

**centrica**

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*taking care of the essentials*

**Interim Results  
2001**

**Roy Gardner**

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**CHIEF EXECUTIVE**

# Centrica Core Competencies

- Brand Development
- Customer Relationship Management
- Channel Efficiency

# Customer Perspective

Service must be our key differentiator



# Results in Brief

	<b>1H2001</b>	<i>restated</i> <i>1H2000</i>	<i>restated</i> <i>FY2000</i>
Sales	<b>£6,753m</b>	£4,707m	£9,933m
Operating profit (incl JV's and Associates)	<b>£437m</b>	£404m	£526m
Earnings pre-exceptionals	<b>£343m</b>	£350m	£389m
Operating cash flow pre-exceptionals	<b>£367m</b>	£484m	£1,139m
Basic earnings per ordinary share	<b>8.6p</b>	8.8p	9.8p
Dividend per ordinary share	<b>1.2p</b>	1.1p	2.8p

*Operating profit and earnings are pre-exceptionals and amortisation of goodwill*

# Achievements this year

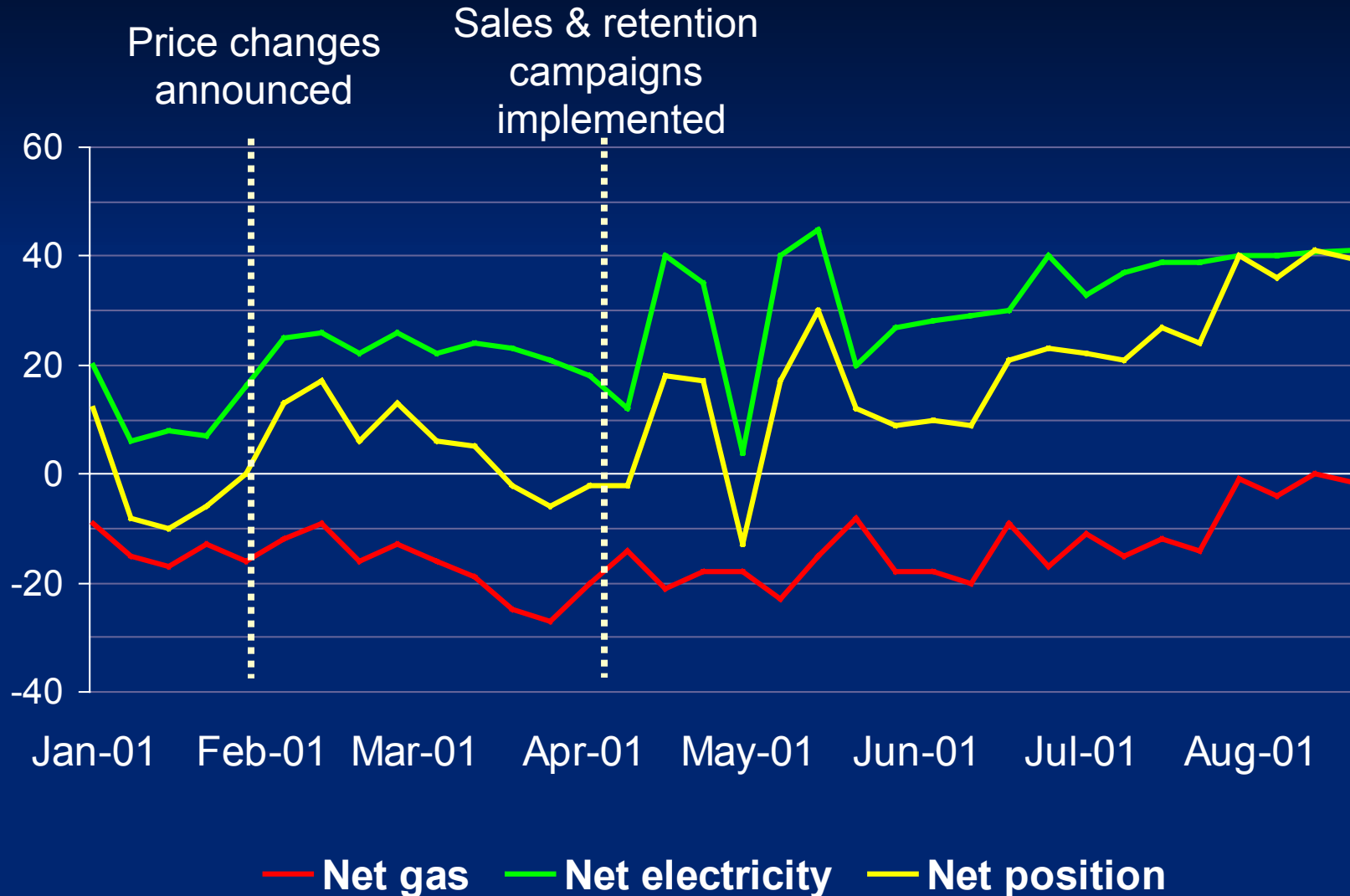
- International expansion
- Targeted acquisitions
  - Power generation
  - UK Home Services
  - Canada Home Services
  - Telecoms
  - AA Road Services
- Organic customer growth
- Customer satisfaction continues to improve

# Energy Management

- Introduction of NETA
- Humber Power now producing electricity for the portfolio
- Morecambe additional reserves & deliverability
- New gas contracts
- Energy trading in Europe

# Residential gas & electricity customers

Weekly movements ('000's)





# British Gas Services

- Product growth
  - 650,000 plumbing cover contracts
  - 425,000 kitchen appliance cover contracts
  - 3.2 million home heating cover contracts
- Acquisition of National Homecare
- Central heating installations up 17% year on year
- Home security installations up over 30% year on year

# AA Road Services

- Record membership levels
- Acquisition of Halfords garages
- Mobile tyre service



# Financial Services

- Insurance improvements
- e-commerce benefits - AA Insurance & Loans
- Increased loans through Bank of Scotland JV
- Credit/loyalty card for English Golf
- Goldfish card issues resolved
- Partnership with Lloyds TSB progressing



# Telecommunications

- Strong performance from British Gas
- Acquisition of One.Tel (UK)
  - synergies in back office functions
  - purchasing
  - systems integration
- Target of 1 million active customers achieved
- Broadband opportunities



# Information Services

- Website developments
  - theAA.com
  - Home essentials portal
- “401 100” service available over all major mobile networks
- Access to theAA.com through DiTV
- Street by Street atlases launched in May

# North America Energy Supply

- Supplying gas to 1.3m customers
- 500,000 electricity customers signed up for when market opens in Ontario
- Move into Services
- Continue to explore opportunities to increase customer base through acquisition & organic growth



# Continental Europe

- 50% interest in Luminus in Belgium
  - influence liberalisation process
  - expand into other neighbouring areas
  - introduce other products & services
- Potential opportunities in other parts of Europe
- Seeking acceleration in competition across Europe

# Business Outlook

- Vision to be a leading supplier of essential services in our chosen markets
- Growing customer base, with over 40m product relationships
- Key targets
  - 7 million UK electricity customers
  - 10% of the UK telecoms market
  - 15% of group operating profit from Financial Services by 2005
  - 10 million customer product relationships in North America by 2003, 5 million in Europe by 2005



**Phil Bentley**

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**GROUP FINANCE DIRECTOR**

# Key Results

£m	<b>1H2001</b>	<i>restated</i> 1H2000	<i>restated</i> FY2000
Sales	<b>6,753</b>	4,707	9,933
Operating profit (pre-exceptionals)	<b>437</b>	404	526
Earnings (pre-exceptionals)	<b>343</b>	350	389
Operating cash flow	<b>367</b>	484	1,139

- Record first half turnover & operating profit
- Record first half gas production
- Gas cost increases absorbed
- Electricity move into profit
- Strong performance in North America & the AA
- Sustained investment in growth areas

# Operating Profit Analysis

(including JV's & Associates, pre exceptionals & amortisation of goodwill)

£m	<b>1H2001</b>	<i>restated</i> 1H2000	<i>restated</i> FY2000
UK Gas Production	<b>336</b>	91	309
UK Residential Gas	<b>58</b>	305	294
UK Non-residential Gas	<b>20</b>	45	55
UK Electricity	<b>19</b>	(45)	(107)
Accord	<b>10</b>	(11)	(20)
Total UK Energy Supply	<b>443</b>	385	531
British Gas Home Services	<b>11</b>	9	26
AA Road Services	<b>22</b>	18	25
AA Financial Services	<b>16</b>	15	24
North America	<b>29</b>	-	8
Goldfish Financial Services	<b>(22)</b>	(6)	(15)
Telecommunications	<b>(52)</b>	(10)	(49)
Other Activities	<b>(10)</b>	(7)	(24)
Total continuing operations	<b>437</b>	404	526

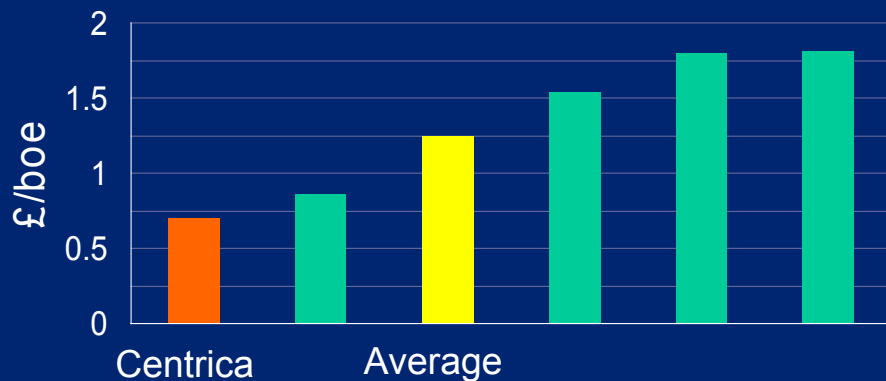
# Gas production



## SM Onshore Compression Extension drilling

- Cost £60m
- Deliverability up 12%
- 70 bcf added to reserves

## Unit Production Costs



Source: 2000 McKinsey Benchmarking data



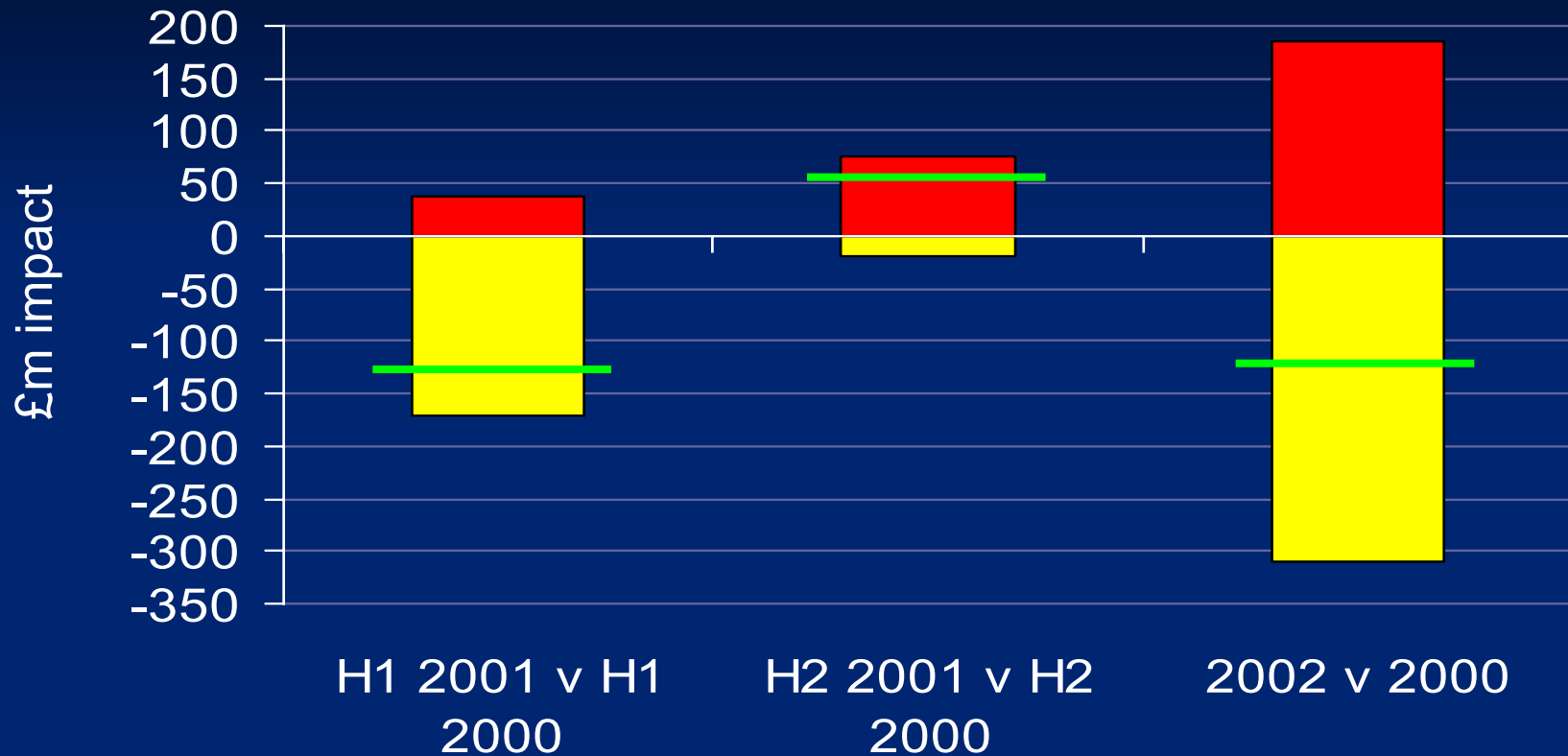
# Gas Volumes, Pricing & Input Cost

	<b>1H2001</b>	1H2000	FY2000
UK Residential sales			
Turnover (£m)	<b>2,370</b>	2,321	4,078
Volume (m therms)	<b>5,435</b>	5,240	9,235
Price (p/therm)	<b>42.6</b>	43.7	43.4
UK External WACOG (p/therm)	<b>19.1</b>	15.6	16.5
UK WACOG (p/therm)	<b>20.7</b>	14.3	16.3
UK Non-residential sales			
Turnover (£m)	<b>761</b>	574	1,110
Volume (m therms)	<b>3,155</b>	2,959	5,567
Price (p/therm)	<b>24.1</b>	19.4	19.9
UK Equity production (m therms)	<b>2,633</b>	2,348	4,567

WACOG = Weighted average cost of gas. Excludes transmission costs

# Gas Input / Output Prices Impact

Impact v 2000



■ Input cost impact (v 2000) ■ Pricing increase

— Net position

# Electricity Volumes, Pricing & Input Cost

	<b>1H2001</b>	1H2000	FY2000
UK Sales			
Turnover (£m)	<b>528</b>	335	792
Volume (GWh)	<b>8,803</b>	5,390	12,782
Price (p/kWh)	<b>6.0</b>	6.2	6.2
UK Total WACOE (p/kWh)	<b>2.5</b>	3.1	3.1
UK Equity generation (GWh)	<b>304</b>	-	-

WACOE = Weighted average cost of electricity. Excludes transmission costs

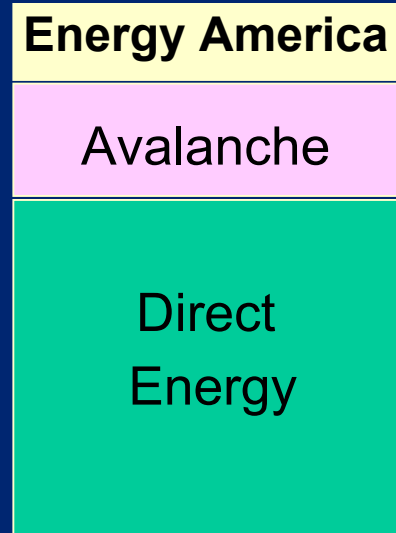
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# North America Value

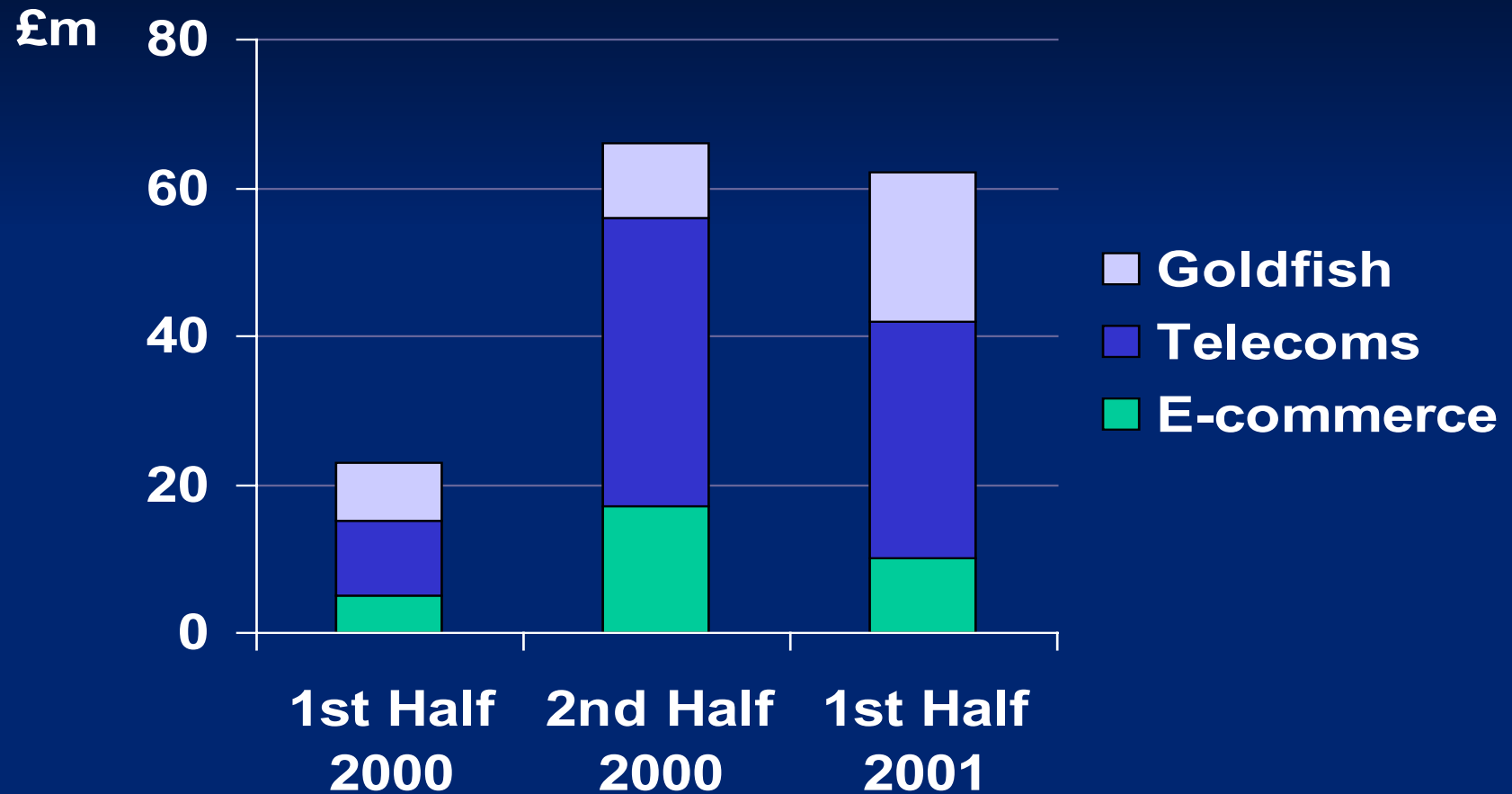


Actions

- Increased pace of customer acquisitions
- Cost of acquisitions lower than anticipated
- Canadian electricity margins anticipated to be higher

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# Revenue Investment



Total Revenue Investment H1 2001 £110m

# Operating profit\* causal track

£m

Half year to June 2000	<b>404</b>
Lower downstream gas margins	(272)
Higher equity gas production/price	245
Improved energy trading	21
Improved electricity profit	64
North America Energy Supply	29
Goldfish bank investment	(16)
Telecoms	(42)
Other	4
Half year to June 2001	<b>437</b>

\*Including JV's & associates, before exceptionals/goodwill amortisation

# Earnings

<i>£m</i>	<b>1H2001</b>	1H2000	FY2000
Operating profit including associates & joint ventures	<b>437</b>	404	526
Net interest	<b>(20)</b>	(17)	(28)
Taxation	<b>(80)</b>	(37)	(109)
Minority interest	<b>6</b>	-	-
Underlying earnings	<b>343</b>	350	389
Goodwill amortisation	<b>(40)</b>	(25)	(60)
Exceptionals	<b>(13)</b>	(3)	(14)
Earnings	<b>290</b>	322	315

# Cash Flow before Financing

<i>£m</i>	<i>1H2001</i>	<i>1H2000</i>	<i>FY2000</i>
Operating cash flow	367	484	1,139
Capital expenditure	(79)	(55)	(165)
Tax, interest & dividends rec'd	(34)	(34)	(150)
Sub-total	254	395	824
Acquisitions	(103)	-	(590)
Exceptional payments	(30)	(43)	(76)
Dividends	(68)	(60)	(103)
Total	53	292	55
Net Debt	(87)	174	(117)

# Financial Outlook

- UK Gas market - continuing margin pressure
- Electricity outlook positive
- Strong performance in Home and Road Services
- North America performance strong
- Goldfish bank
- Telecoms synergies
- Cash from Morecambe

# Appendices

# Turnover

<i>£m</i>	<b>1H2001</b>	1H2000	<i>FY2000</i>
UK Residential Gas	<b>2,370</b>	2,321	4,078
UK Non-residential Gas	<b>761</b>	574	1,110
Accord / Gas Production	<b>1,977</b>	860	2,410
Electricity	<b>528</b>	335	792
Total Energy Supply	<b>5,636</b>	4,090	8,390
Home Services	<b>339</b>	303	636
Road Services	<b>233</b>	226	447
Financial Services	<b>69</b>	60	128
Telecommunications	<b>14</b>	-	1
North America	<b>432</b>	-	267
Other Activities	<b>30</b>	28	64
Total continuing operations	<b>6,753</b>	4,707	9,933



# Capital Expenditure

<i>£m</i>	<i>1H2001</i>	<i>1H2000</i>	<i>FY2000</i>
British Gas Energy Supply	(38)	(35)	(82)
Energy Supply - North America	(16)	-	(6)
British Gas Home Services	(4)	(5)	(11)
AA Road Services	(1)	(3)	(4)
AA Financial Services	(1)	-	-
Telecommunications	(6)	(9)	(18)
Other Activities	(11)	-	(19)
Total	(77)	(52)	(140)

# Acquisition payments

analysed by business segment

*£m*

**1H2001**

Subsidiary undertakings

Energy Supply - North America

**(39)**

British Gas Home Services

**(2)**

Joint Ventures

British Gas Energy Supply

**(37)**

Deferred consideration

Energy Supply - North America

**(9)**

Overdraft acquired

Energy Supply - North America

**(16)**

**Total**

**(103)**

# Exceptionals & Goodwill

<i>£m</i>	<b>1H2001</b>	1H2000	FY2000
Exceptionals			
Restructuring	(13)	(3)	(14)
Goodwill			
Road Services	(18)	(18)	(36)
Financial Services	(7)	(7)	(14)
North America	(15)	-	(10)
Total goodwill	(40)	(25)	(60)
Total exceptionals & goodwill	(53)	(28)	(74)

# HRL Tax & Commercial pricing

<i>£m</i>	<i>1H2001</i>	<i>1H2000</i>	<i>FY2000</i>	<i>FY1999</i>
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Commercial price basis				
UK Residential Gas	(58)	256	165	275
UK Non-residential Gas	(48)	14	(34)	20
Gas Production	520	171	527	302
Total operating profit	414	441	658	597
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Tax price basis				
UK Residential Gas	58	305	294	357
UK Non-residential Gas	20	45	55	70
Gas Production	336	91	309	170
Total operating profit	414	441	658	597
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# Transactions

- Greensource - Home servicing business Canada
  - National Homecare - UK Electrical Servicing business
  - Energy America - Completion - US energy supply gas assets
  - Humber Power - 750MW Capacity power station
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For 2nd Half 2001, announced

- One.Tel - UK Telecoms provider
- Luminus - Joint Venture with Belgian Municipal Utilities
- Halfords garages - To be branded AA Service Centres
- Power Stations - King's Lynn & Peterborough
- Credit/Loyalty card - In partnership with the English Golf Union & AdvanceWave Limited