CENTRICA PLC
INTERIM RESULTS FOR
THE PERIOD ENDED 30 JUNE 2013

OPERATING AND FINANCIAL OVERVIEW

ROBUST FINANCIAL PERFORMANCE

- Adjusted earnings up 2% to £767 million; 14.8 pence adjusted basic earnings per share
- Total adjusted tax charge rises 21% to £690 million; effective tax rate of 47%, up from 43%
- British Gas Residential operating profit marginally higher than in 2012, with significantly higher environmental and commodity costs offsetting the impact of increased consumption due to prolonged cold weather
- Full year British Gas Residential operating profit expected to be broadly in line with 2012
- Challenging market conditions in UK business energy; implementing new systems to help improve service and reduce costs
- Direct Energy benefiting from enhanced scale downstream, offsetting pressure on margins from rising commodity prices
- Higher international upstream gas and oil production and profitability; continued good nuclear performance; UK gas-fired generation loss making in weak market conditions

INVESTING FOR GROWTH, ENERGY SECURITY AND JOBS

- Acquisition of Energy Marketing business of Hess Corporation makes Direct Energy the largest B2B gas supplier in the Eastern US
- Agreement with Cheniere to export LNG from the US; 20 year £10 billion contract, taking our total supply commitment to around £60 billion
- Announced £650 million Canadian gas asset acquisition, in partnership with Qatar Petroleum International
- Acquired 25% stake in Bowland shale exploration licence, a potentially important source of gas for the UK
- Organic investment of over £700 million in the first six months of 2013
- First gas from York development in Southern North Sea and Rhyl project in East Irish Sea
- 1,000 apprentices currently in training with British Gas; 200 new apprenticeships announced in June

DELIVERING FOR OUR CUSTOMERS

- 56,000 British Gas residential energy accounts added, reflecting competitive pricing and innovative products
- 'Tariff Check' launched, proactively helping British Gas customers to choose the best deal for them
- Over 500,000 vulnerable and elderly customers received £130 Warm Home Discount last winter
- Over 1 million smart meters installed in UK homes and businesses
- Launching 'Free Electricity Saturdays' in Texas; Bounce Energy acquisition enhances online capabilities

DELIVERING FOR OUR SHAREHOLDERS

- All cash interim dividend up 6% to 4.92 pence per share, representing 30% of the prior year's dividend, in line with established practice
- Over £240 million of shares bought back to date under £500 million share repurchase programme

"With our customers using more gas to stay warm during the unusually cold winter, we're doing everything we can to help them keep their energy costs under control and make bills simpler and clearer. We are also delivering for our shareholders, enabling us to continue to grow the business and invest to secure energy supplies for the future."

Sam Laidlaw
Chief Executive

Unless otherwise stated, all references to operating profit or loss, taxation and earnings numbers throughout the announcement are adjusted figures, as reconciled to their statutory equivalents in the Group Financial Review on pages 6 and 7. Statutory earnings for the period are £819 million.

Centrica plc
Registered in England and Wales No 3033654
Registered Office: Millstream, Maidenhead Road, Windsor, Berkshire SL4 5GD

FINANCIAL PERFORMANCE AND KPIs

FINANCIAL PERFORMANCE

For the period ended 30 June	2013	2012 (restated)	Δ
Revenue from continuing operations	**£13.7bn**	**£12.0bn**	**14%**
Adjusted operating profit			
International Downstream			
British Gas			
Residential energy supply	£356m	£345m	3%
Residential services	£135m	£125m	8%
Business energy supply and services	£78m	£93m	(16%)
Total British Gas	**£569m**	**£563m**	**1%**
Direct Energy			
Residential energy supply	£99m	£101m	(2%)
Business energy supply	£53m	£43m	23%
Residential and business services	£13m	£11m	18%
Total Direct Energy	**£165m**	**£155m**	**6%**
International Upstream			
International gas	£683m	£519m	32%
UK power	£119m	£174m	(32%)
Total Centrica Energy	**£802m**	**£693m**	**16%**
Centrica Storage	**£47m**	**£36m**	**31%**
Total adjusted operating profit	**£1,583m**	**£1,447m**	**9%**
Total adjusted taxation charge	**£690m**	**£568m**	**21%**
Total adjusted effective tax rate	**47%**	**43%**	**4ppt**
Adjusted earnings	**£767m**	**£753m**	**2%**
Adjusted basic earnings per share	**14.8p**	**14.6p**	**1%**
Interim dividend per share	**4.92p**	**4.62p**	**6%**
Group capital and acquisition expenditure	£755m	£1,525m	(50%)

The Group has applied IAS19 (revised) pensions accounting. As a result, 2012 net finance costs, taxation, earnings and earnings per share have been restated. To reflect a new organisational structure, the North American upstream gas business and North American power and midstream and trading businesses have been reallocated from Direct Energy upstream and wholesale to Centrica Energy International gas and Direct Energy business energy supply respectively.

KEY OPERATIONAL PERFORMANCE INDICATORS

For the period ended:	30 Jun 2013	31 Dec 2012	Δ
British Gas residential energy customer accounts (period end, '000)[1]	**15,674**	15,618	0%
British Gas services product holdings (period end, '000)	**8,347**	8,402	(1%)
British Gas business energy supply points (period end, '000)	**912**	924	(1%)
Direct Energy residential energy and services accounts (period end, '000)	**5,838**	5,856	(0%)

For the period ended 30 June	2013	2012	Δ
Direct Energy business energy supply electricity volumes (TWh)	**28.0**	23.9	17%
International Upstream gas production (mmth)	**1,696**	1,427	19%
International Upstream liquids production (mmboe)	**9.8**	7.5	31%
International Upstream total gas and liquids production (mmboe)	**37.6**	30.9	22%
UK power generated (TWh)	**10.6**	11.1	(5%)
Lost time injury frequency rate (per 100,000 hours worked)	**0.16**	0.24	(33%)

1. British Gas residential energy customer accounts as at 31 Dec 2012 have been restated to exclude 38,000 accounts subsequently reclassified as dormant.

STATUTORY RESULTS

For the period ended 30 June 2013

- Operating profit from continuing operations: **£1,590m** (2012: £1,767m)
- Profit from continuing operations before taxation: **£1,487m** (2012: £1,665m)
- Earnings: **£819m** (2012: £976m)
- Basic earnings per ordinary share: **15.8p** (2012: 18.9p)

PERFORMANCE OVERVIEW

Remaining competitive by sharpening the business and making the right investment choices

Centrica delivered a strong operational performance in the first half. Downstream, we continued to add residential customer accounts, while taking the lead in innovation, simplicity and transparency to help customers take control of their energy requirements. Upstream, our assets performed well, particularly during the prolonged cold weather experienced in the UK this winter, helping to deliver the energy the country needed. Helping our customers to keep their homes warm and well-lit is a core responsibility, alongside our wider contribution through the investments we make, the jobs we provide and the taxes we pay.

In the UK, affordability remains a key issue for customers and energy suppliers, as well as for the Government and Regulators. As a result of the cold weather, residential gas consumption in the first half was substantially higher than last year, more than offsetting the underlying efficiency savings delivered through insulation and more efficient boilers. In addition, the unit cost of gas and electricity was higher in the period compared to 2012 and the cost of delivering environmental obligations is increasing substantially.

Improving transparency is a core requirement for the industry, helping consumers understand their bill and empowering them to choose the best deal for them. We continue to make good progress in simplifying our energy offering, and have already implemented many of the recommendations set out by Ofgem in their Retail Market Review. We already publish a breakdown of costs on all our bills and have introduced a standing charge and single unit tariff structure, while our unique 'Tariff Check', where we contact customers every six months, enables them to check that they are on the most appropriate tariff for them. We currently have five tariffs and expect to move down to four, in line with the Ofgem recommendations, by the end of the year. And for business customers, in July we announced that we would be the first energy supplier to commit to ending auto-rollover contracts, an important step in building trust and ensuring our customers have a transparent choice of products.

We continue to make substantial investments across the Group, organically and through acquisition. Upstream, we are delivering increased gas and oil production across our international portfolio, benefiting from the full effect of acquisitions in the North Sea, and bringing new projects on stream. In offshore wind, we are on track to complete full commissioning of the £1 billion Lincs offshore wind farm later this year. Downstream, we are benefiting from enhanced scale in North America following the successful integration of our recent NYSEG Solutions and Energetix acquisition, while the recent acquisition of Bounce Energy adds further customers and a leading internet-based platform. British Gas and Direct Energy both continue to invest in innovative solutions to help our customers manage their energy requirements.

In February, recognising the increasingly international nature of worldwide gas markets, we set out our strategic priorities - Innovate to drive growth and service excellence; Integrate our natural gas business, linked to our core markets, and; Increase our returns through efficiency and continued capital discipline. We have already made good progress towards these objectives:

- Our new management structure is in place, under the leadership of Chris Weston for International Downstream and Mark Hanafin for International Upstream, both supported by strong teams on each side of the Atlantic.
- Our 20 year North American LNG gas export contract with Cheniere, the announcement of the acquisition of further upstream assets in North America in partnership with Qatar Petroleum International (QPI), and the acquisition of a stake in the licence for UK gas from shale in the Bowland Basin all help to secure potentially important sources of gas for the long term.
- Downstream in North America, the acquisition of the Energy Marketing business of Hess Corporation makes Direct Energy the largest business gas supplier in the Eastern US, and strengthens our position along the gas value chain.
- We have made good progress in delivering organic projects, such as the York and Rhyl gas fields and the Lincs offshore wind farm, and we retain investment options across the Group, in upstream gas and oil, in power generation and in gas storage.
- We have now bought back over £240 million of shares to date under our £500 million share repurchase programme, a core indicator of financial discipline when set alongside our investment programme – returning surplus capital where appropriate.

PERFORMANCE OVERVIEW CONTINUED

Our vision is to be the leading integrated energy company, with customers at its core. We will seek to maintain our competitive edge, continually sharpening the business and making the right investment choices – for the benefit of customers and investors. Health and safety remains a key priority and our lost time injury frequency rate reduced by 33% in the first half of the year.

OPERATIONAL PERFORMANCE

Innovate to drive growth and service excellence in International Downstream

In the UK, British Gas Residential performed well in the first half. We increased our residential energy customer base, adding 56,000 accounts, reflecting the combination of a competitive pricing position and our leading digital platform.

Against a backdrop of sustained cold weather, average residential gas consumption was up 13% compared to last year and significantly above seasonal normal levels, while commodity costs experienced short term volatility as a result of the increased demand. The business is also facing substantially higher costs for environmental obligations and network charges. We are working with local authorities to meet our responsibilities under the new ECO programme, although it is clear that the costs associated with the programme will be significantly higher than those under previous environmental initiatives, reflecting the challenging targets set.

We announced in May that, recognising the economic pressures facing many of our customers and the impact of the cold weather in the first half, any benefit arising from increased consumption would be used to maintain our price competitiveness. In this context, we have absorbed the significant increase in environmental costs during the period. Full year profitability of the residential energy supply business is expected to be in line with 2012.

In British Gas Services, we were able to respond well to record numbers of callouts for boiler breakdowns during the cold weather, although this has resulted in some additional costs. With economic conditions making the sale of new products difficult, retention rates remain high, underlining the value our customers place on the service. We continue to focus on delivering cost savings, and expect to deliver revenue growth through the targeting of under-served segments, such as the private rental sector, and through affinity partnerships.

In British Gas Business, the economic backdrop remains challenging. We have now commenced the implementation of a new billing system, which is proceeding to plan and is due to be completed in the first half of 2014. As a result, we expect to deliver improved service at reduced cost, delivering growth over time, with B2B services playing an increasingly important role.

In North America, Direct Energy is benefiting from enhanced scale due to organic growth and acquisitions in the US, and from the move to our new centralised headquarters in Houston. In Direct Energy Residential, we experienced the continued decline of our Ontario customer base, as expected, due to the challenging regulatory environment. However, we continue to deliver profit growth in the US North East, as we benefit from organic growth and the full year effect of the NYSEG Solutions and Energetix acquisition. In Direct Energy Business we are achieving higher volumes, reflecting strong sales activity in the prior year. Rising gas and power prices in North America have led to some narrowing of margins in both residential and business energy supply, but over time this should benefit our upstream activities.

Innovation is central to our activities both in the UK and North America, enabling customers to take better control of their energy requirements and offering attractive propositions. We will seek to build on our leading positions in smart and digital and the recent acquisition of Bounce Energy will allow us to further develop our online capabilities in North America. We will look to share our experience across the business to drive growth and improve retention, maximising the benefit of our combined energy and services offerings in each market over time.

Good operational performance and disciplined investment in International Upstream

Operational performance from our international gas and oil portfolio has been strong in the year to date, and we are on track to deliver a production increase of nearly 20% for the full year. This includes the impact of production from the York and Rhyl fields, which both delivered first gas in the first quarter, and 100% of the production from the acquisition of a package of Canadian gas assets from Suncor, which is due to be completed around the beginning of September.

In UK power generation, nuclear output was once again good, following on from a strong performance in 2012. However the environment for gas-fired generation remains extremely challenging, with the combination of a well-supplied market and relatively cheap coal and carbon resulting in our gas-fired power fleet being loss making.

PERFORMANCE OVERVIEW CONTINUED

The business also faced the impact of the loss of free carbon allocations, accounting for much of the decrease in profitability compared to the prior year.

In UK storage, Rough performed very well during periods of sustained withdrawal resulting from the unusually cold weather, although market conditions are challenging, with lower seasonal spreads expected to affect the profitability of the business in the second half of 2013.

In the first half of the year, Centrica invested over £750 million – around £500 million of which was in North Sea gas and oil projects - and we have now fully commissioned 55 out of 75 turbines at our 270MW Lincs offshore wind farm. For the full year, we expect to invest £1.5 billion organically across the Group, including around £1 billion in upstream projects such as Cygnus, Valemon, York and Kew. These investments are important for the UK, helping to secure long term supplies of gas for our customers and providing jobs. We also continue to look for opportunities to invest outside the UK where we see value, as evidenced by the Suncor transaction.

In June, the Government announced proposals for market capacity payments and for investment in renewables as part of its review of Electricity Market Reform. We welcomed the announcement that a capacity mechanism would be introduced, with the first auction expected in 2014. The proposals also included the draft Contract for Difference strike prices, applicable to renewable power generation including offshore wind projects and we are awaiting the final outcome of the consultation to determine the implications for our Race Bank offshore wind farm project. We also retain the option to build further offshore wind projects, in partnership with DONG, in the Round 3 Irish Sea zone, and have options for new build gas-fired generation, including consent to build a 1GW CCGT plant on our existing site at Kings Lynn, subject to appropriate returns on these projects. In gas storage, we have two potentially attractive projects, Baird and Caythorpe, although under current market conditions a support mechanism is likely to be required to underpin investment in new storage facilities.

Maintaining capital discipline is a core priority. All our investments are benchmarked against returns to shareholders, and we will return surplus cash flow to shareholders where appropriate, as evidenced by our current share repurchase programme. We have also continued to grow the dividend, increasing it in real terms each year and paying it all in cash. The Board is proposing an interim dividend of 4.92 pence per share, to be paid on 13 November 2013 to shareholders on the register on 27 September 2013, in line with our established practice of paying an interim dividend of 30% of the prior year full year dividend.

Outlook

Overall the business performed well in the first half of 2013, with earnings up slightly on the same period in 2012, and subject to weather conditions, commodity prices and asset performance, we remain on track to deliver earnings growth in line with expectations for the full year.

Further out, we expect continued organic profit growth in North America and in UK home services, while we will continue to benefit from the integration of previous acquisitions. Weak spark spreads will continue to make our UK gas-fired power stations loss making, and reduced seasonal gas price spreads will impact the profitability of our UK gas storage activities. However across the Group we continue to focus on delivering further improvement in service levels, developing our industry leading propositions and digital platform, and maintaining tight cost control.

We have a strong balance sheet and a range of investment options. However we will maintain capital discipline, only investing where we see appropriate returns - further strengthening the business for the benefit of customers and shareholders alike.

GROUP FINANCIAL REVIEW

Group revenue was up 14% to £13.7 billion (2012: £12.0 billion). Revenue increased in British Gas due to higher gas consumption as a result of the sustained cold weather and the impact on retail prices of higher wholesale gas and electricity prices. Revenue increased in Centrica Energy, with higher achieved gas prices and higher gas and liquids production volumes given the full period impact of North Sea asset purchases completed in 2012. Revenue increased in Direct Energy, as a result of higher average customer numbers during the period, increased business gas and power consumption and rising gas and power prices.

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

Period ended 30 June	Notes	2013 Business performance £m	2013 Exceptional items and certain re-measurements £m	2013 Statutory result £m	2012 (restated) Business performance £m	2012 (restated) Exceptional items and certain re-measurements £m	2012 (restated) Statutory result £m
Adjusted operating profit:							
British Gas		**569**			563		
Direct Energy		**165**			155		
Centrica Energy		**802**			693		
Centrica Storage		**47**			36		
Total adjusted operating profit	5b	**1,583**			1,447		
Depreciation of fair value uplifts from Strategic Investments, before tax	3, 5b,10	**(51)**			(52)		
Interest and taxation on joint ventures and associates	5b	**(47)**			(49)		
Group operating profit	6	**1,485**	**105**	**1,590**	1,346	421	1,767
Net finance cost	7	**(103)**	**-**	**(103)**	(102)	–	(102)
Taxation	6, 8	**(649)**	**(19)**	**(668)**	(521)	(168)	(689)
Profit for the period		**733**	**86**	**819**	723	253	976
Depreciation of fair value uplifts from Strategic Investments, after taxation	10	**34**			30		
Adjusted earnings		**767**			753		

The Group has applied IAS19 (revised) pensions accounting. As a result, 2012 net finance costs, taxation, earnings and earnings per share have been restated. To reflect a new organisational structure, the North American upstream gas business has been reallocated from Direct Energy to Centrica Energy.

Total adjusted operating profit was up 9% to £1,583 million (2012: £1,447 million). In British Gas, profits were marginally higher. In residential energy supply, increased wholesale commodity, transportation and environmental costs broadly offset the impact of higher gas consumption and unit prices. Cost efficiency measures drove profit growth in residential services, while challenging market conditions led to a reduction in business energy supply and services profit.

In Centrica Energy, gas profitability increased due to higher gas and liquids production and achieved prices more than offsetting increased unit costs in the gas segment. Profits decreased in the power segment as a result of the loss of free carbon emissions allowances and lower gas-fired volumes reflecting low market spark spreads. In Centrica Storage, profits increased, as the business benefited from a higher 2012/13 Standard Bundled Unit (SBU) price for the first four months of the year. In Direct Energy profits increased by 6%, with revenue growth partially offset by increased commodity costs.

Net finance cost was broadly flat at £103 million (2012: £102 million). The taxation charge was £649 million (2012: £521 million), reflecting the higher level of operating profit and an increased proportion of more heavily taxed upstream gas operating profit, particularly from Norwegian assets. The adjusted tax charge was £690 million (2012: £568 million) and the resultant adjusted effective tax rate for the Group was 47% (2012: 43%). An effective tax rate calculation, split UK and non-UK, is shown in the table overleaf.

Reflecting all of the above, profit after taxation was up 1% to £733 million (2012: £723 million), and after adjusting for fair value uplifts, adjusted earnings increased by 2% to £767 million (2012: £753 million). Adjusted basic earnings per share (EPS) increased to 14.8 pence (2012: 14.6 pence).

GROUP FINANCIAL REVIEW CONTINUED

Period ended 30 June	UK £m	Non-UK £m	2013 Total £m	UK £m	Non-UK £m	2012 Total £m
Adjusted operating profit	**1,140**	**443**	**1,583**	1,159	288	1,447
Share of joint ventures / associates interest	**(23)**	**-**	**(23)**	(24)	-	(24)
Net finance cost	**(61)**	**(42)**	**(103)**	(51)	(51)	(102)
Adjusted profit from continuing operations before taxation	**1,056**	**401**	**1,457**	1,084	237	1,321
Tax on adjusted profit from continuing operations	**376**	**273**	**649**	386	135	521
Tax impact of depreciation on Venture fair value uplift	**15**	**2**	**17**	20	2	22
Share of taxation on joint ventures / associates	**24**	**-**	**24**	25	-	25
Adjusted tax charge from continuing operations	**415**	**275**	**690**	431	137	568
Adjusted effective tax rate	**39%**	**69%**	**47%**	40%	58%	43%

The statutory profit for the period was £819 million (2012: £976 million). The reconciling items between profit from business performance and the statutory profit are related to certain re-measurements and for 2012 a net £66 million charge relating to exceptional items. Statutory basic EPS decreased to 15.8 pence (2012: 18.9 pence).

An interim dividend of 4.92 pence per share (2012: 4.62 pence per share) will be paid on 13 November 2013 to shareholders on the register on 27 September 2013, in line with our established practice of paying an interim dividend of 30% of the prior year's full year dividend.

Group operating cash flow before movements in working capital was higher at £2,058 million (2012: £1,681 million), reflecting the contribution from the 2012 Centrica Energy acquisitions. After working capital adjustments, tax, operational interest, and cash flows associated with exceptional charges, this stood at £1,411 million (2012: £1,032 million).

The net cash outflow from investing activities was £647 million (2012: £1,443 million), as described in the business combinations and capital expenditure section on page 8. The decreased outflow reflects lower levels of acquisition activity during the first half of 2013 compared to 2012 when the Group acquired North Sea gas and oil assets from Statoil and ConocoPhillips.

The net cash outflow from financing activities was £897 million (2012: inflow of £888 million). The outflow reflects interest paid, dividends paid and shares bought under the share repurchase scheme announced in February 2013. The 2012 inflow reflects the issue of bonds and commercial paper.

Reflecting all of the above, the Group's net debt at 30 June 2013 was £4,251 million (31 December 2012: £4,047 million; 30 June 2012 £4,341 million).

During the period net assets decreased to £5,864 million (31 December 2012: £5,927 million), primarily reflecting the impact of shares repurchased more than offsetting retained earnings for the period.

EXCEPTIONAL ITEMS

No exceptional charges were incurred during the period. In the first half of 2012, a £90 million exceptional restructuring charge was recorded (with a related tax credit of £24 million), mainly relating to staff reductions following the Group-wide cost reduction programme announced in 2012.

CERTAIN RE-MEASUREMENTS

As an integrated energy business the Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers (downstream demand). A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IAS39. The Group has shown the fair value adjustments on these commodity derivative trades separately as certain re-measurements, as they do not reflect the underlying performance of the business because they are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued. The operating profit in the statutory results includes net gains of £105 million (2012: £511 million) relating to these re-measurements. The Group recognises the realised gains and losses on these contracts in business performance when the underlying transaction occurs. The profits

GROUP FINANCIAL REVIEW CONTINUED

arising from the physical purchase and sale of commodities during the period, which reflect the prices in the underlying contracts, are not impacted by these re-measurements. See note 3 for further details.

BUSINESS COMBINATIONS AND CAPITAL EXPENDITURE

No material business combinations were completed by the Group during the period.

On 15 April 2013, Centrica announced that it had agreed to form a partnership with Qatar Petroleum International and jointly acquire a package of producing conventional natural gas and crude oil assets and associated infrastructure located in the Western Canadian Sedimentary Basin from Suncor Energy for C$1 billion (£650 million). Centrica will own a 60% share in the partnership and operate the assets. The transaction is expected to complete around the beginning of September.

On 13 June 2013, the Group acquired a 25% interest in the Bowland exploration licence in Lancashire from Cuadrilla Resources Ltd and AJ Lucas Group Ltd for £44 million. The Group will also pay future exploration and appraisal costs of up to £56 million.

Further details on capital expenditure, business combinations and asset purchases, and disposals are included in notes 5(d), 15 and 16 respectively.

EVENTS AFTER THE BALANCE SHEET DATE

On 12 July 2013, Direct Energy announced it had agreed to acquire the Texas-based electricity retailer Bounce Energy for $46 million (£30 million), plus working capital.

On 30 July 2013, the Group announced it had agreed to acquire the New Jersey-based Energy Marketing business of Hess Corporation for $731 million (£478 million) in cash plus net working capital, estimated at approximately $300 million. The transaction is subject to regulatory approval and is expected to close later in 2013.

On 2 July 2013, the UK Government substantively enacted the Finance Act 2013 which included reductions in the main UK corporation tax rate to 20% by 1 April 2015. The impact of the rate changes to taxation balances as at 30 June 2013 is estimated to be a reduction to net deferred taxation liabilities of £57 million.

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

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's principal risks and uncertainties are largely unchanged from those set out in its 2012 Annual Report and Accounts. Details of how the Group has managed financial risks such as liquidity and credit risk are set out in note 4.

ACCOUNTING POLICIES

UK listed companies are required to comply with the European regulation to report consolidated financial statements in conformity with International Financial Reporting Standards (IFRS) as adopted by the European Union. The Group's specific accounting measures, including changes of accounting presentation and selected key sources of estimation uncertainty, are explained in note 3.

The Group has now applied the standard IAS19 (revised): 'Employee Benefits' retrospectively in accordance with the transition provisions of that standard. Further details are provided in note 3.

OPERATING REVIEW

INTERNATIONAL DOWNSTREAM

Against a backdrop of sustained cold weather and periods of higher commodity prices in the UK, and rising gas and power prices in North America, our international downstream businesses performed well in the first half of 2013. We have also made progress in delivering against our strategic priority – innovate to drive growth and service excellence – with customer growth and further development of our industry leading digital platforms. The new management structure is now in place, under the leadership of Chris Weston as Managing Director of our International Downstream business.

In the UK, our residential energy supply business delivered operating profit marginally higher than the first half of last year, with the impact of higher gas consumption as a result of the cold weather broadly offset by higher commodity prices, network charges and environmental costs, with the Energy Company Obligation (ECO) programme having commenced in January. A competitive pricing position, record levels of customer retention and the expansion of new sales channels, combined with our industry leading online platform, also led to customer account growth. Our UK business energy supply and services division continues to be impacted by challenging market conditions and a weak economy. The economy also continues to have an impact on our residential services business, however strong retention rates and a continued focus on costs meant that the business delivered profit growth in the period.

In North America, rising gas and power prices should benefit our upstream activities over time, but have led to some narrowing of margins in Direct Energy's residential and business energy supply divisions. However we are benefiting from organic profit growth in the US North East and the impact of previous acquisitions, while business supply volumes also increased compared to 2012. We have also seen material improvements in the new housing market in the US, leading to higher revenues and profit in our services residential new construction division. The acquisitions of Bounce Energy and the Energy Marketing business of Hess Corporation, both announced in July, represent further steps towards our aim of doubling the profitability of our North American downstream business.

The health and safety of our employees and customers remains a core priority. The lost time injury frequency rate (LTIFR) over the last 12 months was 0.16 per 100,000 hours worked in British Gas (2012: 0.28) and 0.12 per 100,000 hours worked in Direct Energy (2012: 0.16).

British Gas

Higher consumption and environmental costs, account growth in residential energy supply

Average residential gas consumption was 13% higher than in the first six months of 2012 as a result of the unusually cold weather, with average residential electricity consumption up 1%. However the business also incurred additional costs relating to higher commodity prices and network charges, and the ECO programme. As a result, profitability in the first half of the year was only marginally up compared to the same period in 2012, with profitability for the full year expected to be in line with last year.

The number of customer accounts on supply increased by 56,000 in the first half of 2013, with record low levels of churn reflecting a competitive pricing position. The migration of our residential customers onto a new Customer Relationship Management (CRM) system is progressing well and is expected to be complete by early 2014. The new system has already led to a reduced call handling time and will deliver cost efficiencies and enable a more integrated customer experience.

We have also seen the benefit of our investment in an industry leading digital platform. A third of our customers are registered online, and we now receive more customer contact through digital channels than by any other method. A third of all digital contact is made either through our top rated 'App' or our mobile optimised website, compared to 6% only two years ago. We also have over 5 million customers enrolled in the Nectar programme which incentivises the use of self-serve.

In June, following an extensive period of consultation, Ofgem announced its final Retail Market Review recommendations. These are broadly consistent with previous draft proposals and are a welcome step forward to help make the household energy market simpler, fairer and more transparent for consumers. During the first half of the year, we introduced our unique 'Tariff Check', which enables customers to check that they are on the most appropriate tariff for them and is delivering increased customer engagement. We have already adopted a standing charge and single unit tariff structure for new customers and have reduced our number of tariffs to five, with plans to move down to four, plus our smart meter enabled time of use tariffs, in the second half of the year.

Unless otherwise stated, all references to operating profit or loss, taxation and earnings numbers throughout the announcement are adjusted figures, as reconciled in the Group Financial Review on page 6 and 7.

OPERATING REVIEW CONTINUED

We continue to help our most vulnerable customers and maintain the widest eligibility criteria among all energy suppliers for the £130 Warm Home Discount, which benefited over 500,000 customers during last winter. In the first half of 2013 we installed 102,000 insulation measures in customers' homes, over a third of whom were elderly, disabled or most in need. We are also investing in jobs, with 1,000 apprentices currently in training, and in February we announced the launch of 'Transform', a three year programme to train over 1,400 young people aged 17 to 25 and equip them with valuable sustainability skills needed in the 'green economy'. The programme has been developed in partnership with Accenture and the environmental behaviour change charity, Global Action Plan. In May, we were awarded 'Business of the Year' at the Third Sector business charity awards in recognition of our work with Great Ormond Street Hospital, Shelter, the British Gas Energy Trust and local charities.

We have now completed all work under the CERT programme and expect to complete all work under the CESP programme in the next few weeks, although we did not achieve the target completion date of December 2012 for both schemes. We have delivered 102 million tonnes of carbon savings over the life of these programmes. We expect our obligations under ECO, which replaced CERT and CESP from January, to cost around £1.4 billion until the end of the programme in March 2015, substantially higher than CERT and CESP. During the first half of the year we recognised charges of £300 million, having signed agreements with local communities, and are actively seeking further agreements. We have secured contracts with over 40 local authorities and housing associations, including a landmark agreement with Plymouth Community Homes which will result in insulation for nearly 70% of its housing stock.

We have now installed over one million smart meters for homes and businesses across the UK. 600,000 of these have been for residential customers, representing 67% of all UK residential smart meters installed to date. We are now rolling out 'SMETS1' compliant meters and expect to be the first company to install residential smart meters for prepayment customers. 35,000 customers are now receiving the 'Smart Energy Report', providing visibility of their energy usage, and we have also recently launched an innovative time of use tariff exclusively for smart meter customers. Early indications on the customer experience of smart meters is very positive, with call volumes and complaints from customers with smart meters 25% and 40% lower respectively than from standard meter customers, and churn rates substantially lower.

We welcomed the recent announcement from DECC which provided further clarity on the smart meter roll-out, including the extension of the mandate to 2020. This, together with the guaranteed enrolment of 'SMETS1' compliant meters installed during foundation and the requirement not to replace a smart meter with a standard one further enhances our position as the industry leader on smart.

Strong retention and cost focus in residential services

British Gas Services delivered good operational performance in the first half of the year, during periods of unusually cold weather. In the first six months of 2013 we responded to 1.6 million boiler breakdowns, 134,000 more than in the same period in 2012. Despite this increased workload, service delivery remains robust, with the average speed to answer improving, and our Net Promoter Score remaining high. The additional jobs resulted in incremental costs, however first half profitability was higher than in 2012, reflecting the benefit of cost savings delivered last year.

The number of customer accounts fell slightly in the first half of 2013. Customer retention remained strong, with customers recognising the value of services products during the sustained periods of cold weather, however the sale of new products remains challenging in the weak economic environment. The weak economy also continues to impact the central heating installations business, although sales and installations were both up slightly in the first half of the year, in part reflecting our leadership position on the 'Green Deal'. Our digital platform is becoming increasingly important for the services business, with digital sales now forming the largest proportion of our total sales.

During the first half we launched a number of new services propositions, with packages tailored specifically for landlords and tenants. We also launched British Gas branded home insurance in partnership with AXA, and have entered into a new partnership agreement with Nationwide's 'buy-to-let' mortgage arm, The Mortgage Works, for an exclusive product trial in the Landlord market. We continue to look for opportunities to develop innovative products such as our 'Remote Heating Control' product, with 27,000 sales of the product made to date and the recent upgrade receiving positive reviews.

OPERATING REVIEW CONTINUED

Challenging market conditions for business energy supply and services

Market conditions remain challenging for British Gas Business. A tough economic and competitive environment is putting pressure on margins, while the number of supply points has reduced slightly, by 12,000, since the start of the year. Operating profit for the first six months was 16% lower than for the same period in 2012, with full year profitability also expected to be lower.

A new management team and structure is now in place, and we have started the implementation of a new billing and CRM system, with customer migration expected to be completed in the first half of 2014. The new system leverages previous investment in residential platforms and will result in improved customer service, at lower cost, which will help to offset the margin pressures. We also announced in July that we would be the first energy supplier to commit to ending auto-rollover contracts, ensuring our customers have a transparent choice of products. We continue to develop our business services proposition and have secured two major new contracts with Cornwall Council and a consortium of eight local authorities in the North East of England, Warm Up North. We have also now signed and commenced work on eight energy performance contracts. Business services revenue increased by 4% in the first six months compared to the same period last year, while the secured pipeline of future work grew by more than 25%.

The new billing system and the development of our business services offering will, in time, provide a platform for sustainable growth, with improved service levels and additional products expected to lead to better retention levels and a broader customer relationship.

Stable operating profit in British Gas

Total British Gas gross revenue increased to £7,912 million (2012: £7,207 million) reflecting higher retail gas sales volumes as a result of the cold weather and higher retail gas and electricity prices. Total British Gas operating profit was broadly flat at £569 million (2012: £563 million). We are on track to deliver £300 million of cost savings across British Gas by the end of 2013, with the full year impact of 2012 initiatives coming through this year, and further savings being delivered through procurement, IT and operational efficiencies. As a result, including the impact of investment in growth areas, operating costs were broadly flat compared to the prior period in the first six months, while the bad debt charge as a proportion of revenue held steady, reflecting previous investment in systems and a more proactive approach to helping our customers manage their debt.

In residential energy supply, gross revenue increased to £5,486 million (2012: £4,807 million) reflecting higher consumption and retail tariffs. Average gas consumption increased by 13%, reflecting the unusually cold weather, and average electricity consumption increased by 1%. Despite the higher revenue, residential energy supply operating profit was only marginally higher at £356 million (2012: £345 million) as operating margin decreased to 6.5% (2012: 7.2%). The increase in revenue was broadly offset by increased commodity and transportation and distribution costs, and environmental costs which rose by 37% reflecting the impact of ECO and higher renewable obligations.

In residential services, gross revenue was broadly flat at £805 million (2012: £811 million). Operating profit increased by 8% to £135 million (2012: £125 million) with the operating margin increasing to 16.8% (2012: 15.4%), primarily reflecting the impact of cost initiatives.

In business energy supply and services, gross revenue increased to £1,621 million (2012: £1,589 million) with operating profit falling by 16% to £78 million (2012: £93 million), reflecting the challenging market and economic environment.

Total British Gas

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Total customer accounts (period end) ('000)	**24,933**	25,176	(1.0)	24,944
Total customer households (period end) ('000)	**11,334**	11,526	(1.7)	11,379
Joint product households (period end) ('000)	**2,364**	2,423	(2.4)	2,393
Gross Revenue (£m)	**7,912**	7,207	10	13,857
Operating cost (excluding bad debt) (£m)	**688**	681	1.0	1,353
Operating profit (£m)	**569**	**563**	1.1	**1,093**

H1 2012 residential services customer product holdings have been restated to exclude the Water Supply Pipe product, which has been incorporated into the Plumbing and Drains product.
H1 2012 and FY 2012 residential energy supply customer accounts have been restated to exclude 30,000 and 38,000 accounts respectively, subsequently reclassified as dormant.
H1 2012 and FY 2012 operating costs have been restated to reflect the reallocation of certain costs from operating costs to cost of sales.
H1 2012 and FY 2012 total customer households and joint product households have been restated to reflect a revised alignment of products to households following the implementation of a new customer database.

OPERATING REVIEW CONTINUED

Residential energy supply

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Customer accounts (period end):				
Gas ('000)	**8,846**	9,004	(1.8)	8,872
Electricity ('000)	**6,828**	6,781	0.7	6,746
Total ('000)	**15,674**	15,785	(0.7)	15,618
Estimated market share (%):				
Gas	**39.3**	40.8	(1.5) ppts	39.9
Electricity	**25.3**	25.5	(0.2) ppts	25.1
Average consumption per account:				
Gas (therms)	**311**	276	13	494
Electricity (kWh)	**1,936**	1,919	0.9	3,794
Total consumption:				
Gas (mmth)	**2,763**	2,515	10	4,460
Electricity (GWh)	**13,146**	12,987	1.2	25,683
Gross Revenue (£m):				
Gas	**3,726**	3,216	16	5,884
Electricity	**1,760**	1,591	11	3,237
Total	**5,486**	4,807	14	9,121
Transmission and metering costs (£m):				
Gas	**680**	651	4.5	1,327
Electricity	**495**	438	13	915
Total	**1,175**	1,089	8	2,242
Total environmental costs (£m)	**529**	385	37	732
Total social costs (£m)	**51**	60	(15)	89
Operating profit (£m)	**356**	**345**	3.2	**606**
Operating margin (%)	**6.5**	7.2	(0.7) ppts	6.6

Total environmental costs include ECO, CERT, CESP, renewable obigations, carbon, FIT, and LCNF costs. H1 2012 figures have been restated accordingly.
H1 2012 and FY 2012 residential energy supply customer accounts have been restated to exclude 30,000 and 38,000 accounts respectively, subsequently reclassified as dormant.

Residential services

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Customer product holdings (period end):				
Central heating service contracts ('000)	**4,617**	4,662	(1.0)	4,663
Kitchen appliances care (no. of customers) ('000)	**460**	470	(2.1)	465
Plumbing and drains care ('000)	**1,711**	1,715	(0.2)	1,714
Home electrical care ('000)	**1,445**	1,451	(0.4)	1,444
Other contracts ('000)	**114**	119	(4.2)	116
Total holdings ('000)	**8,347**	8,417	(0.8)	8,402
Domestic central heating installations ('000)	**46**	44	4.5	94
Gross Revenue (£m):				
Central heating service contracts	**411**	404	1.7	839
Central heating installations	**121**	121	0.0	258
Other	**273**	286	(4.5)	577
Total	**805**	811	(0.7)	1,674
Operating profit (£m)	**135**	**125**	8	**312**
Operating margin (%)	**16.8**	15.4	1.4 ppts	18.6

H1 2012 residential services customer product holdings have been restated to exclude the Water Supply Pipe product, which has been incorporated into the Plumbing and Drains product.

OPERATING REVIEW CONTINUED

Business energy supply and services

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Customer supply points (period end):				
Gas ('000)	**317**	343	(8)	322
Electricity ('000)	**595**	631	(6)	602
Total ('000)	**912**	974	(6)	924
Average consumption per account:				
Gas (therms)	**1,480**	1,581	(6)	2,737
Electricity (kWh)	**14,651**	13,507	8	27,521
Total consumption:				
Gas (mmth)	**472**	541	(13)	940
Electricity (GWh)	**8,756**	8,529	2.7	17,110
Gross Revenue (£m):				
Gas	**531**	571	(7)	1,014
Electricity	**980**	912	7	1,841
Business services	**110**	106	3.8	207
Total	**1,621**	1,589	2.0	3,062
Transmission and metering costs (£m):				
Gas	**79**	93	(15)	178
Electricity	**225**	197	14	409
Total	**304**	290	4.8	587
Operating profit (£m)	**78**	**93**	(16)	**175**
Operating margin (%)	**4.8**	5.9	(1.1) ppts	5.7

Direct Energy

The North American energy retail businesses delivered good operational performance in the first half of the year, against a backdrop of rising gas and power prices, resulting in some narrowing of margins. Total revenue increased to £3,191 million (2012: £2,763 million), reflecting volume growth and higher wholesale prices, while operating profit increased by 6% to £165 million (2012: £155 million), in part reflecting a continued focus on cost reduction initiatives.

Narrowing of margins offsetting US North East growth in residential energy supply

Operating profit for Direct Energy Residential in the first six months of the year was broadly flat compared to the same period last year, reflecting improved volumes in the US North East and Alberta, offset by some narrowing of margins in the Texas market and the continued decline of the Ontario customer base as a result of the Energy Consumer Protection Act (ECPA). Subject to normal weather conditions in the second half, profitability for the full year is expected to increase compared to 2012, reflecting a continued focus on sales efficiency and churn reduction, and further operational cost management and consolidation.

The number of residential energy accounts reduced slightly over the first six months, to 3.4 million, with customer losses in part reflecting the decline in Ontario and a highly competitive sales environment. The Ontario energy supply business is no longer core to our operations, and for the full year we expect it to contribute only 5% of total residential energy supply operating profit, compared to 20% in 2012. We also saw a small drop in our regulated customer base in Alberta, which was partially offset by growth in our higher margin competitive customer base in the region as customers moved to more competitively priced retail products. This resulted in higher profitability overall in Alberta.

In the US North East, the number of accounts was broadly flat in the first half, with improved retention rates. We are experiencing some margin compression in a competitive sales environment, however we are also benefiting from cost efficiencies and the acquisition last year of Energetix and NYSEG Solutions, with the integration of the acquired customers onto our systems now complete.

In Texas, churn levels also improved, reflecting further improved levels of customer service, although rising power prices have impacted margins. We are also in the process of launching our 'Free Electricity Saturdays' product in Texas, following the success of a similar product in the US North East. In July, we announced that we had reached an agreement to acquire the independent Texas-based electricity retailer, Bounce Energy, for $46 million (£30 million). The acquisition will add 80,000 accounts to our Texas customer base, and provides a

OPERATING REVIEW CONTINUED

leading internet-based digital and e-commerce platform for marketing innovative products and online account management. Over time, this leading digital platform should aid residential customer growth in all our core regions, in both energy and services.

Gross revenue in residential energy supply was up 8% to £1,308 million (2012: £1,210 million). Operating profit was £99 million (2012: £101 million) and operating margin decreased to 7.6% (2012: 8.3%), reflecting the impact of narrowing margins.

Further volume growth in business energy supply, offset by a narrowing of margins

In Direct Energy business, total electricity and total gas volumes both increased by 17% in the first half of 2013 compared to the first half of 2012, reflecting good sales performance in 2012. However the market is increasingly competitive in the large commercial segment, while the rising wholesale gas and power prices have put some pressure on margins. Sales were also lower due to customers delaying purchasing decisions. In the small business segment churn levels have improved and we continue to gain market share in this key growth market.

In July we announced that we had agreed to acquire the New Jersey-based Energy Marketing business of Hess Corporation for $731 million (£478 million). Hess' Energy Marketing business is one of the largest B2B energy suppliers in the US North East and following completion of the transaction, Direct Energy will become the largest business gas supplier on the East Coast of the US and the second largest business electricity supplier in the competitive US retail markets. The acquisition builds on Direct Energy's existing capabilities and further integrates these activities along the gas value chain, linking gas supply from producers and other market participants through secured transport and storage capacity to the gas and power customer base.

The business energy supply division now includes power generation and midstream activities. Power generation volumes from our equity owned facilities in Texas were down compared to the same period last year, reflecting longer planned maintenance outages and lower off-peak power prices, limiting overnight generation. Gross revenue in business energy supply increased by 24% to £1,609 million (2012: £1,300 million), reflecting volume growth and the impact of higher wholesale commodity prices on retail prices. Operating profit increased by 23% to £53 million (2012: £43 million), with the operating margin flat at 3.3% (2012: 3.3%).

Contract growth in residential and business services

Direct Energy Services continued to gain market share in the first half of 2013, with the number of accounts increasing by 40,000 since the start of the year. This in part reflects progress made on the development of our protection plan offering, following the acquisition of Home Warranty of America in 2012, and we now have nearly 100,000 whole-home warranty plans, up from 70,000 at the time of the acquisition. We are also leveraging a more diverse sales channel mix and franchisee expansion, as well as entering new geographic markets.

Improved optimism in the US economy has seen a revival in new housing starts, which are up almost 20% compared to the same period last year and we have expanded our share of this market, with sales in our residential new construction business up 27% compared to 2012. We have also increased our number of franchise territories by 8%, adding 43 in the first half of 2013. We continue to focus on building greater scale in our Direct Energy Residential footprint, which over time should further enhance cross-sell activities.

Direct Energy Services continued to deliver high levels of customer service, with NPS remaining high at 60. Gross revenue in residential and business services increased by 8% to £274 million (2012: £253 million), while operating profit increased to £13 million (2012: £11 million), reflecting revenue growth and cost control.

OPERATING REVIEW CONTINUED

Total Direct Energy

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Total residential energy and services accounts (period end) ('000)	**5,838**	5,630	3.7	5,856
Gross revenue (£m)	**3,191**	2,763	15	5,684
Operating profit (£m)	**165**	**155**	6	**310**

To align with a new organisational structure, the North American Upstream Gas business is now reported in Centrica Energy and the North American Power and Midstream & Trading businesses are now reported in Direct Energy Business energy supply. Prior period comparatives have been restated accordingly.

Residential energy supply

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Customer accounts (period end) ('000)	**3,397**	3,240	4.8	3,455
Gross revenue (£m)	**1,308**	1,210	8	2,357
Operating profit (£m)	**99**	**101**	(2.0)	**156**
Operating margin (%)	**7.6**	8.3	(0.7) ppts	6.6

Business energy supply

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Gas sales (mmth)	**494**	421	17	793
Electricity sales (GWh)	**27,999**	23,935	17	51,378
Gross revenue (£m)	**1,609**	1,300	24	2,795
Operating profit (£m)	**53**	**43**	23	**121**
Operating margin (%)	**3.3**	3.3	0.0 ppts	4.3

Residential and business services

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Contract relationships (period end) ('000)	**2,441**	2,390	2.1	2,401
On demand and installation jobs ('000)	**350**	310	12.9	670
Gross revenue (£m)	**274**	253	8	532
Operating profit (£m)	**13**	**11**	18	**33**
Operating margin (%)	**4.7**	4.3	0.4 ppts	6.2

H1 2012 On demand and installation jobs have been restated to reflect management reporting.

Direct Energy with H1 2012 restated to remove effect of foreign exchange movements

For the period ended 30 June	H1 2013	H1 2012	Δ%
Gross revenue (£m)			
Residential energy supply	**1,308**	1,228	7
Business energy supply	**1,609**	1,395	15
Residential and business services	**274**	258	6
Direct Energy gross revenue	**3,191**	2,881	11
Operating profit (£m)			
Residential energy supply	**99**	102	(2.9)
Business energy supply	**53**	44	20
Residential and business services	**13**	12	8
Direct Energy operating profit	**165**	158	4.4

2012 figures restated at 2013 weighted average exchange rate.

OPERATING REVIEW CONTINUED

INTERNATIONAL UPSTREAM

Delivering on our refreshed strategic priorities

International Upstream performed well in the first half of the year, with strong gas and oil production and good nuclear generation, together with good operational performance from our gas-fired power stations. We now operate our gas and oil business across our international portfolio, under the leadership of Mark Hanafin, enabling us to maximise the opportunities within the existing portfolio and to direct capital where we see the most attractive value. We have made significant progress towards our refreshed strategic priority - to integrate our natural gas business, linked to our core markets - having announced three key transactions: the North American LNG export agreement with Cheniere; the acquisition of a package of producing conventional gas and oil assets in Alberta from Suncor; and the acquisition of a 25% interest in the Bowland shale exploration license from Cuadrilla Resources and AJ Lucas.

International Upstream operating profit for the first six months of the year increased by 16% to £802 million (2012: £693 million), with gas operating profit increasing, reflecting higher production volumes and achieved prices, and power profit decreasing, predominantly reflecting the loss of free carbon allowances and continued low market clean spark spreads. Health and Safety remains one of our core priorities and we had no significant process safety events in the first half of 2013, while the LTIFR over the past 12 months fell to 0.18 (2012: 0.21).

Increased gas and oil production

Total gas and liquids production for the first six months of the year was consistently good, increasing by 22% to 37.6mmboe (2012: 30.9mmboe). Total gas production volumes increased by 19% to 1,696 million therms (mmth) (2012: 1,427mmth) and total liquids volumes increased by 31% to 9.8mmboe (2012: 7.5mmboe). This predominantly reflected the benefit of three North Sea acquisitions completed in 2012. We delivered first production from our York and Rhyl fields in the first quarter, and we are now also seeing production from our Ensign and Seven Seas fields which came on-stream in 2012, albeit at lower flow rates than originally expected.

Production from the acquisitions has been in line with our investment case and as a result, production from our Norwegian assets more than doubled in the first six months of the year. Production from Norway contributed 33% of the total in the first half of the year, compared to 19% in 2012. We are now less reliant on Morecambe, with production from the East Irish Sea contributing 16% of the total in the first half, compared to 20% in 2012. Total North America production declined by 10% to 4.7mmboe in the first six months of 2013 (2012: 5.2mmboe) as we delayed drilling in the low gas price environment.

The low gas price makes acquisitions in North America relatively attractive compared to the UK, where costs are increasing. In April we announced the acquisition of a package of producing conventional gas and crude oil assets in the Western Canadian Sedimentary Basin from Suncor for C$1 billion (£650 million), in partnership with QPI. The acquisition will be made through a newly formed partnership owned by Centrica (60%) and QPI (40%), and is the first transaction made under the Memorandum of Understanding signed between the two parties in 2011. The assets acquired include proven and probable (2P) reserves of 978 billion cubic feet equivalent (bcfe) and are expected to produce around 15mmboe in 2013. We expect to fully consolidate the results from the assets, and taking into account 100% of production and an expected completion date around the beginning of September, total gas and liquids volumes from our international portfolio are expected to increase by nearly 20% in 2013, compared to 2012.

Grow and diversify our E&P portfolio for value

We are progressing our development projects towards production. Having achieved first gas at York and Rhyl in the first quarter of the year, we have brought a second well at York into production and a further well is currently being drilled. In the Greater Markham hub, first gas from Kew is scheduled by the end of 2013, subject to rig availability, and we have now approved the development of a sidetrack well at Grove, which is expected to produce first gas in 2014. The Statoil-operated Valemon project is proceeding as planned, while Cygnus remains on track to bring 53mmboe of reserves into production by the end of 2015. On our Block 22 project in Trinidad and Tobago we are currently drilling two wells to firm up the resource base, while reviewing development and partnership options for gas export.

In exploration and appraisal, drilling at the Rodriguez well in Norway in January confirmed the presence of gas condensate, while drilling at Whitehaven in the East Irish Sea in February confirmed a satellite field adjacent to the Rhyl reservoir. In June, Centrica Energy was awarded a 50% operating share in the Scarecrow prospect, its first licence in the Barents Sea, in the 22nd round of licences announced by Norway's Energy Ministry.

OPERATING REVIEW CONTINUED

In June we announced that we had acquired a 25% interest in the Bowland shale exploration license in Lancashire from Cuadrilla Resources and AJ Lucas for £44 million. This provides an attractive opportunity to explore the potential for natural gas from shale in the UK, while utilising our expertise as a responsible operator and developer of UK gas resources. We welcomed the Government's announcement in July concerning tax allowances relating to shale gas, although much remains to be done to determine its commercial viability in the UK.

Develop our midstream business to integrate along the gas value chain

Our midstream business made further progress in the first half of the year, linking our positions along the gas value chain in our core markets of the UK, Europe and North America. In March, we announced a 20 year agreement with Cheniere to purchase 91,250,000 mmbtu (89 billion cubic feet) per annum of liquefied natural gas (LNG) volumes for export from the Sabine Pass liquefaction plant in Louisiana in the United States. The project remains subject to regulatory approvals being achieved for the fifth train, including Federal Energy Regulatory Commission clearance. In early April the export licence application was filed with the US Department of Energy, with a target date for first commercial delivery of September 2018. The contract marks an important step in delivering our new strategy, as we look to link our positions across the gas value chain and invest in new sources of gas on both sides of the Atlantic, where we see attractive opportunities.

Higher gas and liquids volumes and achieved prices more than offsetting higher costs

International gas profitability increased by 32% to £683 million for the first six months of the year (2012: £519 million), reflecting higher production volumes and higher achieved prices. The average achieved gas sales price, including production from North America, increased by 19% to 55.7 pence per therm (p/th) (2012: 46.9p/th) while the average achieved oil and condensate price increased by 5% to £63.7 per boe (2012: £60.5/boe). On a per unit of production basis, depletion, depreciation and amortisation (DDA) costs increased by 32% in the period to £11.9/boe (2012: £9.0/boe), reflecting a move in production mix towards more recently developed higher cost fields. Unit lifting and other cash production costs increased by 12% to £12.2/boe (2012: £10.9/boe), due to the timing of maintenance shut downs, a move in production mix towards higher cost fields and industry cost inflation.

Maintain a low carbon power hedge and invest where we see value

Our 20 per cent equity share of the output from the nuclear fleet for the first six months was 5.8 terawatt hours (TWh) (2012: 6.0TWh), reflecting more planned outages during the period and a number of small unplanned losses towards the end of the period. The average achieved nuclear price in the first half of 2013 was £52.1/MWh (2012: 49.2/MWh), reflecting the increase in the baseload power market price and the impact of hedging.

The market environment remains challenging for gas-fired plant, with continued low market clean spark spreads. Gas-fired generation volumes fell by 8% in the first six months of this year to 4.5TWh (2012: 4.9TWh), with the average load factor falling slightly to 27% (2012: 28%). Against this challenging environment, reliability remained high for our gas-fired fleet, at 99% (2012: 97%), enabling running at peak times, while we have been successful in minimising our costs and running the plants as efficiently as possible. Our gas-fired stations at Barry, Brigg and Peterborough have been awarded contracts by the National Grid as part of its Short Term Operating Reserve (STOR) market, all running until the end of the first quarter of 2015, with Brigg awarded a two-year contract, Peterborough awarded a 'follow-on' contract when the current arrangement finishes in 2014 and Barry awarded a one-year contract starting in April 2014.

Availability of our wind assets for the first six months of 2013 was 84% (2012: 84%), with generated volumes up 18% to 290 gigawatt hours (GWh) (2012: 246 GWh) and a load factor of 33% (2012: 29%), reflecting output from the Lincs wind farm, where we have now fully commissioned 55 out of 75 turbines. Lincs is expected to become fully operational during the second half of the year.

Power profitability decreased by 32% to £119 million (2012: £174 million) predominantly reflecting losses from our CCGT fleet, following the loss of free carbon allowances and continuing weak market conditions. Nuclear profitability increased slightly, with a higher achieved average sales price offsetting slightly lower production and higher costs.

Offshore wind and CCGT investment options retained

In February this year we announced that we would not be exercising our option to participate in UK nuclear new build, taking into account the lengthening time frame for a return on capital invested in a project of this scale.

OPERATING REVIEW CONTINUED

We also took the decision to dispose of our stake in the Braes of Doune onshore wind farm in June, realising a £29 million profit on disposal. However we retain a number of investment options in offshore wind and in CCGTs. In June, the Government announced further details of the draft Contract for Difference strike prices applicable to renewable power generation, including offshore wind projects. We are awaiting the final outcome of the consultation, to determine the implications for our Race Bank offshore wind farm. We also have a joint venture partnership with Dong, to co-develop the Round 3 Irish wind farm zone. A final investment decision is not expected on the first Round 3 project until at least 2016.

In February we sanctioned a further turbine blade upgrade at our 1.2GW South Humber CCGT power station, which will improve the efficiency of the plant and this work will be undertaken in 2014. We welcomed the DECC announcement that a capacity mechanism would be introduced, with the first auction expected in 2014. We have consent for 1GW of new build CCGT at our existing site at Kings Lynn and we are also exploring the option to repower the existing plant.

Total Centrica Energy

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Operating profit (£m)	**802**	**693**	16	**1,251**

International Gas

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Gas production volumes (mmth)				
East Irish Sea	**344**	362	(5)	740
Other UK and Netherlands	**541**	480	13	883
Norway	**436**	176	148	557
North America	**252**	279	(10)	549
Trinidad & Tobago	**123**	130	(5)	261
Total	**1,696**	1,427	19	2,990
Liquids production volumes (mmboe)				
UK and Netherlands	**3.5**	3.9	(10)	7.4
Norway	**5.8**	3.0	93	8.9
North America	**0.5**	0.6	(17)	1.1
Total	**9.8**	7.5	31	17.4
Total gas and liquids production volumes (mmboe)	**37.6**	30.9	22	66.8
Average gas sales price (p/therm)	**55.7**	46.9	19	49.0
Average liquids sales price (£/boe)	**63.7**	60.5	5	61.7
DDA costs (£/boe)	**11.9**	9.0	32	9.3
Lifting and other cash production costs (£/boe)	**12.2**	10.9	12	12.4
Exploration and appraisal costs (£m)	**47**	33	42	143
Operating profit (£m)	**683**	**519**	32	**940**

To align with a new organisational structure, the North American Upstream Gas business is now reported in Centrica Energy. Prior period comparatives have been restated accordingly.
Lifting and other cash production costs include all cash costs except exploration and appraisal costs and the impact of underlift/overlift. Prior period comparatives have been restated

UK Power

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Power generated (GWh)				
Gas-fired	**4,531**	4,906	(8)	8,952
Renewables	**290**	246	18	533
Nuclear	**5,763**	5,954	(3.2)	12,004
Total	**10,584**	11,106	(4.7)	21,489
Achieved Clean Spark Spread (£/MWh)	**10.0**	10.3	(2.9)	10.7
Achieved power price (including ROCs) (£/MWh) - renewables	**104.3**	99.2	5	105.7
Achieved power price (£/MWh) - nuclear	**52.1**	49.2	6	49.6
Operating profit / (loss) (£m)				
Gas-fired	**(64)**	(4)	nm	(4)
Renewables	**36**	45	(20)	58
Nuclear	**122**	118	3.4	237
Midsteam trading	**25**	15	67	20
Operating profit (£m)	**119**	**174**	(32)	**311**

OPERATING REVIEW CONTINUED

CENTRICA STORAGE

Strong operational performance during a period of record withdrawal volumes

Centrica Storage performed very well in the first half of the year, with the Rough asset making an important contribution to the UK's security of supply during a sustained period of cold weather that continued into March and April. Operating performance was strong, with Rough achieving reliability of 97% over the first half (2012: 95%).

The high demand for withdrawals due to the protracted winter in the UK resulted in the Net Reservoir Volume (NRV) reaching record low levels in April. As temperatures returned to normal in mid-April, customers switched to injection and we experienced record injection rates during the second half of April. However NRV levels were still below the five year average at the end of June.

Health and safety remains a core priority and Centrica Storage continues to progress its process safety programme. We recorded our first lost time incident in more than three years in March, and have reinforced our drive for continuous improvement in health and safety across the business.

Forward seasonal spreads remain narrow

In April, Centrica Storage announced that it had sold all SBUs for the 2013/14 storage year at an average price of 23.3p, compared to 33.9p for 2012/13. This reflects the relatively low summer/winter price differentials seen over the previous 12 months.

Operating profit expected to be weighted towards the first half

Gross revenue increased by 18% in the first half of 2013 to £107 million (2012: £91 million). This reflects an increase in the average SBU price over the period to 30.3p (2012: 28.1p), the impact of the additional revenue arising following the commissioning of the York gas processing terminal and strong optimisation performance. This was partially offset by volume related costs driven by the high levels of drawdown and costs associated with the York terminal. As a result, operating profit for the first half increased by 31% to £47 million (2012: £36 million). Profitability in the second half of 2013 is expected to reduce materially reflecting the lower 2013/14 achieved SBU price, and for the full year operating profit is expected to be lower than 2012. In this challenging economic environment we remain focused on operating efficiencies whilst continuing to invest to ensure the safe on-going operation of Rough.

Challenging conditions for new projects

We retain options to invest in two gas storage projects, Baird and Caythorpe. Continued low levels of summer/winter price differentials, combined with an uncertain longer term outlook, mean that market conditions remain challenging for these opportunities. As with all our investment options, we will only invest where we see appropriate returns that reflect the level of risk undertaken and our Baird project in particular may require a support mechanism to underpin investment. We are currently awaiting the results of DECC's review into possible intervention mechanisms to encourage new storage investment.

Total Centrica Storage

For the period ended 30 June	H1 2013	H1 2012	Δ%	FY 2012
Average SBU price (in period) (pence)	**30.3**	28.1	8	31.0
Gross Revenue (£m)				
Standard SBUs	**69**	64	8	141
Other	**38**	27	41	61
Total	**107**	91	18	202
Operating profit (£m)	**47**	**36**	31	**89**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Interim Results for the six month period ended 30 June 2013 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.

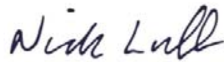
The Directors confirm that the condensed interim Financial Statements have been prepared in accordance with IAS 34: 'Interim Financial Reporting', as adopted by the European Union and that the Interim Results includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- 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 2012 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
31 July 2013
Chief Executive



Nick Luff
31 July 2013
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 2013, 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 set of 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 Conduct 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 has 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 set of 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 Conduct 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 2013 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 Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
31 July 2013

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	2013 Business performance £m	2013 Exceptional items and certain re-measurements £m	2013 Results for the period £m	2012 (restated) (i) Business performance £m	2012 (restated) (i) Exceptional items and certain re-measurements £m	2012 (restated) (i) Results for the period £m
Group revenue	5(a)	**13,651**	**–**	**13,651**	11,977	–	11,977
Cost of sales before exceptional items and certain re-measurements (i)		**(10,886)**	**–**	**(10,886)**	(9,445)	–	(9,445)
Re-measurement of energy contracts	6(b)	**–**	**104**	**104**	–	513	513
Cost of sales		**(10,886)**	**104**	**(10,782)**	(9,445)	513	(8,932)
Gross profit		**2,765**	**104**	**2,869**	2,532	513	3,045
Operating costs before exceptional items (i)		**(1,332)**	**–**	**(1,332)**	(1,244)	–	(1,244)
Exceptional items	6(a)	**–**	**–**	**–**	–	(90)	(90)
Operating costs		**(1,332)**	**–**	**(1,332)**	(1,244)	(90)	(1,334)
Share of profits/(losses) in joint ventures and associates, net of interest and taxation	6(b), 13(a)	**52**	**1**	**53**	58	(2)	56
Group operating profit	5(b)	**1,485**	**105**	**1,590**	1,346	421	1,767
Investment income (i)	7	**26**	**–**	**26**	31	–	31
Financing costs (i)	7	**(129)**	**–**	**(129)**	(133)	–	(133)
Net finance cost		**(103)**	**–**	**(103)**	(102)	–	(102)
Profit before taxation		**1,382**	**105**	**1,487**	1,244	421	1,665
Taxation	8	**(649)**	**(19)**	**(668)**	(521)	(168)	(689)
Profit for the period		**733**	**86**	**819**	723	253	976
Earnings per ordinary share				**Pence**			Pence
Basic (i)	10			**15.8**			18.9
Diluted (i)	10			**15.7**			18.8
Interim dividend proposed/paid per ordinary share	9			**4.92**			4.62
Prior period final dividend paid per ordinary share	9			**11.78**			11.11

(i) See notes 3a) and 3b).

The notes on pages 27 to 43 form part of these condensed interim Financial Statements.

GROUP STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June	2013 £m	2012 (restated) (i) £m
Profit for the period [i]	**819**	976
Other comprehensive (loss)/income		
Items that will be or have been recycled to the Group Income Statement:		
Gains on revaluation of available-for-sale securities	**–**	2
Taxation on revaluation of available-for-sale securities	**–**	4
	–	6
Gains/(losses) on cash flow hedges	**2**	(2)
Transferred to income and expense on cash flow hedges	**12**	42
Transferred to assets and liabilities on cash flow hedges	**(1)**	1
Exchange differences on cash flow hedges	**1**	6
Taxation on cash flow hedges	**(4)**	(12)
	10	35
Exchange differences on translation of foreign operations	**42**	(39)
Share of other comprehensive income/(loss) of joint ventures and associates, net of taxation	**12**	(7)
	64	(5)
Items that will not be recycled to the Group Income Statement:		
Net actuarial (losses)/gains on defined benefit pension schemes [i]	**(198)**	47
Taxation on net actuarial (losses)/gains on defined benefit pension schemes	**48**	(10)
	(150)	37
Share of other comprehensive loss of joint ventures and associates, net of taxation	**(15)**	(17)
Other comprehensive (loss)/income, net of taxation	**(101)**	15
Total comprehensive income for the period	**718**	991

(i) See notes 3a) and 3b).

The notes on pages 27 to 43 form part of these condensed interim Financial Statements.

GROUP STATEMENT OF CHANGES IN EQUITY

	Share capital £m	Share premium £m	Retained earnings £m	Accumulated other comprehensive income/(loss) £m	Other equity £m	**Total equity £m**
1 January 2013 (as previously reported)	321	929	4,511	(434)	600	5,927
Effect of adoption of IAS 19 (revised 2011) [(i)]	–	–	(325)	325	–	–
1 January 2013 (restated)	321	929	4,186	(109)	600	5,927
Total comprehensive income	–	–	819	(101)	–	**718**
Employee share schemes	–	2	(6)	–	35	**31**
Purchase of treasury shares	–	–	–	–	(213)	**(213)**
Dividends	–	–	(611)	–	–	**(611)**
Taxation	–	–	–	–	14	**14**
Exchange adjustments	–	–	–	–	(2)	**(2)**
30 June 2013	**321**	**931**	**4,388**	**(210)**	**434**	**5,864**

	Share capital £m	Share premium £m	Retained earnings £m	Accumulated other comprehensive income/(loss) £m	Other equity £m	**Total equity £m**
1 January 2012 (as previously reported)	319	874	4,043	(238)	602	5,600
Effect of adoption of IAS 19 (revised 2011) [(i)]	–	–	(297)	297	–	–
1 January 2012 (restated)	319	874	3,746	59	602	5,600
Total comprehensive income	–	–	976	15	–	991
Employee share schemes	1	44	13	–	(19)	39
Dividends	–	–	(576)	–	–	(576)
Taxation	–	–	–	–	5	5
Exchange adjustments	–	–	–	–	1	1
30 June 2012 (restated)	320	918	4,159	74	589	6,060

(i) See note 3a).

The notes on pages 27 to 43 form part of these condensed interim Financial Statements.

GROUP BALANCE SHEET

	Notes	30 June 2013 £m	31 December 2012 (restated) (i) £m
Non-current assets			
Goodwill		**2,603**	2,543
Other intangible assets		**1,723**	1,579
Property, plant and equipment		**7,934**	7,965
Interests in joint ventures and associates		**2,673**	2,721
Deferred tax assets		**212**	183
Trade and other receivables		**60**	55
Derivative financial instruments		**246**	313
Securities	11(a)	**200**	199
Retirement benefit assets	14(c)	**171**	254
		15,822	15,812
Current assets			
Inventories		**421**	545
Current tax assets		**56**	54
Trade and other receivables		**4,442**	4,335
Derivative financial instruments		**292**	268
Securities	11(a)	**11**	7
Cash and cash equivalents	11(a)	**800**	931
		6,022	6,140
Total assets		**21,844**	21,952
Current liabilities			
Trade and other payables		**(4,267)**	(4,545)
Current tax liabilities		**(605)**	(594)
Bank overdrafts, loans and other borrowings (i)	11	**(674)**	(566)
Derivative financial instruments		**(474)**	(615)
Provisions for other liabilities and charges		**(223)**	(266)
		(6,243)	(6,586)
Net current liabilities		**(221)**	(446)
Non-current liabilities			
Trade and other payables		**(127)**	(26)
Bank overdrafts, loans and other borrowings (i)	11	**(4,728)**	(4,762)
Derivative financial instruments		**(302)**	(327)
Deferred tax liabilities		**(1,882)**	(1,678)
Provisions for other liabilities and charges		**(2,456)**	(2,480)
Retirement benefit obligations	14(c)	**(242)**	(166)
		(9,737)	(9,439)
Net assets		**5,864**	5,927
Equity			
Share capital		**321**	321
Share premium		**931**	929
Retained earnings (i)		**4,388**	4,186
Accumulated other comprehensive loss (i)		**(210)**	(109)
Other equity		**434**	600
Total equity		**5,864**	5,927

(i) See notes 3a) and 3b).

The notes on pages 27 to 43 form part of these condensed interim Financial Statements.

GROUP CASH FLOW STATEMENT

Six months ended 30 June	Notes	2013 £m	2012 £m
Cash generated from operations	12	**1,944**	1,480
Income taxes paid		**(286)**	(181)
Petroleum revenue tax paid		**(115)**	(102)
Interest received		**–**	2
Payments relating to exceptional charges		**(132)**	(167)
Net cash flow from operating activities		**1,411**	1,032
Purchase of businesses net of cash and cash equivalents acquired		**(2)**	(74)
Sale of businesses net of cash and cash equivalents disposed of		**5**	27
Purchase of intangible assets	5(d)	**(174)**	(291)
Purchase of property, plant and equipment	5(d)	**(615)**	(1,109)
Disposal of property, plant and equipment and intangible assets		**6**	5
Investments in joint ventures and associates		**(34)**	(120)
Dividends received from joint ventures and associates		**103**	37
Repayments of loans to, and disposal of investments in, joint ventures and associates		**59**	36
Interest received		**11**	21
(Purchase)/sale of securities	11(a)	**(6)**	25
Net cash flow from investing activities		**(647)**	(1,443)
Issue of ordinary share capital		**2**	23
Purchase of treasury shares	10	**(203)**	–
Sale/(purchase) of own shares		**7**	(7)
Financing interest paid		**(116)**	(74)
Cash inflow from additional debt	11(a)	**72**	1,533
Cash outflow from payment of capital element of finance leases	11(a)	**(15)**	(14)
Cash outflow from repayment of other debt	11(a)	**(37)**	(15)
Net cash flow from increase in debt		**20**	1,504
Realised net foreign exchange gain on cash settlement of derivative contracts		**–**	13
Equity dividends paid		**(607)**	(571)
Net cash flow from financing activities		**(897)**	888
Net (decrease)/increase in cash and cash equivalents		**(133)**	477
Cash and cash equivalents at 1 January		**931**	479
Effect of foreign exchange rate changes		**2**	(2)
Cash and cash equivalents at 30 June		**800**	954
Included in the following lines of the Balance Sheet:			
Cash and cash equivalents	11(a)	**800**	995
Bank overdrafts, loans and other borrowings		**–**	(41)
		800	954

The notes on pages 27 to 43 form part of these condensed interim Financial Statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

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 2013 were authorised for issue in accordance with a resolution of the Board of Directors on 31 July 2013. 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 2012 were approved by the Board of Directors on 27 February 2013 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 2013, and the Group Balance Sheet as at 30 June 2013 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 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct 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 2012, 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 2012.

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 2012, as described in those annual Financial Statements, with the exception of standards, amendments and interpretations effective in 2013 and other presentational changes 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 2013

(i) IAS 19 (revised)

IAS 19 (revised): 'Employee benefits' amends the accounting for employee benefits. The Group has applied the standard retrospectively in accordance with the transition provisions and the comparatives have been restated accordingly. The impact on the Group has been as follows:

- The standard replaces the interest cost on the defined benefit obligation and the expected return on plan assets with a net interest cost, based on the net defined benefit asset or liability and the discount rate, measured at the beginning of the year. This has increased the income statement charge with an equal and offsetting movement in other comprehensive income (actuarial gains and losses).
- Investment income has been reduced by £23 million for the six months ended 30 June 2013, reduced by £14 million for the six months ended 30 June 2012 and reduced by £26 million for the year ended 31 December 2012.
- Profit after tax has been reduced by £18 million for the six months ended 30 June 2013, reduced by £14 million for the six months ended 30 June 2012 and reduced by £28 million for the year ended 31 December 2012.
- As at 1 January 2012 and 1 January 2013, retained earnings have been reduced by £297million and £325 million respectively. The actuarial gains and losses reserve increased by the same amounts to reflect the retrospective application.
- Basic and diluted earnings per share ('EPS') have been reduced by 0.4 pence for the six months ended 30 June 2013 and by 0.2 pence for the six months ended 30 June 2012. For the year ended 31 December 2012 the effect was a reduction of 0.6 pence on basic and 0.5 pence on diluted EPS. The effect on adjusted basic and adjusted diluted EPS was to reduce EPS by 0.4 pence for the six months ended 30 June 2013 and by 0.2 pence for the six months ended 30 June 2012. For the year ended 31 December 2012 the effect was a reduction of 0.5 pence on adjusted basic and 0.6 pence on adjusted diluted EPS.

(ii) Amendment to IAS 1

'Amendment to IAS 1: Presentation of financial statements - Presentation of items of other comprehensive income'. The Group has applied this amendment retrospectively and the comparatives have been represented accordingly. Within the Group statement of comprehensive income, items are now separated into 'Items that will be or have been recycled to the Group Income Statement' and 'Items that will not be recycled to the Group Income Statement'.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

3. Accounting policies continued

(iii) IFRS 10, 11 and 12

IFRS 10: 'Consolidated financial statements', IFRS 11: 'Joint arrangements', IFRS 12: 'Disclosures of interests in other entities', and subsequent revisions to IAS 27: 'Separate financial statements' and IAS 28: 'Investments in associates and joint ventures' are new and revised standards that are mandatory for adoption in 2014 for EU endorsed IFRS reporters. The Group has not yet adopted these standards in these interim statements but is continuing to assess the impact and whether it will early adopt in the full year financial statements for 2013.

(iv) IFRS 13

IFRS 13: 'Fair value measurement' has measurement and disclosure requirements that are applicable for the December 2013 year-end onwards. The Group has included the IFRS 13 (and IFRS 7) disclosures required by IAS 34 para 16a(j) in note 4.

There are no other IFRSs or IFRIC interpretations that are effective for the first time for the current financial period that have had a material impact on the Group.

(b) Other presentational changes

(i) Presentation of sales commissions and prepayment customer vending fees

Where there is a specific link to revenue generation, the Group has reclassified sales commissions paid to brokers or agents (or similar arrangements) and prepayment customer vending fees, from operating costs to cost of sales.

The effect has been to reduce operating costs and increase cost of sales by £87 million for the six months ended 30 June 2013, by £82 million for the six months ended 30 June 2012 and by £164 million for the 12 months ended 31 December 2012. The prior period comparatives have been restated accordingly.

(ii) Current/non-current classification of interest accruals

The Group has reclassified the interest accruals on bank overdrafts, loans and other borrowings from non-current liabilities to current liabilities because the amounts are due for payment within 12 months.

The effect has been to increase current liabilities and reduce non-current liabilities by £139 million as at 30 June 2013 and by £94 million as at 31 December 2012. The prior period comparatives have been restated accordingly.

(iii) Presentation of gains and losses on revaluations in financing costs

The Group has represented fair value gains and losses on its derivatives and hedges on a net basis within financing costs because it aids comparability with prior periods. Historically such gains and losses were recognised gross within financing costs and investment income.

The effect has been to reduce financing costs and reduce investment income by £190 million for the six months ended 30 June 2013, by £89 million for the six months ended 30 June 2012 and by £166 million for the 12 months ended 31 December 2012. The prior period comparatives have been restated accordingly.

(c) Centrica specific accounting measures

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 defined as operating profit before:

- exceptional items;
- certain re-measurements;
- depreciation resulting from fair value uplifts to property, plant and equipment (PP&E) on the acquisition of Strategic Investments;

but including:

- the Group's share of the results of joint ventures and associates before interest and taxation.

Note 5(b) 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 PP&E on the acquisition of Strategic Investments, net of taxation.

A reconciliation of earnings is provided in note 10.

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 PP&E 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

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

3. Accounting policies continued

Investments before the impact of depreciation on fair value uplifts to PP&E and the segmental results are presented on a consistent basis. The Group has two Strategic Investments for which reported profits have been adjusted due to the impact of fair value uplifts. These Strategic Investments relate to the 2009 acquisitions of Venture Production plc ('Venture'), the operating results of which are included within the 'Centrica Energy – Gas' segment and of the 20% interest in Lake Acquisitions Limited ('British Energy'), which owned the British Energy Group, the results of which are included within the 'Centrica Energy – Power' segment.

(i) Venture

Significant adjustments have been made to the acquired PP&E 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 PP&E 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 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. The Group reports its share of the associate's profit or loss, which is net of interest and taxation, within the Group 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 PP&E at their acquisition-date fair values and 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 within the overall reported Group profit for the period, the Directors have reversed these impacts in arriving at adjusted profit from 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.

Exceptional items and certain re-measurements

The Group reflects its underlying financial results in the 'business performance' column of the Group Income Statement. To be able to provide readers with this clear and consistent presentation, the effects of 'certain re-measurements' of financial instruments, and 'exceptional items', are reported separately in a different column in the Group Income Statement and are separately identified in segmental note 5(b).

The Group is an integrated energy business. This means that it utilises its knowledge and experience across the gas and power (and related commodity) value chains to make profits across the core markets in which it operates. As part of this strategy, the Group enters into a number of forward energy trades to protect and optimise the value of its underlying production, generation, storage and transportation assets (and similar capacity or off-take contracts), as well as to meet the future needs of our customers (downstream demand). These trades are designed to reduce the risk of holding such assets, contracts or downstream demand and are subject to strict risk limits and controls.

Primarily because some of these trades include terms that permit net settlement (i.e. they are prohibited from being designated as 'own use'), the rules within IAS 39: 'Financial instruments' require them to be individually fair valued. Fair value movements on these commodity derivative trades do not reflect the underlying performance of the business because they are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued. Therefore, these certain re-measurements are reported separately and are subsequently reflected in business performance when the underlying transaction or asset impacts profit or loss.

The arrangements discussed above and reflected as certain re-measurements are all 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 business performance column (i.e. in the results before certain re-measurements).

Exceptional items are those 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. Again, to ensure the business performance column reflects the underlying results of the Group, these exceptional items are also reported in a separate column in the Group Income Statement. Items which may be considered exceptional in nature include disposals of businesses, business restructurings, significant onerous contract charges and asset write-downs.

Disposals of equity stakes in wind farm developments

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 within the 'business performance' column as part of the 'Centrica Energy – Power' segment.

(d) Update to critical accounting judgements in applying the Group's accounting policies

Energy Company Obligation

The Energy Company Obligation ('ECO') order requires UK-licensed energy suppliers to improve the energy efficiency of domestic households from 1 January 2013. Targets are set in proportion to the size of historic customer bases and must be delivered by 31 March 2015. The Group continues to judge that it is not legally obligated by this order until 31 March 2015. Accordingly, the costs of delivery are recognised as incurred, when cash is spent or unilateral commitments made resulting in obligations that cannot be avoided. During the period, the Group has entered into a number of contractual arrangements and commitments, and issued a public statement to underline its commitment, to deliver a specific proportion of the ECO requirements. Consequently, the Group's result includes the costs of these contractual arrangement and commitment obligations.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

4. Risk management and financial instruments

(a) 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.

(i) Commodity price risk management

During the six months ended 30 June 2013, the Group continued to be exposed to commodity price risk in its upstream assets, energy procurement contracts, downstream and proprietary energy trading activities. Specific limits are used to manage the exposure to commodity prices associated with the Group's activities to an acceptable level. Volumetric limits are supported by Profit at Risk (PaR) and Value at Risk (VaR) metrics in the UK and in North America to measure the Group's exposure to commodity price risk. Limits are also set on PaR and VaR measurements as a further control over exposure to market prices.

The Group measures and manages the commodity price risk associated with the Group's entire energy procurement, upstream and downstream portfolio. Only certain of the Group's energy procurement, upstream and downstream contracts constitute financial instruments under IAS 39.

The net gain of £105 million from operations during the six months ended 30 June 2013 (six months ended 30 June 2012: £511 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 above the current wholesale market value of energy at the start of the period, partially offset by the impact of wholesale market price movements during 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.

(ii) Credit risk management

During the six months ended 30 June 2013, 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 approved financial risk management policies. The economic environment continues to impact the markets in which the Group is active, however the Group has not altered its rating thresholds for counterparty credit limits and continues to operate within its limits. In the US and UK, there is a continuing emphasis on understanding the impact of regulatory changes which may result 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.

(iii) 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 2013, the Group held £800 million (31 December 2012: £931 million) of cash and cash equivalents and had undrawn committed credit facilities of £3,444 million (31 December 2012: £3,029 million). 123% (31 December 2012: 130%) 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 12.3 years (31 December 2012: 12.6 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 businesses:

	2013 £m	2012 £m
Cash pledged as collateral at 1 January	**(102)**	(219)
Net cash (outflow)/inflow	**(2)**	132
Foreign exchange movements	**(6)**	3
Cash pledged as collateral at 30 June	**(110)**	(84)

Also during the period, the Group pledged £29 million of non-current securities as collateral against an index-linked swap maturing on 16 April 2020.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

4. Risk Management and financial instruments continued

(b) Financial instruments

(i) Fair value of financial assets and liabilities held at fair value

Financial assets and financial liabilities measured and held at fair value are classified into one of three categories, known as hierarchy levels, which are defined according to the inputs used to measure fair value as follows:

- Level 1: Fair value is determined using observable inputs that reflect unadjusted quoted market prices for identical assets and liabilities.
- Level 2: Fair value is determined using significant inputs that may be directly observable inputs or unobservable inputs that are corroborated by market data.
- Level 3: Fair value is determined using significant unobservable inputs that are not corroborated by market data and may be used with internally developed methodologies that result in management's best estimate of fair value.

30 June 2013	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**
Financial assets				
Derivative financial instruments:				
Energy derivatives	37	231	48	316
Interest rate derivatives	–	167	–	167
Foreign exchange derivatives	–	55	–	55
Treasury gilts designated at fair value through profit or loss	128	–	–	128
Debt instruments	62	–	2	64
Equity instruments	13	–	6	19
Total financial assets	**240**	**453**	**56**	**749**
Financial liabilities				
Derivative financial instruments:				
Energy derivatives	(42)	(469)	(114)	(625)
Interest rate derivatives	–	(34)	–	(34)
Foreign exchange derivatives	–	(117)	–	(117)
Total financial liabilities	**(42)**	**(620)**	**(114)**	**(776)**

There were no significant transfers between Level 1 and Level 2 during the period. The reconciliation of the Level 3 fair value measurements during the period is as follows:

	Financial assets £m	**2013 Financial liabilities £m**
Level 3 financial instruments		
1 January	**147**	**(157)**
Total realised and unrealised (losses)/gains recognised in Income Statement	**(65)**	**37**
Transfers from Level 3 to Level 2	**(26)**	**6**
30 June	**56**	**(114)**
Total (losses)/gains for the period recognised within certain re-measurements for Level 3 financial instruments held at the end of the reporting period (i)	**(55)**	**37**

(i) No gains or losses were recognised in other comprehensive income during the period.

The Group's policy is to recognise transfers in and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. The transfers from Level 3 to Level 2 occur when the commodity market prices used in the valuation move from being internally derived to being quoted in an active market.

(ii) Valuation techniques used to derive Level 2 and 3 fair values and Group valuation processes

Level 2 interest rate derivatives and foreign exchange derivatives comprise interest rate swaps and forward foreign exchange contracts. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Forward foreign exchange contracts are fair valued using forward exchange rates that are quoted in an active market.

Level 2 energy derivatives are fair valued by comparing and discounting the difference between the expected contractual cashflows for the relevant commodities and the quoted prices for those commodities in an active market.

For Level 3 energy derivatives, the main input used by the Group pertains to deriving expected future commodity prices in markets that are not active as far into the future as some of our contractual terms. Fair values are then calculated by comparing and discounting the difference between the expected contractual cash flows and these derived future prices.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

4. Risk Management and financial instruments continued

Because the Level 3 energy derivative valuations involve the prediction of future commodity market prices, sometimes a long way into the future, reasonably possible alternative assumptions for gas, power, coal, emissions or oil prices may result in a higher or lower fair value for Level 3 financial instruments. Given the relative size of these fair values, it is unlikely that the impact of these reasonably possible changes would be significant when judged in relation to the Group's profit and loss or total asset value.

It should be noted that the fair values disclosed in the tables above only concern those contracts entered into which are within the scope of IAS 39. The Group has numerous other commodity contracts which are outside of the scope of IAS 39 and are not fair valued. The Group's actual exposure to market rates is constantly changing as the Group's portfolio of energy contracts changes.

The Group's valuation process includes specific teams of individuals that perform valuations of the Group's derivatives for financial reporting purposes, including Level 3 valuations. The Group has an independent team that derives future commodity price curves based on available external data and these prices feed in to the energy derivative valuations. The price curves are subject to review and approval by the Group's Investment Sub-Committee and valuations of all derivatives, together with other contracts that are not within the scope of IAS 39, are also reviewed regularly as part of the overall risk management process.

(iii) Fair value of financial assets and liabilities held at amortised cost

The carrying value of the Group's financial assets and liabilities measured at amortised cost are approximately equal to their fair value except as listed below:

	30 June 2013		31 December 2012 (restated) (i)	
	Carrying value £m	**Fair value £m**	Carrying value £m	Fair value £m
Bank overdrafts and loans	**(358)**	**(390)**	(367)	(388)
Bonds	**(4,463)**	**(4,930)**	(4,483)	(5,119)
Obligations under finance leases	**(284)**	**(315)**	(299)	(337)

(i) See note 3b).

5. Segmental analysis

(a) Revenue

Six months ended 30 June	2013			2012 (restated) (i)		
	Gross segment revenue £m	**Less inter-segment revenue £m**	**Group revenue £m**	Gross segment revenue £m	Less inter-segment revenue £m	Group revenue £m
International Downstream						
Residential energy supply	**5,486**	**–**	**5,486**	4,807	–	4,807
Residential services	**805**	**(68)**	**737**	811	(56)	755
Business energy supply and services	**1,621**	**(2)**	**1,619**	1,589	(5)	1,584
British Gas	**7,912**	**(70)**	**7,842**	7,207	(61)	7,146
Residential energy supply	**1,308**	**–**	**1,308**	1,210	–	1,210
Business energy supply (i)	**1,609**	**(22)**	**1,587**	1,300	(16)	1,284
Residential and business services	**274**	**–**	**274**	253	–	253
Direct Energy	**3,191**	**(22)**	**3,169**	2,763	(16)	2,747
International Upstream						
Gas (i)	**2,448**	**(411)**	**2,037**	1,825	(286)	1,539
Power	**666**	**(151)**	**515**	640	(171)	469
Centrica Energy	**3,114**	**(562)**	**2,552**	2,465	(457)	2,008
Centrica Storage	**107**	**(19)**	**88**	91	(15)	76
	14,324	**(673)**	**13,651**	12,526	(549)	11,977

(i) On 27 February 2013 the Group announced a new organisational structure. To reflect this structure and to align with management reporting, the North American Upstream Gas business has been reallocated from the 'Direct Energy - Upstream and wholesale energy' segment to the 'Centrica Energy – Gas' segment and the North American Power and Midstream & Trading businesses have been reallocated from the 'Direct Energy - Upstream and wholesale energy' segment to the 'Direct Energy – Business energy supply' segment. Prior period comparatives have been restated accordingly.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

5. Segmental analysis continued

(b) Operating profit

Six months ended 30 June	2013 £m	2012 (restated) (i) £m
International Downstream		
Residential energy supply	**356**	345
Residential services	**135**	125
Business energy supply and services	**78**	93
British Gas	**569**	563
Residential energy supply	**99**	101
Business energy supply (i)	**53**	43
Residential and business services	**13**	11
Direct Energy	**165**	155
International Upstream		
Gas (i) (ii)	**683**	519
Power (ii)	**119**	174
Centrica Energy	**802**	693
Centrica Storage	**47**	36
Adjusted operating profit – segment operating profit before exceptional items, certain re-measurements and impact of fair value uplifts from Strategic Investments (iii)	**1,583**	1,447
Share of joint ventures/associates' interest and taxation	**(47)**	(49)
Depreciation of fair value uplifts to property, plant and equipment – Venture (ii)	**(27)**	(37)
Depreciation of fair value uplifts to property, plant and equipment, net of taxation – associates – British Energy (ii)	**(24)**	(15)
	1,485	1,346
Exceptional items (note 6a)	**–**	(90)
Certain re-measurements included within gross profit (note 6b)	**104**	513
Certain re-measurements of associates' energy contracts, net of taxation (note 6b)	**1**	(2)
Operating profit after exceptional items and certain re-measurements	**1,590**	1,767

(i) On 27 February 2013 the Group announced a new organisational structure. To reflect this structure and to align with management reporting, the North American Upstream Gas business has been reallocated from the 'Direct Energy - Upstream and wholesale energy' segment to the 'Centrica Energy – Gas' segment and the North American Power and Midstream & Trading businesses have been reallocated from the 'Direct Energy - Upstream and wholesale energy' segment to the 'Direct Energy – Business energy supply' segment. Prior period comparatives have been restated accordingly.

(ii) See note 3 and note 10 for an explanation of the depreciation on fair value uplifts to PP&E on acquiring Strategic Investments.

(iii) Includes results of equity-accounted interests before interest and taxation.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

5. Segmental analysis continued

(c) Included within adjusted operating profit

Six months ended 30 June	Share of results of joint ventures and associates before interest and taxation 2013 £m	2012 £m	Depreciation and impairments of property, plant and equipment 2013 £m	2012 £m	Amortisation, write-downs and impairments of intangibles 2013 £m	2012 £m
International Downstream						
Residential energy supply	**–**	–	**8**	4	**25**	14
Residential services	**–**	–	**11**	8	**4**	3
Business energy supply and services	**–**	–	**1**	1	**3**	4
British Gas	**–**	–	**20**	13	**32**	21
Residential energy supply	**–**	–	**–**	1	**12**	11
Business energy supply	**–**	–	**10**	9	**7**	4
Residential and business services	**–**	–	**1**	1	**3**	3
Direct Energy	**–**	–	**11**	11	**22**	18
International Upstream						
Gas (ii) (iii)	**–**	–	**446**	281	**38**	12
Power (i) (iii)	**123**	122	**48**	55	**1**	1
Centrica Energy	**123**	122	**494**	336	**39**	13
Centrica Storage	**–**	–	**15**	15	**–**	–
Other (iv)	**–**	–	**9**	11	**10**	10
	123	122	**549**	386	**103**	62

(i) The share of results of joint ventures and associates is before interest, certain re-measurements, depreciation of fair value uplifts to PP&E on Strategic Investments and taxation.
(ii) During the period, £30 million (2012: £7 million) of write downs relating to exploration and evaluation assets were incurred.
(iii) Depreciation of PP&E is stated before depreciation of fair value uplifts for Strategic Investments.
(iv) Other comprises Corporate Centre assets which are charged out to other Group segments.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

5. Segmental analysis continued

(d) Capital expenditure

Six months ended 30 June	Capital expenditure on property, plant and equipment 2013 £m	Capital expenditure on property, plant and equipment 2012 (restated) (i) £m	Capital expenditure on intangible assets other than goodwill 2013 £m	Capital expenditure on intangible assets other than goodwill 2012 (restated) (i) £m
International Downstream				
Residential energy supply	**10**	4	**159**	101
Residential services	**18**	9	**5**	4
Business energy supply and services	**–**	2	**10**	6
British Gas	**28**	15	**174**	111
Residential energy supply	**1**	–	**3**	2
Business energy supply [(i)]	**9**	4	**24**	13
Residential and business services	**1**	1	**–**	1
Direct Energy	**11**	5	**27**	16
International Upstream				
Gas [(i)] [(ii)]	**434**	1,196	**69**	210
Power	**8**	52	**2**	1
Centrica Energy	**442**	1,248	**71**	211
Centrica Storage	**17**	35	**2**	–
Other	**5**	3	**21**	23
Capital expenditure	**503**	1,306	**295**	361
Increase/(decrease) in prepayments related to capital expenditure	**7**	(4)	**–**	–
Capitalised borrowing costs	**(23)**	(26)	**(4)**	–
Decrease/(increase) in payables related to capital expenditure	**128**	(167)	**29**	3
Purchases of emissions allowances and renewable obligations certificates [(iii)]	**–**	–	**(146)**	(73)
Net cash outflow	**615**	1,109	**174**	291

(i) On 27 February 2013 the Group announced a new organisational structure. To reflect this structure and to align with management reporting, the North American Upstream Gas business has been reallocated from the 'Direct Energy - Upstream and wholesale energy' segment to the 'Centrica Energy – Gas' segment and the North American Power and Midstream & Trading businesses have been reallocated from the 'Direct Energy - Upstream and wholesale energy' segment to the 'Direct Energy – Business energy supply' segment. Prior period comparatives have been restated accordingly.
(ii) During the six months ended 30 June 2012, £1,048 million of assets were acquired from Statoil, ConocoPhillips and Total.
(iii) These purchases are included within operating cash flows.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

6. Exceptional items and certain re-measurements

(a) Exceptional items

Six months ended 30 June	2013 £m	2012 £m
Restructuring charges	–	(90)
Exceptional items included within operating profit	–	(90)
Taxation on exceptional items	–	24
Net exceptional items after taxation	–	(66)

(b) Certain re-measurements

Six months ended 30 June	2013 £m	2012 £m
Certain re-measurements recognised in relation to energy contracts (note 3):		
Net gains arising on delivery of contracts	**291**	491
Net (losses)/gains arising on market price movements and new contracts	**(187)**	22
Net re-measurements included within gross profit	**104**	513
Net gains/(losses) arising on re-measurement of associates' energy contracts, net of taxation	**1**	(2)
Net re-measurements included within operating profit	**105**	511
Taxation on certain re-measurements	**(19)**	(192)
Net re-measurements after taxation	**86**	319

7. Net finance cost

Six months ended 30 June	2013			2012 (restated) (i)		
	Financing costs £m	**Investment income £m**	**Total £m**	Financing costs £m	Investment income £m	Total £m
Cost of servicing net debt						
Interest income	**–**	**20**	**20**	–	19	19
Interest cost on bonds, bank loans and overdrafts	**(119)**	**–**	**(119)**	(114)	–	(114)
Interest cost on finance leases	**(9)**	**–**	**(9)**	(9)	–	(9)
	(128)	**20**	**(108)**	(123)	19	(104)
Net gains/(losses) on revaluation (ii)	**4**	**–**	**4**	(6)	–	(6)
Notional interest arising from discounting and other interest	**(32)**	**6**	**(26)**	(30)	12	(18)
	(156)	**26**	**(130)**	(159)	31	(128)
Capitalised borrowing costs (iii)	**27**	**–**	**27**	26	–	26
(Cost)/income	**(129)**	**26**	**(103)**	(133)	31	(102)

(i) See notes 3a) and 3b).
(ii) Includes (a) gains and losses on fair value hedges, (b) movements in fair value of other derivatives primarily used to hedge foreign exchange exposure associated with inter-company loans and (c) foreign currency gains and losses arising primarily from retranslating those inter-company loans.
(iii) Borrowing costs have been capitalised using an average rate of 4.65% (2012: 4.72%).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

8. Taxation

Analysis of tax charge

Six months ended 30 June	Business performance £m	Exceptional items and certain re-measurements £m	2013 Results for the period £m	Business performance £m	Exceptional items and certain re-measurements £m	2012 Results for the period £m
The tax charge comprises:						
UK corporation tax (i)	**(278)**	**(23)**	**(301)**	(287)	(122)	(409)
UK petroleum revenue tax	**(96)**	**–**	**(96)**	(97)	–	(97)
Foreign tax (i)	**(275)**	**4**	**(271)**	(137)	(46)	(183)
Total tax on profit (ii)	**(649)**	**(19)**	**(668)**	(521)	(168)	(689)

(i) Including adjustments in respect of prior periods.
(ii) Taxation on profit excludes taxation on the Group's share of results of joint ventures and associates.

The Group's effective tax rate before exceptional items and certain re-measurements was 47% for the six months to 30 June 2013 (2012: 42%).

9. Dividends

	£m	Pence per share	2013 Date of payment	£m	Pence per share	2012 Date of payment
Prior year final dividend	**611**	**11.78**	**12 June 2013**	576	11.11	13 Jun 2012

An interim dividend of 4.92 pence (2012: 4.62 pence) per ordinary share, totalling £256 million (2012: £240 million), will be paid on 13 November 2013 (14 November 2012) to shareholders on the register on 27 September 2013.

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 £819 million (2012: £976 million) by the weighted average number of ordinary shares in issue during the period of 5,181 million (2012: 5,174 million). The number of shares excludes 19 million ordinary shares (2012: 6 million), being the weighted average number of the Company's own shares held in the employee share trust or purchased by the Group as part of the share repurchase programme. 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.

During the period, the Group purchased 57.5 million ordinary shares of $6^{14}/_{81}$ pence each, representing 1% of the called up share capital as at 30 June 2013 at an average price of £3.68 per share for a total consideration including expenses of £213 million (of which £10 million was unpaid at 30 June 2013). The shares were purchased as part of the £500 million share repurchase programme announced on 4 February 2013 to return surplus capital to shareholders, following the decision not to proceed with nuclear new build investment. These shares are held as treasury shares once purchased.

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

Six months ended 30 June	2013 £m	2013 Pence per ordinary share	2012 (restated) (i) £m	2012 (restated) (i) Pence per ordinary share
Earnings – basic (i)	**819**	**15.8**	976	18.9
Net exceptional items after taxation (notes 3 and 6a)	**–**	**–**	66	1.3
Certain re-measurement gains after taxation (notes 3 and 6b)	**(86)**	**(1.7)**	(319)	(6.2)
Depreciation of fair value uplifts to property, plant and equipment from Strategic Investments, after taxation	**34**	**0.7**	30	0.6
Earnings – adjusted basic (i)	**767**	**14.8**	753	14.6
Earnings – diluted (i)	**819**	**15.7**	976	18.8
Earnings – adjusted diluted (i)	**767**	**14.7**	753	14.5

(i) See note 3a).

Certain re-measurements included within operating profit comprise re-measurements arising on energy trading activities described in note 3. All other re-measurements are included within results before exceptional items and certain re-measurements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

10. Earnings per ordinary share continued

Strategic Investments

During 2009, the Group acquired a 20% interest in British Energy and the entire share capital of Venture. As explained in note 3c), 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 £27 million (six months ended 30 June 2012: £37 million) depreciation and a taxation credit of £17 million (six months ended 30 June 2012: £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 £24 million (six months ended 30 June 2012: £15 million) net of taxation.

11. Sources of finance

At 30 June 2013, the Group's long-term credit rating was A3 stable outlook for Moody's Investors Service Limited (31 December 2012: A3 stable outlook) and A- stable outlook for Standard & Poor's Credit Market Services Europe Limited (31 December 2012: 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 PRA (Prudential Regulation Authority) regulations to hold a minimum capital amount and has complied with this requirement in 2013 (and 2012). 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 2013, 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

	Cash and cash equivalents (ii) £m	Current and non-current Securities £m	Current and non-current borrowings £m	Derivatives £m	**Net debt £m**
1 January 2013	931	206	(5,328)	144	**(4,047)**
Cash outflow from purchase of securities	(6)	6	–	–	**–**
Cash inflow from additional debt	72	–	(72)	–	**–**
Cash outflow from payment of capital element of finance leases	(15)	–	15	–	**–**
Cash outflow from repayment of other debt	(37)	–	37	–	**–**
Net cash outflow increasing net debt	(147)	–	–	–	**(147)**
Revaluation	–	(2)	42	(41)	**(1)**
(Increase)/decrease in interest payable	–	–	(44)	37	**(7)**
Exchange adjustments	2	1	(52)	–	**(49)**
30 June 2013	800	211	(5,402)	140	**(4,251)**

	Cash and cash equivalents (ii) £m	Current and non-current Securities £m	Current and non-current borrowings £m	Derivatives £m	Net debt (restated) (i) £m
1 January 2012	518	218	(4,171)	143	(3,292)
Cash inflow from net sale of securities	25	(25)	–	–	–
Cash inflow from additional debt	1,533	–	(1,533)	–	–
Cash outflow from payment of capital element of finance leases	(14)	–	14	–	–
Cash outflow from repayment of other debt	(15)	–	15	–	–
Net cash outflow increasing net debt	(1,052)	–	–	–	(1,052)
Revaluation	–	3	(2)	5	6
(Decrease)/increase in interest payable	–	–	(73)	44	(29)
Acquisitions	–	5	–	–	5
Exchange adjustments	(2)	1	15	–	14
Other non-cash movements	2	–	5	–	7
30 June 2012	995	202	(5,730)	192	(4,341)

(i) To align with management reporting, net debt has been restated to include mark-to-market values on derivative financial instruments used to hedge offsetting changes in borrowings.

(ii) Cash and cash equivalents includes £220 million (31 December 2012: £201 million) cash at bank, in transit and in hand and £580 million (31 December 2012: £730 million) short-term deposits.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

11. Sources of finance continued

(b) Borrowings summary

	Coupon rate %	Principal m	30 June 2013 Current £m	30 June 2013 Non-current £m	30 June 2013 Total £m	31 December 2012 (restated) (i) Current £m	31 December 2012 (restated) (i) Non-current £m	31 December 2012 (restated) (i) Total £m
Bank overdrafts and loans			**30**	**328**	**358**	31	336	367
Bonds (by maturity date):								
27 February 2013	1.045	¥3,000	**–**	**–**	**–**	22	–	22
9 December 2013	7.125	€367	**317**	**–**	**317**	304	–	304
4 November 2014	Floating	$100	**–**	**66**	**66**	–	61	61
10 December 2014	5.125	£315	**–**	**327**	**327**	–	331	331
31 March 2015	Floating	$70	**–**	**46**	**46**	–	43	43
24 October 2016	5.500	£300	**–**	**328**	**328**	–	334	334
19 September 2018	7.000	£400	**–**	**456**	**456**	–	471	471
1 February 2019	3.213	€100	**–**	**85**	**85**	–	81	81
22 February 2022	3.680	HK$450	**–**	**38**	**38**	–	36	36
10 March 2022	6.375	£500	**–**	**500**	**500**	–	501	501
4 September 2026	6.400	£200	**–**	**216**	**216**	–	224	224
16 April 2027	5.900	$70	**–**	**46**	**46**	–	43	43
13 March 2029	4.375	£750	**–**	**740**	**740**	–	740	740
5 January 2032 (ii)	Zero	€50	**–**	**47**	**47**	–	41	41
19 September 2033	7.000	£770	**–**	**762**	**762**	–	762	762
12 September 2044	4.250	£500	**–**	**489**	**489**	–	489	489
			317	**4,146**	**4,463**	326	4,157	4,483
Commercial paper			**156**	**–**	**156**	82	–	82
Obligations under finance leases			**30**	**254**	**284**	30	269	299
Interest accruals (i)			**141**	**–**	**141**	97	–	97
			674	**4,728**	**5,402**	566	4,762	5,328

(i) See note 3b).
(ii) €50 million of zero coupon notes have an accrual yield of 4.200%, which will result in a €114 million repayment on maturity.

12. Note to the Group Cash Flow Statement

Reconciliation of Group operating profit to cash generated from operations

Six months ended 30 June	2013 £m	2012 £m
Group operating profit including share of result of joint ventures and associates	**1,590**	1,767
Less share of profit of joint ventures and associates	**(53)**	(56)
Group operating profit before share of results of joint ventures and associates	**1,537**	1,711
Add back/(deduct):		
Amortisation, write-down and impairment of intangible assets	**103**	64
Depreciation, write-down and impairment of property, plant and equipment	**576**	423
Profit on sale of businesses, property, plant and equipment and other intangible assets	**(30)**	(43)
(Decrease)/increase in provisions	**(27)**	48
Defined benefit pension service cost	**58**	45
Defined benefit pension contributions	**(61)**	(52)
Employee share scheme costs	**23**	23
Re-measurement of energy contracts (i)	**(121)**	(538)
Operating cash flows before movements in working capital	**2,058**	1,681
Decrease/(increase) in inventories	**149**	(57)
(Increase)/decrease in trade and other receivables (ii)	**(36)**	127
Decrease in trade and other payables (ii)	**(227)**	(271)
Cash generated from operations	**1,944**	1,480

(i) Adds back unrealised gains arising from re-measurement of energy contracts.
(ii) Includes net outflow of £2 million of cash collateral in 2013 (2012: £132 million inflow).

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

13. Interests in joint ventures and associates

The Group's share of results of joint ventures and associates for the six months ended 30 June 2013 principally arises from its interests in the following entities (all reported in the 'Centrica Energy – Power' segment):

- Wind farms – Braes of Doune Wind Farm (Scotland) Limited (see note 16), Barrow Offshore Wind Limited, GLID Wind Farms TopCo Limited, Lincs Wind Farm Limited and Celtic Array Limited ('Round 3'); and
- Nuclear – Lake Acquisitions Limited ('British Energy').

(a) Share of results of joint ventures and associates

Six months ended 30 June	Joint ventures Wind farms £m	Associates Nuclear £m	2013 Total £m	2012 Total £m
Income	26	304	**330**	309
Expenses excluding certain re-measurements (i)	(25)	(213)	**(238)**	(221)
Certain re-measurements	–	1	**1**	(2)
Interest expense	(12)	(11)	**(23)**	(24)
Taxation excluding certain re-measurements (i)	–	(17)	**(17)**	(6)
Share of post-taxation results of joint ventures and associates (i)	(11)	64	**53**	56

(i) Includes £31 million (2012: £34 million) relating to depreciation of fair value uplifts to property, plant and equipment on acquiring the British Energy investment. The associated tax impact is £7 million credit (2012: £19 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(b) and 10.

(b) Reconciliation of share of results of joint ventures and associates to share of adjusted results of joint ventures and associates

Six months ended 30 June	Joint ventures Wind farms £m	Associates Nuclear £m	2013 Total £m	2012 Total £m
Share of post-taxation results of joint ventures and associates	(11)	64	**53**	56
Certain re-measurements, net of taxation	–	(1)	**(1)**	2
Depreciation – British Energy, net of taxation (i)	–	24	**24**	15
Interest expense	12	11	**23**	24
Taxation (excluding certain re-measurements and British Energy depreciation)	–	24	**24**	25
Share of adjusted results of joint ventures and associates	1	122	**123**	122

(i) Relates to depreciation of fair value uplifts to PP&E on acquiring the British Energy investments.

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
Direct Energy Marketing Limited 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 have been updated to 30 June 2013 for the purposes of meeting the requirements of IAS 19. The Group has applied IAS 19 (revised): 'Employee benefits' retrospectively in accordance with the transition provisions of that standard. See note 3.

Based on the latest triennial valuation at 31 March 2012, the Group and the trustees of the Registered Pension Schemes agreed to fund the scheduled deficit payments using asset-backed contribution arrangements. Under the arrangements, certain loans to UK Group companies were transferred to Scottish Limited Partnerships established by the Group. During the period the Group made special contributions to the Registered Pension Schemes of £360 million (31 December 2012: £84 million); the schemes immediately used these contributions to

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

14. Pensions continued

acquire interests in the partnerships for their fair value of £360 million (31 December 2012: £84 million). The schemes' total partnership interests now entitle them to distributions from the income of the partnerships over a period of between 4 and 15 years. Over the next 4 years this income will amount to £77 million per annum but will reduce thereafter. The partnerships are controlled by Centrica and their results are consolidated by the Group. As the trustees' interests in the partnerships do not meet the definition of a plan asset under IAS 19, they are not reflected in the Balance Sheet. Distributions from the partnerships to the schemes will be recognised as scheme assets in the future as they occur. A continuing charge over the Humber power station provides additional security for the trustees.

Deficit payments are also being made in respect of the Direct Energy Marketing Limited Pension Plan in Canada. £7 million per annum is to be paid from 2013 to 2016 and £3 million in 2017.

(b) Accounting assumptions

The accounting assumptions for the Registered Pension Schemes have been given below.

Major assumptions used for the actuarial valuation

	30 June 2013 %	31 December 2012 %
Rate of increase in employee earnings:		
Subject to cap	**1.7**	1.7
Other	**3.6**	3.2
Rate of increase in pensions in payment	**3.6**	3.2
Rate of increase in deferred pensions:		
In line with CPI capped at 2.5%	**2.5**	2.5
In line with RPI	**3.6**	3.2
Discount rate	**4.9**	4.8

Longevity assumptions remain unchanged from 31 December 2012.

(c) Amounts included in the Balance Sheet

	30 June 2013 £m	31 December 2012 £m
Fair value of plan assets	**5,412**	5,133
Present value of defined benefit obligation	**(5,483)**	(5,045)
Net (liability)/asset recognised in the Balance Sheet	**(71)**	88
Pension (liability)/asset presented in the Balance Sheet as:		
Retirement benefit assets	**171**	254
Retirement benefit liabilities	**(242)**	(166)
Net pension (liability)/asset	**(71)**	**88**

Included within the Balance Sheet within non-current securities are £64 million (31 December 2012: £61 million) of investments, held in trust on behalf of the Group, as security in respect of the Centrica Unfunded Pension Scheme. Included within the pension scheme liabilities above are £41 million (31 December 2012: £37 million) relating to this scheme.

15. Business combinations and asset purchases

Business combinations

Business combinations completed by the Group during the period are immaterial both individually and in aggregate to the Group's condensed interim Financial Statements.

Canadian upstream

On 15 April 2013, the Group announced that it had agreed to form a partnership with Qatar Petroleum International and jointly acquire a package of producing conventional natural gas and crude oil assets and associated infrastructure located in the Western Canadian Sedimentary Basin from Suncor Energy for approximately C$1 billion (£650 million). The Group will own a 60% share in the partnership and operate the assets. The transaction is expected to complete in the third quarter of 2013.

2012 Business Combinations – fair value updates

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

Asset purchases

UK shale gas

On 13 June 2013, the Group acquired a 25% interest in the Bowland exploration licence in Lancashire from Cuadrilla Resources Ltd and AJ Lucas Group Ltd for £44 million in cash. The Group will also potentially pay exploration and appraisal costs of up to £56 million, including a carry arrangement. Following the exploration and appraisal phase, if the Group elects to continue into the development phase, a further contingent consideration of £60 million will become payable.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

16. Disposals

On 18 March 2013, the Group legally disposed of its 20% investment in NNB Holding Company Limited ('Nuclear New Build').

On 7 June 2013, the Group disposed of its 50% interest in the Braes of Doune wind farm, which resulted in a profit on disposal of £29 million.

17. Commitments and contingencies

(a) Commitments

The Group has commitments relating primarily to the acquisition of property, plant and equipment and intangible assets, commodity purchase contracts, LNG capacity and transportation capacity. There have been no significant changes to these commitments during the period.

On 25 March 2013, the Group announced that it had entered into a 20 year agreement with Cheniere to purchase 89bcf per annum of LNG volumes for export from the Sabine Pass liquefaction plant in Louisiana in the United States, subject to a number of project milestones and regulatory approvals being achieved. Under the terms of the agreement and subject to these approvals, the Group will make commodity purchases and capacity payments of up to £10 billion based on current gas prices. The target date for first commercial delivery is September 2018.

(b) Contingent liabilities

There are no 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			**2013**			2012
	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)	**13**	**(42)**	**(3)**	12	(34)	(63)
Associates:						
Nuclear (as defined in note 13)	**27**	**(301)**	**103**	94	(281)	30
Other	**1**	**(3)**	**–**	14	(1)	1
	41	**(346)**	**100**	120	(316)	(32)

(i) Other transactions relate to investment and funding transactions with joint ventures and associates. In 2013 a dividend of £103 million was received from Lake Acquisitions Limited (2012: £35 million).

		30 June 2013		31 December 2012
	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)	**468**	**42**	459	47
Associates:				
Nuclear (as defined in note 13)	**–**	**43**	8	73
Other	**18**	**–**	18	–
	486	**85**	485	120

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 2013 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS CONTINUED

19. Seasonality of operations continued

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

Dividends

An interim dividend of 4.92 pence (2012: 4.62 pence) per ordinary share, totalling £256 million, will be paid on 13 November 2013 to shareholders on the register on 27 September 2013.

Acquisitions

Bounce

On 12 July 2013 the Group announced that it had acquired the privately-owned Texas-based electricity retailer Bounce Energy ('Bounce') for $46 million (£30 million) in cash plus additional working capital.

Hess' Energy Marketing business

On 30 July 2013, the Group announced that it had agreed to acquire the New Jersey-based energy marketing business of Hess Corporation for $731 million (£478 million) in cash plus net working capital, estimated at approximately $300 million. The transaction is subject to regulatory approval and is expected to close later in 2013.

The Finance Act 2013

On 2 July 2013, the UK government substantively enacted The Finance Act 2013 which included reductions in the main UK corporation tax rate to 20% by 1 April 2015. The impact of the rate changes to taxation balances as at 30 June 2013 is estimated to be a reduction to net deferred taxation liabilities of £57 million.

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 2013 Interim Results presentation for analysts and institutional investors at 9.30am (UK) on **Wednesday 31 July 2013**. 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 2013 Announcement**".

An archived webcast and full transcript of the presentation and the question and answer session will be available on the website on Friday 2 August 2013.

ENQUIRIES

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FINANCIAL CALENDAR

Ex-dividend date for 2013 interim dividend	25 September 2013
Record date for 2013 interim dividend	27 September 2013
Payment date for 2013 interim dividend	13 November 2013
Interim Management Statement	14 November 2013
2013 Preliminary Results announcement	20 February 2014

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