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CHIEF EXECUTIVE

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# Results in Brief

	<i>Half Year 2000</i>	<i>Half Year 1999</i>
Sales	<b>£4,707m</b>	£3,887m
Group operating profit	<b>£390m</b>	£255m
Earnings*	<b>£364m</b>	£243m
Operating cash flow	<b>£484m</b>	£901m
Dividend per share	<b>1.1p</b>	1p
Employees (FTE)	<b>26,822</b>	16,396

*\* Figures are pre-exceptionals and amortisation of goodwill*

# 2000 Half Year Achievements

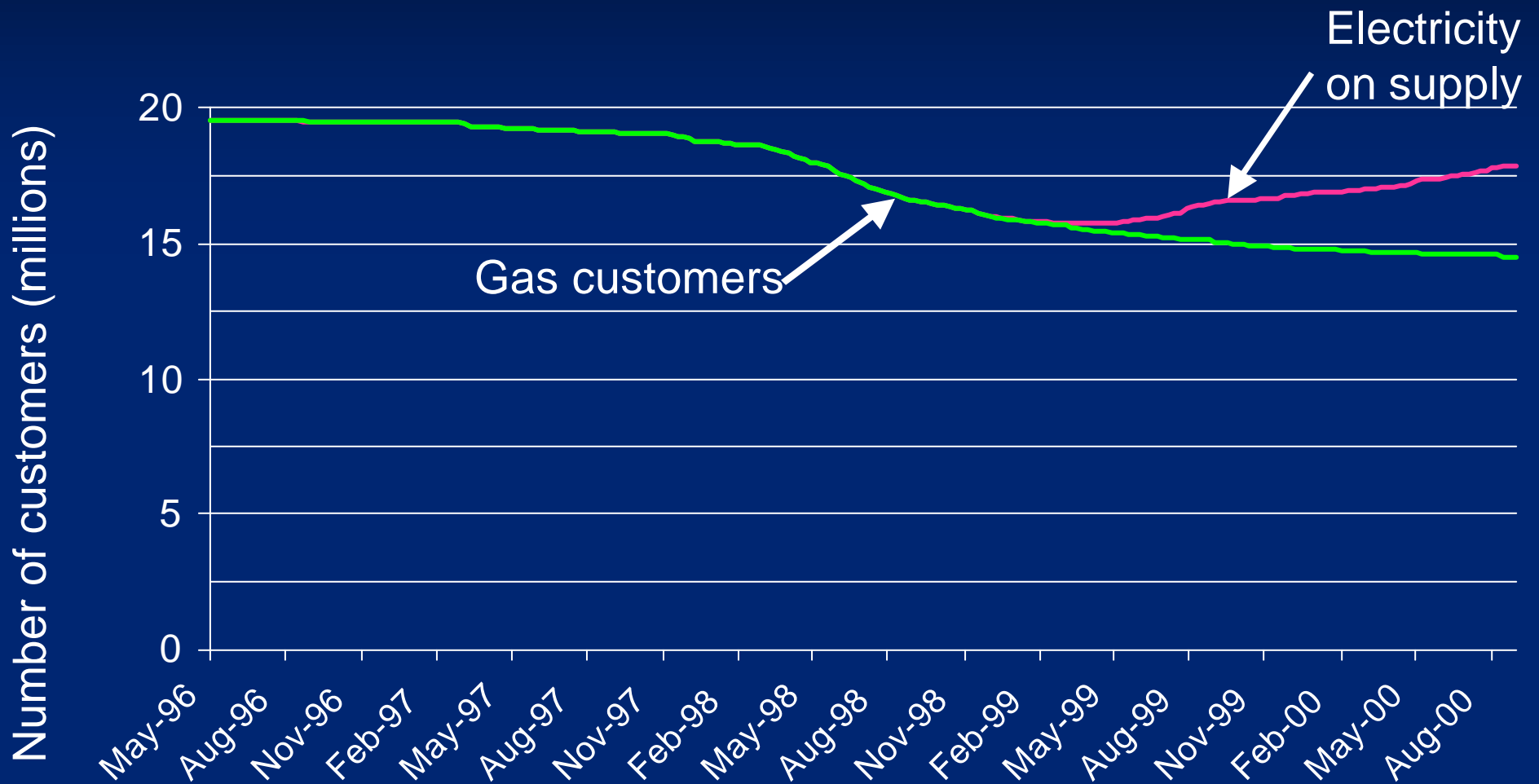
- Strong financial performance
- Improvements in customer service
- Growth in energy market share
- Telecoms partnerships
- AA integration
- Acquisition of Direct Energy
- Implementation of e-commerce strategy

# Customer Service

- British Gas satisfaction levels improved
- Reduction in regulated complaints
- Investment in customer service training
- Other business initiatives
  - Meter reading
  - Recruitment of patrols & engineers

# Energy Supply

Total gas & electricity customers on supply



# Energy Management

- Oil price impact on UK gas price
- Morecambe production remains high
- Expect Take or Pay bank to reduce by 1bn therms
- Pool prices & NETA
- Continue to explore generation options
- European trading developments

# Home Services

- Continued improvements in financial performance
- Growth in gas service cover contracts
- Held share in central heating installation & improved margins
- Strong growth in plumbing and kitchen appliance cover contracts
- Combined plumbing & drains cover trial
- Preferred home security system supplier for Beazer homes

# Road Services

- Improved financial performance
- Implementing integration plans
- Top ranked in JD Power Survey 2000
- Improved membership levels
- New technology trials



# Financial Services

- Insurance market developments
- Credit product sales - £1bn customer receivables under management
- Loans & motor finance exceeding expectations
- Integrated car buying service
- Future product plans

# E-Commerce

- Progress so far
  - Goldfish guide
  - New British Gas site
  - Goldfish credit card
  - AA rapid quote facility
- Launches planned
  - Energy billing
  - Telecoms and ISP
  - New AA site
- Longer term aim
  - leading site for the motorist & traveller
  - leading site for home and personal finance
- Continuing to explore broadband services

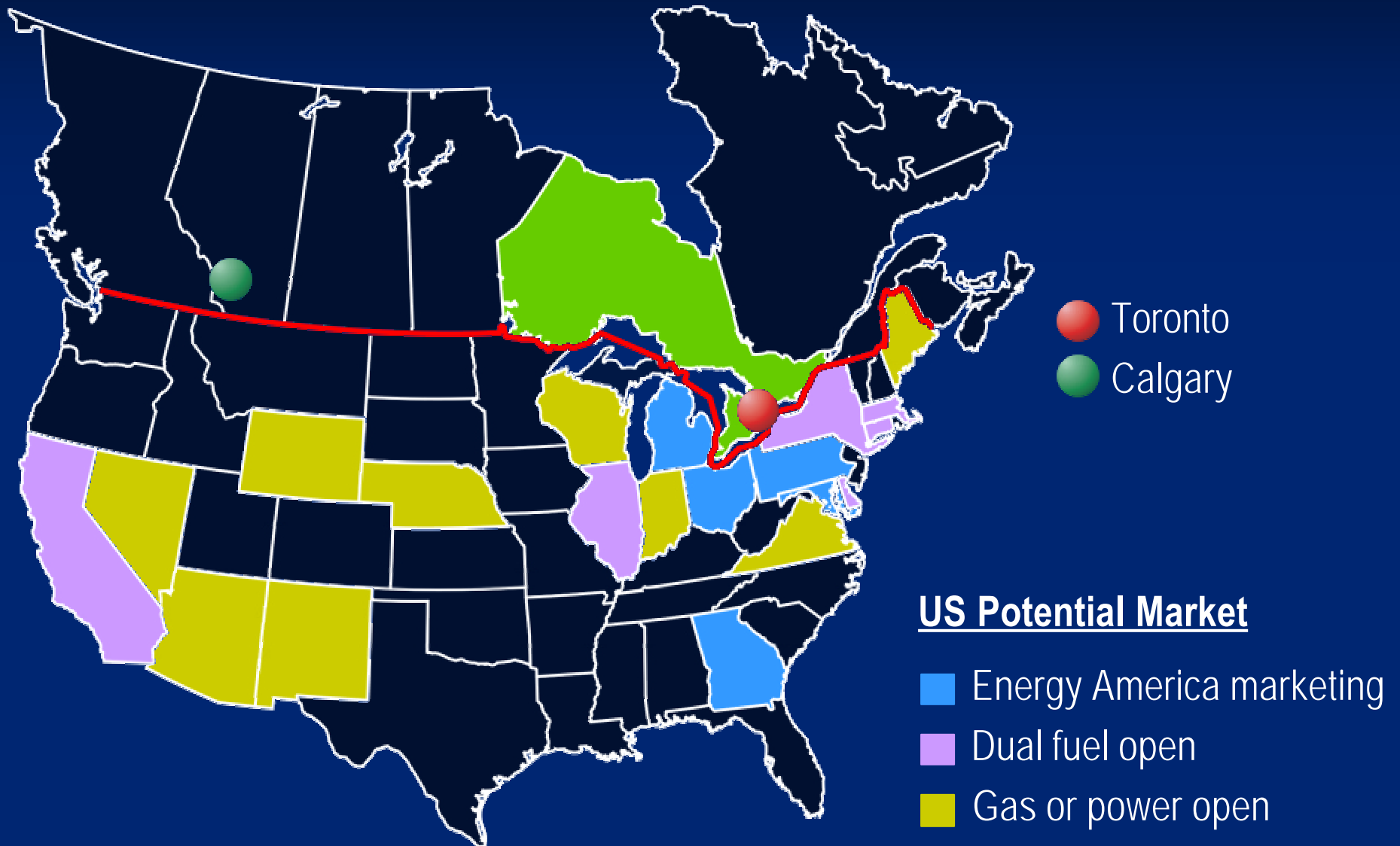
# Telecoms

- Product launch during September 2000
- Partners: Vodafone, Torch, Cable & Wireless
- Package includes:
  - Home phone - discounts to BT standard rates:
    - 33% local calls
    - 50% national calls
    - Up to 75% international calls
  - Choice of mobile phones and contracts to suit user
  - ISP offering
- Target 1m customers by end 2001

# Direct Energy

- Acquired August 2000
- 820,000 gas customers in Canada
- 30% share of Ontario residential market
- Ontario power market open 2001
- Energy America - 450,000 gas customers (27.5% equity interest)

# North America



# Business Outlook

- Continuing growth in Energy Supply
- Telecom launch
- Financial Services
- Direct Energy & North America
- Other international opportunities
- Power Stations
- Investment
  - in people
  - financial

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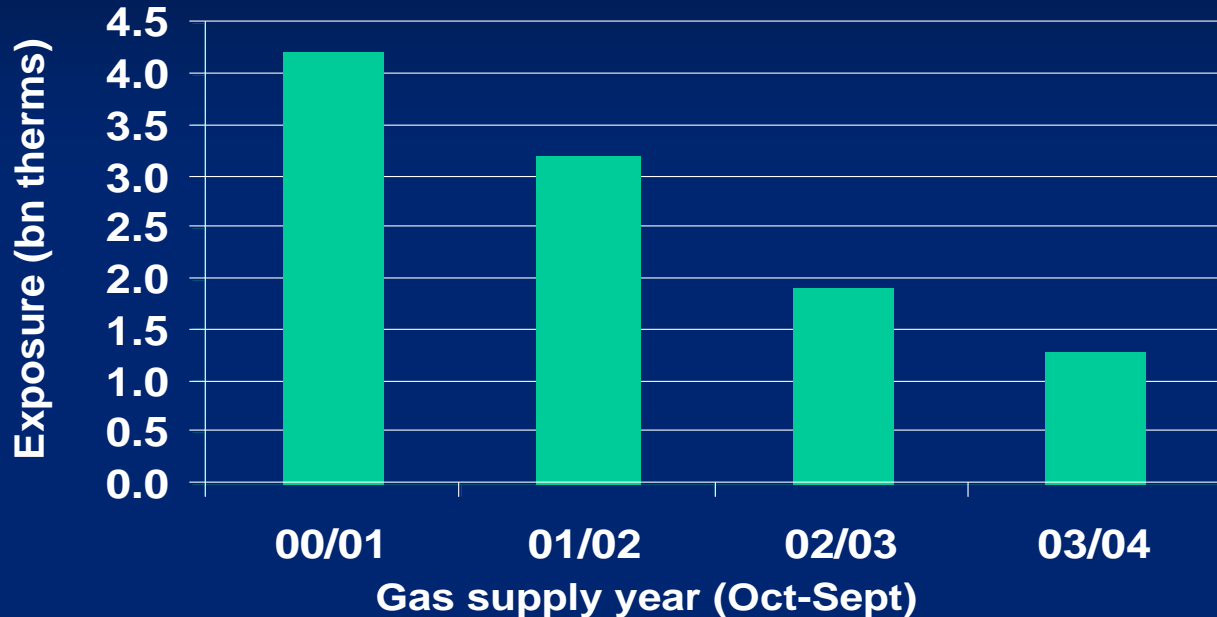
# Gas Volumes, Pricing & Cost

	2000	1999
Residential Gas sales		
Volume (m therms)	5,240	5,510
Price (p/th)	43.7	44.3
Business Gas sales		
Volume (m therms)	2,959	3,244
Price (p/th)	19.4	18.5
Equity production (m therms)	2,348	2,125
Gas costs (p/th)	15.6	16.2
<i>Gas Year Prices (Oct-Sept)</i>	<i>2000/01</i>	<i>99/2000</i>
Externally contracted gas (est.p/th)	19	15.6
IPE forward market - Sept (p/th)	21	12



# Net Nominal Exposure to Oil

(bn therms)



For every 1\$/bbl change in the oil price,  
the pre-tax impact is estimated at 0.5p/therm exposed to oil

# Turnover

<i>£m</i>	<b>2000</b>	<b>1999</b>
Residential @ SNT	<b>2,369</b>	2,529
Business Gas	<b>574</b>	602
Weather	<b>(48)</b>	(55)
Total Gas	<b>2,895</b>	3,076
Electricity	<b>335</b>	45
Gas production	<b>32</b>	13
Accord	<b>828</b>	405
Total Energy Supply	<b>4,090</b>	3,539
Home Services	<b>303</b>	282
Road Services	<b>226</b>	-
Financial Services	<b>60</b>	-
Other Activities	<b>28</b>	1
Total continuing operations	<b>4,707</b>	3,822
Retail (discontinued)	<b>-</b>	65

# Group Operating Profit Analysis

(pre exceptionals & amortisation of goodwill)

<i>£m</i>	<i>2000</i>	<i>1999 restated</i>
Residential @ SNT	273	218
Business Gas	14	(7)
Weather	(17)	(18)
Total Gas	270	193
Electricity	(45)	(59)
Gas production	171	164
Accord	3	9
Total Energy Supply	399	307
Home Services	9	8
Road Services	18	-
Financial Services	9	(7)
Other Activities	(17)	(4)
Total continuing operations	418	304
Retail (discontinued)	-	(25)

# Operating Costs

(pre exceptionals & amortisation of goodwill)

<i>£m</i>		2000	1999
Established business			
Energy Supply	Gas	316	365
	Electricity	36	5
Home Services		119	106
Road Services		105	-
Financial Services		49	1
Other		17	-
		<b>642</b>	<b>477</b>
Investment			
Electricity		50	60
Telecoms		10	-
Other		21	10
		<b>81</b>	<b>70</b>
Total continuing operations		<b>723</b>	<b>547</b>
Retail (discontinued)		-	39

# Earnings

<i>£m</i>	<i>2000</i>	<i>1999</i>
Underlying Group operating profit	<b>418</b>	304
Interest (payable) / receivable	<b>(17)</b>	7
Taxation	<b>(37)</b>	(43)
Underlying earnings	<b>364</b>	268
Discontinued operations	-	(25)
Goodwill amortisation	<b>(25)</b>	-
Exceptionals	<b>(3)</b>	(66)
Earnings	<b>336</b>	177

# Exceptionals & Goodwill amortisation

<i>£m</i>	<i>2000</i>	<i>1999</i>
Restructuring/integration costs		
Energy Supply	-	18
Retail (discontinued)	-	42
AA integration	3	-
Year 2000 costs	-	6
Goodwill amortisation		
Road Services	18	-
Financial Services	7	-
Total	28	66

# Cash Flow before Financing

<i>£m</i>	<i>2000</i>	<i>1999</i>
Operating performance	<b>616</b>	435
Working capital	<b>(132)</b>	466
Operating cash flow	<b>484</b>	901
Capital expenditure	<b>(55)</b>	(57)
Taxation, interest & dividends rec'd	<b>(34)</b>	6
Sub-total	<b>395</b>	850
Exceptional payments	<b>(43)</b>	(46)
Dividends	<b>(60)</b>	(530)
Total	<b>292</b>	274

# Financial Outlook

- First half/second half split
- Q4 gas costs impact
- Morecambe tax
- Revenue investment
  - Telecoms launch
  - E-commerce investment
  - Financial Services
- Direct Energy acquisition



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