CENTRICA PLC
INTERIM RESULTS FOR THE PERIOD ENDED 30 JUNE 2012

OPERATING AND FINANCIAL OVERVIEW

STRONG FINANCIAL PERFORMANCE

- Adjusted earnings◊ up 14% to £767 million; 14.8 pence adjusted basic earnings per share◊
- Upstream production benefiting from new investments and Norwegian expansion
- Higher UK residential energy consumption, compared to the exceptionally mild weather and unusually low levels of profitability* in the first half last year
- Benefiting from enhanced scale in North America
- On track to achieve £500 million cost reduction programme to maintain competitiveness
- Tax charge^ of £568 million; UK tax charge^ of £431 million

INVESTING FOR GROWTH

- Total investment of £1.5 billion in the first six months of 2012
- Further progress in gas development projects, to bring 140mmboe of reserves into production
- Moving ahead with £1.4 billion Cygnus development; largest gas discovery in the Southern North Sea for 25 years, supporting 4,000 new jobs
- First power from £1 billion Lincs wind farm in the coming weeks, able to supply around 200,000 homes
- Awarded planning consent for 580MW Race Bank wind farm; progressing towards a final investment decision in the first quarter of 2013

DELIVERING FOR CUSTOMERS

- Launched easy to understand bill and simplified tariff structure
- Maintained position as cheapest major standard electricity supplier at average consumption
- British Gas residential energy accounts stable at 15.8 million, reflecting good service
- Industry leadership in innovation, energy efficiency and support for the vulnerable

DELIVERING FOR OUR SHAREHOLDERS

- Interim dividend up 8% to 4.62 pence per share, 30% of prior year's dividend in line with established practice

"Centrica has performed well in the first half of 2012 despite challenging market conditions, although the increase in earnings must be placed in the context of unusually low levels of consumption and profits in the UK in the first half of 2011. We continue to focus on high standards of service, while ensuring that we run the business as efficiently as possible for the benefit of our customers. We have made significant investments to secure energy supplies for the UK – and will continue to invest across the Group, where we see value. As a result, we have a stronger business that is delivering benefits for all our stakeholders."

Sam Laidlaw
Chief Executive

Earnings and operating profit numbers are stated, throughout the Financial Performance and KPIs, Performance Overview and Operating Review sections, before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements unless otherwise stated – see note 3 for definitions. In addition, all references to profit or loss are stated before share of joint venture and associate interest and tax. The Directors believe these measures assist with better understanding the underlying performance of the Group. The equivalent amounts after exceptional items and certain re-measurements are reconciled at Group level in the Group Income Statement. Exceptional items and certain re-measurements are described in note 6. Adjusted earnings and adjusted basic earnings per share are reconciled to their statutory equivalents in note 10. All current financial results listed are for the period ended 30 June 2012. All references to 'the prior period', 'the prior year', '2011' and 'last year' mean the period ended 30 June 2011 unless otherwise specified.

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements
◊ As above, except joint ventures and associates stated after interest and taxation
^ Includes taxation on profit from continuing operations and tax from joint ventures and associates as reconciled in the Group Financial Review

Centrica plc
Registered in England and Wales No 3033654
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FINANCIAL PERFORMANCE AND KPIs

FINANCIAL PERFORMANCE

For the period ended 30 June	2012	2011	Δ
Revenue‡	**£12.0bn**	£11.5bn	4%
Adjusted operating profit‡*			
Downstream UK			
Residential energy supply	**£345m**	£281m	23%
Residential services	**£125m**	£110m	14%
Business energy supply and services	**£93m**	£127m	(27%)
Total Downstream UK	**£563m**	£518m	9%
Upstream UK			
Gas	**£508m**	£414m	23%
Power	**£174m**	£117m	49%
Total Upstream UK	**£682m**	£531m	28%
Storage UK	**£36m**	£39m	(8%)
North America	**£166m**	£174m	(5%)
Total adjusted operating profit‡*	**£1,447m**	£1,262m	15%
Total adjusted taxation charge^	**£568m**	£492m	15%
Total adjusted effective tax rate^	**43%**	43%	0ppt
Adjusted earnings◊	**£767m**	£673m	14%
Adjusted basic earnings per share◊	**14.8p**	13.0p	14%
Interim dividend per share	**4.62p**	4.29p	8%

KEY OPERATIONAL PERFORMANCE INDICATORS

For the period ended:	30 Jun 2012	31 Dec 2011	Δ
UK residential energy customer accounts (period end, '000)	**15,815**	15,881	(0%)
UK residential services product holdings (period end, '000)	**8,872**	8,862	0%
UK business energy supply points (period end, '000)	**974**	999	(3%)
North America residential customer accounts (period end, '000)	**5,630**	5,647	(0%)

For the period ended 30 June	2012	2011	Δ
Upstream UK gas production (mmth)	**1,148**	1,079	6%
Upstream UK liquids production (mmboe)	**6.9**	6.9	0%
Upstream UK total gas and liquids production (mmboe)	**25.7**	25.0	3%
Upstream UK power generated (TWh)	**11.1**	13.9	(20%)
Group capital and acquisition expenditure (£m)	**1,525**	498	206%
Lost time injury frequency (per 100,000 hours worked)	**0.24**	0.32	25%

STATUTORY RESULTS

For the period ended 30 June 2012

- Operating profit‡: £1,767m (2011: £1,254m)
- Earnings: £990m (2011: £468m)
- Basic earnings per ordinary share: 19.1p (2011: 9.1p)
- Earnings include a £66m exceptional charge relating to restructuring costs

A definition of the profit measures used throughout these results is provided in the Group Financial Review. A reconciliation between operating profit and adjusted operating profit is provided in note 5(b) and a reconciliation between the earnings measures is provided in note 10. Further details on exceptional items are included in the Group Financial Review and in note 6.

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◊ As above, except joint ventures and associates stated after interest and taxation
^ Includes taxation on profit from continuing operations and tax from joint ventures and associates as reconciled in the Group Financial Review
‡ From continuing operations

PERFORMANCE OVERVIEW

PERFORMANCE OVERVIEW

Overview

Centrica performed well in the first half, delivering growth in challenging market conditions:

- Downstream, we have implemented measures to simplify the energy offering and ensure good customer service, driving long-term growth;
- Upstream, we have made substantial progress towards our annual gas and oil production target of 75mmboe and we are bringing new projects on stream - improving our geographic diversity and securing vital energy resources for the UK;
- In North America, the business is performing well, on track to deliver further growth in the year;
- And across the Group, our cost reduction programme is on target, sharpening the business and maintaining our competitive edge.

Delivering strong performance and earnings growth

Adjusted earnings per share increased by 14% in the period, benefiting from recent acquisitions and investment and reflecting more typical levels of consumption in the UK residential energy supply business, following the exceptionally mild conditions and low consumption in the first half of last year. As a result, earnings in the current year are expected to be weighted towards the first half.

Economic conditions remain challenging, both for residential and business customers. In residential energy, we continue to provide high levels of customer service and are committed to remaining competitive by controlling costs. In business energy supply, the economic and competitive environment is particularly challenging. We are taking the opportunity to invest in systems and service, tailoring our offering to be able to help businesses understand and take control of their energy usage. In residential services, although household budgets are tight, we are performing well, demonstrating the importance of providing a high quality, responsive service for our customers, while at the same time operating as efficiently as possible.

Upstream, we are beginning to see contributions from our recent gas and oil asset acquisitions, which further strengthen our energy hedge and deliver long term value and growth. In power generation, our investment in nuclear continues to perform well, and is contributing most of the profit in this segment. However market conditions are challenging for gas-fired generation, and we have now taken the decision to close our Kings Lynn power station, with the future of our Peterborough and Roosecote plants under review following recent unsuccessful bids in the short term operating reserve market. In offshore wind, we expect to achieve first power on the 270MW Lincs offshore wind farm in the coming weeks, and in line with our established business model of partnering on offshore wind developments we have signed an agreement with DONG to co-develop the Round 3 Irish Sea zone. As part of that agreement we created a joint venture, with DONG taking a 50% equity interest, resulting in a profit on disposal being recorded in the period, partially offset by charges relating to the write down of costs incurred at Docking Shoal. The net impact to operating profit was an increase of £33 million.

In gas storage, seasonal spreads improved in the first quarter of 2012, and as a result we were able to achieve a 2012/13 SBU price of 33.9p, up from 25.2p in 2011/12. This will benefit profitability in the second half of the year.

In North America, the business is performing well, despite the impact of the regulatory environment in Ontario and an unusually mild winter in Canada and the US North East. In residential energy, we are benefiting both from improvements in the underlying business and from recent acquisitions, adding scale and enabling us to drive efficiencies across the business. We are also successfully delivering further growth in business energy and in services, building on our established platform in competitive energy markets.

Delivering simplicity, transparency and fairness for our customers

We continue to take the lead in our commitment to make energy choices simple, transparent and fair for all our customers, helping to drive long-term growth. We have introduced a clearer bill design; simplified our tariff structure; provided a tariff checker so customers can make sure they are on the most appropriate tariff; and created a unique range of online tools to help customers keep track of their accounts. We also remain committed to provide additional support for our most vulnerable customers, exceeding the level of support required by Government, and are the only supplier not to cap the number of customers on the Warm Home Discount.

PERFORMANCE OVERVIEW CONTINUED

We lead the way in helping our customers to improve their energy efficiency, offering free insulation and embracing new technologies - with smart meters playing a vital role as the enabling technology in the 'Smart Connected Home'. Our online platform continues to grow and is the most used of any energy supplier, with over 400,000 transactions being carried out each week. And we recently launched our 'Remote Heating Control' product, which allows customers to monitor and control their central heating system via the internet.

In UK residential energy supply, the number of customer accounts remained stable over the period at 15.8 million, reflecting further improvements in service levels and our position, using average consumption, as the cheapest major supplier of electricity. British Gas Services saw modest account growth, reflecting high levels of service from our committed workforce. However, we experienced a decline in the number of British Gas Business supply points, predominantly reflecting the tough economic and competitive climate.

In North America, we now have 6 million customer relationships. We continue to innovate, for example with our 'Power To Go' prepaid product in Texas which is enabling more customers to take control of their energy costs, including some of the poorest communities in the State. In the US North East, the introduction of 'Free Power Saturdays' encourages customers to rephase their electricity usage to off-peak times. We also continue to drive growth in the small commercial business market, through tailored offers and high levels of customer service. These are important developments, leaving the business well positioned to enhance our leadership and scale position.

Delivering our investment pipeline to secure energy supplies for the UK

During the period, we have made substantial progress on our upstream investment programme, helping to secure vital long-term energy resources for the UK.

In upstream gas and oil, the three recent acquisitions have taken us substantially towards our annual production target of 75mmboe, putting some £1.2 billion of capital to work. These materially enhance the scale of our Norwegian interests, together with the 10-year supply contract and the extension to an exploration Memorandum of Understanding, both with Statoil. In development projects, we have achieved first gas on the Ensign field in the UK North Sea and expect to deliver first gas from the Seven Seas later this year, and from the Atla and Rhyl developments around the end of the year. The York and Valemon projects also continue to progress well.

We welcome the announcement from the UK Government on the shallow water gas field allowance, which will enable us to proceed with the £1.4 billion Cygnus project. Cygnus is the largest gas discovery in the Southern North Sea for 25 years and the development would create around 4,000 jobs, many of which are expected to be in the UK, and produce enough gas to supply around 1.5 million homes. We are also progressing engineering design and exploring development and partnership options for gas export at our Block 22 project in Trinidad and Tobago, potentially using Compressed Natural Gas (CNG) technology. We had positive drilling results from the Maria North well in the Norwegian North Sea, and preliminary results from the exploration well at our operated Cooper prospect in Norway are very encouraging, with a full evaluation of size and commercial viability now underway.

In offshore wind, our next project, Race Bank, has been granted consent for up to 580MW and we will now progress towards a final investment decision in the first quarter of 2013. However, consent was refused for our 540MW Docking Shoal offshore windfarm project, more than three and a half years after the initial planning application was made, due to the potential impact on seabirds in the area.

Energy policy

In Electricity Market Reform, we welcome the publication of the draft Energy Bill, which together with the carbon floor, underlines the Government's continuing support for low carbon technologies as part of the country's energy mix. However, further clarity will be required to deliver the investment in new generation capacity, including new nuclear, where much remains to be done before a final investment decision can be taken. We also welcome the Government's recognition of the important role of gas in the energy mix, as a cost effective lower carbon fuel, and we have contributed fully to the consultation process. We look forward to the publication of the Government's gas strategy towards the end of the year.

Given the current economic climate, it is particularly important that all stakeholders recognise the impact of energy policy - together with worldwide commodity prices – on affordability. To aid this, we now include a breakdown on the bill of the key components of the typical household costs of energy. This will assist our customers in understanding the main drivers of commodity and non-commodity costs. As an energy supplier,

PERFORMANCE OVERVIEW CONTINUED

we control just 15% of the bill, which includes our operating costs as well as any profit margin we make. We have also undertaken to sell at least 30% of our power generation in the day-ahead market to help improve liquidity, perceived to be a barrier to new entrants in the market.

The measures we are taking to simplify our bills and tariffs and improve transparency are consistent with the objectives of Ofgem's Retail Market Review, which sets out to ensure that customers have confidence that they are getting a fair deal. We support these objectives, as long as the proposals do not have unintended consequences in terms of choice or innovation.

In North America, customer numbers in Ontario again declined over the period as a result of the regulatory environment, albeit slightly more slowly than previously envisaged. We are making good progress on reducing the cost base, in order to minimise the impact. Elsewhere in North America, new markets are opening up to competition, particularly in the US North East where we are achieving strong growth. We will have over 1.3 million customers in the region following the completion of the acquisitions of Energetix and NYSEG and are able to deliver efficiency savings and innovation, for the benefit of all consumers.

Real dividend growth

The Board is proposing an interim dividend of 4.62 pence per share to be paid on 14 November 2012 to shareholders on the register on 28 September 2012, in line with our established practice of paying an interim dividend of 30% of the prior year full year dividend, building on a cumulative growth in dividend of over 55% since 2006.

Outlook

The business has performed well during the first half of the year, reflecting real progress across the Group to deliver growth in tough economic conditions. For the full year, we expect to deliver further earnings growth, subject to the usual variables of weather patterns, commodity price movements, production performance and the competitive environment.

Upstream production will benefit from our recent North Sea acquisitions and given our upstream forward hedging profile, the recent falls in commodity prices will not have a significant impact on upstream earnings until 2013. In power generation, conditions remain difficult for our gas-fired power stations, and will worsen following the loss of carbon allowances from 2013, which in the current market conditions will render much of the UK gas-fired generation fleet unprofitable.

In addition to the £1.4 billion Cygnus development, we have a number of further investment decisions ahead. These include Race Bank, with an investment decision expected in early 2013, and we welcome the Government's confirmation of ROC banding levels for new offshore wind projects. On new nuclear, a final investment decision on Hinkley Point C is targeted for the end of 2012, although much remains to be achieved before this decision can be taken and the economics must prove to be sound. In each case, we will only put capital to work where we see attractive returns aligned to our core competencies, delivering long-term value.

In summary, we have a robust business model with a strong balance sheet and strong cash flows. In British Gas we have the UK's leading downstream energy business, with customer service and innovation at its heart. In Centrica Energy, we have strong capabilities and an attractive portfolio of investment options. And we have an established, growing presence in North America. The effective deployment of capital and maintaining a competitive, efficient business remain our key objectives, for the benefit of both our customers and our shareholders.

GROUP FINANCIAL REVIEW

GROUP FINANCIAL REVIEW

Group revenue from continuing operations was up 4% to £12.0 billion (2011: £11.5 billion). Downstream UK revenue increased as a result of higher average tariffs, and more typical levels of gas consumption following exceptionally mild conditions and low consumption in the first half of last year. Revenue decreased in the Upstream UK segment, reflecting lower power volumes and reduced midstream activity following the announcement of the closure of our German wholesale business in 2011. In North America, revenue was also down, as the impact of higher average customer numbers was more than offset by continued low wholesale energy prices across North America and lower energy consumption driven by warmer than normal seasonal temperatures.

Throughout the Group Financial Review and Operating Review, reference is made to a number of different profit measures, which are shown in the table below:

For the period ended 30 June **Term**	**2012** **£m**	2011 £m	Explanation
Adjusted operating profit*:			
Downstream UK	**563**	518	
Upstream UK	**682**	531	
Storage UK	**36**	39	
North America	**166**	174	
Total adjusted operating profit*	**1,447**	1,262	The principal operating profit measure used by management and used throughout the Operating Review
Impact of fair value uplifts	**(52)**	(57)	Depreciation of fair value uplifts to property, plant and equipment of Strategic Investments (see note 5(b) and note 10(a) for further information)
Interest and taxation on joint ventures and associates	**(49)**	(61)	See note 13 for further information
Group operating profit^Ω	**1,346**	1,144	Operating profit from continuing operations before exceptional items and certain re-measurements, reconciled to statutory profit in the Group Income Statement
Group profit^Ω	**737**	625	Profit from continuing operations before exceptional items and certain re-measurements, reconciled to statutory profit in the Group Income Statement
Adjusted earnings◊	**767**	673	Earnings before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements, reconciled to statutory profit in note 10
Statutory profit	**990**	468	Profit including discontinued operations, exceptional items and certain re-measurements

Total adjusted operating profit* increased by 15% to £1,447 million (2011: £1,262 million), as increases in Downstream UK and Upstream UK profitability* more than offset slightly lower North American and Storage UK profitability*. Downstream UK profitability* increased as higher gas volumes and retail tariffs more than offset higher commodity and non-commodity costs. Upstream UK profitability* increased as higher gas volumes and achieved gas and oil prices, and a profit* on disposal relating to offshore wind, more than offset the impact of lower power volumes resulting from weak market conditions. In North America, the impact of the First Choice, Gateway and Vectren acquisitions, and organic downstream growth, was offset by less favourable market conditions in Ontario, lower than expected gas consumption as a result of warmer than normal weather and low wholesale commodity prices. After taking account of joint venture and associate interest and tax, and the depreciation of fair value uplifts, Group operating profit^Ω increased by 18% to £1,346 million (2011: £1,144 million).

Group profit^Ω was up 18% to £737 million (2011: £625 million). This reflects the increased Group operating profit^Ω, partially offset by increased interest and tax expense. Net interest cost was £88 million (2011: £78 million), reflecting a higher level of average gross debt in the period. The taxation on profit from

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^ Including tax from share of joint ventures and associates, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

GROUP FINANCIAL REVIEW CONTINUED

continuing operations before exceptional items and certain remeasurements was £521 million (2011: £441 million), reflecting the increase in Group operating profit[Ω], with the adjusted effective tax rate[^] for the Group unchanged at 43% (2011: 43%). An effective tax rate[^] calculation is shown on the table on page 8.

After adjusting for the impact of fair value uplifts, adjusted earnings[◊] increased by 14% to £767 million (2011: £673 million) while adjusted basic earnings per share (EPS)[◊] increased to 14.8 pence (2011: 13.0 pence).

The statutory profit for the period was £990 million (2011: £468 million). The reconciling items between Group profit[Ω] and the statutory profit are related to exceptional items, certain re-measurements and discontinued operations. The increase compared with 2011 was principally due a net gain on certain re-measurements of £319 million (2011: £68 million) and the effect of a lower net exceptional charge from continuing operations after taxation of £66 million (2011: £204 million). The Group reported a statutory basic EPS of 19.1 pence, up from 9.1 pence in 2011.

An interim dividend of 4.62 pence per share (2011: 4.29 pence per share) will be paid on 14 November 2012 to shareholders on the register on 28 September 2012, in line with our established practice of paying an interim dividend of 30% of prior year full year dividend.

Group operating cash flow from continuing operations before movements in working capital was largely unchanged at £1,681 million (2011: £1,656 million). After working capital adjustments, tax, operational interest, and cash flows associated with exceptional charges and discontinued operating activities, this stood at £1,032 million (2011: £1,068 million).

The net cash outflow from investing activities increased to £1,443 million (2011: £458 million), due primarily to higher cash outflows on the purchase of property, plant and equipment and intangible assets, including the completion of the acquisition of gas and oil assets from Statoil and ConocoPhillips.

The net cash inflow from financing activities was £888 million (2011: outflow of £646 million). The net cash inflow resulted primarily from the bond and commercial paper issues detailed in note 11.

The Group's net debt level at 30 June 2012 was £4,533 million (31 December 2011: £3,435 million), reflecting the increased investment as detailed above.

During the period net assets increased to £6,060 million from £5,600 million as at 31 December 2011, reflecting higher retained earnings resulting from the higher statutory profit during the period.

Exceptional items

A £90 million exceptional restructuring charge was recorded in the period, mainly in relation to onerous property lease charges and further staff reductions, as part of a Group-wide cost reduction programme initiated in 2011.

Certain re-measurements

In our business we enter into a portfolio of forward energy contracts which include buying substantial quantities of commodity to meet the future needs of our customers. A number of these arrangements are considered to be derivative financial instruments and are required to be fair-valued under IAS 39 which means that we apply the prevailing forward market prices to these contracts. The Group has shown the fair value adjustments separately as certain re-measurements, as they are unrealised and non-cash in nature. The profits[Ω] arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements. See note 3 for further details.

The operating profit in the statutory results includes net gains of £513 million (2011: £161 million) relating to these re-measurements, of which there are a number of elements. The main element in the period relates to gas and power delivered under these forward contracts, as net out-of-the-money mark-to-market positions from the 2011 year end were unwound, generating a net gain to the Group Income Statement in the period of £491 million (2011: £110 million). Other elements relate to existing contracts fair valued under IAS 39, resulting in a net credit on revaluation of £7 million (2011: £53 million) and cross-border transportation or capacity contracts, resulting in a gain of £15 million (2011: loss of £2 million).

There were also net losses arising on re-measurement of associates' energy contracts (net of taxation) of £2 million (2011: £51 million).

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^ Including tax from share of joint ventures and associates, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

GROUP FINANCIAL REVIEW CONTINUED

Business combinations and capital expenditure

On 30 April 2012, Centrica Energy completed the acquisitions of certain oil and gas production and development assets from Statoil and ConocoPhillips, for a combined total cash consideration of £909 million. In addition to the cash consideration, total tax liabilities of £165 million were acquired as part of the transactions.

Further details on capital expenditure and business combinations and asset purchases are included in notes 5(c) and 15 respectively.

Principal risks and uncertainties

The Group's principal risks and uncertainties are largely unchanged from those set out in its 2011 Annual Report and Accounts. Some improvements to these processes are described in note 4, along with key financial risk issues addressed during the year.

Capital management

Details on the Group's capital management processes are provided under sources of finance in note 11.

Events after the balance sheet date

On 12 July 2012, Direct Energy announced it had reached an agreement to acquire New York based energy retailers Energetix Inc. and NYSEG Solutions Inc. for $110 million (£71 million), plus working capital.

Full details of all events after the balance sheet date are provided in note 20.

Effective tax rate reconciliation

For the period ended 30 June	2012 £m	2011 £m
Taxation on profit from continuing operations	**521**	441
Tax impact of depreciation on Venture fair value uplift	**22**	22
Share of joint ventures / associates taxation	**25**	29
Adjusted tax charge from continuing operations^	**568**	492
Adjusted operating profit*	**1,447**	1,262
Share of joint ventures / associates interest	**(24)**	(32)
Net interest expense	**(88)**	(78)
Adjusted profit from continuing operations before taxation	**1,335**	1,152
Adjusted effective tax rate^	**43%**	43%

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

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Ω Including share of joint ventures and associates stated after interest and taxation, and before exceptional items and certain re-measurements

^ Including tax from share of joint ventures and associates, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW

DOWNSTREAM UK

Grow British Gas

Against a challenging economic backdrop, British Gas performed well in the first half of the year, and actions we have taken are helping to drive long-term growth. We have made good progress in making our energy offering simple, transparent and fair for all our customers; we are successfully delivering cost reductions while maintaining our high levels of service - sharpening the business for the benefit of our customers; we continue to help our customers reduce their energy consumption; and we lead the industry in our support for the most vulnerable.

In residential energy supply our focus is on maintaining a competitive position, with high levels of customer service and a sharp focus on costs, supported by our industry-leading IT systems. In residential services we remain on track to deliver double digit profit* growth in 2012, mostly through operational efficiencies but also through high levels of retention, reflecting our attractive propositions and service excellence. In business energy supply, the weak UK economy is having a real impact for many of our customers. In this environment it is important that we focus on value for money and service, investing in systems and the development of energy services offerings, to ensure that the business is well placed for the future.

All of this needs to be delivered safely, with health and safety the number one priority. Our lost time injury frequency rate (LTIFR) during the first half of the year was 0.26 per 100,000 hours worked (2011: 0.26). We also continue to monitor employee engagement closely, and recognise the commitment our people make to provide customers with consistently high levels of service.

Delivering for our customers

British Gas is taking the lead in helping to rebuild trust in the energy industry, with the aim of making buying energy simple, transparent and fair. We have implemented a range of initiatives for our residential customers that are consistent with the objectives of Ofgem's Retail Market Review and earlier this month, British Gas was awarded a five star rating by Which? in their latest review, focusing on clarity of billing and account management. Our 'tariff checker' is helping customers to ensure that they are on the most suitable British Gas tariff for them; we have announced the roll-out of a clearer energy bill design; and we have introduced a new, more transparent pricing structure with a standing charge and a single unit rate. This new approach provides an alternative to the existing two-tier tariff system, making it simpler for customers to understand their bill and making comparison with other suppliers easier.

In order to rebuild trust in the industry it is also vital to deliver high levels of customer service. In the first half of the year we saw improvements in our residential energy net promoter score (NPS), a reduction in complaints and our lowest average call answering time in five years. These improvements reflect the early benefits of our investment in new Customer Relationship Management and call centre technology. We also re-launched britishgas.co.uk with improved online account management functionality. In the first half of the year, the number of customers registered online increased to over three million and we saw a 10% increase in the number of online transactions.

We continue to help our most vulnerable customers and once again, our social spend in the period exceeded the requirement set out by the Government. In addition, British Gas was recognised with a double achievement in the 'Business in the Community' awards, being awarded the 'CommunityMark' and 'Building Stronger Communities' accolades.

Residential customer accounts stable

In January, British Gas announced an immediate 5% reduction in its standard domestic electricity tariff, becoming the first of the major energy suppliers to implement a reduction and re-establishing British Gas as the cheapest major standard electricity supplier, on average, in Britain. The number of residential energy customer accounts on supply was stable at 15.8 million, reflecting our good customer service, with customer churn at record low levels.

We now have 4.6 million customers enrolled in the Nectar loyalty programme. This is helping to shape customer behaviour, reduce account management costs and improve the customer experience, as more customers are incentivised to submit meter reads online, move to paperless billing and pay by direct debit. We also delivered over 100,000 sales through the Sainsbury's Energy partnership in the first half of the year.

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW CONTINUED

In residential services, the number of contract holdings increased by 10,000 over the first six months of the year, despite the challenging economic environment, reflecting strong retention and high levels of customer satisfaction. The economic environment did however impact the number of boiler installations, down 19% to 44,000 (2011: 54,000), although operating profit* was largely unchanged from last year as we focused on the more valuable customer segments.

In business energy supply the economic and competitive environment remains difficult. As a result, contract renewal rates and margins are coming under pressure and the number of customer supply points reduced by 25,000 from the start of the year to 0.97 million (2011: 1.00 million). Our business services proposition continues to develop and during the period we signed our first multi-year Energy Performance Contracts with businesses and public sector organisations.

Helping our customers use less energy

We are leading the industry in helping customers reduce their energy consumption. We continue to offer free insulation to all our customers and we now have over one million accounts on our EnergySmart product, which helps customers monitor and manage their energy usage.

We also continue to lead the industry in the roll-out of smart meters and have the largest smart meter deployment in Britain, with over 600,000 smart meters installed to date for residential and small business customers. We welcomed the Government's confirmation of the timing and standards for the programme and we are currently trialling our Phase 3 meters. Smart meters will be the enabler for a range of technologies, central to our vision for the 'Smart Connected Home', and by going early on the roll-out we have gained invaluable experience. We have to date made a number of small investments in smart technology companies including AlertMe, which enables a range of home automation applications and we have recently launched our Remote Heating Control product, which allows customers to monitor and control their central heating system via the internet or on their smart phone. In June of this year we acquired a stake in Power Plus Communications, a German based technology company specialising in smart applications in complex buildings.

Delivering on the Group-wide cost reduction programme to maintain competitiveness

We are making good progress on our cost reduction programme, sharpening the business for the future and allowing us to remain competitive. These savings have in part been enabled by our previous systems investment and our online platform and as a result our levels of service have not been impacted. In addition, we have worked closely with the Trade Unions to deliver a number of important changes, including the cessation of field sales activity, a pay freeze for all employees and changes to the defined benefit pension scheme. We have also undertaken a wholesale restructuring of our services field force management teams and agreed improved commercial terms with a number of key suppliers. As a result, operating costs were 5% lower in the first half of 2012 compared to the first half of 2011.

In April we announced the closure of our Southampton call centre and we are outsourcing a number of roles in British Gas Services and British Gas Business. We also announced further savings in support functions and overall British Gas remains on track to deliver £300 million of cost savings by the end of 2013.

Further progress in new markets

New markets remain a key area for future growth in British Gas. Our insulation workforce completed 102,000 installations in the first six months (2011: 68,000) while in social housing we now manage a portfolio in excess of 260,000 homes, including work we are undertaking for the Welsh Assembly and Scottish Governments. We have also entered into affinity partnerships with Thames Water, Bristol Water and Wessex Water, enabling us to offer energy, services and energy efficiency products to a wider customer base. In addition, we have recently entered into a broad strategic partnership with the RAC covering a number of areas, including roadside breakdown, joint procurement and affinity marketing. In electric vehicles, we have secured contracts to become the preferred supplier of home charging solutions for Vauxhall and the Source London 'Plugged-in-Places' scheme. This is in addition to similar deals announced last year with Nissan, Renault and Toyota.

Good financial performance in the first half

Residential energy supply gross revenue increased to £4,807 million (2011: £4,102 million) reflecting higher gas consumption and higher average tariffs. Average gas consumption was up 5%, while average electricity consumption was down 1%, with the effect of colder weather on gas consumption being partially offset by underlying reductions driven by energy efficiency measures. However, commodity and transportation and distribution costs also increased in the period, while environmental costs rose by £123 million compared to the

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW CONTINUED

same period in 2011. This resulted in an operating profit* of £345 million (2011: £281 million). Subject to weather conditions in the remainder of the year, commodity price movements and the competitive environment, we expect profit* to be more weighted towards the first half of the year than in 2011.

Residential services gross revenue for the first six months was flat at £811 million (2011: £811 million). Operating profit* increased by 14% to £125 million (2011: £110 million) with the operating margin increasing to 15.4% (2011: 13.6%), reflecting the delivery of cost efficiencies across the business and the contribution from our new markets business, which is now reported in this segment.

Business energy supply and services gross revenue rose 10% to £1,589 million (2011: £1,441 million) reflecting higher average tariffs and growth in energy services. Despite this, operating profit* fell by 27% in the first six months to £93 million (2011: £127 million) with the operating margin falling to 5.9% (2011: 8.8%). Although current expectations are for less of a first half weighting in profit* than in 2011, this result reflects the challenging economic and competitive climate for contract renewals and margins, the impact of higher investment in customer service to deliver longer term growth and a number of credits reported in 2011 arising from improved revenue and billing processes.

Overall, total Downstream UK gross revenue in the period increased by 13% to £7,207 million (2011: £6,354 million), with higher revenue in residential energy supply and business energy supply and services. Operating profit* increased by 9% to £563 million (2011: £518 million), reflecting the unusually low levels of consumption and profitability* in the first half of 2011.

Downstream UK

Residential energy supply

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Customer accounts (period end):				
Gas ('000)	**9,032**	9,320	(3.1)	9,139
Electricity ('000)	**6,783**	6,817	(0.5)	6,742
Total ('000)	**15,815**	16,137	(2.0)	15,881
Estimated market share (%):				
Gas	**40.8**	42.0	(1.2) ppts	41.2
Electricity	**25.5**	25.5	0.0 ppts	25.2
Average consumption:				
Gas (therms)	**276**	262	5	443
Electricity (kWh)	**1,919**	1,947	(1.4)	3,805
Total consumption:				
Gas (mmth)	**2,515**	2,430	3.5	4,099
Electricity (GWh)	**12,987**	13,002	(0.1)	25,602
Gross Revenue (£m):				
Gas	**3,216**	2,655	21	4,903
Electricity	**1,591**	1,447	10	3,027
Total	**4,807**	4,102	17	7,930
Transmission and metering costs (£m):				
Gas	**651**	601	8	1,212
Electricity	**438**	381	15	782
Total	**1,089**	982	11	1,994
Total environmental costs (£m)	**284**	161	76	413
Total social costs (£m)	**60**	38	58	78
Operating profit (£m)*	**345**	**281**	**23**	**544**
Operating margin (%)	**7.2**	6.9	0.3 ppts	6.9

2011 revenue and operating profit* restated to reflect the reclassification of the British Gas New Energy business from Residential energy supply to Residential services and the reclassification of the British Gas Community Energy business from Residential energy supply to Business energy supply and services

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW CONTINUED

Residential services

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Customer product holdings (period end):				
Central heating service contracts ('000)	**4,662**	4,655	0.2	4,696
Kitchen appliances care (no. of customers) ('000)	**470**	476	(1.3)	476
Plumbing and drains care ('000)	**1,958**	1,766	11	1,884
Home electrical care ('000)	**1,451**	1,462	(0.8)	1,462
Other contracts ('000)	**331**	361	(8)	344
Total holdings ('000)	**8,872**	8,720	1.7	8,862
Domestic central heating installations ('000)	**44**	54	(19)	105
Gross Revenue (£m):				
Central heating service contracts	**404**	396	2.0	807
Central heating installations	**121**	151	(20)	295
Other	**286**	264	8	542
Total	**811**	811	0.0	1,644
Engineering staff employed (period end)	**9,526**	9,926	(4.0)	9,800
Operating profit (£m)*	**125**	**110**	**14**	**269**
Operating margin (%)	**15.4**	13.6	1.8 ppts	16.4

2011 revenue and operating profit* restated to reflect the reclassification of the British Gas New Energy business from Residential energy supply to Residential services

Business energy supply and services

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Customer supply points (period end):				
Gas ('000)	**343**	373	(8)	363
Electricity ('000)	**631**	653	(3.4)	636
Total ('000)	**974**	1,026	(5)	999
Average consumption:				
Gas (therms)	**1,581**	1,499	5	2,629
Electricity (kWh)	**13,507**	12,837	5	25,732
Total consumption:				
Gas (mmth)	**541**	573	(6)	986
Electricity (GWh)	**8,529**	8,411	1.4	16,731
Gross Revenue (£m):				
Gas	**571**	515	11	931
Electricity	**1,018**	926	10	1,898
Total	**1,589**	1,441	10	2,829
Transmission and metering costs (£m):				
Gas	**93**	94	(1.1)	188
Electricity	**197**	184	7	372
Total	**290**	278	4.3	560
Operating profit (£m)*	**93**	**127**	**(27)**	**192**
Operating margin (%)	**5.9**	8.8	(2.9) ppts	6.8

2011 revenue and operating profit* restated to reflect the reclassification of the British Gas Community Energy business from Residential energy supply to Business energy supply and services

Total Downstream UK

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Total customer accounts (period end) ('000)	**25,661**	25,883	(0.9)	25,742
Total customer households (period end) ('000)	**11,903**	12,167	(2.2)	11,997
Joint product households (period end) ('000)	**2,187**	2,195	(0.4)	2,207
Gross Revenue (£m):	**7,207**	6,354	13	12,403
Operating cost (excluding bad debt) (£m)	**711**	747	(4.8)	1,425
Operating profit (£m)*	**563**	**518**	9	**1,005**

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW CONTINUED

UPSTREAM UK

Delivering value from our growing upstream business

During the first half of the year we made substantial progress on our strategy to deliver value and growth from our upstream business.

In gas and oil, our recent acquisitions in the North Sea deliver a step change for the business, improving the scale and geographic diversity of our portfolio. Together with our ongoing work to bring new production on-stream, develop existing reserves and find new reserves through appraisal and exploration activity, these transactions have already taken annualised production towards 70 million barrels of oil equivalent (mmboe), close to our target of 75mmboe.

In power, our investment in nuclear is benefiting from strong operational performance, although market conditions remain challenging for our gas-fired fleet. We are also increasing the scale of our offshore wind business, where the support framework is well established.

Centrica Energy has executed a number of cost initiatives during the first half of the year and is on track to deliver its contribution of savings to Group targets. In making cost savings we will not compromise on our health, safety and environmental practices and will continue to invest to maintain our high levels of performance in this area.

Increased gas and oil production volumes

Between November 2011 and February 2012 we announced three North Sea acquisitions, with total consideration of £1.2 billion. The acquisitions of Norwegian assets from Statoil and ConocoPhillips both completed at the end of April. The acquisition of the Seymour field, part of a package of UK North Sea assets from Total, has also completed, with the acquisition of the remaining assets expected to have fully completed by the end of August. The full transaction is now for 14mmboe of reserves and an expected consideration of £126 million following notice of pre-emption for part of the portfolio. These three acquisitions are expected to add around 11mmboe to production in 2012 and, as a result, overall gas and oil production is expected to increase by around 20% this year.

Total gas production volumes in the first half of the year increased by 6% to 1,148 million therms (mmth) (2011: 1,079mmth), with gas volumes from Morecambe down to 362mmth (2011: 399mmth), reflecting periods of intermittent production at South Morecambe. We have now taken action to stabilise the quality of gas being delivered to the grid, and expect to deliver improved performance in the second half of the year.

Gas production from other fields increased by 16% to 786mmth (2011: 680mmth) with production from our Norwegian acquisitions more than offsetting the natural decline of our existing fields. Oil and condensate volumes were flat at 6.9mmboe (2011: 6.9mmboe). The investment made in expanding and diversifying our portfolio of gas and oil assets reduces reliance on production from Morecambe, which is expected to make up around 20% of total production in 2012, declining to around 15% in 2013.

Continued good progress on gas and oil development, appraisal and exploration

We are making good progress on our current development projects, which combined are expected to bring around 70mmboe of reserves into production over the next three years. Our Ensign project delivered first gas in May, when we tied in the first well. A second well is currently being drilled, which is expected to result in increased production later this year, while we are assessing options for a further well. First gas from Seven Seas is now expected around the start of the fourth quarter of the year, slightly later than previously planned, following the end of summer shutdown at BP's West Sole Alpha platform. We expect first gas from Rhyl and Atla around the end of the year, and from York and Kew in 2013, subject to rig availability and scheduling. Good progress is being made on the Valemon project, which we acquired an interest in as part of the Statoil transaction. The steel jacket has now been installed and the field is on track to produce first gas towards the end of 2014.

We welcome the announcement from the UK Government on the shallow water gas field allowance, which will enable us to proceed with the £1.4 billion Cygnus project, in which our share is 48.75%. Cygnus is the largest gas discovery in the Southern North Sea for 25 years, with our share of reserves being 53mmboe. The development would create around 4,000 jobs, mostly in the UK, and produce enough gas to supply 1.5 million homes.

In Trinidad and Tobago, we are progressing well work to prove up reserves on the Block 22 project, which has net resources amounting to 168mmboe (entitlement plus tax barrels). We are progressing engineering design

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OPERATING REVIEW CONTINUED

and exploring development and partnership options for gas export, potentially using Compressed Natural Gas (CNG) technology.

In drilling, initial appraisal results at the Maria North well, in which we own a 20% interest, indicated potential gross recoverable reserves of the Maria field towards the upper end of 70-150mmboe range published following the discovery in 2010. We are currently working with our partners to consider field development options. In July, we drilled an exploration well at our Cooper field, in which we hold a 40% operated interest, and preliminary results are very encouraging, indicating the presence of oil. A full evaluation of size and commercial viability is now underway. We also had two exploration failures during the period, at Stalin in Trinidad and Tobago and Jasper in Egypt. In June, we extended our Memorandum of Understanding (MoU) with Statoil to collaborate on gas-focused exploration opportunities in Norway and the UK. The original MoU, signed in November 2011, resulted in the companies jointly bidding in the 27th UK North Sea licensing round.

Good operational performance from nuclear, weak market conditions for CCGTs

The nuclear assets continue to perform well, with our 20% share of production amounting to 6.0 terawatt hours (TWh) in the first half of the year (2011: 6.2TWh), contributing most of the profitability* in the power business. Availability of our wind assets was 84% in the first half of the year, reflecting some outages at Inner Dowsing in the first quarter, with generated volumes of 246 gigawatt hours (GWh) (2011: 275GWh) and a load factor of 29% (2011: 33%).

Market conditions continue to be challenging for our gas-fired CCGT fleet. Reliability remained high at 97% (2011: 98%), however generation volume reduced by 34% to 4.9TWh (2011: 7.4TWh) with a load factor of 28% (2011: 35%), reflecting an environment of low market clean spark spreads. Given these conditions we have closed our 325MW Kings Lynn power station. The future of our plants at Peterborough and Roosecote, with a combined capacity of 589MW, is under review with both having been unsuccessful in recent bids in the short term operating reserve (STOR) market. Our plants at Barry and Brigg continue to operate in the STOR market, with contracts in place until the end of the first quarter of 2013.

Power projects proceeding to plan

We expect to generate first power at our 270 megawatt (MW) Lincs wind farm in the coming weeks. All foundations have now been installed, with the installation of export and array cables ongoing. We have now commenced turbine installation and the project is expected to be fully operational around the middle of 2013. We also announced in June that we had finalised project financing agreements for Lincs with 10 commercial banks, raising a total of £425 million. Our next offshore wind project, Race Bank, has now received planning consent for up to 580MW of capacity. We are progressing towards a final investment decision in the first quarter of 2013, subject to completion of project costing and other commercial arrangements. However, regrettably our Docking Shoal offshore wind project has been refused consent, more than three and a half years after the initial application. On Round 3 wind, we announced in March that we had established a joint venture with Dong to co-develop potential offshore projects, with a final investment decision on the first project expected in 2016. We are also evaluating an option to build a biomass plant at Roosecote, with the Government's Renewable Obligation banding review having set an initial support level of 1.5 Renewable Obligation Certificates (ROCs) for new build biomass.

We welcomed the publication of the UK Government's draft Energy Bill in May, underlining the Government's support for low carbon technologies while recognising a continued role for gas-fired generation. Although good progress has been made in establishing a framework to ensure clarity of the investment climate, further detail is required, including in new nuclear, where much work remains to be done before an investment decision can be taken.

Increased operating profit driven by higher realised commodity prices

Centrica Energy operating profit* increased by 28% to £682 million (2011: £531 million) with profitability* of the gas segment increasing by 23% to £508 million (2011: £414 million), reflecting higher production volumes, higher achieved prices and the settlement of a pre-existing supply contract upon completion of the acquisition of assets from ConocoPhillips, which generated an operating profit* of £20 million. The average achieved gas sales price, after the impact of hedging, increased by 3% to 52.4 pence per therm (p/th) (2011: 50.7p/th), while the average achieved oil and condensate price, after the impact of hedging, increased by 8% to £61.8 per barrel of oil equivalent (boe) (2011: £57.4/boe), reflecting higher UK wholesale gas prices and worldwide oil prices. Production costs decreased by 2% to £571 million (2011: £583 million). On a per unit of production basis, lifting

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OPERATING REVIEW CONTINUED

costs fell slightly to £9.1/boe (2011: £9.7/boe) while DDA costs decreased to £9.5/boe (2011: £10.7/boe), reflecting changes to reserves upgrades during 2011. We expect the unit DDA for the full year to rise, as production becomes weighted towards higher depreciation fields.

Power profitability* increased by 49% to £174 million (2011: £117 million) predominantly reflecting a profit* on disposal recorded following the sale of 50% of our Round 3 wind farm interest to Dong, in line with our established business model to partner on offshore wind, partially offset by a charge relating to the refusal of consent at our Docking Shoal project. This resulted in a net increase to operating profit* of £33 million.

Centrica Energy has delivered a number of cost initiatives during the first half of the year, including the closure of operations in Germany and of the Kings Lynn power station, as well as restructuring of various support functions. The business remains on track to deliver its contribution of savings to Group targets.

Investing for value and growth

Centrica Energy has made good progress in the year to date with recent upstream gas and oil transactions significantly enhancing the scale and diversity of our business. The recent falls in wholesale gas and oil prices will impact our upstream gas and oil operating profit* for the full year, however our hedging profile broadly protects 2012 earnings on a post-tax basis. In addition, the business is expected to benefit from higher gas and liquids production in the second half of the year.

Our investment in the existing nuclear fleet is performing well, and expected life extensions of seven years on average, rather than the current five years, will deliver additional long-term value. However lower power prices and narrow clean spark spreads are adversely impacting the power business and like all our peer group we face the loss of free carbon allowances in 2013. On power investments, offshore wind has a well established support framework, with Lincs soon to generate first power and work ongoing towards a final investment decision on Race Bank. We also retain a range of other investment options including new nuclear, biomass and new build CCGT and are well placed to be able to help deliver the UK's energy requirements, provided that good returns can be achieved.

Upstream UK

Gas

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Gas production volumes (mmth)				
Morecambe	**362**	399	(9)	817
Other	**786**	680	16	1,343
Total	**1,148**	1,079	6	2,160
Oil and condensate production volumes (mmboe)	**6.9**	6.9	0.0	12.5
Total production volumes (mmboe)	**25.7**	25.0	2.8	48.2
Average gas sales price (p/therm)	**52.4**	50.7	3.4	51.6
Average oil and condensate sales price (£/boe)	**61.8**	57.4	8	57.2
Production costs (£m)	**571**	583	(2.1)	1,127
Operating profit (£m)*	**508**	**414**	**23**	**769**

Power

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Power generated (GWh)				
Gas-fired	**4,906**	7,431	(34)	14,973
Renewables	**246**	275	(11)	596
Nuclear	**5,954**	6,191	(3.8)	11,157
Total	**11,106**	13,897	(20)	26,726
Achieved Clean Spark Spread (£/MWh)	**10.3**	11.1	(7)	10.1
Achieved power price (including ROCs) (£/MWh) - renewables	**99.2**	95.3	4.1	111.2
Achieved power price (£/MWh) - nuclear	**49.2**	47.1	4.5	48.5
Operating profit (£m)*	**174**	**117**	**49**	**254**

Total Upstream UK

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Operating profit (£m)*	**682**	531	28	1,023

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW CONTINUED

STORAGE UK

Good performance in a challenging market environment

Centrica Storage performed well in the first half of the year, with the Rough asset delivering good returns on capital and solid commercial and operational performance. Health and safety remains our core priority; there were no Lost Time Incidents in the period.

The business will benefit in the second half of the year from having forward sold at the higher summer/winter price differentials seen during the final quarter of 2011 and the first quarter of 2012, which are reflected in a 2012/13 Standard Bundled Unit (SBU) price of 33.9p (2011/12: 25.2p). However, more recently these spreads have narrowed again, with colder than usual weather in the second quarter of the year pushing up summer gas prices and lower oil prices keeping down the winter gas price.

High level of Net Reservoir Volume

Reliability of the Rough asset in the first half of the year was at similar levels to the first half of 2011, with a small number of outages on one of the offshore platforms. Warmer than normal weather towards the end of 2011 led to a record high level of stock carry-over into 2012, which together with the impact of mild weather earlier this year, resulted in a relatively high Net Reservoir Volume (NRV) by the end of the first quarter. Weather conditions in the second quarter of the year were colder than usual, however with the UK adequately supplied, the NRV has remained at near record levels.

Operating profit expected to be weighted towards the second half

Gross revenue fell by 6% in the first half of 2012 to £91 million (2011: £97 million), reflecting a decline in the average SBU price over the period to 28.1p (2011: 34.8p), partially offset by higher additional space and optimisation revenues. The higher 2012/13 SBU price will be fully reflected in the second half of the year. Operating profit* fell slightly to £36 million (2011: £39 million), reflecting the reduction in revenue, partially offset by lower fuel gas costs due to the high stock carry-over and lower injections in the period compared to the first half of 2011. For the full year, operating profit* is expected to increase compared to 2011, as the higher summer/winter differentials seen earlier this year will result in a slightly higher average calendar year SBU price and a higher achieved price for additional space sales.

Challenging economics for new projects

We retain the option to invest in our gas storage projects, Baird and Caythorpe. We believe that the UK will require more seasonal storage as the country's dependence on imported gas increases. However, the longer term outlook is uncertain, and with continuing narrow summer/winter spreads and relatively low levels of price volatility, a support mechanism may be necessary to underpin investment. As with all projects across the Group, we will only invest if appropriate returns can be achieved.

Storage UK

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Average SBU price (in period) (pence)	**28.1**	34.8	(19)	30.0
Gross Revenue (£m)				
Standard SBUs	**64**	78	(18)	136
Optimisation / other	**27**	19	42	48
Total	**91**	97	(6)	184
External revenue (£m)	**76**	88	(14)	164
Cost of gas (£m)	**9**	13	(31)	19
Operating profit (£m)*	**36**	**39**	**(8)**	**75**

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OPERATING REVIEW CONTINUED

NORTH AMERICA

Build an integrated North American business

Direct Energy performed well during the first half of the year in a continued low gas and power price environment, with the benefit of increased residential scale and organic growth in business energy mostly offsetting the impact of mild winter weather and the regulatory environment in Ontario. In addition, the move of our North American headquarters to Houston is progressing well and, combined with overall headcount reductions and cost initiatives, is expected to deliver significant benefits for the future.

Enhanced scale and operational improvements in residential energy supply

Direct Energy Residential continues to make good progress, with profitability* only slightly down despite the impact of the regulatory environment in Ontario and milder than usual weather over the winter, including the warmest March on record. We are benefiting from operational efficiencies and billing system rationalisation, as well as the acquisitions of Gateway, First Choice Power and Vectren Retail, which all completed in 2011. These three transactions increased our market share in both Texas and the US North East and are enabling us to deliver integration benefits, by leveraging our existing systems and removing costs.

In the US North East, strong sales performance resulted in organic customer growth in the period, even given the expected roll-off of low-margin aggregation customers acquired as part of the Vectren Retail acquisition. Early in July, we announced the acquisitions of New York-based energy retailers Energetix and NYSEG from Iberdrola USA, which will add a further 245,000 residential and small business accounts and will increase our customer base in New York State to nearly 500,000. As with previous acquisitions, the transaction is expected to deliver further economies of scale and significant cost savings. Following completion of this acquisition, we will have over 1.3 million customer accounts in the US North East, having more than doubled our customer base in the region over the past 18 months. We have also introduced our 'Free Power Saturdays' product, which encourages customers to take advantage of off-peak periods of demand.

Our Texas residential business again performed well, benefiting from increased scale following the First Choice Power acquisition. Product innovation remains a focus, with our prepaid product 'Power to Go' continuing to attract interest from customers, as well as being viewed positively by the regulatory authorities, who see it as a positive way to extend retail choice to all customer groups. We continue to focus on channel efficiency and customer segmentation, which resulted in good sales performance, while our consolidated billing platform has helped to reduce costs and bad debt. The closure of our Dallas call centre, announced in September 2011, will further consolidate our activities and help us in our aim to continually improve levels of customer service.

In Ontario, the Energy Consumer Protection Act continues to impact the business. We are actively managing the decline of our customer base in the region, which has halved since the implementation of the act in early 2011. Through aggressive cost management we have halved the cost base, and together with lower than expected levels of churn, we have been able to maintain our unit margins. In the first half of 2012, Ontario contributed around 20% of our residential energy supply operating profit*, and this is expected to fall to around 5% in 2013. In Alberta, customers are responding to greater price volatility by moving from regulated to competitive tariffs, benefiting our business overall.

Gross revenue in North America residential energy supply fell by 6% to £1,210 million (2011: £1,290 million) with the impact of low wholesale prices and lower consumption resulting from the milder than usual winter being partially offset by a higher average number of accounts. Operating profit* reduced slightly to £101 million (2011: £105 million), with continued operational improvements and the impact of acquisitions broadly offsetting the impact of mild weather and market conditions in Ontario. Operating margin rose to 8.3% (2011: 8.1%).

Further volume growth in business energy supply

Direct Energy Business continues to perform well, with electricity volumes increasing by 8% to 23.9TWh (2011: 22.2TWh).

Our small commercial business is driving much of the growth, as we continue to penetrate this attractive segment with tailored offers and high levels of customer service. Renewal rates have been very strong in the year to date as we capitalise on operational improvements. We have also begun equipping our field sales force with tablet computers to automate the sales process, and we have recently entered a number of markets, including Texas. In the competitive commercial and industrial market, we have responded to challenging market

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OPERATING REVIEW CONTINUED

conditions by reducing costs and improving price competitiveness, which has resulted in increased market share and improved renewal rates.

Gross revenue in business energy supply reduced by 6% to £1,296 million (2011: £1,376 million) reflecting lower wholesale prices and milder weather. Operating profit* increased to £60 million (2011: £58 million) reflecting volume growth, particularly in our small commercial business, and operational efficiencies. The operating margin increased to 4.6% (2011: 4.2%).

Platform for growth in residential and business services

In Direct Energy Services, we are delivering growth under our nationwide on-demand franchise model and over time expect to increasingly cross-sell services to our energy customer base. In addition, following the acquisition of Home Warranty of America (HWA), completed in March, we now have the necessary licences to offer protection plan products across the United States, providing a further platform for growth.

The number of services customers was slightly up in the first half of the year, predominantly reflecting the HWA acquisition. In Canada, unseasonably warm winter weather, together with industrial action by a number of our HVAC technicians, resulted in lower than expected sales. The labour issues have now been resolved, resulting in more flexible working arrangements, and making a significant improvement to our cost base. In the United States, the slow housing market has continued to constrain growth. However the business is delivering cost efficiencies through greater integration of the Clockwork businesses, and customer satisfaction remains high, with NPS improving to 60.

Gross revenue in residential and business services increased by 2% to £253 million (2011: £249 million). Operating profit* increased to £11 million (2011: £9 million), with operational efficiencies more than offsetting the mild winter and the impact of industrial action in Canada.

Low gas prices impacting upstream and wholesale energy

The upstream business continues to face a low wholesale price environment, with record low Henry Hub natural gas prices impacting its profitability*. However, the price for liquids remained relatively high and following the acquisition of the Carrot Creek assets, which completed in January, we now benefit from a higher proportion of liquids production in our portfolio.

Gas production volumes remained broadly flat at 279mmth (2011: 280mmth), while liquids volumes increased to 0.6mmboe (2011: 0.3mmboe), reflecting the Carrot Creek acquisition. Power generation volumes increased by 43% to 3,320GWh (2011: 2,323GWh), with continued strong asset availability and optimisation performance allowing the power business to capture peaks in Texas power prices.

Overall, the upstream and wholesale division delivered an operating loss* of £6 million (2011: operating profit* of £2 million) reflecting continued low gas and power prices.

Continuing to drive long-term growth across the business

Direct Energy performed well in the first half of the year, despite the mild weather and the impact of the regulatory environment in Ontario, with gross revenue decreasing by 6% to £2,919 million (2011: £3,096 million) and operating profit* reducing slightly to £166 million (2011: £174 million). The business remains well placed to deliver further year-on-year profit* growth. Growth in our US North East and Texas residential businesses should broadly offset the headwinds in Ontario this year, as we benefit from the integration of our recent downstream acquisitions, and longer term the outlook for our residential energy business is positive. We also expect to deliver further growth in both business and services. Upstream, profitability* continues to be constrained in the low commodity price environment, although our gas production is well hedged for the remainder of 2012 and 2013, which should provide some protection to profitability*.

We continue to drive long-term growth across the business - delivering scale benefits downstream, benefiting from our cost reduction programme and, over time, cross-selling services to our energy base. We will continue to seek downstream acquisitions, to deliver synergies and further increase our scale, while upstream we will continue to evaluate opportunities that improve our levels of vertical integration and add value in their own right - in each case, investing only where we see appropriate returns.

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

OPERATING REVIEW CONTINUED

North America

Residential energy supply

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Customer accounts (period end) ('000)	**3,240**	2,966	9	3,364
Revenue (£m)	**1,210**	1,290	(6)	2,416
Operating profit (£m)*	**101**	**105**	**(3.8)**	**161**
Operating margin (%)	**8.3**	8.1	0.2 ppts	6.7

Business energy supply

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Gas sales (mmth)	**421**	417	1.0	714
Electricity sales (GWh)	**23,935**	22,191	8	46,350
Revenue (£m)	**1,296**	1,376	(6)	2,748
Operating profit (£m)*	**60**	**58**	**3.4**	**110**
Operating margin (%)	**4.6**	4.2	0.4 ppts	4.0

Residential and business services

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Contract relationships (period end) ('000)	**2,390**	2,291	4.3	2,283
On demand jobs ('000)	**627**	578	8	703
Revenue (£m)	**253**	249	1.6	520
Operating profit (£m)*	**11**	**9**	**22**	**28**
Operating margin (%)	**4.3**	3.6	0.7 ppts	5.4

Upstream and wholesale energy

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Gas production volumes (mmth)	**279**	280	(0.4)	567
Oil and liquids production volumes (mmboe)	**0.6**	0.3	100	0.7
Total production volumes (mmboe)	**5.2**	4.9	6	10.0
Power generated (GWh)	**3,320**	2,323	43	5,247
Revenue (£m)	**160**	181	(12)	433
Operating profit (£m)*	**(6)**	**2**	**nm**	**13**

Total North America

For the period ended 30 June	H1 2012	H1 2011	Δ%	FY 2011
Revenue (£m)	**2,919**	3,096	(6)	6,117
Operating profit (£m)*	**166**	**174**	**(4.6)**	**312**

North America with comparator year of 2011 restated to remove effect of foreign exchange movements

For the period ended 30 June	H1 2012	H1 2011	Δ%
Revenue (£m)			
Residential energy supply	**1,210**	1,297	(7)
Business energy supply	**1,296**	1,404	(8)
Residential and business services	**253**	251	0.8
Upstream and wholesale energy	**160**	185	(14)
Direct Energy revenue	**2,919**	3,137	(7)
Operating profit (£m)*			
Residential energy supply	**101**	106	(4.7)
Business energy supply	**60**	59	1.7
Residential and business services	**11**	9	22
Upstream and wholesale energy	**(6)**	2	nm
Direct Energy operating profit*	**166**	176	(6)

2011 figures restated at 2012 weighted average exchange rate

* Including share of joint ventures and associates before interest and taxation, and before depreciation of fair value uplifts to property, plant and equipment from Strategic Investments and exceptional items and certain re-measurements

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Interim Results for the six month period ended 30 June 2012 in accordance with applicable law, regulations and accounting standards. In preparing the condensed interim Financial Statements, the Directors are responsible for ensuring that they give a true and fair view of the state of affairs of the Group at the end of the period and the income or loss of the Group for that period.

The Directors confirm that the condensed interim Financial Statements have been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the European Union and that the Interim Results includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of the important events that have occurred during the first six months and their impact on the condensed interim Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months of the year and any material changes in the related party transactions described in the last annual report.

The Directors of Centrica plc are listed in the Group's 2011 Annual Report and Accounts. A list of current Directors is maintained on the Centrica plc website which can be found at www.centrica.com.

By order of the Board

Sam Laidlaw
26 July 2012
Chief Executive

Nick Luff
26 July 2012
Group Finance Director

INDEPENDENT REVIEW REPORT TO CENTRICA PLC

INTRODUCTION

We have been engaged by the company to review the condensed interim Financial Statements in the Interim Results for the six months ended 30 June 2012, which comprise the Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity, Group Balance Sheet, Group Cash Flow Statement and related notes. We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed interim Financial Statements.

DIRECTORS' RESPONSIBILITIES

The Interim Results are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the Interim Results in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in note 2, the annual Financial Statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of Financial Statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

OUR RESPONSIBILITY

Our responsibility is to express to the company a conclusion on the condensed interim Financial Statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of Financial Statements in the Interim Results for the six months ended 30 June 2012 are not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP

Chartered Accountants

London

26 July 2012

NOTES

(i) The maintenance and integrity of the Centrica plc website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial Statements since they were initially presented on the website.

(ii) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

GROUP INCOME STATEMENT

Six months ended 30 June	Notes	2012 Business performance £m	2012 Exceptional items and certain re-measurements £m	2012 Results for the period £m	2011 Business performance £m	2011 Exceptional items and certain re-measurements £m	2011 Results for the period £m
Group revenue	5	**11,977**	**–**	**11,977**	11,509	–	11,509
Cost of sales before exceptional items and certain re-measurements		**(9,363)**	**–**	**(9,363)**	(9,015)	–	(9,015)
Re-measurement of energy contracts	6	**–**	**513**	**513**	–	161	161
Cost of sales		**(9,363)**	**513**	**(8,850)**	(9,015)	161	(8,854)
Gross profit		**2,614**	**513**	**3,127**	2,494	161	2,655
Operating costs before exceptional items		**(1,326)**	**–**	**(1,326)**	(1,397)	–	(1,397)
Exceptional items	6	**–**	**(90)**	**(90)**	–	–	–
Operating costs		**(1,326)**	**(90)**	**(1,416)**	(1,397)	–	(1,397)
Share of profits/(losses) in joint ventures and associates, net of interest and taxation	13	**58**	**(2)**	**56**	47	(51)	(4)
Group operating profit		**1,346**	**421**	**1,767**	1,144	110	1,254
Interest income	7	**134**	**–**	**134**	85	–	85
Interest expense	7	**(222)**	**–**	**(222)**	(163)	–	(163)
Net interest expense		**(88)**	**–**	**(88)**	(78)	–	(78)
Profit from continuing operations before taxation		**1,258**	**421**	**1,679**	1,066	110	1,176
Taxation on profit from continuing operations	8	**(521)**	**(168)**	**(689)**	(441)	(246)	(687)
Profit/(loss) from continuing operations after taxation		**737**	**253**	**990**	625	(136)	489
Profit from discontinued operations	5, 6	**–**	**–**	**–**	13	22	35
Loss on disposal of discontinued operations	16	**–**	**–**	**–**	–	(56)	(56)
Discontinued operations		**–**	**–**	**–**	13	(34)	(21)
Profit/(loss) for the period		**737**	**253**	**990**	638	(170)	468

Earnings per ordinary share	Notes	2012 Pence	2011 Pence
From continuing and discontinued operations:			
Basic	10	**19.1**	9.1
Diluted	10	**19.0**	9.0
From continuing operations:			
Basic	10	**19.1**	9.5
Diluted	10	**19.0**	9.4
Interim dividend proposed/paid per ordinary share	9	**4.62**	4.29
Prior year final dividend paid per ordinary share	9	**11.11**	10.46

The notes on pages 26 to 41 form part of these condensed interim Financial Statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June	2012 £m	2011 £m
Profit for the period	**990**	468
Other comprehensive income:		
Gains/(losses) on revaluation of available-for-sale securities	**2**	(2)
Taxation on revaluation of available-for-sale securities	**4**	2
	6	–
(Losses)/gains on cash flow hedges	**(2)**	17
Transferred to income and expense on cash flow hedges	**42**	27
Transferred to assets and liabilities on cash flow hedges	**1**	–
Exchange differences on cash flow hedges	**6**	1
Taxation on cash flow hedges	**(12)**	(1)
	35	44
Exchange differences on translation of foreign operations	**(39)**	(2)
Recycling of foreign exchange loss on disposal of business	**–**	(3)
	(39)	(5)
Net actuarial gains on defined benefit pension schemes	**33**	88
Taxation on net actuarial gains on defined benefit pension schemes	**(10)**	(28)
	23	60
Share of other comprehensive income of joint ventures and associates, net of taxation	**(24)**	10
Other comprehensive income net of taxation	**1**	109
Total comprehensive income for the period	**991**	577

GROUP STATEMENT OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							
Six months ended 30 June 2012	Share capital £m	Share premium £m	Retained earnings £m	Accumulated other comprehensive income/(loss) £m	Other equity £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
1 January 2012	319	874	4,043	(238)	602	**5,600**	–	**5,600**
Total comprehensive income	–	–	990	1	–	**991**	–	**991**
Employee share schemes	1	44	13	–	(19)	**39**	–	**39**
Dividends	–	–	(576)	–	–	**(576)**	–	**(576)**
Taxation	–	–	–	–	5	**5**	–	**5**
Exchange adjustments	–	–	–	–	1	**1**	–	**1**
30 June 2012	**320**	**918**	**4,470**	**(237)**	**589**	**6,060**	**–**	**6,060**

	Attributable to equity holders of the parent							
Six months ended 30 June 2011	Share capital £m	Share premium £m	Retained earnings £m	Accumulated other comprehensive income/(loss) £m	Other equity £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
1 January 2011	318	833	4,386	(319)	601	5,819	–	5,819
Total comprehensive income	–	–	468	109	–	577	–	577
Employee share schemes	1	34	5	–	(3)	37	–	37
Dividends	–	–	(540)	–	–	(540)	–	(540)
Taxation	–	–	–	–	1	1	–	1
Purchase of non-controlling interest	–	–	(1)	–	–	(1)	1	–
30 June 2011	319	867	4,318	(210)	599	5,893	1	5,894

The notes on pages 26 to 41 form part of these condensed interim Financial Statements.

GROUP BALANCE SHEET

	Notes	30 June 2012 £m	31 December 2011 £m
Non-current assets			
Goodwill		**2,538**	2,518
Other intangible assets		**1,491**	1,221
Property, plant and equipment		**7,620**	6,412
Interests in joint ventures and associates	13	**2,726**	2,620
Deferred tax assets		**176**	235
Trade and other receivables		**78**	74
Derivative financial instruments		**388**	290
Securities		**195**	190
Retirement benefit assets	14	**488**	413
		15,700	13,973
Current assets			
Inventories		**499**	442
Current tax assets		**139**	81
Trade and other receivables		**4,051**	4,212
Derivative financial instruments		**373**	315
Securities		**7**	28
Cash and cash equivalents		**995**	518
		6,064	5,596
Total assets		**21,764**	19,569
Current liabilities			
Trade and other payables		**(3,944)**	(4,094)
Current tax liabilities		**(437)**	(226)
Bank overdrafts, loans and other borrowings	11	**(1,078)**	(502)
Derivative financial instruments		**(716)**	(1,140)
Provisions for other liabilities and charges		**(261)**	(308)
		(6,436)	(6,270)
Net current liabilities		**(372)**	(674)
Non-current liabilities			
Trade and other payables		**(100)**	(33)
Bank overdrafts, loans and other borrowings	11	**(4,652)**	(3,669)
Derivative financial instruments		**(478)**	(505)
Deferred tax liabilities		**(1,717)**	(1,506)
Provisions for other liabilities and charges		**(2,227)**	(1,903)
Retirement benefit obligations	14	**(94)**	(83)
		(9,268)	(7,699)
Net assets		**6,060**	5,600
Equity			
Share capital		**320**	319
Share premium		**918**	874
Retained earnings		**4,470**	4,043
Accumulated other comprehensive loss		**(237)**	(238)
Other equity		**589**	602
Total shareholders' equity		**6,060**	5,600

The notes on pages 26 to 41 form part of these condensed interim Financial Statements.

GROUP CASH FLOW STATEMENT

Six months ended 30 June	Notes	2012 £m	2011 £m
Cash generated from continuing operations	12	**1,480**	1,462
Income taxes paid		**(181)**	(101)
Net petroleum revenue tax paid		**(102)**	(152)
Interest received		**2**	13
Payments relating to exceptional charges		**(167)**	(131)
Net cash flow from continuing operating activities		**1,032**	1,091
Net cash flow from discontinued operating activities		**–**	(23)
Net cash flow from operating activities		**1,032**	1,068
Purchase of businesses net of cash and cash equivalents acquired	15	**(74)**	(114)
Sale of businesses net of cash and cash equivalents disposed of		**27**	78
Purchase of intangible assets	5	**(291)**	(124)
Purchase of property, plant and equipment	5	**(1,109)**	(302)
Disposal of property, plant and equipment and intangible assets		**5**	3
Investments in joint ventures and associates		**(120)**	(45)
Repayments of loans to, and disposal of investments in, joint ventures and associates		**37**	7
Dividends received from joint ventures and associates		**36**	63
Interest received		**21**	3
Net sale/(purchase) of securities		**25**	(26)
Net cash flow from continuing investing activities		**(1,443)**	(457)
Net cash flow from discontinued investing activities		**–**	(1)
Net cash flow from investing activities		**(1,443)**	(458)
Issue of ordinary share capital		**23**	17
Purchase of treasury shares		**(7)**	(4)
Financing interest paid		**(74)**	(82)
Cash inflow from additional debt		**1,533**	–
Cash outflow from payment of capital element of finance leases		**(14)**	(13)
Cash outflow from repayment of other debt		**(15)**	(19)
Net cash flow from increase/(reduction) in debt	12	**1,504**	(32)
Realised net foreign exchange gain/(loss) on cash settlement of derivative contracts		**13**	(5)
Equity dividends paid	9	**(571)**	(540)
Net cash flow from continuing financing activities		**888**	(646)
Net increase/(decrease) in cash and cash equivalents		**477**	(36)
Cash and cash equivalents at 1 January		**479**	451
Effect of foreign exchange rate changes		**(2)**	3
Cash and cash equivalents at 30 June		**954**	418
Included in the following lines of the Balance Sheet:			
Cash and cash equivalents		**995**	439
Bank overdrafts, loans and other borrowings		**(41)**	(21)
		954	418

The notes on pages 26 to 41 form part of these condensed interim Financial Statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Centrica plc is a Company domiciled and incorporated in the UK. The address of the registered office is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. The Company has its listing on the London Stock Exchange.

These condensed interim Financial Statements for the six months ended 30 June 2012 were authorised for issue in accordance with a resolution of the Board of Directors on 26 July 2012. These condensed interim Financial Statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 December 2011 were approved by the Board of Directors on 23 February 2012 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006. The financial information contained in these condensed interim Financial Statements is unaudited. The Group Income Statement, Group Statement of Comprehensive Income, Group Statement of Changes in Equity and Group Cash Flow Statement for the interim period to 30 June 2012, and the Group Balance Sheet as at 30 June 2012 and related notes have been reviewed by the auditors and their report to the Company is set out on page 21.

2. BASIS OF PREPARATION

These condensed interim Financial Statements for the six months ended 30 June 2012 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, Interim Financial Reporting, as adopted by the European Union. These condensed interim Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2011, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Preparation of interim statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual amounts may differ from these estimates. In preparing these condensed interim Financial Statements, the significant judgements, estimates and assumptions made by management in applying the Group's accounting policies were the same as those applied in the annual Financial Statements for the year ended 31 December 2011. During the period, the Group has acquired a number of producing and development oil and gas assets. The Group has determined that these acquisitions (outlined in note 15) take the form of asset purchases rather than business combinations as they constitute the purchase of jointly controlled assets governed by joint operating agreements and as such do not give the Group control of the businesses.

After making enquiries, the Board has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Board continues to adopt the going concern basis in preparing the condensed interim Financial Statements. Further details of the Group's liquidity position and going concern review are provided in note 4 of these condensed interim Financial Statements.

3. ACCOUNTING POLICIES

The accounting policies applied in these condensed interim Financial Statements are consistent with those of the annual Financial Statements for the year ended 31 December 2011, as described in those annual Financial Statements, with the exception of standards, amendments and interpretations effective in 2012 as detailed below. Taxes on income in the interim period are accrued using tax rates that would be applicable to expected total annual earnings for each relevant source of income.

(a) Standards, amendments and interpretations effective in 2012

The following amendments to existing standards and interpretations were effective for the current period, but the adoption of these amendments did not have a material impact on the condensed interim Financial Statements of the Group:

- IFRS 7 (amendment), Disclosures – Transfers of Financial Assets; and
- IFRS 1 (amendment), Severe Hyperinflation and Removal of Fixed dates for First-time Adopters.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

(b) Income Statement presentation

The Group's Income Statement and segmental note separately identify the effects of re-measurement of certain financial instruments and items which are exceptional, in order to provide readers with a clear and consistent presentation of the Group's underlying performance, as described below.

(i) Certain re-measurements

As part of its energy procurement activities, the Group enters into a range of commodity contracts designed to achieve security of energy supply. These contracts comprise both purchases and sales and cover a wide range of volumes, prices and timescales. The majority of the underlying supply comes from high-volume, long-term contracts which are complemented by short-term arrangements. These short-term contracts are entered into for the purpose of balancing energy supplies and customer demand and to optimise the price paid by the Group. Short-term demand can vary significantly as a result of factors such as weather, power generation profiles and short-term movements in market prices.

Many of the energy procurement contracts are held for the purpose of receipt or delivery of commodities in accordance with the Group's purchase, sale or usage requirements and are therefore out of scope of IAS 39, Financial Instruments: Recognition and Measurement. However, a number of contracts are considered to be derivative financial instruments and are required to be fair valued under IAS 39, primarily because their terms include the ability to trade elements of the contracted volumes on a net-settled basis.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

3. ACCOUNTING POLICIES CONTINUED

The Group has shown the fair value adjustments arising on these contracts separately in the certain re-measurements column. This is because the intention of management is, subject to short-term demand balancing, to use these energy supplies to meet customer demand. Accordingly, management believes the ultimate net charge to cost of sales will be consistent with the price of energy agreed in these contracts and that the fair value adjustments will reverse as the energy is supplied over the life of the contract. This makes the fair value re-measurements very different in nature from costs arising from the physical delivery of energy in the period. At the balance sheet date the fair value represents the difference between the prices agreed in the respective contracts and the actual or anticipated market price of acquiring the same amount of energy on the open market. The movement in the fair value taken to certain re-measurements in the Income Statement represents the unwinding of the contracted volume delivered or consumed during the period, combined with the change in fair value of future contracted energy as a result of movements in forward energy prices during the period.

As an integrated energy business, the Group will also enter into a range of commodity contracts designed to secure the value of its underlying production, generation, storage and transportation assets. The fair value movements on these contracts are also shown separately in the certain re-measurements column. This is because the fair value movements on these contracts are not matched with fair value movements of the underlying assets, since not all the underlying assets are fair valued.

These adjustments represent the significant majority of the items included in certain re-measurements.

In addition to these, however, the Group has identified a number of comparable contractual arrangements where the difference between the price which the Group expects to pay or receive under a contract and the market price is required to be fair valued by IAS 39. These additional items relate to cross-border transportation or transmission capacity, storage capacity and contracts relating to the sale of energy by-products, on which economic value has been created which is not wholly recognised under the requirements of IAS 39. For these arrangements the related fair value adjustments are also included under certain re-measurements.

These arrangements are managed separately from proprietary energy trading activities where trades are entered into speculatively for the purpose of making profits in their own right. These proprietary trades are included in the results before certain re-measurements.

In addition, certain re-measurements includes the effects of unwinding the acquisition-date fair values attributable to forward energy procurement and energy sales contracts arising on the acquisition of Strategic Investments, as described below in section (c). The Group has shown the effect of unwinding the acquisition-date fair values attributable to forward energy procurement and energy sales contracts for these investments separately as a certain re-measurement as the intention is to use these energy supplies in the normal course of business and management believes the ultimate net charge reflected before the unwind of acquisition-date fair values will be consistent with the price of energy agreed within these contracts. Such presentation is consistent with the internal performance measures used by the Group.

(ii) Exceptional items

As permitted by IAS 1 (revised), Presentation of Financial Statements, certain items are presented separately. The items that the Group separately presents as exceptional are items which are of a non-recurring nature and, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence in order to obtain a clear and consistent presentation of the Group's underlying business performance. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, renegotiation of significant contracts and asset write-downs.

(iii) Segmental treatment

The Group's wind farm strategy is to realise value, share risk and reduce our capital requirements as individual projects develop, which may include bringing in partners at an appropriate stage. Profits and losses arising on disposal of equity stakes in these developments are reported as part of the Upstream UK – Power segment.

(c) Use of adjusted profit measures

The Directors believe that reporting adjusted profit and adjusted earnings per share measures provides additional useful information on business performance and underlying trends. These measures are used for internal performance purposes. The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The measure of operating profit used by management to evaluate segment performance is adjusted operating profit. Adjusted operating profit is operating profit before exceptional items and certain re-measurements and before depreciation resulting from fair value uplifts to property, plant and equipment on the acquisition of Strategic Investments, as described below. Additionally, adjusted operating profit includes the Group's share of the results from joint ventures and associates before interest and taxation. Note 5 contains an analysis of adjusted operating profit by segment and a reconciliation of adjusted operating profit to operating profit after exceptional items and certain re-measurements.

Adjusted earnings is defined as earnings before exceptional items net of taxation, certain re-measurements net of taxation and depreciation of fair value uplifts to property, plant and equipment on the acquisition of Strategic Investments net of taxation. A reconciliation of earnings to adjusted earnings is provided in note 10.

Depreciation of fair value uplifts to property, plant and equipment on acquiring Strategic Investments

IFRS requires that a fair value exercise is undertaken allocating the cost of acquiring controlling interests and interests in associates to the fair value of the acquired identifiable assets, liabilities and contingent liabilities. Any difference between the cost of acquiring the

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

3. ACCOUNTING POLICIES CONTINUED

interest and the fair value of the acquired net assets, which includes identified contingent liabilities, is recognised as acquired goodwill. The fair value exercise is performed at the date of acquisition.

The Directors have determined that for Strategic Investments it is important to separately identify the earnings impact of increased depreciation arising from the acquisition-date fair value uplifts made to property, plant and equipment over their useful economic lives. As a result of the nature of fair value assessments in the energy industry the value attributed to strategic assets is a subjective judgement based on a wide range of complex variables at a point in time. The subsequent depreciation of the fair value uplifts bears little relationship to current market conditions, operational performance or underlying cash generation. Management therefore reports and monitors the operational performance of Strategic Investments before the impact of depreciation on fair value uplifts to property, plant and equipment and the segmental results are presented on a consistent basis. The Group has two Strategic Investments for which reported profits before certain re-measurements and exceptional items have been adjusted in arriving at adjusted profit and adjusted earnings per share. These Strategic Investments relate to the 2009 acquisitions of Venture Production plc ('Venture'), the operating results of which are included within the Upstream UK – Gas segment, and the 20% interest in Lake Acquisitions Limited ('British Energy'), which owned the British Energy Group, the results of which are included within the Upstream UK – Power segment.

(i) Venture

Significant adjustments have been made to the acquired property, plant and equipment to report the acquired oil and gas field interests at their acquisition-date fair values which are subsequently depreciated through the Group Income Statement over their respective useful economic lives using the unit of production method.

Whilst the impact of unwinding the property, plant and equipment at their acquisition-date fair values is included in overall reported profit for the period, the Directors have reversed the earnings impact of the increased depreciation and related taxation resulting from fair value uplifts to the acquired oil and gas interests in order to arrive at adjusted profit from continuing operations after taxation.

(ii) British Energy

The 20% interest in British Energy is accounted for as an investment in an associate using the equity method. Hence, the Group reports its share of the associate's profit or loss, which is net of interest and taxation, within the Group's Income Statement.

The most significant fair value adjustments arising on the acquisition of the 20% investment in British Energy relate to; the fair value uplifts made to the British Energy nuclear power stations to report the property, plant and equipment at their acquisition-date fair values; and the fair value uplifts made to British Energy's energy procurement contracts and energy sales contracts to report these at their acquisition-date fair values.

Whilst the impact of increased depreciation and related taxation through unwinding the fair value uplifts to the nuclear power stations is included in the share of associate's post-acquisition result reported in overall Group profit for the period, the Directors have reversed these impacts in arriving at adjusted profit from continuing operations for the period. The impact of unwinding the acquisition-date fair values attributable to the acquired energy procurement and energy sales contracts is included within certain re-measurements.

4. RISK MANAGEMENT

During the period financial risk management was overseen by the Group Financial Risk Management Committee (GFRMC) according to objectives, targets and policies set by the Board. Commodity price risk management is carried out in accordance with individual business unit Financial Risk Management Committees and their respective financial risk management policies, as approved by the GFRMC under delegated authority of the Board. The Financing & Treasury policy, which includes management of currency risk, interest rate risk, equity price risk and liquidity risk, is approved by the Board. The wholesale credit risks associated with commodity trading and treasury positions are managed in accordance with the Group's credit risk policy. Downstream credit risk management is carried out in accordance with individual business unit credit policies.

Commodity price risk management

The net gain of £511 million from continuing operations during the six months ended 30 June 2012 (six months ended 30 June 2011: £110 million) on the re-measurement of energy contracts included within Group operating profit largely represents the unwinding of mark-to-market positions created by gas and power purchase contracts which were priced below or above the current wholesale market value of energy at the start of the period. These balance sheet mark-to-market positions are calculated with reference to forward energy prices and therefore the extent of the economic gain or loss arising over the life of these contracts is uncertain, and entirely dependent upon the level of future wholesale energy prices. Generally, subject to short-term balancing, the ultimate net charge to cost of sales will be consistent with the price of energy agreed in these contracts and the fair value adjustments will reverse as the energy is supplied over the life of the contract.

Credit risk management

During the six months ended 30 June 2012, counterparty credit exposure issues remained a focal point within Centrica and the Group continues to be vigilant in managing counterparty risks in accordance with its financial risk management policies. The period has seen a large number of credit rating downgrades, particularly amongst financial institutions. In spite of this, the Group has not altered its rating thresholds for counterparty credit limits and continues to operate within its limits. In the US and UK, regulatory changes are resulting in an increase in trading over exchanges or via zero threshold margined contracts. This helps to reduce counterparty credit risk, but carries increased liquidity requirements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

4. RISK MANAGEMENT CONTINUED

Liquidity risk management and going concern

The Group has a number of treasury and risk policies to monitor and manage liquidity risk. Cash forecasts identifying the Group's liquidity requirements are produced regularly and are stress-tested for different scenarios, including, but not limited to, reasonably possible increases or decreases in commodity prices and the potential cash implications of a credit rating downgrade. The Group seeks to ensure that sufficient financial headroom exists for at least a 12-month period to safeguard the Group's ability to continue as a going concern. It is the Group's policy to maintain committed facilities and/or available surplus cash resources of at least £1,200 million, to raise at least 75% of its net debt (excluding non-recourse debt) in the long-term debt market and to maintain an average term to maturity in the recourse long-term debt portfolio greater than five years.

At 30 June 2012, the Group held £995 million (31 December 2011: £518 million) of cash and cash equivalents and had undrawn committed credit facilities of £3,245 million (31 December 2011: £3,254 million). 111% (31 December 2011: 115%) of the Group's net debt has been raised in the long-term debt market and the average term to maturity of the long-term debt portfolio was 10.3 years (31 December 2011: 9.6 years). The Group's high level of available cash resources and undrawn committed bank borrowing facilities has enabled the Directors to conclude that the Group has sufficient headroom to continue as a going concern.

The Group holds cash as collateral against counterparty balances and also pledges cash as collateral, principally under margin calls, to cover exposure to mark-to-market positions on certain wholesale commodity contracts. Generally, cash paid or received as collateral is interest-bearing and is free from any restriction over its use by the holder. The table below summarises the cash collateral balances and associated movements for the Group's continuing businesses:

Six months ended 30 June	2012 £m	2011 £m
Cash pledged as collateral at 1 January	**(219)**	(173)
Net cash inflow	**132**	123
Transferred from discontinued operations	**–**	(2)
Foreign exchange gains	**3**	5
Cash pledged as collateral at 30 June	**(84)**	(47)

5. SEGMENTAL ANALYSIS

Six months ended 30 June	2012			2011 (restated) (ii)		
(a) Revenue	**Gross segment revenue £m**	**Less inter-segment revenue (i) £m**	**Group revenue £m**	Gross segment revenue £m	Less inter-segment revenue (i) £m	Group revenue £m
Continuing operations:						
Residential energy supply (ii)	**4,807**	**–**	**4,807**	4,102	–	4,102
Residential services (ii)	**811**	**(56)**	**755**	811	(29)	782
Business energy supply and services (ii)	**1,589**	**(5)**	**1,584**	1,441	(3)	1,438
Downstream UK	**7,207**	**(61)**	**7,146**	6,354	(32)	6,322
Gas (i)	**1,733**	**(249)**	**1,484**	1,757	(334)	1,423
Power (i)	**640**	**(171)**	**469**	766	(86)	680
Upstream UK	**2,373**	**(420)**	**1,953**	2,523	(420)	2,103
Storage UK	**91**	**(15)**	**76**	97	(9)	88
Residential energy supply	**1,210**	**–**	**1,210**	1,290	–	1,290
Business energy supply	**1,296**	**–**	**1,296**	1,376	–	1,376
Residential and business services	**253**	**–**	**253**	249	–	249
Upstream and wholesale energy	**160**	**(117)**	**43**	181	(100)	81
North America	**2,919**	**(117)**	**2,802**	3,096	(100)	2,996
	12,590	**(613)**	**11,977**	12,070	(561)	11,509
Discontinued operations:						
European Energy (note 16)	**–**	**–**	**–**	167	–	167

(i) Inter-segment revenue is subject to year on year fluctuations due to the change in the mix of internal and external energy sales by Upstream UK.
(ii) To align with management responsibilities and reporting, the British Gas Community Energy and British Gas New Energy businesses have been reallocated from the Residential energy supply segment to the Business energy supply and services and Residential services segments respectively. The 2011 comparatives have been restated accordingly.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL ANALYSIS CONTINUED

Six months ended 30 June

(b) Operating profit	2012 £m	2011 (restated) (i) £m
Continuing operations:		
Residential energy supply (i)	**345**	281
Residential services (i)	**125**	110
Business energy supply and services (i)	**93**	127
Downstream UK	**563**	518
Gas (ii)	**508**	414
Power (ii)	**174**	117
Upstream UK	**682**	531
Storage UK	**36**	39
Residential energy supply	**101**	105
Business energy supply	**60**	58
Residential and business services	**11**	9
Upstream and wholesale energy	**(6)**	2
North America	**166**	174
Adjusted operating profit – segment operating profit before exceptional items, certain re-measurements and impact of fair value uplifts from Strategic Investments (iii)	**1,447**	1,262
Share of joint ventures/associates' interest and taxation	**(49)**	(61)
Depreciation of fair value uplifts to property, plant and equipment – Venture (ii)	**(37)**	(37)
Depreciation of fair value uplifts to property, plant and equipment (net of taxation) – associates – British Energy (ii)	**(15)**	(20)
	1,346	1,144
Exceptional items (note 6)	**(90)**	–
Certain re-measurements included within gross profit (note 6)	**513**	161
Certain re-measurements of associates' energy contracts (net of taxation) (note 6)	**(2)**	(51)
Operating profit after exceptional items and certain re-measurements	**1,767**	1,254
Discontinued operations:		
European Energy (note 16) (iv)	**–**	13

(i) To align with management responsibilities and reporting, the British Gas Community Energy and British Gas New Energy businesses have been reallocated from the Residential energy supply segment to the Business energy supply and services and Residential services segments respectively. The 2011 comparatives have been restated accordingly.
(ii) See notes 3 and 10 for explanation of the depreciation on fair value uplifts to property, plant and equipment on acquiring Strategic Investments.
(iii) Includes results of equity-accounted interests before interest and taxation.
(iv) Represents profit/(loss) after taxation and before exceptional items and certain re-measurements of Oxxio B.V. up to the date of disposal. This is the measure of results of discontinued operations that is reported regularly to the Group's Executive Committee.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

5. SEGMENTAL ANALYSIS CONTINUED

Six months ended 30 June	Capital expenditure on property, plant and equipment		Capital expenditure on intangible assets other than goodwill	
(c) Capital expenditure	**2012 £m**	2011 £m	**2012 £m**	2011 £m
Continuing operations:				
Residential energy supply	**4**	14	**101**	108
Residential services	**9**	1	**4**	7
Business energy supply and services	**2**	2	**6**	6
Downstream UK	**15**	17	**111**	121
Gas [(i)]	**1,177**	207	**206**	40
Power	**52**	46	**1**	2
Upstream UK	**1,229**	253	**207**	42
Storage UK	**35**	18	**–**	–
Residential energy supply	**–**	–	**2**	1
Business energy supply	**–**	1	**12**	7
Residential and business services	**1**	1	**1**	–
Upstream and wholesale energy	**23**	9	**5**	2
North America	**24**	11	**20**	10
Other	**3**	11	**23**	14
Capital expenditure on continuing operations	**1,306**	310	**361**	187
Decrease in prepayments related to capital expenditure	**(4)**	(9)	**–**	–
Capitalised borrowing costs	**(26)**	(20)	**–**	–
(Increase)/decrease in payables related to capital expenditure	**(167)**	21	**3**	3
Purchases of emissions allowances and renewable obligations certificates	**–**	–	**(73)**	(66)
Net cash outflow	**1,109**	302	**291**	124

(i) During the period, £1,048 million of assets were acquired from Statoil, ConocoPhillips and Total. These are included within the Upstream UK – Gas segment (see note 15).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

6. EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

(a) Exceptional items

Six months ended 30 June	2012 £m	2011 £m
Continuing operations:		
Restructuring charges [(i)]	**(90)**	–
Exceptional items from continuing operations included within Group operating profit	**(90)**	–
Taxation on exceptional items	**24**	–
Effect of change in UK supplementary tax charge [(ii)]	**–**	(204)
Net exceptional items from continuing operations after taxation	**(66)**	(204)
Discontinued operations:		
Loss on disposal of Oxxio B.V. after taxation (note 16)	**–**	(56)
Total exceptional items after taxation	**(66)**	(260)

(b) Certain re-measurements

Six months ended 30 June	2012 £m	2011 £m
Continuing operations:		
Certain re-measurements recognised in relation to energy contracts:		
Net gains arising on delivery of contracts (note 3)	**491**	110
Net gains arising on market price movements and new contracts (note 3)	**7**	53
Net gains/(losses) arising on positions in relation to cross-border transportation or capacity contracts (note 3)	**15**	(2)
Net re-measurements from continuing operations included within gross profit	**513**	161
Net losses arising on re-measurement of associates' energy contracts (net of taxation)	**(2)**	(51)
Net re-measurements included within Group operating profit	**511**	110
Taxation on certain re-measurements	**(192)**	(42)
Net re-measurements from continuing operations after taxation	**319**	68
Discontinued operations:		
Net re-measurements on energy contracts of discontinued operations after taxation	**–**	22
Total re-measurements after taxation	**319**	90

(i) Relates to a Group-wide cost reduction programme leading to onerous property lease charges and staff redundancies.
(ii) The effect of the enacted increase of 12% to the rate of the supplementary tax charge applied to gas and oil production profits in the United Kingdom from 24 March 2011 on the relevant temporary differences was a charge of £204 million.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

7. NET INTEREST

Six months ended 30 June	2012 Interest expense £m	2012 Interest income £m	2012 Total £m	2011 Interest expense £m	2011 Interest income £m	2011 Total £m
Continuing operations:						
Cost of servicing net debt:						
Interest income	**–**	**19**	**19**	–	20	20
Interest expense on bonds, bank loans and overdrafts	**(114)**	**–**	**(114)**	(90)	–	(90)
Interest expense on finance leases	**(9)**	**–**	**(9)**	(10)	–	(10)
	(123)	**19**	**(104)**	(100)	20	(80)
(Losses)/gains on revaluation:						
Gains/(losses) on fair value hedges	**(2)**	**5**	**3**	(12)	12	–
Fair value gains/(losses) on other derivatives (i)	**(64)**	**83**	**19**	(38)	32	(6)
Fair value gains on other securities measured at fair value	**–**	**1**	**1**	–	8	8
Net foreign exchange translation of monetary assets and liabilities (ii)	**(29)**	**–**	**(29)**	(8)	–	(8)
	(95)	**89**	**(6)**	(58)	52	(6)
Other interest:						
Notional interest arising from discounting and other interest	**(30)**	**25**	**(5)**	(25)	12	(13)
Interest on cash collateral balances/early payment arrangements	**–**	**1**	**1**	–	1	1
	(30)	**26**	**(4)**	(25)	13	(12)
	(248)	**134**	**(114)**	(183)	85	(98)
Capitalised borrowing costs (iii)	**26**	**–**	**26**	20	–	20
Interest (expense)/income	**(222)**	**134**	**(88)**	(163)	85	(78)

(i) Primarily reflects changes in the fair value of derivatives used to hedge the foreign exchange exposure associated with inter-company loans denominated in foreign currencies.
(ii) Primarily reflects foreign exchange (losses)/gains on loans denominated in foreign currencies.
(iii) Borrowing costs have been capitalised using an average rate of 4.72% (2011: 4.91%).

8. TAXATION

Six months ended 30 June	2012 Business performance £m	2012 Exceptional items and certain re-measurements £m	2012 Results for the period £m	2011 Business performance £m	2011 Exceptional items and certain re-measurements £m	2011 Results for the period £m
The tax charge comprises:						
UK corporation tax (i)	**(287)**	**(122)**	**(409)**	(284)	(197)	(481)
UK petroleum revenue tax	**(97)**	**–**	**(97)**	(91)	–	(91)
Foreign tax (i)	**(137)**	**(46)**	**(183)**	(66)	(49)	(115)
Total tax on profit from continuing operations (ii)	**(521)**	**(168)**	**(689)**	(441)	(246)	(687)

(i) Including adjustments in respect of prior years.
(ii) Taxation on profit from continuing operations excludes taxation on the Group's share of profits/(losses) from joint ventures and associates. See note 13 for details of joint venture and associate taxation.

The Group's effective tax rate on a continuing basis before exceptional items and certain re-measurements was 41% for the six months to 30 June 2012 (2011: 41%).

9. DIVIDENDS

	2012 £m	2012 Pence per share	2012 Date of payment	2011 £m	2011 Pence per share	2011 Date of payment
Prior year final dividend	**576**	**11.11**	**13 Jun 2012**	540	10.46	15 Jun 2011

An interim dividend of 4.62 pence (2011: 4.29 pence) per ordinary share, totalling £239 million (2011: £222 million), will be paid on 14 November 2012 (2011: paid on 16 November 2011) to shareholders on the register on 28 September 2012.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

10. EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share has been calculated by dividing the earnings attributable to equity holders of the Company for the period of £990 million (2011: £468 million) by the weighted average number of ordinary shares in issue during the period of 5,174 million (2011: 5,160 million). The number of shares excludes six million ordinary shares (2011: seven million), being the weighted average number of the Company's own shares held in the employee share trust which are treated as treasury shares. The Directors believe that the presentation of adjusted basic earnings per ordinary share, being the basic earnings per ordinary share adjusted for certain re-measurements, exceptional items and the impact of depreciation relating to fair value uplifts attributed to Strategic Investments on acquisition, assists with understanding the underlying performance of the Group, as explained in note 3.

The reconciliation of basic to adjusted basic earnings per ordinary share is as follows:

Six months ended 30 June	2012		2011	
(a) Continuing and discontinued operations	**£m**	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**990**	**19.1**	468	9.1
Net exceptional items after taxation (notes 3 and 6)	**66**	**1.3**	260	4.9
Certain re-measurement gains after taxation (notes 3 and 6)	**(319)**	**(6.2)**	(90)	(1.7)
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**30**	**0.6**	35	0.7
Earnings – adjusted basic	**767**	**14.8**	673	13.0
Earnings – diluted	**990**	**19.0**	468	9.0
Earnings – adjusted diluted	**767**	**14.7**	673	13.0

Strategic Investments

During 2009, the Group acquired a 20% interest in British Energy and the entire share capital of Venture. As explained in note 3, the depreciation relating to fair value uplifts of the acquired Venture property, plant and equipment and associated taxation is excluded in arriving at adjusted earnings for the period, which amounted to £37 million (six months ended 30 June 2011: £37 million) depreciation and a taxation credit of £22 million (six months ended 30 June 2011: £22 million) in the period. Additionally, the impact of depreciation arising on fair value uplifts attributed to the British Energy nuclear power stations and related taxation included within the Group's share of the post-tax results of the associate is excluded in arriving at adjusted earnings for the period, which amounted to £15 million (six months ended 30 June 2011: £20 million) net of taxation.

Six months ended 30 June	2012		2011	
(b) Continuing operations	**£m**	**Pence per ordinary share**	£m	Pence per ordinary share
Earnings – basic	**990**	**19.1**	489	9.5
Net exceptional items after taxation (notes 3 and 6)	**66**	**1.3**	204	3.9
Certain re-measurement gains after taxation (notes 3 and 6)	**(319)**	**(6.2)**	(68)	(1.3)
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**30**	**0.6**	35	0.7
Earnings – adjusted basic	**767**	**14.8**	660	12.8
Earnings – diluted	**990**	**19.0**	489	9.4
Earnings – adjusted diluted	**767**	**14.7**	660	12.7

Six months ended 30 June	2012		2011	
(c) Discontinued operations	**£m**	**Pence per ordinary share**	£m	Pence per ordinary share
Loss – basic and diluted	**–**	**–**	(21)	(0.4)

Certain re-measurements (notes 3 and 6) included within operating profit and discontinued operations comprise re-measurements arising on energy procurement activities and re-measurements of proprietary trades in relation to cross-border transportation or capacity contracts. All other re-measurements are included within results before exceptional items and certain re-measurements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

11. SOURCES OF FINANCE

At 30 June 2012, the Group's long-term credit rating was A3 stable outlook for Moody's Investors Service Limited (31 December 2011: A3 stable outlook) and A- stable outlook for Standard & Poor's Credit Market Services Europe Limited (31 December 2011: A- stable outlook).

The Group monitors its current and projected capital position on a regular basis, considering a medium-term view of three to five years, and different stress case scenarios, including the impact of changes in the Group's credit ratings and significant movements in commodity prices. A number of financial ratios are monitored, including those used by the credit rating agencies, such as debt to cash flow ratios and EBITDA to gross interest expense. The Group's capital structure is managed against these ratios as required to maintain strong credit ratings.

British Gas Insurance Limited (BGIL) is required under FSA regulations to hold a minimum capital amount and has complied with this requirement in 2012 (and 2011). For the Group as a whole, the level of debt that can be raised is restricted by the Company's Articles of Association. As at 30 June 2012, net debt is limited to the greater of £5.0 billion and a gearing ratio of three times adjusted capital and reserves. This restriction can be amended or removed by the shareholders of the Company passing a special resolution.

(a) Net debt summary	30 June 2012 £m	31 December 2011 £m
Cash at bank, in transit and in hand	203	94
Short-term deposits	792	424
Cash and cash equivalents	995	518
Securities – current	7	28
Securities – non-current [(i)]	195	190
Current and non-current borrowings	(5,730)	(4,171)
Net debt at the end of the period	**(4,533)**	(3,435)

(i) During the period, £129 million of non-current securities have been pledged as collateral against a current bank loan maturing on 31 July 2012.

(b) Borrowings summary	Coupon rate %	Principal m	30 June 2012 Current £m	30 June 2012 Non-current £m	30 June 2012 Total £m	31 December 2011 Current £m	31 December 2011 Non-current £m	31 December 2011 Total £m
Bank overdrafts and loans			198	269	467	69	198	267
Bonds (by maturity date):								
2 November 2012	5.875	£284	297	–	297	291	–	291
27 February 2013	1.045	¥3,000	24	–	24	–	26	26
9 December 2013	7.125	€367	–	316	316	–	317	317
4 November 2014	Floating	$100	–	64	64	–	64	64
10 December 2014	5.125	£315	–	342	342	–	335	335
31 March 2015	Floating	$70	–	45	45	–	45	45
24 October 2016	5.500	£300	–	346	346	–	336	336
19 September 2018	7.000	£400	–	490	490	–	473	473
1 February 2019	3.213	€100	–	82	82	–	–	–
22 February 2022	3.680	HK$450	–	37	37	–	–	–
10 March 2022	6.375	£500	–	511	511	–	527	527
4 September 2026	6.400	£200	–	226	226	–	224	224
16 April 2027	5.900	$70	–	45	45	–	45	45
13 March 2029	4.375	£750	–	749	749	–	–	–
5 January 2032 [(i)]	0.000	€50	–	40	40	–	–	–
19 September 2033	7.000	£770	–	804	804	–	777	777
			321	4,097	4,418	291	3,169	3,460
Commercial paper			530	–	530	114	–	114
Obligations under finance leases			29	286	315	28	302	330
			1,078	4,652	5,730	502	3,669	4,171

(i) During the period, the Group has issued €50m of zero coupon notes with an accrual yield of 4.200%.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

12. NOTES TO THE GROUP CASH FLOW STATEMENT

(a) Reconciliation of Group operating profit to cash generated from continuing operations

Six months ended 30 June	2012 £m	2011 £m
Continuing operations		
Group operating profit including share of result of joint ventures and associates	**1,767**	1,254
Less share of (profit)/loss of joint ventures and associates	**(56)**	4
Group operating profit before share of results of joint ventures and associates	**1,711**	1,258
Add back/(deduct):		
Amortisation and write-down of intangible assets	**64**	72
Depreciation and write-down of property, plant and equipment	**423**	444
Profit on sale of businesses, property, plant and equipment and other intangible assets	**(43)**	(3)
Movement in provisions	**48**	(7)
Pension service cost	**45**	62
Pension contributions	**(52)**	(60)
Employee share scheme costs	**23**	24
Re-measurement of energy contracts (i)	**(538)**	(135)
Unrealised foreign exchange losses on operating cash and cash equivalents	**–**	1
Operating cash flows before movements in working capital	**1,681**	1,656
Increase in inventories	**(57)**	(137)
Decrease in trade and other receivables (ii)	**127**	339
Decrease in trade and other payables (ii)	**(271)**	(396)
Cash generated from continuing operations	**1,480**	1,462

(i) Adds back unrealised losses arising from re-measurement of energy contracts.
(ii) Includes net inflow of £132 million of cash collateral in 2012 (2011: £123 million of cash collateral).

(b) Reconciliation of net increase in cash and cash equivalents to movement in net debt

Six months ended 30 June	2012 £m	2011 £m
Net increase/(decrease) in cash and cash equivalents	**477**	(36)
Add back/(deduct):		
Net (sale)/purchase of securities	**(25)**	26
Cash inflow from additional debt	**(1,533)**	–
Cash outflow from payment of capital element of finance leases	**14**	13
Cash outflow from repayment of other debt	**15**	19
	(1,052)	22
Revaluation of:		
Securities	**3**	6
Loans and other borrowings	**(2)**	2
	(1,051)	30
Increase in interest payable on loans and other borrowings	**(73)**	(61)
Acquisitions	**5**	–
Exchange adjustments	**14**	(6)
Other non-cash movements	**7**	4
Movement in net debt	**(1,098)**	(33)
Net debt at 1 January	**(3,435)**	(3,312)
Net debt at 30 June	**(4,533)**	(3,345)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

13. INTERESTS IN JOINT VENTURES AND ASSOCIATES

The Group's share of joint ventures' and associates' profits/(losses) for the six months ended 30 June 2012 principally arises from its interests in the following entities (all reported in Upstream UK – Power segment):

- Wind farms – Braes of Doune Wind Farm (Scotland) Limited, Barrow Offshore Wind Limited, GLID Wind Farms TopCo Limited and Lincs Wind Farm Limited
- Nuclear – Lake Acquisitions Limited (British Energy) and NNB Holding Company Limited

(a) Share of profits/(losses) in joint ventures and associates

Six months ended 30 June			**2012**	2011
	Joint ventures	Associates		
	Wind farms £m	Nuclear £m	**Total £m**	Total £m
Income	21	288	**309**	313
Expenses excluding certain re-measurements (i)	(15)	(206)	**(221)**	(228)
Certain re-measurements	–	(2)	**(2)**	(54)
Interest	(9)	(15)	**(24)**	(32)
Taxation excluding certain re-measurements (i)	–	(6)	**(6)**	(6)
Taxation on certain re-measurements	–	–	**–**	3
Share of post-taxation results of joint ventures and associates	(3)	59	**56**	(4)

(i) Includes £34 million (2011: £43 million) relating to depreciation of fair value uplifts to property, plant and equipment on acquiring the British Energy investments. The associated tax impact is £19 million credit (2011: £23 million credit).

British Energy

The Group's share of profit arising from its investment in British Energy for the period, as set out in the table above includes the effect of unwinding the fair value adjustments. As explained in note 3 the depreciation, net of taxation, arising on fair value uplifts attributed to the nuclear power stations is reversed in arriving at adjusted profit for the period as shown in the reconciliation table below and as set out in notes 5 and 10.

(b) Reconciliation of share of profits/(losses) of joint ventures and associates to share of adjusted profits/(losses) of joint ventures and associates

Six months ended 30 June			**2012**	2011
	Joint ventures	Associates		
	Wind farms £m	Nuclear £m	**Total £m**	Total £m
Share of post-taxation results of joint ventures and associates	(3)	59	**56**	(4)
Certain re-measurements (net of taxation)	–	2	**2**	51
Depreciation – British Energy (net of taxation) (i)	–	15	**15**	20
Interest	9	15	**24**	32
Taxation (excluding certain re-measurements and British Energy depreciation)	–	25	**25**	29
Share of adjusted results of joint ventures and associates	6	116	**122**	128

(i) Relates to depreciation of fair value uplifts to property, plant and equipment on acquiring the British Energy investments.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

14. PENSIONS

(a) Summary of main defined benefit schemes

Name of scheme	Section	Status	Funding/tax status	Country
Centrica Engineers Pension Scheme	Final salary section	Closed to new members	Funded/tax-registered	UK
	Career average section	Open to new members	Funded/tax-registered	UK
Centrica Pension Plan	Management section	Closed to new members	Funded/tax-registered	UK
	2008 section	Closed to new members	Funded/tax-registered	UK
Centrica Pension Scheme	Final salary section	Closed to new members	Funded/tax-registered	UK
	Career average section	Closed to new members	Funded/tax-registered	UK
Centrica Unapproved Pension Scheme		Closed to new members	Unfunded/non-registered	UK
Direct Energy Marketing Ltd pension plan		Closed to new members	Funded/tax-registered	Canada

The Centrica Pension Scheme also has a defined contribution section which is open to new members.

The Centrica Engineers Pension Scheme, Centrica Pension Plan and Centrica Pension Scheme form the majority of the Group's defined benefit obligation and are referred to below as the 'Registered Pension Schemes'.

The latest full actuarial valuations were carried out at the following dates: the Registered Pension Schemes at 31 March 2009; the Unapproved Pension Scheme at 6 April 2012; and the Direct Energy Marketing Limited pension plan at 31 December 2010. These have been updated to 30 June 2012 for the purposes of meeting the requirements of IAS 19, Employee Benefits.

Based on the triennial valuation at 31 March 2009, the Company and the trustees of the Registered Pension Schemes agreed a schedule for deficit payments. No amounts have been paid in the six months to 30 June 2012, however the following further deficit payments will be made: £37 million in the six months to 31 December 2012 and £57 million per annum from 2013 to 2016. Although there is an accounting surplus in the three Registered Pension Schemes, low government bond yields are likely to result in a deficit in the triennial valuation currently being prepared for the trustees as at 31 March 2012. It is unlikely, therefore, that the agreed deficit payments will reduce following the triennial valuation and they may increase or be extended. A charge continues to exist over the Humber power station providing additional security for the trustees.

(b) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes are given below.

Major assumptions used for the actuarial valuation	30 June 2012 %	31 December 2011 %
Rate of increase in employee earnings:		
Subject to cap	**1.7**	2.0
Other	**3.2**	4.3
Rate of increase in pensions in payment	**3.2**	3.3
Rate of increase in deferred pensions:		
In line with CPI capped at 2.5%	**2.2**	2.3
In line with RPI	**3.2**	3.3
Discount rate	**5.4**	5.4

Demographic assumptions remain unchanged from 31 December 2011.

(c) Amounts included in the Group Balance Sheet	30 June 2012 Valuation £m	31 December 2011 Valuation £m
Fair value of plan assets	**4,799**	4,670
Present value of defined benefit obligation	**(4,405)**	(4,340)
Net asset recognised in the Balance Sheet	**394**	330
Associated deferred tax liability recognised in the Balance Sheet	**(93)**	(81)
Net pension asset after deferred tax	**301**	249
Pension asset presented in the Balance Sheet as:		
Retirement benefit assets	**488**	413
Retirement benefit liabilities	**(94)**	(83)
Net pension asset	**394**	330

Included within the Group Balance Sheet within non-current securities are £56 million (31 December 2011: £54 million) of investments, held as a security in trust for the Centrica Unapproved Pension Scheme and for whom the trustee is The Law Debenture Pension Trust Corporation plc. Included within the pension schemes' liabilities above are £34 million (31 December 2011: £34 million) relating to this scheme.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

15. BUSINESS COMBINATIONS AND ASSET PURCHASES

Acquisitions made during the interim period are described below.

Business combinations

The business combinations are immaterial in aggregate to the Group's condensed interim Financial Statements. The fair values are provisional unless stated otherwise.

Home Warranty of America

On 1 March 2012, the Group acquired 100% of the shares of Home Warranty Holding Corporation as well as the assets of HWOA LLC ('HWA') for total cash consideration of $52 million (£32 million) including $10 million (£6 million) of deferred consideration. Goodwill of $47 million (£30 million) arose on the acquisition, of which 40% is expected to be deductible for tax purposes. HWA is a US home warranty protection plan company. The acquisition allows Direct Energy to sell home protection plans nationwide and provides further growth and integration opportunities. The acquisition is included in the North America – Residential and business services segment.

Carrot Creek Assets

On 10 January 2012, the Group acquired a package of natural gas assets located in west central Alberta, Canada (Carrot Creek assets) from Encana Corporation for CA$59 million (£37 million) in cash and Direct Energy's existing Entice asset with fair value of CA$48 million (£30 million). No goodwill arose on the acquisition. The acquisition allows the Group to grow its North American Upstream gas business. The acquisition is included in the North America – Upstream and wholesale energy segment.

2011 Business Combinations – fair value updates

During the period to 30 June 2012, there have been no significant updates to the fair value entries posted in relation to acquisitions which occurred in 2011.

Asset purchases

Statoil asset acquisition

On 30 April 2012, Centrica Energy completed its acquisition of certain oil and gas production and development assets in the Norwegian North Sea from Statoil for total cash consideration of £766 million with an additional payment of up to $100 million (£62 million) contingent on future production performance. In addition, a tax liability of £145 million was assumed on completion which is an additional purchase cost. The acquisition will help to deliver UK energy security and further expands Centrica Energy's upstream business. The acquisition is included within the Upstream UK – Gas segment.

ConocoPhillips asset acquisition

On 30 April 2012, Centrica Energy completed its acquisition of certain non-operated interests in the gas and oil producing Statfjord field and associated satellites from ConocoPhillips for total cash consideration of £143 million. As part of this transaction, a pre-existing contract with ConocoPhillips with a fair value of £20 million (asset) was novated so that it is now entirely between Group companies. Accordingly, the value of this contract forms part of the asset acquisition cost. In addition, a tax liability of £20 million was assumed on completion which is an additional purchase cost. The acquisition will help to deliver UK energy security and further expands Centrica Energy's upstream business. The acquisition is included within the Upstream UK – Gas segment.

Total asset acquisition

On 11 May 2012, Centrica Energy completed its acquisition of the Seymour field for cash consideration of £32 million. This was part of a portfolio of non-operated interests in producing oil and gas assets in the UK North Sea to be acquired from Total which was announced on 22 February 2012. The acquisition will help to deliver UK energy security and further expands Centrica Energy's upstream business. The acquisition is included within the Upstream UK – Gas segment. Certain assets in the portfolio will no longer be acquired since pre-emption rights in the respective fields have been exercised. The acquisition of the remaining assets in the portfolio is expected to complete in August 2012 for a consideration of $150 million (£94 million).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

16. DISPOSALS, DISCONTINUED OPERATIONS AND DISPOSAL GROUPS HELD FOR SALE

On 30 April 2012, the Group disposed of a 50% interest in its Round 3 wind farm, which resulted in a profit on disposal of £43 million.

On 1 June 2011, the Group completed its planned disposal of its European segment with the sale of the trade and assets of Oxxio B.V. for a total consideration of £111 million, which resulted in a loss on disposal of £56 million.

17. COMMITMENTS AND CONTINGENCIES

Commitments

	30 June 2012 £m	31 December 2011 £m
Commitments in relation to the acquisition of property, plant and equipment:		
Acquisition of Statoil oil and gas assets	**–**	983
Acquisition of Total oil and gas assets	**94**	–
Other capital expenditure	**98**	169
Commitments in relation to the acquisition of intangible assets:		
Renewable obligation certificates to be purchased from joint ventures [(i)]	**1,394**	1,377
Renewable obligation certificates to be purchased from other parties	**800**	774
Carbon emissions certificates (EUAs and CERs)	**63**	44
Exploration activity	**85**	122
Other intangible asset purchase commitments	**85**	71

(i) Renewable obligation certificates are purchased from several joint ventures which produce power from wind energy under long term offtake agreements (up to 15 years). The commitments disclosed above are the gross contractual commitments and do not take into account the Group's economic interest in the joint venture.

Centrica also has other commitments relating primarily to commodity purchase contracts, LNG capacity and transportation capacity.

Contingencies

As part of the Statoil asset acquisition (see note 15), Centrica Energy have agreed to make an additional payment of up to $100 million (£62 million) contingent on future field production levels over the period from 2012 to 2015. The business has assessed that this level of field performance is not probable and therefore have not provided for any additional payments.

There are no other material contingent liabilities.

18. RELATED PARTY TRANSACTIONS

During the period, the Group entered into the following arms length transactions with related parties who are not members of the Group and had the following associated balances:

Six months ended 30 June			2012			2011
	Sale of goods and services £m	**Purchase of goods and services £m**	**Other transactions (i) £m**	Sale of goods and services £m	Purchase of goods and services £m	Other transactions (i) £m
Joint ventures:						
Wind farms (as defined in note 13)	**12**	**(34)**	**(63)**	16	(38)	11
Associates:						
Nuclear (as defined in note 13)	**94**	**(281)**	**30**	152	(284)	66
Other	**14**	**(1)**	**1**	17	(5)	3
	120	**(316)**	**(32)**	185	(327)	80

(i) Other transactions relate to investment and funding transactions with joint ventures and associates. In 2012 a dividend of £35 million was received from Lake Acquisitions Limited (2011: £60 million).

		30 June 2012		31 December 2011
	Amounts owed from £m	**Amounts owed to £m**	Amounts owed from £m	Amounts owed to £m
Joint ventures:				
Wind farms (as defined in note 13)	**395**	**(37)**	312	(46)
Associates:				
Nuclear (as defined in note 13)	**10**	**(52)**	19	(65)
Other	**20**	**–**	17	–
	425	**(89)**	348	(111)

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

18. RELATED PARTY TRANSACTIONS CONTINUED

During the period, there were no material changes to commitments in relation to joint ventures and associates. No provision for bad or doubtful debts relating to amounts owed from related parties was required in any of the periods disclosed above.

19. SEASONALITY OF OPERATIONS

Certain activities of the Group are affected by weather and temperature conditions. As a result of this, amounts reported for the six months ended 30 June 2012 may not be indicative of the amounts that would be reported for a full year due to the impact of weather on, and seasonal fluctuations in, customer demand for gas, electricity and services, market changes in commodity prices and changes in retail tariffs.

Customer demand for gas in the UK and North America is driven primarily by heating load and is generally higher in the winter than in the summer, and higher from January to June than from July to December. Customer demand for electricity in the UK generally follows a similar pattern to gas, but the variation is less pronounced. Customer demand for electricity in North America is also more stable than gas but is driven by heating load in the winter and cooling load in the summer. Generally demand for electricity in North America is higher in the winter and summer than it is in the spring and autumn, and higher from July to December than it is from January to June.

Customer demand for home services in the UK is generally higher in the winter than it is in the summer, and higher in the earlier part of the winter reflecting greater heating system break downs, so that customer demand from July to December is higher than from January to June. Customer demand for home services in North America follows a similar pattern, but is also higher in the summer as a result of residential new construction in the US and the servicing of cooling systems.

Gas production volumes in the UK are generally higher in the winter when gas prices are higher. Gas production volumes are generally higher from January to June than they are from July to December as outages are generally planned for the summer months when gas demand and prices are lower. Gas production volumes in North America are generally not seasonal.

Power generation volumes are dependent on spark spread prices, which is the difference between the price of electricity and the price of gas multiplied by a conversion rate and, as a result, are not as seasonal as gas production volumes in the UK, as wholesale prices for both gas and electricity are generally higher in the winter than they are in the summer. Power generation volumes in North America are generally higher in the summer than in the winter and can be higher or lower from January to June compared to July to December.

The impact of seasonality on customer demand and wholesale prices has a direct effect on the Group's financial performance and cash flows.

20. EVENTS AFTER THE BALANCE SHEET DATE

Decommissioning tax relief

On 3 July 2012, the UK government substantively enacted the restriction on the rate of tax relief on oil and gas decommissioning costs from the current 62% to 50%. A one off charge of approximately £60 million will arise in the second half of 2012 from revaluing the related deferred tax provisions.

Energetix Inc and NYSEG Solutions Inc acquisition

On 12 July 2012, Direct Energy announced it had reached an agreement to acquire New York based energy retailers Energetix Inc. and NYSEG Solutions Inc, for $110 million (£71 million), plus working capital. The acquisition involves the purchase of 100% of the shares of the companies, and it is anticipated that the transaction will close in Q3 2012, subject to regulatory review. This acquisition will further strengthen Direct Energy's position as a leading competitive energy retailer in the US Northeast, increasing the number of residential and small commercial customer accounts by approximately 245,000. A provisional goodwill value of $43 million (£27 million) is expected to arise which is expected to be deductible for tax purposes.

DISCLOSURES

DISCLAIMERS

This announcement does not constitute an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Centrica shares or other securities.

This announcement contains certain forward-looking statements with respect to the financial condition, results, operations and businesses of Centrica plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts.

Past performance is no guide to future performance and persons needing advice should consult an independent financial adviser.

FOR FURTHER INFORMATION

Centrica will hold its 2012 Interim Results presentation for analysts and institutional investors at 9.30am (UK) on **Thursday 26 July 2012**. There will be a live audio webcast of the presentation and slides from 9.30am at www.centrica.com/investors.

A live audio broadcast of the presentation will be available by dialling in using the following number:

+ 44 20 3059 8125

The call title is "**Centrica plc Interim Results 2012 Announcement**" and the conference password is "**Results**".

An archived webcast and full transcript of the presentation and the question and answer session will be available on the website on Friday 27 July 2012.

ENQUIRIES

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FINANCIAL CALENDAR

Ex-dividend date for 2012 interim dividend	26 September 2012
Record date for 2012 interim dividend	28 September 2012
Payment date for 2012 interim dividend	14 November 2012
Interim Management Statement	15 November 2012
2012 Preliminary Results announcement	27 February 2013

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