort to ensure that the risk of disruption to customers, employees, shareholders and other stakeholders is minimised.

Centrica is an active member of the year 2000 cross utility interest group and is working closely with the Government body 'Action 2000', and its regulatory bodies. In keeping with Centrica's commitment to its programme, we have signed "Pledge 2000" along with other members of the utility interest group.

Since commencement of the programme in 1997, Centrica has spent £31 million on year 2000 preparations. It is estimated that up to a further £9 million will be expended in completing the necessary work.

PERFORMANCE BY BUSINESS

Energy Supply

Operating profit for the six month period, before exceptional charges, was £303 million (1998; £133 million). This improvement was largely achieved through lower unit gas and storage costs.

In the domestic gas sector, the operating profit was £196 million (1998; £87 million). The weather has been warmer than normal in the first six months, as it was in the first half of 1998, and had the effect of reducing the demand for gas. But for this, we would have expected our profits to be almost £80 million higher in the first half of 1999, and almost £60 million higher in 1998. Our market share in the domestic gas market at the end of August 1999 was 76% (15 million homes), compared with 85% (16.6 million homes) on 6 September 1998.

The domestic electricity market was fully opened to competition on 24 May 1999 and we have now signed up approaching 2 million customers. The operating loss sustained in the first half of £59 million (1998; £38 million) reflects our policy of expensing the costs of building up our customer base.

In the combined domestic gas and electricity market we estimate our market share to be approximately 36% at the end of August.

Business Gas losses were £7 million compared with £98 million in the first six months of 1998, again reflecting the benefit of lower unit gas and transportation costs. European trades continued to grow during the first half of 1999. Accord made a profit of £9 million from wholesale energy trades, £5 million lower than in the first half of 1998, due to lower available margins.

Our own gas production contributed £164 million (1998; £168 million) to operating profits. Production volumes from our South Morecambe field were up substantially, resulting in total own gas production being almost 50% higher than in the first half of 1998. The average unit price at which these volumes were charged to our gas supply business was materially lower than in the corresponding period. Whilst this has had a downward effect on operating profits from gas production, there have been corresponding benefits in terms of increased profitability in gas supply and lower taxation on ring-fenced gas production. We have continued to enhance our portfolio of equity gas by the purchase of further field interests at a cost of £10 million. In January 1999 £113 million of finance was raised from the sale and leaseback of platform assets. This was in addition to £92 million raised at the end of 1998.

Services

The improvement in Services' financial performance, continued into 1999, evidenced by turnover of £282 million for the first six months of the year. This represented a 15% increase compared with the same period in 1998. Operating profit of £8 million before exceptionals achieved during the first half of 1999 was £5 million higher than that recorded in the equivalent prior year period. This increase was realised despite significant levels of revenue investment in our new business ventures, including home security, electrical appliance maintenance and plumbing cover activities.

Retail

The hoped-for improvement in our Retail business did not materialise. Trading was very depressed, in line with market conditions, leading to sales 19% lower than the same period in 1998 and losses £9 million worse at £25 million. On 19 July 1999, the closure of the Energy Centre shops was announced. An exceptional impairment charge of £42 million has been recognised in the first half and a further exceptional charge of approximately £18 million is expected to arise in the second half of the year as the closure is completed. Future retailing will be undertaken through the Services business direct to the home.

Other activities, including results of associates and joint ventures

Our primary joint venture is the Goldfish credit card, in partnership with HFC Bank. The card has a very loyal base of customers, who are attracted by the discounts offered against home-related products and services. At the end of August just under one million cards were in issue. Other Financial Services' activities include our home insurance product, marketed under both the British Gas and Goldfish brands.

Our other associate and joint ventures all contributed positively to Group earnings.

Outlook

The second half of 1998 was materially affected by the benefit of gas contract renegotiations. The profile of earnings in 1998, having removed this effect, would have been very much skewed towards the first half. We expect that 1999 earnings will follow a similar pattern. Although the second half of 1999 should benefit from some reduction in operating costs and a further small reduction in gas costs, the seasonal nature of the business means that the Group's second half profits are likely to be significantly lower than those of the first six months.

Leaving aside the impact of absorbing the AA into the Group, assuming the proposed acquisition is completed, we expect a satisfactory performance for the full year.

Roy Gardner
Chief Executive
9 September 1999

Independent review report to Centrica plc

Introduction

We have been instructed by the Company to review the financial information set out on pages 8 to 14 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 London Stock Exchange 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 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 1999.

PricewaterhouseCoopers
Chartered Accountants

1 Embankment Place
London WC2N 6NN

9 September 1999

Summary Group Profit and Loss Account

	Notes	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m as restated	Year ended 31 December 1998 £m as restated
Turnover:				
- Continuing operations		**3,822**	4,045	*7,312*
- Discontinued operations	4	**65**	80	*169*
	2	**3,887**	4,125	*7,481*
Cost of sales:				
- underlying	3	**(3,022)**	(3,497)	*(6,212)*
- exceptional	5	**-**	(27)	*(63)*
		(3,022)	(3,524)	*(6,275)*
Gross profit		**865**	601	*1,206*
Operating costs:				
- underlying	3	**(586)**	(514)	*(1,055)*
- exceptional	5	**(24)**	(8)	*(22)*
		(610)	(522)	*(1,077)*
Operating profit / (loss):				
- Continuing operations		**280**	95	*162*
- Discontinued operations	4	**(25)**	(16)	*(33)*
	2	**255**	79	*129*
Share of profits less losses of associates and joint ventures		**-**	(3)	*(1)*
		255	76	*128*
Exceptional provision for loss on operations to be discontinued	4,5	**(42)**	-	-
Profit / (loss) on ordinary activities before interest:				
- Continuing operations		**280**	92	*159*
- Discontinued operations		**(67)**	(16)	*(31)*
		213	76	*128*
Net interest receivable		**7**	17	*39*
Profit on ordinary activities before taxation	6	**220**	93	*167*
Taxation	7	**(43)**	(40)	*(76)*
Profit on ordinary activities	6	**177**	53	*91*
Dividends		**(40)**	-	*(530)*
Retained profit / (loss) for the financial period		**137**	53	*(439)*
Special dividend per ordinary share	8	**-**	-	*12.0p*
Interim dividend per ordinary share	8	**1.0p**	-	-
Earnings per ordinary share:				
- Basic	9	**4.0p**	1.2p	*2.1p*
- Diluted	9	**4.0p**	1.2p	*2.0p*
- Adjusted Basic	9	**5.5p**	2.0p	*4.0p*

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

Summary Group Balance Sheet

	As at 30 June 1999 £m	As at 30 June 1998 £m as restated	As at 31 December 1998 £m as restated
Fixed assets	**1,844**	1,715	*1,947*
Stock	**87**	117	*127*
Debtors due within one year	**889**	1,278	*1,410*
Debtors due after more than one year	**172**	220	*173*
Cash and investments	**743**	694	*374*
Creditors due within one year	**(1,092)**	(1,261)	*(1,663)*
Net current assets	**799**	1,048	*421*
Total assets less current liabilities	**2,643**	2,763	*2,368*
Creditors due after more than one year	**(250)**	(98)	*(169)*
Provision for liabilities and charges	**(1,371)**	(1,289)	*(1,314)*
Total assets less liabilities	**1,022**	1,376	*885*
Capital and reserves:			
Share capital	**222**	222	*222*
Share premium	**2**	1	*2*
Merger reserve	**467**	467	*467*
Profit and loss account	**331**	686	*194*
Shareholders' funds	**1,022**	1,376	*885*

Movements in Shareholders' Funds

	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m as restated	Year ended 31 December 1998 £m as restated
Shareholders' funds at 1 January	**885**	1,322	*1,322*
Profit on ordinary activities	**177**	53	*91*
Dividends	**(40)**	-	*(530)*
Shares issued	**-**	1	*2*
Shareholders' funds at period end	**1,022**	1,376	*885*

Summary Group Cash Flow Statement

	Note	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m as restated	Year ended 31 December 1998 £m as restated
Operating profit after exceptional charges		**255**	79	*129*
Add back:				
Exceptional charges		**24**	35	*85*
Depreciation and amortisation		**134**	92	*207*
Decrease in working capital		**466**	438	*408*
Other non cash flow items		**22**	29	*41*
Operating cash flow before exceptionals:				
- Continuing operations		**920**	713	*918*
- Discontinued operations		**(19)**	(40)	*(48)*
		901	673	*870*
Expenditure relating to exceptional charges		**(46)**	(51)	*(211)*
Net cash inflow from operating activities		**855**	622	*659*
Dividends received from associates and joint ventures		**-**	-	*1*
Returns on investments and servicing of finance		**15**	22	*58*
Taxation		**(9)**	(2)	*(215)*
Capital expenditure and financial investment		**(57)**	(19)	*(70)*
Acquisitions		**-**	(7)	*(101)*
Equity dividends paid	8	**(530)**	-	*-*
Cash inflow before financing		**274**	616	*332*
Management of liquid resources		**(375)**	(624)	*(285)*
Financing		**75**	(2)	*(42)*
Net (decrease) / increase in cash		**(26)**	(10)	*5*
Opening cash		**19**	14	*14*
Closing cash		**(7)**	4	*19*

Reconciliation of cash and investments, net of debt

	£m	£m	£m
Net cash and investments, net of debt at 1 January	**223**	41	*41*
Net increase in money market investments	**375**	624	*285*
Net (decrease) / increase in cash for the period	**(26)**	(10)	*5*
Debt on acquisitions	**-**	(6)	*(139)*
New finance lease obligations	**(113)**	(1)	*(99)*
Net reduction in short-term debt	**39**	3	*130*
Net cash and investments, net of debt at period end (i)	**498**	651	*223*

(i) Net cash and investments, net of debt as at 30 June 1999 comprised cash and money market investments of £743 million (30 June 1998; £694 million, 31 December 1998; £374 million), less bank overdrafts and loans of £46 million (30 June 1998; £10 million, 31 December 1998; £44 million) and finance lease obligations of £199 million (30 June 1998; £33 million, 31 December 1998; £107 million).

Notes

1 Basis of preparation and accounting policy change

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 1998 Annual Report and Accounts, except that Financial Reporting Standard 12 'Provisions, Contingent Liabilities and Contingent Assets' has resulted in full provision being made for the net present value of the de-commissioning of gas production facilities. A corresponding asset has been recognised in respect of the de-commissioning costs, which is subject to amortisation charges on a unit of production basis. Notional interest charges arise on a time basis, based upon the discounted provision created. Previously the cost of de-commissioning was being built up over the life of the fields concerned on a unit of production basis. The effect upon current and prior periods is shown below:

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	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m	*Year ended 31 December 1998 £m*
Cost of sales	**5**	4	*6*
Net interest receivable	**(2)**	(1)	*(3)*
Profit before taxation	**3**	3	*3*
Taxation	**(1)**	(1)	*(1)*
Profit for the financial period	**2**	2	*2*
Operating profit after exceptionals	**5**	4	*6*
Depreciation and amortisation	**2**	2	*4*
Other non-cash flow items	**(7)**	(6)	*(10)*
Cash inflow from operating activities	**-**	-	*-*

	As at 30 June 1999 £m	As at 30 June 1998 £m	*As at 31 December 1998 £m*
Fixed assets	**40**	36	*43*
Provisions	**(25)**	(23)	*(30)*
Reserves	**15**	13	*13*

2 Segmental analysis
for the 6 months ended 30 June

	Turnover		Operating profit / (loss) before exceptional charges		Operating profit / (loss) after exceptional charges	
	1999 £m	1998 £m	**1999 £m**	1998 £m as restated	**1999 £m**	1998 £m as restated
Energy Supply	**3,539**	3,800	**303**	133	**280**	100
Services	**282**	245	**8**	3	**7**	1
Other	**1**	-	**(7)**	(6)	**(7)**	(6)
Continuing operations	**3,822**	4,045	**304**	130	**280**	95
Discontinued operations	**65**	80	**(25)**	(16)	**(25)**	(16)
Total from operations	**3,887**	4,125	**279**	114	**255**	79

for the year ended 31 December 1998

	Turnover	Operating profit / (loss) before exceptional charges	Operating profit / (loss) after exceptional charges
	£m	*£m as restated*	*£m as restated*
Energy Supply	*6,784*	*248*	*171*
Services	*526*	*9*	*3*
Other	*2*	*(12)*	*(12)*
Continuing operations	*7,312*	*245*	*162*
Discontinued operations	*169*	*(31)*	*(33)*
Total from operations	*7,481*	*214*	*129*

3 Underlying costs

	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m as restated	Year ended 31 December 1998 £m as restated
Cost of sales:			
Continuing operations	**2,973**	3,447	*6,107*
Discontinued operations	**49**	50	*105*
	3,022	3,497	*6,212*
Operating costs:			
Continuing operations	**545**	468	*960*
Discontinued operations	**41**	46	*95*
	586	514	*1,055*
	3,608	4,011	*7,267*

4 Discontinued operations

On 19 July 1999, Centrica announced the closure of its British Gas Energy Centre shops. Consequently, the segment reported previously as 'Retail', has been treated as 'Discontinued operations' and a £42 million impairment exceptional charge has been recognised in the six months ended 30 June 1999. A further exceptional charge of approximately £18 million, relating to closure costs and post cessation trading activities is expected to arise in the second half of the year. As at 9 September 1999 the closure is largely complete.

5 Exceptional charges

	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m	Year ended 31 December 1998 £m
Cost of sales:			
Gas contract renegotiations - continuing operations	**-**	27	*63*
Operating costs:			
Year 2000 costs - continuing operations	**6**	8	*18*
- discontinued operations	**-**	-	*1*
	6	8	*19*
Restructuring - continuing operations	**18**	-	*2*
- discontinued operations	**-**	-	*1*
	18	-	*3*
Provision for loss on operations to be discontinued	**42**	-	-
	66	35	*85*

Year 2000 costs represent bought-in services.

6 Earnings before exceptionals

	6 months ended 30 June 1999 £m	6 months ended 30 June 1998 £m as restated	Year ended 31 December 1998 £m as restated
Profit on ordinary activities before taxation	**220**	93	*167*
Exceptional charges	**66**	35	*85*
Profit before tax and exceptionals	**286**	128	*252*
Taxation	**(43)**	(40)	*(76)*
Earnings before exceptionals	**243**	88	*176*

7 Taxation

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

8 Dividends

An interim dividend of 1.0p per share (1998 nil) will be paid to shareholders on 7 December 1999. A special dividend of 12.0p per share was paid to shareholders on 23 June 1999.

9 Earnings per share

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

	6 months ended 30 June 1999		6 months ended 30 June 1998 as restated		Year ended 31 December 1998 as restated	
	Earnings £m	EPS pence	Earnings £m	EPS pence	*Earnings £m*	*EPS pence*
Profit after taxation	**177**	**4.0**	53	1.2	*91*	*2.1*
Add back exceptional charges	**66**	**1.5**	35	0.8	*85*	*1.9*
Earnings before exceptional charges	**243**	**5.5**	88	2.0	*176*	*4.0*
Average number of shares (million) used in the calculation of basic and adjusted basic earnings per share		**4,403**		4,420		*4,419*
Average number of shares (million) used in the calculation of diluted earnings per share		**4,454**		4,466		*4,464*

Enquiries

For further information please contact:

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Financial Calendar

Ex-dividend date for 1999 interim dividend	20 September 1999
Record date for 1999 interim dividend	24 September 1999
Payment of 1999 interim dividend	7 December 1999
1999 Preliminary results announcement	24 February 2000
1999 Annual Report and Accounts published	End of March 2000
Annual General Meeting	8 May 2000

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