

centrica

**Preliminary Results
1999**

Results in Brief

| | 1999 | 1998 <i>restated</i> |
|--|----------------|---------------------------------|
| Sales | £7,217m | £7,481m |
| Operating profit (continuing operations) | £365m | £162m |
| Earnings pre-exceptionals | £331m | £176m |
| Operating cash flow pre-exceptionals | £1,453m | £870m |
| Ordinary dividend per share | 2.5p | - |
| Employees (FTE) | 25,843 | 15,677 |

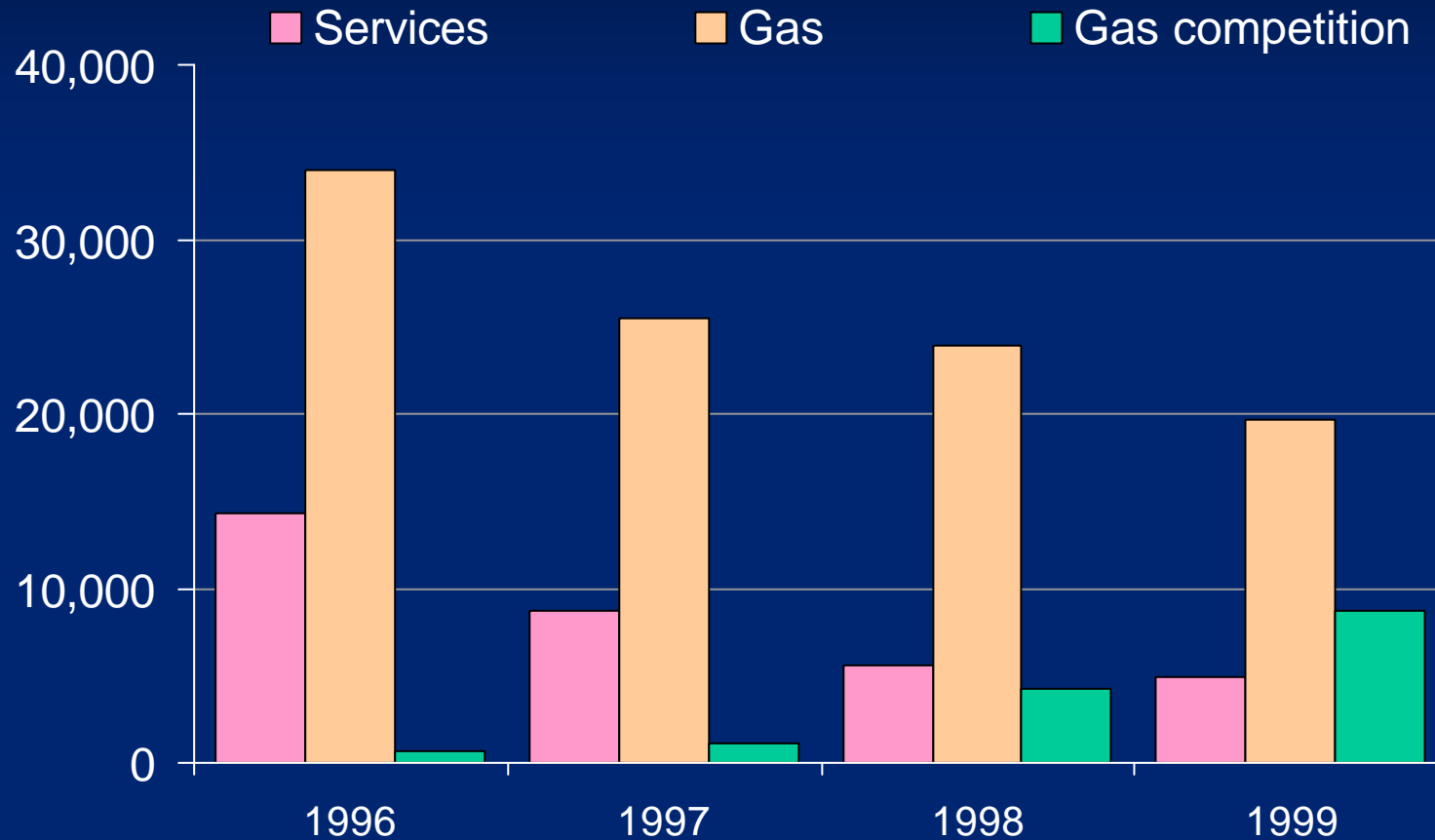
Earnings are pre-amortisation of goodwill

1999 Achievements

- Strong financial performance in competitive markets
- Acquisition of the AA
- Growth of electricity business - 2.6m contracts
- Gas customer retention - 14.8m customers
- Home services growth & improved profitability
- Establishment of strong financial services business through AA acquisition
- European business opportunities enhanced

Gas Consumers Council

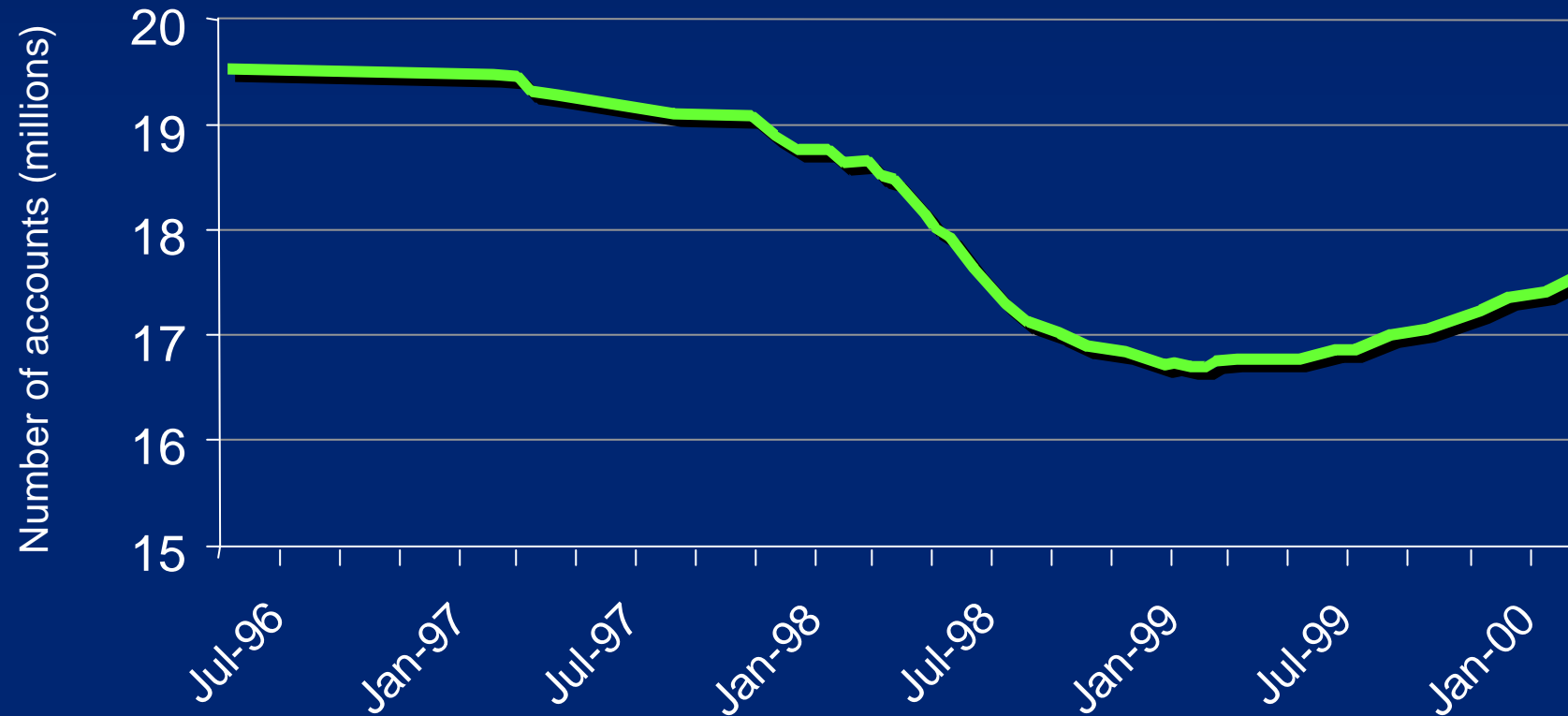
Category A complaints



Category A complaints are those where the customer dealt with British Gas and the reply they received was not to their satisfaction

Energy Supply

Total domestic gas on supply & electricity contracts



Energy Supply

- Non-domestic market
- Regulation
 - Price review
 - PES distribution review
 - Utility Bill & Competition Act
- New pricing
 - Removal of standing charge
 - Further reductions ahead

Energy Management

- Record production from Morecambe
- CRL integration complete & synergy savings achieved
- Energy sourcing
 - Gas contract renegotiations
 - Electricity
- On the day gas Commodity Market & NETA
- European trading capability enhanced

Home Services

- Improved financial performance
- Strong sales growth
- Growth in number of gas appliance service contracts
- Security system installations & monitoring contracts growth
- Successful launch of plumbing and kitchen appliance cover

Road Services

- Integration
- Performance
 - Financial
 - Membership
- Investment & growth opportunities

Financial Services

- Combined business established
- Strong performance from Goldfish card
- Extending motor finance
- Home & Motor insurance
- Evaluating savings & investment product opportunities

E-Commerce

- Single point of responsibility
- Activities
 - Financial Services
 - Energy
 - Information
 - Accessibility
- Investment

Telecoms

- Launch September 2000
- Fixed, mobile and internet
- Target 1m customers by end 2001
- Investment £150m
- Management team recruited
- Operations being established

Business Outlook

- Customer satisfaction
- Growth
 - Energy Supply
 - Home and Road Services
 - Financial Services
- AA acquisition benefits
- Telecoms
- E-commerce
- International

Results in Brief

| | 1999 | 1998 <i>restated</i> |
|--|----------------|---------------------------------|
| Sales | £7,217m | £7,481m |
| Operating profit (continuing operations) | £365m | £162m |
| Earnings pre-exceptionals | £331m | £176m |
| Operating cash flow pre-exceptionals | £1,453m | £870m |
| Ordinary dividend per share | 2.5p | - |
| Employees (FTE) | 25,843 | 15,677 |

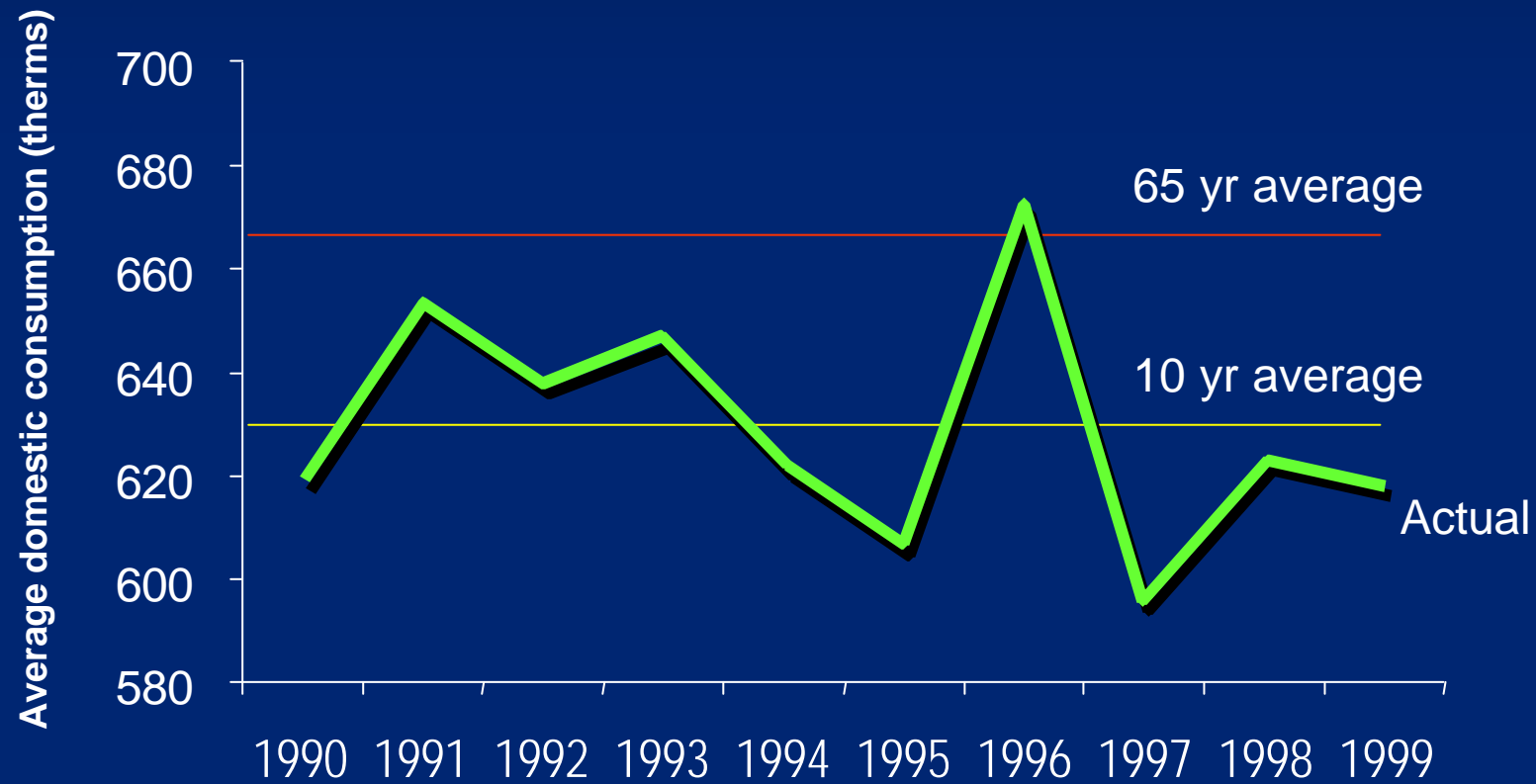
Earnings are pre-amortisation of goodwill

Gas Volumes, Pricing & Cost

| | 1999 | 1998 |
|------------------------------|-------|--------|
| Domestic sales | | |
| Volume (m therms) | 9,424 | 10,922 |
| Price (p/therm) | 44.9 | 45.2 |
| Non-domestic sales | | |
| Volume (m therms) | 5,711 | 6,328 |
| Price (p/therm) | 18.2 | 18.6 |
| Equity production (m therms) | 4,007 | 3,213 |
| Gas costs (p/therm) | 15.6 | 18.3 |

Domestic Consumption

10 year & 65 year comparison



Weather impact

- Impact of warm weather on turnover

| <i>£m</i> | 1999 | 1998 |
|----------------|--------------|-------|
| 65 year series | (317) | (323) |
| 10 year series | (73) | (46) |

- Impact of warm weather on earnings

| <i>£m</i> | 1999 | 1998 |
|----------------|--------------|------|
| 65 year series | (109) | (77) |
| 10 year series | (24) | (10) |

Turnover

| <i>£m</i> | 1999 | 1998 |
|-----------------------------|--------------|-------------|
| Domestic @ SNT | 4,360 | 5,031 |
| Non-domestic @ SNT | 1,051 | 1,187 |
| Weather | (73) | (46) |
| Total Gas | 5,338 | 6,172 |
| Electricity | 240 | 5 |
| Gas production | 37 | 7 |
| Accord | 771 | 600 |
| Total Energy Supply | 6,386 | 6,784 |
| Home Services | 592 | 526 |
| Road Services | 112 | - |
| Financial Services | 26 | - |
| Other Activities | 18 | 2 |
| Total continuing operations | 7,134 | 7,312 |
| Retail (discontinued) | 83 | 169 |

Operating Profit Analysis

(pre exceptionals & amortisation of goodwill)

| <i>£m</i> | 1999 | <i>1998 restated</i> |
|-----------------------------|--------------|--------------------------|
| Domestic @ SNT | 293 | 92 |
| Non-domestic @ SNT | 20 | (129) |
| Weather | (24) | (10) |
| Total Gas | 289 | (47) |
| Electricity | (156) | (86) |
| Gas production | 302 | 350 |
| Accord | 26 | 31 |
| Total Energy Supply | 461 | 248 |
| Home Services | 20 | 9 |
| Road Services | (3) | - |
| Financial Services | (9) | (5) |
| Other Activities | (16) | (7) |
| Total continuing operations | 453 | 245 |
| Retail (discontinued) | (25) | (31) |

Operating Costs

(pre exceptionals & amortisation of goodwill)

| <i>£m</i> | 1999 | 1998 |
|------------------------------------|--------------|-------------|
| Established business | | |
| Energy Supply | 694 | 663 |
| Gas | | |
| Electricity | 40 | 10 |
| Home Services | 212 | 195 |
| Financial Services | 4 | 3 |
| AA | 91 | - |
| | 1,041 | 871 |
| Investment | | |
| Electricity | 127 | 75 |
| Other | 42 | 14 |
| | 169 | 89 |
| Total continuing operations | 1,210 | 960 |
| Retail (discontinued) | 39 | 95 |

Earnings

| <i>£m</i> | 1999 | <i>1998 restated</i> |
|---------------------------|--------------|--------------------------|
| Operating profit | 428 | 214 |
| Associates/joint ventures | (4) | (1) |
| Net interest | (7) | 39 |
| Taxation | (86) | (76) |
| Underlying performance | 331 | 176 |
| Exceptionals & goodwill | (149) | (85) |
| Earnings | 182 | 91 |

Exceptionals & Goodwill amortisation

| <i>£m</i> | 1999 | 1998 |
|-------------------------------|-------------|-------------|
| Restructuring/severance costs | | |
| Energy Supply | 18 | 2 |
| Home Services | 2 | - |
| Retail (discontinued) | 60 | 1 |
| AA integration | 16 | - |
| Gas contract renegotiations | 30 | 63 |
| Year 2000 costs | 10 | 19 |
| Goodwill amortisation | | |
| Energy Supply | 1 | - |
| AA | 12 | - |
| Total | 149 | 85 |

Cash Flow before Financing

| <i>£m</i> | 1999 | 1998 |
|---|----------------|-------|
| Operating performance | 727 | 462 |
| Working capital | 726 | 408 |
| Operating cash flow | 1,453 | 870 |
| Capital expenditure | (143) | (70) |
| Taxation, interest & dividends rec'd | (133) | (156) |
| Sub-total | 1,177 | 644 |
| Acquisitions | (1,162) | (101) |
| Exceptional payments | (135) | (211) |
| Dividends | (570) | - |
| Total | (690) | 332 |

AA Operating Profit (inc JVs)

(pre exceptionals & amortisation of goodwill)

| <i>£m</i> | Q4 | 1999 | 1998 |
|----------------------|-----|------|------|
| Road Services | (3) | (9) | (19) |
| Financial Services | 6 | 26 | 18 |
| Business Development | (3) | (6) | (3) |
| Total | - | 11 | (4) |

Financial Outlook

- Gas supply price and operating cost reductions
- Increase in Q4 gas costs - oil escalators
- AA further integration benefits
- Electricity investment will reduce
- Telecoms investment
- PRT impact on cash