

centrica

1998 Half Year Results

Roy Gardner
Chief Executive

Mark Clare
Finance Director

Results in brief

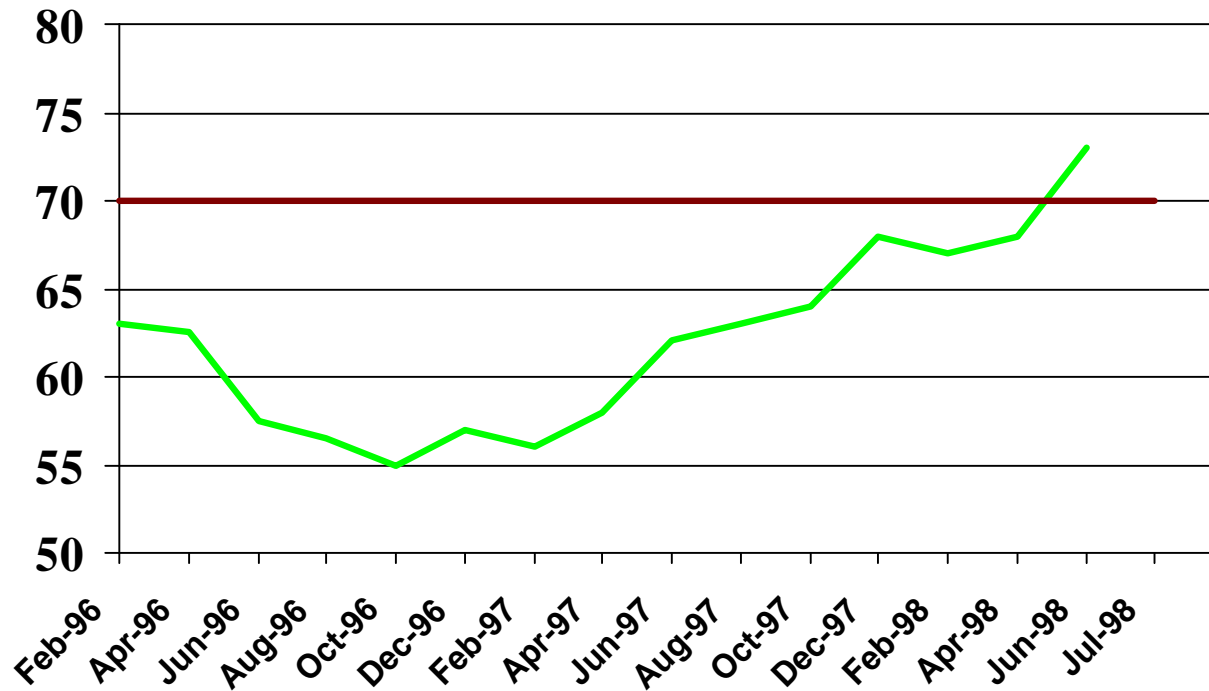
	<u>Half year 1998</u>	<u>Half year 1997</u>
Sales	£4,125m	£4,222m
Operating profit pre-exceptional	£110m	£89m
Earnings pre exceptional	£86m	£36m
Cashflow pre- exceptionals	£667m	£588m
Employees (FTE)	15,353	14,841

1998 Achievements to date

- Improved operating performance
- Cash generation and management
- Customer Service progress continues
- Gas customer retention
- Electricity customer growth
- Services into profitability
- Gas contract management and risks
- Competition established

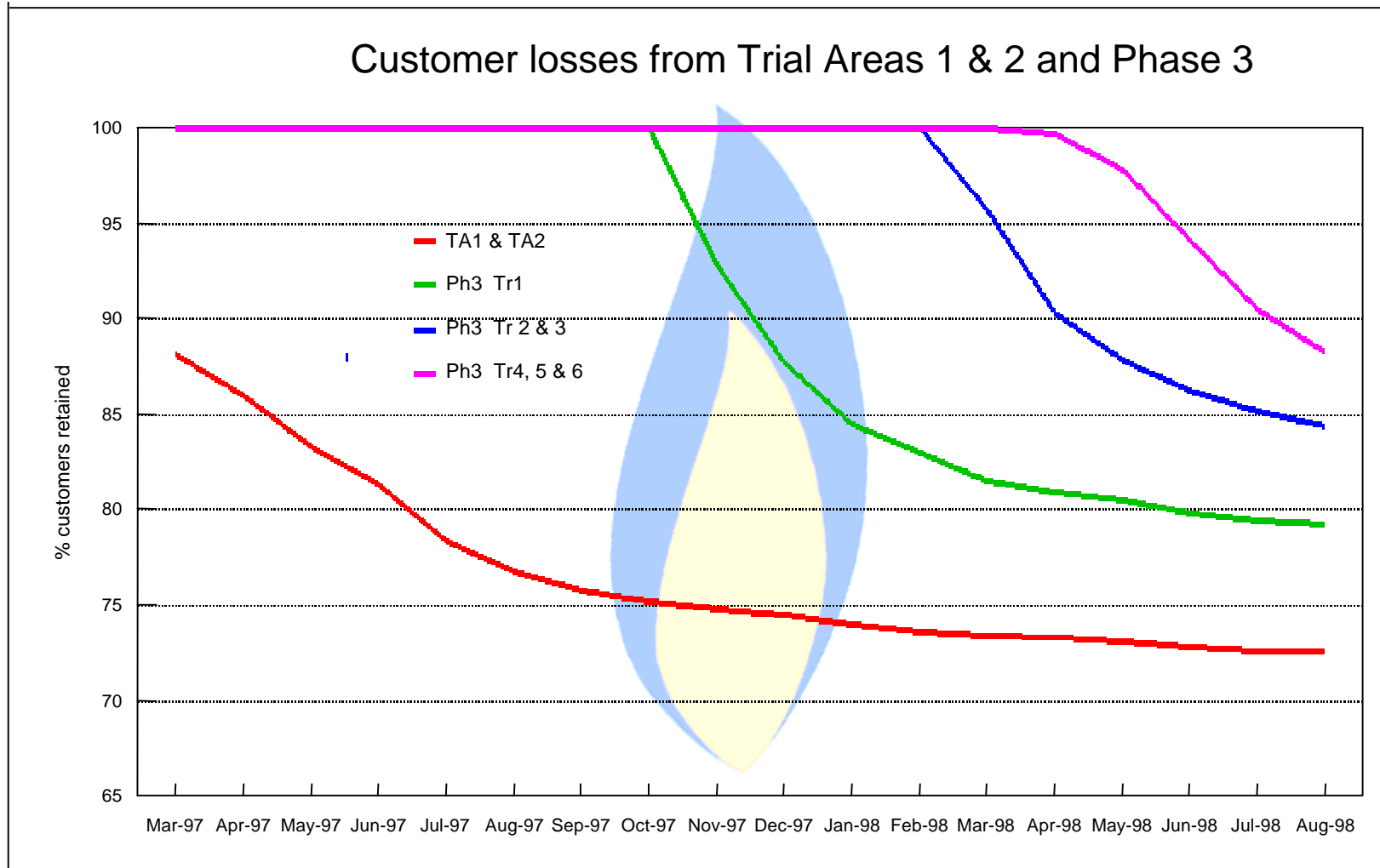
Customer Satisfaction

British Gas Trading

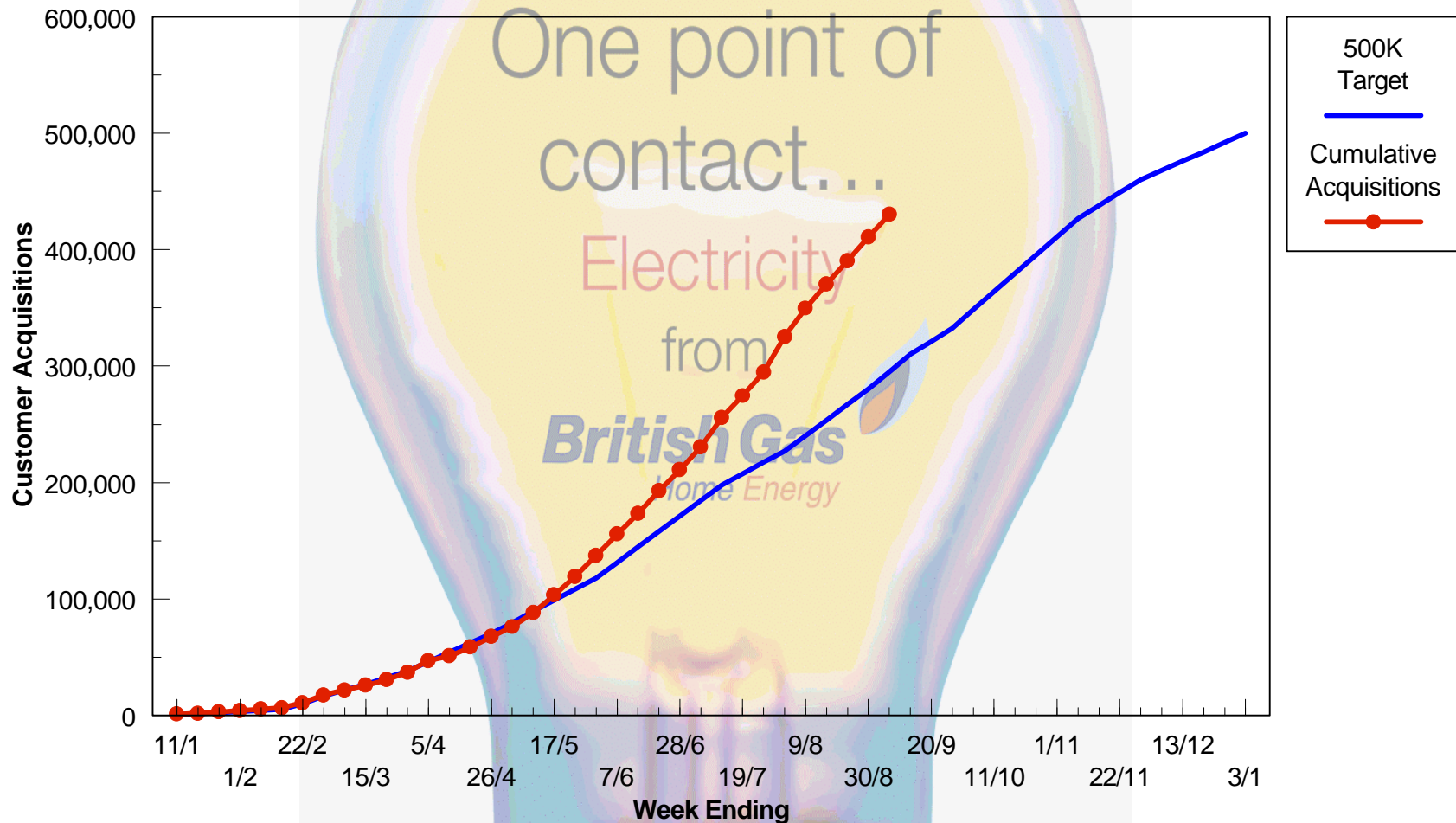


Target = 70
Best in class

Customer Market Share Including Winbacks



Electricity Sales to Target - 500K

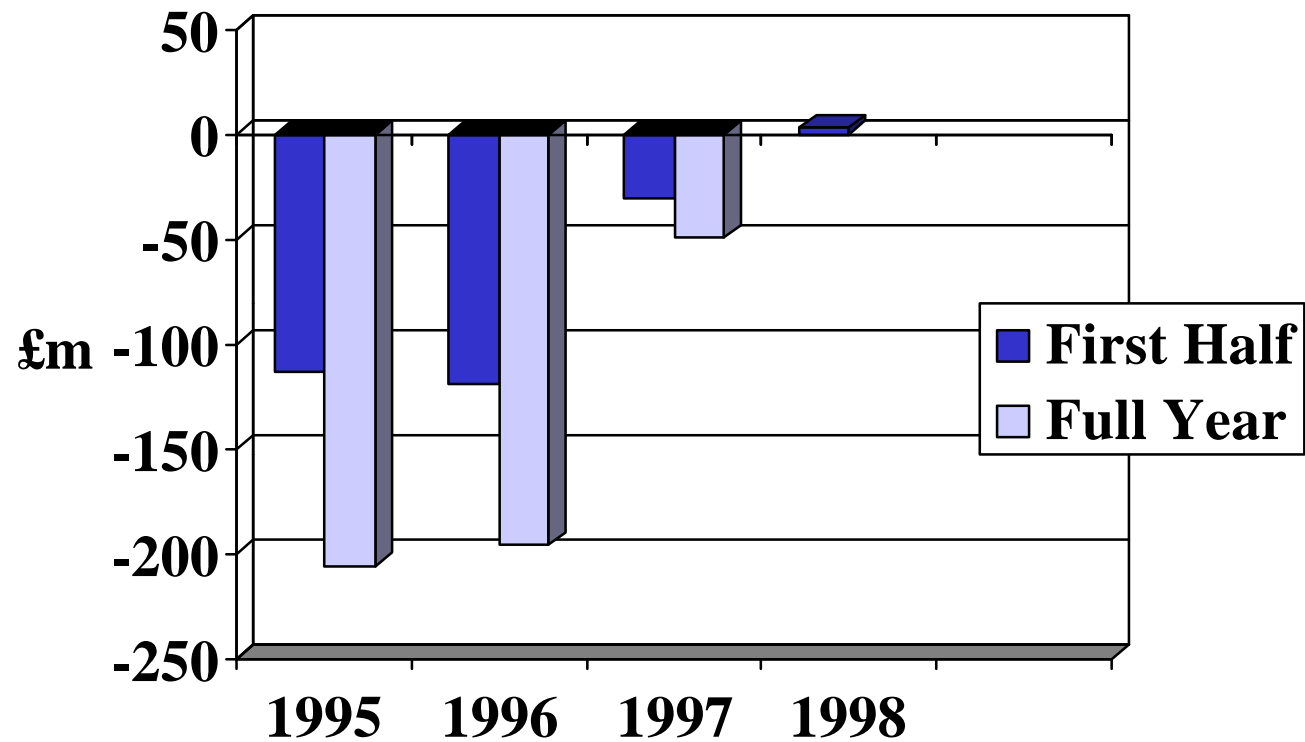


A blue van is parked on a grassy area in front of a white house. A flower box with red flowers is visible above the van. A person is sitting in the driver's seat of the van, talking on a mobile phone. The background shows a white wall and a window.

British Gas Services

- Customer Service
- Business Retention
- Business Profitability
- New Product Rollout

Services - Operating Profit 1995 - 1998



A photograph of a family of four in a retail store. A woman in a patterned dress and a man in a light blue shirt are standing and looking at a vacuum cleaner. A young girl in a blue shirt is kneeling on the floor, holding a red vacuum cleaner. A young boy in a plaid shirt is kneeling next to a green vacuum cleaner. The store has shelves in the background with various household appliances. The word "CHANGE" is visible on a sign on the left.

Retail

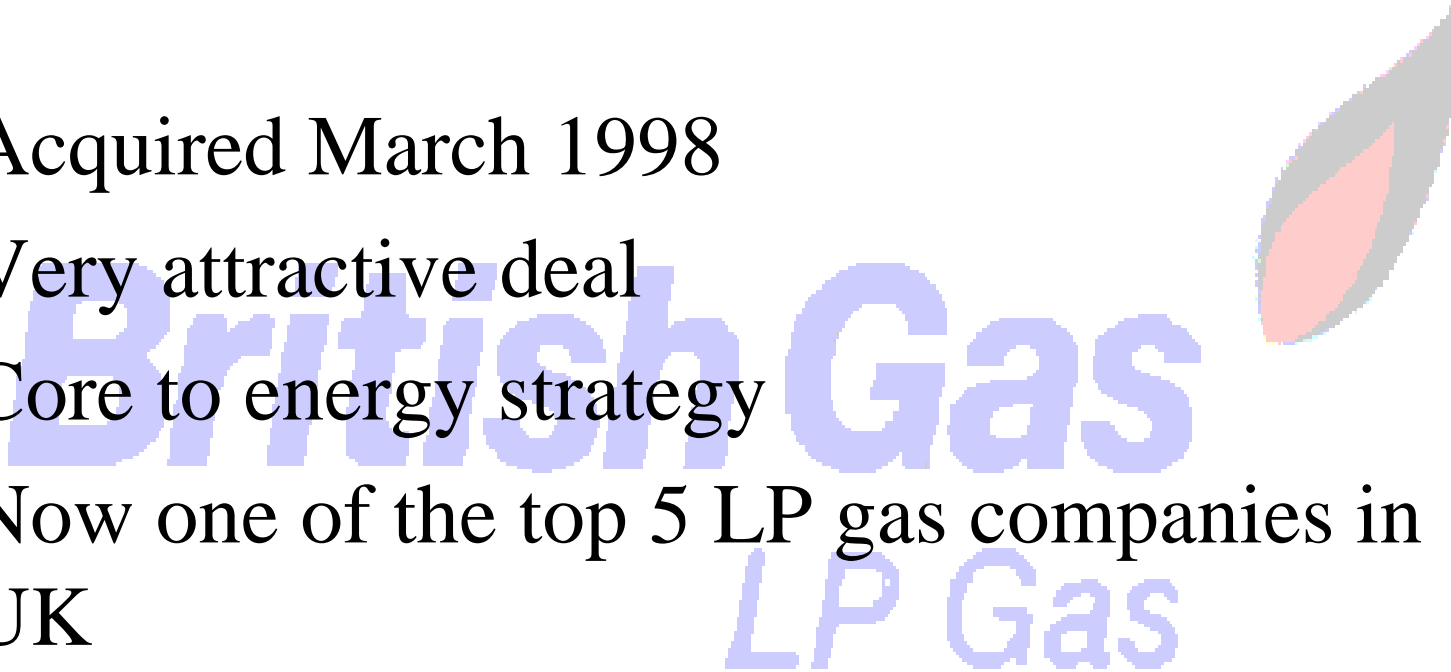
- New management team
- Specialist retailer of domestic appliances
- Enhance service levels
- Reduce cost base

Energy Management

- Gas prices and unit costs
- Risk Management actions
- Take or pay
- Morecambe
- Electricity

Supergas

- Acquired March 1998
- Very attractive deal
- Core to energy strategy
- Now one of the top 5 LP gas companies in UK



Regulatory

- Gas competition a success
- Electricity competition must be delivered
- Single regulator

Strategic Opportunities

- Upstream Assets
- Downstream
 - Organic
 - Investment
- Overseas

Results in brief

	<u>Half year 1998</u>	<u>Half year 1997</u>
Sales	£4,125m	£4,222m
Operating profit pre-exceptional	£110m	£89m
Earnings pre exceptional	£86m	£36m
Cashflow pre- exceptionals	£667m	£588m
Employees (FTE)	15,353	14,841

Volumes, Pricing and Cost

		<u>1998</u>	<u>1997</u>
Domestic Sales			
Volume	(M Therms)	6438	6608
Price	(P/Therm)	44.6	47.5
Non Domestic Sales			
Volume	(M Therms)	3215	3253
Price	(P/Therm)	19.2	19.5
HRL Production	(M Therms)	1440	1751
Gas Costs - H1	(pence)	19.3	20.4

Turnover

	<u>1998 (£m)</u>	<u>1997 (£m)</u>
Domestic	3,150	3,419
Non Domestic	636	661
Weather	<u>(262)</u>	<u>(283)</u>
Sub Total	3,524	3,797
Accord	<u>276</u>	<u>121</u>
Sub Total - Energy Supply	3,800	3,918
Services	245	222
Retail	<u>80</u>	<u>82</u>
Total	<u>4,125</u>	<u>4,222</u>

Operating Profit Analysis

	<u>1998 (£m)</u>	<u>1997 (£m)</u>
Domestic	101	104
Non Domestic	(91)	(146)
Weather	(59)	(49)
Sub Total	<u>(49)</u>	<u>(91)</u>
Morecambe	164	224
Accord	14	4
Sub Total - Energy Supply	<u>129</u>	<u>137</u>
Services	3	(30)
Retail	(16)	(18)
Financial Services	(6)	-
Total	<u>110</u>	<u>89</u>

1998 Operating Profit Analysis - Tax Price

	Tax Price (£m)	Commercial Price (£m)
Domestic	140	101
Non Domestic	(71)	(91)
Weather	(59)	(59)
Sub Total	<hr/> 10	<hr/> (49)
Morecambe	105	164
Accord	14	14
Sub Total - Energy Supply	<hr/> 129	<hr/> 129

Operating Costs

	<u>1998 (£m)</u>	<u>1997 (£m)</u>	<u>%</u>
Energy supply	(371)	(356)	(4%)
Services	(92)	(88)	(5%)
Retail	(45)	(47)	4%
Financial Services	(6)	-	-
Total	<u>(514)</u>	<u>(491)</u>	<u>(5%)</u>

Earnings

	<u>1998 (£m)</u>	<u>1997 (£m)</u>
Operating Profit	110	89
Associates	(3)	-
Interest receivable	18	14
Taxation	<u>(39)</u>	<u>(67)</u>
Underlying performance	86	36
Exceptionals	<u>(35)</u>	<u>(252)</u>
	<u>51</u>	<u>(216)</u>

Exceptionals

	<u>98 (£m)</u>	<u>97 (£m)</u>
Windfall tax	-	192
Severance	-	20
Gas contracts:		
Renegotiation	27	5
Contract Losses	-	35
Year 2000	8	-
Total	<u>35</u>	<u>252</u>

**Note: Y2K spent £3m in 1997
not shown as exceptional**

Cashflow

	<u>1998 (£m)</u>	<u>1997 (£m)</u>
Energy Supply	231	302
Services	21	(10)
Retail	(12)	(14)
Financial Services	(5)	-
Operating Cashflow	235	278
Working Capital	438	303
Sub Total	673	581
Cap expenditure	(26)	(8)
Taxation &		
Interest	20	15
Sub Total	667	588
Exceptionals	(51)	(170)
Total	616	418

Outlook for Second Half of 1998

- Revenue split
- Gas contracts renegotiated
- Morecambe
- Further renegotiation
- Corporation Tax
- Windfall Tax
- Cold weather
- Renegotiation