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Centrica plc Interim Results for the six months ended 30 June 2022

CHRIS O'SHEA, GROUP CHIEF EXECUTIVE

"The past year has demonstrated the importance of well-funded, well-run energy companies. We've made significant progress de-risking the Group and building a stronger business for the benefit of all stakeholders. This strength has allowed us to lead the industry in measures to protect and support customers through the most challenging energy crisis in living memory and the benefit of our balanced portfolio can be seen in our first half performance. We expect this to continue into the second half, underpinning continued investment in customer service and elsewhere in our portfolio.

We are very aware of the difficult environment many customers are facing and we will continue supporting them. We are investing in our customers and colleagues, creating at least 500 additional UK-based customer service roles in British Gas Energy and 1,000 new UK engineering apprenticeships, while through the British Gas Energy Support Fund we are providing grants to help customers pay their energy bills.

We have a clear strategy to continue improving operational performance, to grow our business and to position ourselves to deliver net zero at a cost which helps the many, not the few. We are committed to investing in the energy transition which will improve the security of energy supply in our core markets."

STRONG H1 OPERATIONAL PERFORMANCE AND POSITIVE OUTLOOK

- Adjusted basic EPS of 11.0p (2021: 1.7p); 10.2p excluding Spirit Energy disposed assets.
  - Strong Upstream volumes against a backdrop of higher commodity prices.
  - Increased commodity volatility handled well in Energy Marketing & Trading.
- Statutory basic EPS loss of 14.7p (2021: profit of 23.2p) includes a £1.9bn loss on net remeasurements after taxation, reflecting the high commodity price environment.
- Group total free cash flow from continuing operations of £643m (2021: £524m). Statutory net cash flow from operating activities of £165m (2021: £558m) including margin cash outflow of £519m.
- 2022 full year outlook remains positive.

A SIGNIFICANTLY DE-RISKED PORTFOLIO AND A STRONGER BALANCE SHEET

- H1 2022 net cash of £316m compared to net debt of £93m at H1 2021.
- Completion of the sale of Spirit Energy Norway and the Statfjord field in May, resulting in a £0.8bn reduction in gross decommissioning liabilities.
- March 2021 triennial pensions technical provisions deficit agreed in principle at £944m. £0.6bn on a roll-forward basis at 30 June 2022. Cash contributions expected to remain broadly unchanged.

STABILISING THE BUSINESS AND IMPROVING OPERATIONAL PERFORMANCE

- Continued investment in service to stabilise operational performance and position for growth in British Gas Services & Solutions. Full financial recovery likely dependent on length of economic downturn.
- Improving net promoter scores and delivering organic customer growth in British Gas Energy.

DELIVERING GROWTH AND POSITIONING OURSELVES FOR NET ZERO

- Strong Retail and Optimisation capabilities and positions leave us well positioned for growth as our core markets transition to net zero.
- Opportunities to invest in the energy transition with a focus on battery storage, gas-peaking plants, solar farms, hydrogen and Carbon Capture, Utilisation and Storage (CCUS).

BALANCE SHEET STRENGTH ENABLES GROWTH AND SHAREHOLDER RETURNS

- Strong balance sheet – maintain strong investment grade credit ratings.
- Dividend – reinstate progressive dividend with a 2022 interim dividend of 1.0p per share. EPS to DPS cover ratio moving to ~2x over time.
- Value accretive investments – invest for growth in lower carbon and flexible assets, to accelerate the energy transition and improve security of supply in our core markets.
- Efficient use of capital – including returning surplus structural capital to shareholders.

FINANCIAL SUMMARY

Six months ended 30 June	2022	2021
Total Group excluding Spirit Energy disposed assets		
Adjusted EBITDA	**£1,175m**	£427m
Adjusted operating profit	**£857m**	£140m
Adjusted earnings attributable to shareholders	**£598m**	£74m
Adjusted basic earnings per share (EPS)	**10.2p**	1.3p
Total Group		
Adjusted EBITDA	**£1,660m**	£682m
Adjusted operating profit	**£1,342m**	£262m
Adjusted tax charge	**£581m**	£59m
Adjusted effective tax rate	**46%**	35%
Adjusted earnings attributable to shareholders	**£643m**	£98m
Adjusted basic EPS	**11.0p**	1.7p
Interim dividend per share (DPS)	**1.0p**	-
Group free cash flow from continuing operations	**£643m**	£524m
Group net cash / (debt)	**£316m**	(£93m)
Statutory operating (loss) / profit	**(£1,099m)**	£1,003m
Statutory (loss) / earnings attributable to shareholders	**(£864m)**	£1,351m
Statutory basic (loss) / earnings per share	**(14.7p)**	23.2p
Statutory net cash flow from operating activities	**£165m**	£558m

See notes 3, 4 and 9 to the Financial Statements and pages 69 to 73 for an explanation of the use of adjusted performance measures.

GROUP PERFORMANCE INDICATORS

	2022	2021	Change
Total recordable injury frequency rate (per 200,000 hours worked)	**1.04**	1.07	(3%)
Total customers ('000) [1]	**10,193**	10,067	1%
Group direct headcount	**19,899**	19,783	1%
Group colleague engagement (%)	**63%**	55%	8ppt

All 2021 comparators are as at 31 December 2021.

1. Includes British Gas Energy, British Gas Services and Bord Gáis Energy households and small and medium business customer sites in British Gas Energy and Centrica Business Solutions.

INVESTOR PRESENTATION

Centrica will hold its 2022 Interim Results presentation for analysts and institutional investors at 9.30am (UK) on Thursday 28 July 2022. There will be a live audio webcast of the presentation and slides. Please register to view the webcast at: https://webcasts.centrica.com/centrica121

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Group Overview

GOOD OPERATIONAL PERFORMANCE AS THE TURNAROUND OF CENTRICA CONTINUES

- Centrica's operational performance was good in the first half of 2022, against a backdrop of high and volatile commodity prices. We saw improved performance across much of the Group, with strong Exploration & Production (E&P) and Nuclear volumes, effective commodity and risk management in Energy Marketing & Trading (EM&T) and improving net promoter scores in British Gas Energy and British Gas Services & Solutions.
- Underlying financial performance was healthy overall. Adjusted earnings per share was up from 1.7p to 11.0p. The statutory loss per share was 14.7p, which includes a £1.9bn loss on net re-measurements after taxation. Free cash flow from continuing operations increased by £119m to £643m, and statutory net cash flow from operating activities reduced by £393m to £165m which includes margin cash outflow of £519m. We have declared a 1.0p per share interim dividend, the first dividend to be paid since 2019, and intend to retain our historic policy to pay roughly one third of the full year dividend as an interim.
- Since 2020, we have been on a major transformational journey to turn the Company around and rebuild shareholder value. We set out three overlapping phases of this turnaround:
    1. Simplify and de-risk the portfolio and strengthen the balance sheet;
    2. Stabilise the business and improve operational performance;
    3. Deliver growth and position ourselves for net zero.
- We have now completed the first phase of the turnaround. The sale of Spirit Energy's Norwegian and Statfjord UK oil and gas assets, including the transfer of material decommissioning liabilities, closed in May 2022. This followed the completion of the sale of Direct Energy in January 2021. The Group had net cash of £0.3bn at the end of June 2022, compared to net debt of nearly £4bn three years ago, with the reduction reflecting our ongoing strong focus on capital discipline and cash generation. The technical pension deficit on a roll-forward basis was approximately £0.6bn at the end of June 2022.
- The second phase of the turnaround is the continued focus on stabilising the business and improving operational performance. A key enabler to this has been the significant Group restructure, now largely complete, which is resulting in increased colleague empowerment and customer focus. We have also continued to focus on improving industrial relations and colleague engagement increased by 8 points to 63% in the first half of 2022. Although we still have further to go, a number of other key operational metrics are improving.
- The third phase will be for Centrica to deliver growth and position ourselves for net zero. This phase is underway. We are continuing to build our capabilities across the Group and build out our net zero offers to customers. Our strong trading and optimisation capabilities also mean we are well placed to invest in the energy transition. We have already started investing in the construction of flexible distributed power generation assets, while we continue to investigate energy transition opportunities for our existing assets, including Rough and Morecambe.

ACTING RESPONSIBLY THROUGH THE ENERGY CRISIS

- We are very aware of the difficult environment many customers are facing due to rising energy bills and wider inflationary impacts and we will continue to do all that we can to support them.
- We are investing over £100m in customer service, support and pricing over 2022. This includes providing £6m of funds for our most vulnerable customers in addition to the £7m we have contributed to the British Gas Energy Trust to fund debt charities and provide grants of up to £750 to help any customer struggling to pay their energy bills. We are also investing in 500 additional UK based customer service roles in British Gas Energy so we can handle higher call volumes and be there when our customers need us.

- Our Energy Marketing & Trading business has secured increased volumes of gas and renewable energy to improve the UK and Europe's security of supply, having announced our intention to exit gas supply agreements with Russian counterparties in March. This includes an agreement with Equinor to deliver an additional 1 billion cubic metres of gas supplies to the UK for each of the next three winters, sufficient to heat a total of 4.5m homes.
- We also continue to support our colleagues through these challenging times. We will recruit 1,000 new apprentices across 2021 and 2022, creating skilled, well-paid British jobs, while we agreed a new pay deal earlier this year which takes current inflationary pressures in the UK into account.

CONTINUING TO PLAY OUR PART IN THE STABILISATION OF THE UK ENERGY MARKET

- In the last year, over half of the UK's energy suppliers have ceased to trade, impacting over 4m customers and costing energy consumers billions of pounds. We have continued to play our part in supporting those affected customers, taking on over 150,000 in 2022 in addition to approximately 550,000 taken on in 2021.
- Under Ofgem's regulatory framework, relevant costs, including costs of buying energy incurred by suppliers that they are not able to recover directly as a result of taking on Supplier of Last Resort (SOLR) customers, are recoverable through the industry levy. In December 2021 our claim for an initial £361m was accepted by Ofgem and a further claim will be made later in 2022. Costs incurred and customer credit balances of £413m recoverable through the SOLR framework have been recognised as a receivable in the H1 2022 financial statements.
- We continue to believe we need to see significant change to address the underlying issues in the UK's complex energy regulations, by simplifying and strengthening regulations to protect customers and to ensure a crisis of this sort never happens again. Consumers ultimately pay for supplier failures through future energy tariffs or taxation, so we believe the energy retail market requires stronger prudential regulation to ensure those involved in the industry are fit and proper, companies have adequate capital and monitored risk management procedures, and customer deposits are fully protected. As a responsible supplier, we have voluntarily separated gross customer deposits and held £189m in a separate account on 30 June 2022. We also asked Ofgem to make this a requirement for all energy suppliers.
- Ofgem have addressed a number of issues through a range of consultations and regulatory changes in the first half of 2022:
  - In February, Ofgem announced the new level of default tariff caps effective from 1 April 2022, which includes additional allowances for the recovery of SOLR-related costs and additional costs incurred by suppliers as a result of rising wholesale prices and volatility over the 2021/22 winter.
  - In May, a statutory consultation was launched looking at redesigning the price cap to mitigate the risks associated with wholesale cost volatility by moving to quarterly updates.
  - In June, Ofgem launched a consultation covering the protection of customer credit balances and Renewable Obligation payments, capital adequacy, and protecting the value of hedges if a supplier ceases to trade.
  - Ofgem have also introduced a Market Stabilisation Charge (MSC), aimed at protecting well-hedged energy suppliers if wholesale costs fall by a certain amount. Under the current parameters set by Ofgem, the MSC is triggered if wholesale prices fall by at least 10% compared to the cap index. In the event that the MSC is triggered, and a customer switches supplier, the new supplier would need to reimburse the previous supplier for 85% of the hedged cost. Ofgem has proposed to extend the MSC until at least 31 March 2023.
- We are supportive of the changes that Ofgem is making, although we believe there is more to be done to be able to give customers full confidence in the robustness of the UK energy market.

- We will continue to engage constructively with the UK Government, Ofgem and other industry participants on the future of retail energy markets in the UK to drive sustainable market reform and ensure that well run, responsible suppliers can make a fair return.

SIMPLIFYING & DE-RISKING THE PORTFOLIO AND STRENGTHENING THE BALANCE SHEET

Sale of Spirit Energy Norway and Statfjord field completed

- The sales of Spirit Energy's Norwegian E&P business and its interests in the Statfjord field to Sval Energi and Equinor completed on 31 May 2022. The transactions resulted in a 98% reduction in Spirit Energy's 2021 closing oil and liquids proven and probable (2P) reserves, a 39% reduction in its 2021 closing gas 2P reserves and a reduction in its gross decommissioning liabilities from £2.0bn to £1.2bn.
- The headline consideration was $1,076m (approximately £800m), with a commercial effective date of 1 January 2021, and included the transfer to the buyers of all related decommissioning liabilities, which were approximately £830m as of the commercial effective date. The final consideration was £104m, including deferred commodity price linked consideration and a tax indemnity provided to Sval Energi, having been adjusted to reflect working capital and debt-like items and reduced by net post-tax cash flows generated by the sale businesses since 1 January 2021.
- Centrica owns 69% of Spirit Energy but fully consolidates Spirit Energy in the Group's financial statements. In June 2022, Spirit Energy distributed the final consideration and post-tax net cash flows generated by the sale businesses since 1 January 2021 to Centrica and its joint venture partners, SWM Group, in proportion to their ownership. This was after adjusting for certain transaction taxes and costs, and amounts in respect of certain liabilities to be retained by the Spirit Energy Group. SWM Group's share of this distribution from Spirit Energy was £233m.
- There was an estimated £65m cost of closing commodity price hedges related to Statfjord UK borne by Spirit Energy in H1 2022, in addition to a £64m cost in 2021, with a further approximately £100m cost expected across the remainder of 2022 and 2023. There was also an estimated £24m cost of closing commodity price hedges at a Centrica Group level in H1 2022 in addition to an estimated £27m in 2021 related to its share of Spirit Energy's Norwegian business and Statfjord interests.
- Under an amended shareholders' agreement with SWM Group, Spirit Energy's future strategy will be to realise value from its remaining portfolio of assets in the UK and the Netherlands while minimising further investment in oil and gas exploration and development, and to utilise cash from Spirit Energy's operations to meet and de-risk decommissioning obligations in respect of its remaining portfolio. Future cash flows generated from Spirit Energy's continuing operations will be retained within Spirit Energy until projected future pre-tax decommissioning costs are 1.5 times covered. Spirit Energy will also be able to pursue potential opportunities to leverage existing infrastructure for net zero projects.

Further non-core divestments

- We will also consider further divestments of smaller assets or businesses, if they help to simplify and de-risk the Group and we can realise good value for shareholders.
- In H1 2022, we sold our interest in Driivz, an electric vehicle charging software provider, while Centrica Business Solutions also agreed to exit two small positions in the United States and Mexico.

A strong balance sheet

- The Group had net cash of £0.3bn at the end of June 2022. This means we have reduced net debt by £4.2bn over the past three years, from net debt of £3.9bn at the end of June 2019, reflecting our divestments, our focus on cash flow generation and ongoing capital and cost discipline.
- Gross decommissioning liabilities have decreased by £0.7bn over the same period, reflecting the sale of the Spirit Norway and Statfjord assets, while the latest roll-forward valuation of the technical pension deficit of £0.6bn is £0.8bn lower than three years ago having peaked at £2.4bn on a roll-

forward basis two years ago. In addition, projected future losses from the remaining Sole Pit legacy gas contract in Energy Marketing & Trading are now around £150m compared with over £500m three years ago.

- In aggregate, these liabilities have reduced by £6.1bn over the past three years, leaving the Group's balance sheet in a materially stronger position.

OPERATIONAL, COMMERCIAL AND FINANCIAL PERFORMANCE – STABILISING THE BUSINESS AND IMPROVING OPERATIONAL PERFORMANCE

Improved operational performance in British Gas Services & Solutions but negative financial impacts due to a weak economic backdrop and investment in service and pricing

British Gas Services & Solutions	**2022**	2021	Change
Services customers ('000) (closing) [1,2]	**3,271**	3,428	(5%)
Installs and on-demand jobs ('000)	**134**	148	(9%)
Services complaints per customer (%) [3]	**6.5%**	6.4%	0.1ppt
Services Engineer net promoter score (NPS) [1,4]	**62**	60	2pt
Adjusted operating profit (£m)	**7**	60	(88%)

All 2021 comparators are for the 6 months ended 30 June 2021 unless otherwise stated.
1. 2021 comparator at 31 December 2021.
2. Services customers are defined as single households having a contract with British Gas.
3. Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
4. Measured independently, through individual questionnaires, the customer's willingness to recommend British Gas following an engineer visit.

- British Gas Services & Solutions is focused on fixing operational delivery following a challenging 2021, in which higher absence rates and difficulties in recruiting engineers due to UK labour market pressures resulted in more jobs having to be rescheduled and an increased use of contractors. These factors negatively impacted customer satisfaction levels in 2021 and into 2022.
- We have been focused on recruiting directly-employed engineers to rebuild capacity, enabling us to complete a greater proportion of jobs through our own workforce, to improve customer experience and customer retention and to create the capacity for growth. We recruited around 600 engineers in the first half of 2022.
- This investment in recruitment and service led to a lower number of rescheduled appointments, down to 7% in H1 2022 compared to 13% in H1 2021, and reflecting this, Engineer NPS increased by 2 points to 62.
- Customer retention increased to 83% in H1 2022 from 80% in H1 2021, as we remained mindful of price changes that customers can absorb. However, customer acquisition has been challenging in the current economic environment and British Gas Services customer numbers fell by 157,000, or 5%, over the first half. We are also seeing more customers trade down to lower priced products within our HomeCare range. The number of services products per customer was unchanged compared to the start of the year, at 2.23.
- The total number of installs and on-demand jobs for the half was down 9% compared to H1 2021. Boiler installations were up 13%, as we saw recovery from Covid-19 and industrial action impacts in 2021, although the average price was lower with customers tending to choose lower priced boilers. The number of on-demand jobs fell 19% due to us focusing our attention on serving existing customers.
- British Gas Services & Solutions adjusted operating profit fell by 88% to £7m.
  - The reversal of a £50m Covid-19 and industrial action impact from H1 2021 was partially offset by an increase in customer compensation following disappointing service levels over the past winter, continued higher absence rates earlier in the year, and increased workload, which we believe is a function of customers choosing to have non-urgent jobs they had been delaying during the

Covid-19 pandemic completed. These temporary factors negatively impacted adjusted operating profit by approximately £25m.

- The impacts of lower customer numbers and customers trading down to lower priced products negatively impacted adjusted operating profit by approximately £20m compared to H1 2021.
- We are also making a number of choices to improve the resilience of our business, investing in service and pricing to ensure that our propositions are attractive and we are well placed for when alternative heating solutions gain more prominence. These resulted in a negative impact on adjusted operating profit of approximately £50m, with the main areas of investment as follows:
  - Our recruitment and training of engineers resulted in more downtime from experienced engineers as they mentored new colleagues.
  - In addition, we continue to invest in operating costs to improve the business, with additional investment in improving our core IT systems and building our net zero capability.
  - We are also seeing increasing costs in a high inflation environment, including our own employee costs as we look to support colleagues through the cost of living crisis. Mindful of this difficult time for customers, we are choosing to invest in our pricing by not passing these inflationary costs fully onto our customers.
- The impact of a lower priced boiler mix and global supply chain issues creating capacity constraints earlier in the year negatively impacted adjusted operating profit by approximately £10m compared to H1 2021.

Organic customer growth against a backdrop of high and volatile prices in British Gas Energy

British Gas Energy	2022	2021	Change
Residential energy customers ('000) (closing) [1,2]	**7,464**	7,260	3%
Small business customer sites ('000) (closing) [1]	**459**	455	1%
Energy complaints per customer (%) [3]	**6.6%**	4.0%	2.6ppt
Energy Touchpoint NPS [1,4]	**14**	14	nm
Cost per residential energy customer (£) [1]	**96**	93	3%
Adjusted operating profit (£m)	**98**	172	(43%)

All 2021 comparators are for the 6 months ended 30 June 2021 unless otherwise stated.
1. 2021 comparator at 31 December 2021.
2. Residential energy customers are defined as single households buying energy from British Gas.
3. Total complaints, measured as an expression of dissatisfaction in line with submissions made to Ofgem, as a percentage of average customers over the year.
4. Measured independently, through individual questionnaires and the customer's willingness to recommend British Gas following contact.

- British Gas Energy is focused on developing more modern ways of working and the migration of customers onto a new 'software as a service' IT platform, to lower its cost per customer and improve customer service. It should also allow us to capture the opportunities arising from changes to how customers use their energy, for example through increased numbers of electric vehicles and growth in the electrification of heating, which benefit from dynamic time-of-use tariffs.
- We now have nearly 900,000 customers on this platform compared to around 350,000 at the start of the year, as we continue to migrate customers in a controlled manner.
- British Gas Energy residential customer numbers increased by 204,000, or 3%, in the first half.
  - This included a net increase of 158,000 customers who ultimately joined us through Ofgem's SOLR process from Together Energy.
  - We also saw organic growth of 46,000 customers in the first half, against a backdrop of low levels of market switching.
- The number of small business customers increased by 1% to 459,000.
- Energy Touchpoint NPS remained flat, however complaints increased in the period, with higher customer bills prompting higher call volumes into our contact centres with customers becoming more

focused on bills and direct debit reassessments. We are focused on improving complaint levels, including through the creation of 500 new UK-based contact centre roles in order to help our customers.

- Cost per customer increased by £3 to £96. The impacts of an increased bad debt charge and dual running IT costs were equivalent to £7 per customer, meaning there was an underlying reduction of £4 per customer.
- British Gas Energy adjusted operating profit decreased by 43% to £98m.
  - As in H2 2021, the rise in wholesale commodity prices meant that default tariffs remained cheaper than nearly all new fixed-price tariffs. This resulted in more customers on default tariffs than we had hedged for, requiring us to purchase more commodity from the market at prices above those allowed with the price caps. Price cap allowances have been introduced to compensate for these costs, however this recovery will mostly occur in future periods.
  - Warmer than normal temperatures in the first half reduced demand compared to a cold H1 2021. However, the impact of this was more than offset by the positive impact of surplus gas and power being sold back into a high-priced market.
  - The impact of increased customer numbers and average unit margins was more than offset by the estimated effect that higher bills had on customer behaviour, with lower underlying energy demand and a £63m increase in the bad debt charge.
  - We saw more normalised Energy Company Obligation (ECO) costs in H1 2022 following elevated spend in 2021 and demand recovery from small business customers following removal of Covid-19 restrictions, although these were partially offset by the repayment of £27m received by the Group under the UK Government's Coronavirus Job Retention Scheme.

Improved financial result from Bord Gáis Energy with Whitegate back in operation

Bord Gáis Energy	2022	2021	Change
Customers ('000) (closing) [1]	**513**	509	1%
Complaints per customer (%) [2]	**1.0%**	0.8%	0.2ppt
Journey NPS [1,3]	**20**	30	(10pt)
Adjusted operating profit (£m)	**33**	19	74%

All 2021 comparators are for the 6 months ended 30 June 2021 unless otherwise stated.
1. 2021 comparator at 31 December 2021.
2. Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
3. Weighted NPS for the main customer interaction channels.

- The number of Bord Gáis Energy customers increased by 4,000, or 1%, in H1 2022.
- Customer complaints increased slightly and Journey NPS fell by 10 points over the half, reflecting customer concerns as retail tariffs increased materially due to the significant rise in global wholesale commodity prices.
- Bord Gáis Energy adjusted operating profit increased by 74% to £33m despite reduced retail margins in a challenging environment for energy supply. This reflects the return to service of the Whitegate power station in December 2021, which was offline for all of the first half of 2021, and good trading performance. These factors were partially offset by an increased bad debt charge.

Impacts of high and volatile commodity prices handled well by Energy Marketing & Trading

Energy Marketing & Trading (EM&T)	2022	2021	Change
Renewable capacity under management (GW) [1]	**11.1**	11.7	(5%)
EM&T adjusted operating profit / (loss) (£m)	**278**	(40)	nm

All 2021 comparators are for the 6 months ended 30 June 2021 unless otherwise stated.
1. 2021 comparator at 31 December 2021.

- Our core EM&T trading and optimisation activities performed well in the first half of the year, utilising our capability in optimising our portfolio of European power purchase and route-to-market agreements against a backdrop of highly volatile commodity markets.
- EM&T renewable route-to-market capacity under management reduced by 0.6GW to 11.1GW with a number of contracts coming to an end during the period. However, the contracts we have remained very valuable in H1 2022 and delivered materially higher levels of adjusted operating profit compared to H1 2021. We remain focused on growing our route-to-market capacity as more renewable capacity comes online across Europe and we have a good pipeline of new contracts.
- The remaining legacy gas contract relating to the Sole Pit gas field contributed a profit of £25m in H1 2022 compared to a loss of £57m in H1 2021, as we used optionality around the timing of gas takes. We now expect the contract to broadly break-even for the full year, significantly better than our expectations of a loss of around £50m at the time of the Preliminary Results. At current forward commodity prices, we expect adjusted operating losses to total around £150m until the contract ends in 2025.
- We reported a loss in the LNG business. However, this is a function of accrual accounting treatment of the phasing of costs and revenues associated with hedges and cargoes. The underlying economic performance of the portfolio was good, and we expect LNG to be profitable for the full year.
- EM&T adjusted operating profit was £278m (H1 2021: loss of £40m), reflecting strong performance across our gas, power and renewables trading activities and the profit from the Sole Pit contract.

Covid-19 recovery in a more-focused Centrica Business Solutions

Centrica Business Solutions	2022	2021	Change
Energy supply total gas and electricity volume (TWh)	**11.8**	11.8	nm
Energy supply complaints per customer (%) [2]	**4.0%**	3.2%	0.8pt
Energy supply Touchpoint NPS [1,3]	**24**	21	3pt
New Energy Services order intake (£m)	**152**	221	(31%)
New Energy Services order book (£m) [1]	**851**	820	4%
Adjusted operating profit/(loss) (£m)	**20**	(24)	nm

All 2021 comparators are for the 6 months ended 30 June 2021 unless otherwise stated.
1. 2021 comparator at 31 December 2021.
2. Total complaints, measured as any oral or written expression of dissatisfaction, as a percentage of average customers over the year.
3. Measured independently, through individual questionnaires and the customer's willingness to recommend.

- In Centrica Business Solutions energy supply, which consists of medium-sized enterprise and Commercial and Industrial (C&I) customers:
  - The total amount of energy supplied in the period was flat at 11.8TWh. An increase in demand following the easing of Covid-19 restrictions and growth in our core market of mid-sized enterprise customers was offset by the impacts of warmer weather and a reducing portfolio of large C&I customers.
  - Customer complaints were higher in the period, with increased customer concern around high energy prices, although Touchpoint NPS increased slightly to +24.
- In Centrica Business Solutions New Energy Services:
  - Order intake of £152m was 31% lower than in H1 2021. This is partially due to the impact of our more focused strategic approach reducing the number of markets we participate in, although we are also seeing competitive market conditions and delayed customer decision making given current macroeconomic uncertainty. The order book has increased by 4% since the start of the year to £851m.
- Centrica Business Solutions reported adjusted operating profit of £20m (H1 2021: loss of £24m).

- Business energy supply reported adjusted operating profit of £33m (H1 2021: £3m), with no repeat of Covid-19 driven demand reduction from H1 2021. In addition, reducing underlying demand and warmer temperatures allowed us to sell surplus power and gas back into a higher priced commodity market. These positive effects were partially offset by the impacts of higher bad debt provisioning, higher balancing costs, and the phasing of margins towards the back end of some new customer contracts due to commodity prices being higher in the near term.
- New Energy Services reported a reduced adjusted operating loss of £13m (H1 2021: £27m), reflecting growth in revenue and gross margin in both the UK, Ireland and North America markets and lower operating costs, partially offset by the impact of the Peterborough site disposal in 2021.

Good Upstream operational performance and higher nuclear volumes

Upstream	2022	2021	Change
E&P total production volumes (mmboe)	**18.0**	18.5	(3%)
Nuclear power generated (GWh)	**4,648**	4,171	11%
Adjusted operating profit (£m)	**906**	75	1,108%

All 2021 comparators are for the 6 months ended 30 June.

- Total E&P production was down 3% to 18.0mmboe. Excluding production from the disposed Spirit Energy assets, E&P production was up 29% to 11.7mmboe.
  - Volumes from the retained Spirit Energy business increased 21% to 9.3mmboe, reflecting strong production at Morecambe and Cygnus which more than offset natural decline in the portfolio.
  - Production volumes from CSL's Rough field increased by 71% to 2.4mmboe, with strong operational performance allowing us to optimise production from Rough and continue producing during periods of higher prices.
- Centrica's share of nuclear generation volumes of 4.6TWh was 11% higher than in H1 2021, despite the closures of Dungeness B in June 2021 and Hunterston B in January 2022, reflecting strong plant reliability. Hinkley Point B is due to close in August 2022, which will leave five operational plants.
- Upstream adjusted operating profit increased to £906m (H1 2021: £75m).
  - Disposed Spirit Energy assets adjusted operating profit increased to £485m (H1 2021: £122m).
  - The retained Spirit Energy business reported an adjusted operating profit of £59m (H1 2021: loss of £18m), with higher production volumes and higher wholesale commodity prices resulting in a higher achieved gas price despite the impacts of hedging. These more than offset an increase in cash lifting costs and higher depreciation following impairment write-backs last year.
  - CSL adjusted operating profit was £76m (H1 2021: £9m), reflecting strong production from Rough and a higher achieved average gas price. These impacts were partially offset by higher depreciation following impairment write-backs last year.
  - Nuclear reported adjusted operating profit of £286m (H1 2021: loss of £38m), reflecting the higher wholesale price environment, increased generation volumes and lower costs following the closures of Dungeness B and Hunterston B.
- E&P free cash flow, excluding disposal proceeds, increased to £860m (H1 2021: £266m), with higher achieved prices resulting in increased EBITDA.

SUMMARY GROUP FINANCIAL PERFORMANCE

Healthy adjusted operating profit and earnings

- Adjusted EBITDA increased by £978m to £1,660m and adjusted operating profit increased by £1,080m to £1,342m, reflecting the movements in business unit adjusted operating profit as described in the previous section.
- The net finance charge fell by £18m to £78m and the tax rate on adjusted profit increased to 46% (H1 2021: 35%), largely due to the change in profit mix towards more highly taxed E&P activities and

no repeat of 2021 tax credits. Higher Spirit Energy profit meant adjusted earnings attributable to Spirit Energy minority partners increased to £50m (2021: £11m).

- Reflecting the above, adjusted earnings attributable to shareholders of £643m was up £545m on last year (2021: £98m) and adjusted basic EPS was 11.0p (2021: 1.7p). Excluding earnings from the disposed Spirit Energy assets, adjusted basic EPS was 10.2p (2021: 1.3p).

Statutory loss reflects high commodity price environment

- Total exceptional items recognised after tax generated a profit of £182m in H1 2022, with write-backs of our nuclear investment and recognition of a deferred tax asset, both related to the higher commodity price environment, partially offset by a loss on disposal of Spirit Energy Norway. This compared to a total exceptional profit of £856m in H1 2021 which included E&P impairment write backs and a profit on disposal of Direct Energy.
- A loss from net re-measurements after tax of £1,876m was recognised in H1 2022 (2021: profit of £396m), largely relating to the movement of an onerous supply contract provision representing the future cost to fulfil customer contracts on a current market price basis.
- Reflecting this, the statutory loss after taxation was £1,001m (2021: profit of £1,361m). After non-controlling interests, the statutory loss was £864m (2021: profit of £1,351m) with a basic EPS loss of 14.7p (2021: profit of 23.2p).

Further robust cash flow generation resulting in a stronger balance sheet

- Although adjusted EBITDA increased by £978m, free cash flow from continuing operations of £643m was only £119m higher than in H1 2021. This is largely growth related, in that it reflects higher tax payments due to increased adjusted operating profit, and a significant increase in working capital utilised. The working capital outflow was largely seen in British Gas Energy due to the impact of taking on SOLR customers and the impact of higher commodity costs, as we typically pay for the purchase of commodity in advance of receiving payment from customers. Growth in Energy Marketing & Trading also resulted in a working capital outflow in that business. H1 2021 free cash flow also included £2,582m related to Direct Energy disposal proceeds.
- Statutory net cash flow from continuing operating activities reduced by £393m to £165m in H1 2022, with the difference between this reduction and the increase in free cash flow largely related to a £519m negative movement in margin cash compared to a £129m inflow in H1 2021. This was partly offset by lower pension deficit payments, with H1 2021 including pension strain payments related to redundancies in prior years.
- We also made a payment of £233m to the minority shareholders of Spirit Energy, representing their share of cash flows generated since 1 January 2021 from the disposed Spirit Energy businesses. At the end of June 2022, the Group had net cash of £316m compared to £680m at the end of 2021.
- We retain significant access to liquidity. At the end of June 2022, the Company had £3.4bn of unrestricted cash and cash equivalents (net of bank overdrafts) and £2.9bn of undrawn credit facilities. We still have a legacy of long-dated and relatively expensive debt. However, we did have two maturities totalling £282m in H1 2022 which we did not need to refinance.

Pensions triennial valuation

- The Company had an IAS19 net pension surplus of £747m at the end of June 2022 compared to a net deficit of nil at the end of 2021. This predominantly reflects an increase in the real discount rate due to a rise in interest rates since the start of the year.
- The technical pension deficit is based on more conservative assumptions and determines the level of cash contributions into the schemes. In July 2022, we reached agreement in principle with the pension trustees on a March 2021 technical provisions deficit of £944m. On a roll-forward basis, using the same methodology, consequent assumptions and contributions paid, the technical deficit

would be in the region of £600m at 30 June 2022. Annual deficit contributions are expected to remain broadly unchanged. We have also been heavily focused on de-risking our pension liabilities. The overall level of interest rate and inflation hedging has increased from 36% three years ago to 95% today, meaning the volatility of our pension deficit should be much reduced in future.

2022 OUTLOOK POSITIVE WITH THE FOCUS ON FURTHER PERFORMANCE IMPROVEMENT

- The strong operational and financial performance in H1 2022 leaves the business well placed as we head into H2 2022. We will continue to invest in and drive operational improvements, particularly given the uncertain economic environment which creates challenges for British Gas Services & Solutions, and also increases bad debt risk for our energy supply businesses.
- If forward commodity prices were to stay around current levels and asset performance remains strong, we would expect full year adjusted earnings per share to be at, or even above the top end of the range of current sell side analyst expectations, which is currently 10.1p to 15.0p based on 12 forecasts published since our Trading Update on 10 May 2022.
- However, as always there are significant uncertainties and a range of external factors we cannot control, most materially weather and commodity prices, both of which are exacerbated at current elevated commodity prices.

BALANCE SHEET STRENGTH TO FACILITATE GROWTH AND SHAREHOLDER RETURNS

- We have introduced an updated financial framework which will underpin our strategy moving forwards.

Strong investment grade credit ratings

- Maintaining strong investment grade credit ratings remain important to us for our energy procurement and optimisation activities, so maintaining a strong balance sheet will be key to our continued success. We are currently in a net cash position. However, we can see significant cash swings, particularly in times of volatile energy markets and economic uncertainty. As a result, we would expect to maintain a prudent balance sheet, providing resilience for the Group while ensuring the flexibility to invest in the attractive investment opportunities available.
- It also means we will have the headroom to cope with further regulatory changes in the UK energy market. This includes the mandated ring-fencing of 100% of gross customer deposits, which we continue to believe is the right thing for customers.

Progressive dividend policy

- We are reinstating an ordinary dividend and are declaring a 2022 interim dividend of 1.0p per share. We intend to retain our historic policy of paying roughly a third of the full year dividend as an interim. We expect the dividend to be progressive and dividend cover from earnings to move to around 2x over time, recognising the ratio is likely to vary each year dependent on the business cycle.

Investment in organic growth

- We will continue to invest in our people and technology, whether through operating costs or capital expenditure. This should underpin further improvements in customer service and productivity, and in turn improve customer retention. Our balance sheet approach also means we are able to support increased working capital capacity, should attractive opportunities arise in our optimisation activities.

Value accretive investments

- We have a number of opportunities to invest in a value accretive way in flexible and lower carbon assets in areas that will help accelerate the energy transition and improve security of supply in our core markets. We will assess these opportunities against a robust framework and each project will need to deliver appropriate returns commensurate with the risk undertaken. These assets will have to deliver suitable returns for shareholders. Any investment will also ensure we retain a diversified and balanced portfolio as our existing E&P and Nuclear assets naturally reduce in scale over time.

Efficient use of capital

- We will continue to make efficient use of capital. This includes the potential return of any surplus structural capital to shareholders, although current market volatility and the uncertain timing of our potential investments means we cannot yet give clarity on the timing of any returns.

DELIVERING GROWTH AND POSITIONING OURSELVES FOR NET ZERO

- We have significant growth opportunities across retail energy supply and services, energy system optimisation and infrastructure ownership and management.

Growth potential in retail

- The UK energy supply regulatory environment is improving for responsible suppliers, and those successful at improving service levels and the competitiveness of their cost base should be able to make a fair and sustainable return. British Gas Energy is well placed to deliver growth over the long term.
- British Gas Services & Solutions is also well placed to deliver growth, having the largest energy services field force in the UK with around 7,000 engineers. The decarbonisation of heat will drive substantial demand for new heating systems, and as the UK's largest installer and servicer of such systems, this is a real opportunity. There are 28 million homes in the UK and 3 million in the Republic of Ireland – and the majority of them will require some form of change to their heating systems to ensure net zero is achieved.
- Our award-winning in-house training academies also provide us with a competitive advantage, allowing us to both train and certify our own apprentices and upskill our engineers to install heat pumps, electric vehicle charging points, smart meters and hydrogen-ready boilers.
- We will need to continue to improve our operational performance to take maximum advantage of these opportunities whenever they might arise. That is why we are investing in customer service and productivity, which should over time drive improved retention and market share growth.

Optimisation capabilities are key to delivering growth

- We have always had a requirement to manage our commodity exposure and risk in core markets, given the scale of our retail and infrastructure positions, and the expertise we have gained through doing this is incredibly valuable. We have strong people and technology capabilities in gas and power balancing and trading and with European energy markets increasingly interlinked, we have expanded our activities outside our core markets of the UK and Ireland. In total, we now trade in 27 countries across Europe and employ around 600 colleagues across our main offices in Aalborg, London and Antwerp.
- Our optimisation activity is generally underpinned by contractual positions, including our route-to-market business which provides market access and optimisation services for customer owned assets. We have grown this and now manage 15GW of assets, with around 80% of it relating to renewable assets, largely wind and solar.
- We also manage a global LNG portfolio. In addition to capacity at the Isle of Grain regassification facility and our long term US export contract with Cheniere, we have been building up a number of medium term positions that de-risk and optimise the overall LNG portfolio. We have a strong team with deep understanding of the LNG market and its logistics and will continue to seek options to de-risk and potentially grow, enabled by our stronger balance sheet and deep knowledge of global gas markets.
- We already build and maintain customer assets as well as our own through Centrica Business Solutions. Combined with our world class optimisation capability and access to huge amounts of market data, this gives us confidence that we can compete across the value chain, investing Centrica's capital in assets and monetising them.

Investment opportunities

- Investment in the UK and Ireland energy systems is expected to increase materially in the next decade, with nearly £200 billion expected to be spent between 2021 and 2030 driven by government decarbonisation targets and the push for increased security of supply.
- The majority of this investment is projected to come from intermittent renewable technologies such as wind and solar. However, a combination of technologies will be required, creating opportunities for companies with strong balance sheets, flexible business models and detailed knowledge of markets.
- This creates opportunities for Centrica, and we are clear where we can participate. When making investment decisions we will weigh up the size and growth rates of the market, expected returns, risk profile, our competitive advantage and any wider portfolio benefits. Reflecting these considerations, at this point in time we see our main areas of investment focus are likely to be battery storage, gas peaking generation, solar, hydrogen and Carbon Capture, Utilisation and Storage (CCUS). The focus will be on our core markets of the UK and Ireland.
- Potential investments in small scale, flexible generation will be aligned to our existing capabilities. We already own operational assets in the UK and Ireland, including a battery at Roosecote, a gas peaking plant at Brigg and the Whitegate CCGT in Ireland. A number of projects are also already underway. A 18MW solar farm in Wiltshire in the UK is already under construction at a total expected cost of £15m, while we have also recently made a final investment decision on a 50MW battery investment on the site of the now closed Brigg CCGT, which is expected to cost £45m. We expect to make a final investment decision on two 100MW gas peaking plants in Ireland in the second half of this year, at an expected cost of around €250m. Including these projects, we have brownfield sites across the UK and Ireland that could support over 1GW of new flexible generation capacity over the next five years. We would expect all these projects to deliver asset returns in excess of 5%, before we include any optimisation upside that our capabilities in this space should allow us to achieve.
- We own E&P and Nuclear assets today, however their lifespan is limited. Our challenge is to reinvest cash flows generated by these assets to turn them into net zero assets, which will continue to provide the balance our portfolio benefits from today.
- We continue to work on developing the option to convert Rough back to a gas storage asset, with a view to ultimately converting it to a hydrogen storage asset. We currently estimate that this project would cost in the region of £2bn, including the cost of converting it to store hydrogen. We also continue to assess longer-term options for the Spirit Energy-owned Morecambe gas field, which could prove to be an attractive asset for CCUS. Given the scale of both of these investments, we would be looking for a regulated return model for both options.

A SIMPLER, DE-RISKED, MORE EFFICIENT COMPANY WITH ATTRACTIVE NET ZERO OPPORTUNITIES

- In summary, our balanced portfolio has served us well through the ongoing energy crisis. In addition, we have significantly simplified and de-risked Centrica over the past three years through eliminating net debt, reducing decommissioning liabilities and reducing pension liabilities.
- We are focused on driving improved operational performance and are seeing signs of progress in British Gas Energy and British Gas Services & Solutions as we look to position them to capitalise on the opportunities presented by net zero.
- We will continue to focus on delivering simply, sustainably and affordably for our customers and on delivering stable and growing returns for our shareholders.
- Centrica is evolving into a new type of integrated energy company using our strong established positions in retail, optimisation and infrastructure. These capabilities and our financial strength will allow us to invest in attractive opportunities aligned to the energy transition and net zero to drive growth over the long term.

Group Financial Review

REVENUE

- Group statutory revenue increased by 49% to £10.3bn (2021: £6.9bn). Group revenue included in business performance increased by 75% to £14.3bn (2021: £8.2bn).
- Gross segment revenue from continuing operations, which includes revenue generated from the sale of products and services between segments, increased by 83% to £16.0bn (2021: £8.7bn). This was largely driven by the impact of higher wholesale commodity prices on Energy Marketing & Trading and Upstream, and the impact of higher wholesale prices on retail tariffs in British Gas Energy, Bord Gáis Energy and Centrica Business Solutions.
- A table reconciling different revenue measures is shown in the table below:

	2022			2021		
Six months ended 30 June	**Gross segment revenue £m**	**Less inter-segment revenue £m**	**Group revenue £m**	Gross segment revenue £m	Less inter-segment revenue £m	Group revenue £m
British Gas Services & Solutions	**744**	**(22)**	**722**	722	(32)	690
British Gas Energy	**5,090**	**–**	**5,090**	3,840	–	3,840
Centrica Business Solutions	**1,295**	**(11)**	**1,284**	871	(9)	862
Bord Gáis Energy	**784**	**–**	**784**	484	–	484
Energy Marketing & Trading	**6,355**	**(113)**	**6,242**	1,991	(151)	1,840
Upstream	**1,695**	**(1,515)**	**180**	838	(400)	438
Group revenue included in business performance	**15,963**	**(1,661)**	**14,302**	8,746	(592)	8,154
Less: revenue arising on contracts in scope of IFRS 9 included in business performance			**(3,987)**			(1,236)
Group statutory revenue			**10,315**			6,918

OPERATING PROFIT / (LOSS)

- Adjusted operating profit increased to £1,342m (H1 2021: £262m). Excluding the disposed Spirit Energy assets, adjusted operating profit increased to £857m (2021: £140m). The statutory operating loss from continuing operations was £1,099m (H1 2021: profit of £1,003m). The difference between the two measures of profit relates to exceptional items and certain remeasurements. A table reconciling the different profit measures is shown below:

Six months ended 30 June	Notes	2022 Business performance £m	2022 Exceptional items and certain re-measurements £m	2022 Statutory result £m	2021 Business performance £m	2021 Exceptional items and certain re-measurements £m	2021 Statutory result £m
Continuing operations							
British Gas Services & Solutions		**7**			60		
British Gas Energy		**98**			172		
Centrica Business Solutions		**20**			(24)		
Bord Gáis Energy		**33**			19		
Energy Marketing & Trading		**278**			(40)		
Core EM&T		*253*			*17*		
Legacy gas contract		*25*			*(57)*		
Upstream		**421**			(47)		
Spirit Energy (retained)		*59*			*(18)*		
CSL		*76*			*9*		
Nuclear		*286*			*(38)*		
Total Group excluding Spirit Energy disposed assets		**857**			140		
Spirit Energy disposed assets		*485*			*122*		
Group operating profit/(loss)	4(c)	**1,342**	**(2,441)**	**(1,099)**	262	741	1,003
Net finance cost	7	**(78)**	**–**	**(78)**	(96)	–	(96)
Taxation	8	**(571)**	**747**	**176**	(57)	(97)	(154)
Profit/(loss) from continuing operations		**693**	**(1,694)**	**(1,001)**	109	644	753
Profit attributable to non-controlling interests		**(50)**	**187**	**137**	(11)	1	(10)
Adjusted earnings from continuing operations		**643**	**(1,507)**	**(864)**	98	645	743
Discontinued operations		**–**	**–**	**–**	–	608	608
Adjusted earnings attributable to shareholders		**643**	**(1,507)**	**(864)**	**98**	**1,253**	**1,351**
Adjusted earnings excluding disposed Spirit Energy assets		*598*			*74*		

Group operating profit from business performance (adjusted operating profit)

- The increase in adjusted operating profit was primarily driven by the Upstream businesses, reflecting strong production and generation volumes and the impact of higher commodity prices. Additionally, Energy Marketing & Trading managed the more volatile commodity price environment well and delivered higher adjusted operating profit. Offsetting this, higher customer energy bills and an uncertain economic outlook resulted in British Gas Energy booking an increased bad debt charge, while inflationary pressures and investment in customer service and pricing reduced adjusted operating profit in British Gas Services & Solutions.
- More detail on specific business unit adjusted operating profit performance is provided in the Group Overview on pages 6 to 10.

GROUP FINANCE CHARGE AND TAXATION

Finance costs

- Net finance costs from continuing operations decreased to £78m (2021: £96m). Higher interest rates resulted in increased investment income, while interest cost on bonds, bank loans and overdrafts reduced with the full period impact of the redemption of the €750m hybrid bond at its first call date of April 2021 and two further bond repayments totaling £282m made in the first half of 2022.

Taxation

- Business performance taxation on profit from continuing operations increased to £571m (2021: £57m). After including tax on joint ventures and associates, the adjusted tax charge was £581m (2021: £59m).
- The resultant adjusted effective tax rate for the Group was 46% (2021: 35%), due to a change in the profit mix towards more highly taxed E&P activities, combined with £42m of tax credits from one-off increases in deferred tax balances in 2021 not recurring.
- The adjusted effective tax rate calculation is shown below:

Six months ended 30 June	**2022** **£m**	2021 £m
Adjusted operating profit before impacts of taxation	**1,342**	262
Add: JV/associate taxation included in adjusted operating profit	**10**	2
Net finance cost from continuing operations	**(78)**	(96)
Adjusted profit before taxation	**1,274**	168
Taxation on profit from continuing operations	**(571)**	(57)
Share of JV/associate taxation	**(10)**	(2)
Adjusted tax charge	**(581)**	(59)
Adjusted effective tax rate	**46%**	35%

EXCEPTIONAL ITEMS AND CERTAIN RE-MEASUREMENTS

- Total certain re-measurements and exceptional items from continuing operations generated a pre-tax loss of £2,441m (2021: gain of £741m), made up of a pre-tax loss on certain re-measurements of £2,536m (2021: gain of £368m) and a pre-tax gain on exceptional items of £95m (2021: £373m). Total certain re-measurements and exceptional items from continuing operations generated a tax credit of £747m (2021: charge of £97m), with a credit of £660m (2021: £28m) related to certain-remeasurements and a credit of £87m (2021: charge of £125m) related to exceptional items.

Certain re-measurements

- 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. A number of these arrangements are considered to be derivative financial instruments and are required to be fair valued under IFRS 9.
- 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.
- As a result of the significant commodity price movements, the Group has also recognised an onerous contract provision for its UK downstream energy supply contract portfolio. Although gains on the commodity derivative hedge trades are already separately recognised in the income statement, the Group must assess whether downstream customer contracts have become onerous taking into account the reversal of these mark to market gains. Movement in the amount provided has also been

recognised in certain re-measurements, as the supply contracts are economically related to both the hedges and forecast future profitability of supply and therefore do not reflect underlying performance.

- The operating profit in the statutory results includes a net pre-tax loss of £2,536m (2021: gain of £368m) relating to re-measurements, comprising:
  - A net loss of £667m on the re-measurement of derivative energy contracts (including certain associates' contracts net of taxation). With the Group generally a net purchaser of commodity, we saw a positive revaluation of energy supply contract hedge purchases due for delivery in future periods as commodity prices rose over the first half of 2022, partially offset by an unwind of in-the-money hedge positions for the UK downstream energy supply business from December 2021. The net positive impact of these two factors was £2,731m. However, this was offset by a negative revaluation predominantly from Upstream and Energy Marketing & Trading sell trades due for delivery in future periods, less the unwind of their out-the-money positions from December 2021. The net negative impact of these two factors was £3,398m.
  - An increase in an onerous energy supply contract provision of £1,869m. Although the Group has purchased the commodity required for future supply in advance, without these hedges the future costs of fulfilling downstream customer contracts would exceed the fixed/capped charges recoverable from customers, due to commodity price increases in the first half of 2022. The gain from releasing this provision will offset losses from the unwinding of in-the-money hedge positions, without affecting the ultimate profitability of the underlying transactions.
- These re-measurements generated a taxation credit of £660m (2021: £28m). As a result, the total loss from net re-measurements after taxation for continuing operations was £1,876m (2021: profit of £396m).
- The Group recognises the realised gains and losses on commodity derivative and onerous supply contracts when the underlying transaction occurs. The business performance profits arising from the physical purchase and sale of commodities during the year, which reflect the prices in the underlying contracts, are not impacted by these re-measurements.
- Further details can be found in note 6(a).

Exceptional items

- An exceptional pre-tax gain of £95m was included within the statutory Group operating profit from continuing operations in the first half of 2022 (2021: £373m) including:
  - A credit of £424m relating to the write-back of the Group's nuclear investment, predominantly due to an increase in near-term liquid commodity prices. The write-back takes the book value of the nuclear investment back to its historic depreciated cost.
  - A loss of £329m on the Spirit Energy Norwegian E&P and Statfjord disposal. The disposal had a commercial effective date of 1 January 2021, with headline consideration of approximately £800m to be reduced by the net post-tax cash flows generated by the disposal businesses after that date (less any remaining tax payable on those cash flows). The loss on disposal offsets the profits of the disposal businesses recognised in business performance across 2021 and 2022.
- The Group recognised an exceptional taxation credit of £87m (2021: charge of £125m), associated with the recognition of a net deferred tax asset related to E&P, due to the increase in forecast commodity prices.
- Further details on exceptional items, including on impairment accounting policy, process and sensitivities can be found in notes 6(b) and 6(c).

DISCONTINUED OPERATIONS

- There was no adjusted operating profit or adjusted earnings from discontinued operations in the first half of 2021 or 2022. Statutory earnings of £608m from discontinued operations in 2021 are entirely related to the profit on disposal and release of a tax provision related to the disposal of Direct Energy.

GROUP EARNINGS

Adjusted earnings

- Profit for the period from business performance after taxation was £693m (2021: £109m). After adjusting for non-controlling interests relating to Spirit Energy, adjusted earnings were £643m (2021: £98m). Excluding the disposed Spirit Energy assets, adjusted earnings were £598m (2021: £74m).
- Adjusted basic EPS was 11.0p (2021: 1.7p). Excluding the disposed Spirit Energy assets, adjusted basic EPS was 10.2p (2021: 1.3p).

Statutory earnings

- After including exceptional items, certain re-measurements and earnings from discontinued operations, the statutory loss attributable to shareholders for the period was £864m (2021: profit of £1,351m).
- The Group reported a statutory basic EPS loss of 14.7p (2021: profit of 23.2p of which 12.8p related to continuing operations).

Dividend

- An interim dividend of 1.0p per share will be paid on 17 November 2022 to shareholders on the register on 7 October 2022.

GROUP CASH FLOW, NET DEBT AND BALANCE SHEET

Group cash flow

- Free cash flow is the Group's primary measure of cash flow as management believe it provides relevant information to show the cash generation of the business after taking account of the need to maintain its capital asset base. Free cash flow is reconciled to statutory net cash flow from operating and investing activities in the table below. See the explanatory note in note 4(f) for further details.

Six months ended 30 June	**2022 £m**	2021 £m
Statutory cash flow from operating activities	**165**	558
Statutory cash flow from continuing investing activities	**(139)**	(146)
Statutory cash flow from continuing operating and investing activities	**26**	412
Add back/(deduct):		
Purchase of securities	**1**	–
Interest received	**(8)**	(2)
Movements in collateral and margin cash	**519**	(129)
Defined benefit pension deficit payment	**105**	243
Free cash flow from continuing operations	**643**	524
Discontinued operations free cash flow (related to Direct Energy sale proceeds)	**–**	2,582
Free cash flow	**643**	3,106

- Net cash flow from operating activities reduced to £165m (2021: £558m), as higher adjusted EBITDA was more than offset by higher tax payments and working capital and margin cash outflows, compared to inflows in 2021.
- Net cash outflow from continuing investing activities was broadly unchanged at £139m (2021: £146m), with higher capital expenditure offset by higher business sale proceeds.

- Group total free cash flow from continuing operations was £643m (2021: £524m), as reconciled to statutory cash flow measures in the table above.
- Net cash outflow from financing activities decreased to £695m in 2022 (2021: £740m) with lower bond repayments due to lower levels of debt maturity, partially offset by a £233m distribution to Spirit Energy's non-controlling interests in respect of the net proceeds from the disposed assets.

Net debt/cash

- The above resulted in a £669m decrease in cash and cash equivalents over the period, and when including the impact of reduced gross debt resulting from the bond repayments, non-cash movements and exchange adjustments, the Group's net cash position at the end of June 2022 was £316m, compared to £680m on 31 December 2021.
- Further details on the Group's sources of finance and net debt are included in note 12.

Pension deficit

- The Group had an IAS 19 net pension surplus of £747m at the end of June 2022, compared to a net deficit of £nil on 31 December 2021, predominantly due to the effect of rising interest rates leading to an increase in the discount rate and decreasing obligations.
- Further details on the post-retirement benefits are included in note 13.

Balance sheet

- Net assets decreased to £2,183m (31 December 2021: £2,750m). This reflects the impact of the statutory loss for the period, in particular the movement in the onerous energy supply contract provision, and the minority dividend payment, partially offset by the increase in the IAS19 net pension surplus.
- The higher commodity price environment resulted in a significant increase in derivative financial instrument assets which are used to manage the risk largely arising from fluctuations in the value of assets associated with energy sales and procurement and trading. However, it also resulted in a related increase in derivative financial instrument liabilities which are used to manage the risk largely arising from fluctuations in the value of liabilities associated with energy sales and procurement and trading.

2022 ACQUISITIONS, DISPOSALS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

- On 8 December 2021, Centrica announced that the Spirit Energy Group, of which Centrica owns 69%, had agreed to dispose of its Norwegian oil and gas E&P business and its interests in the Statfjord field for headline consideration of $1,076m (approximately £800m) on a debt-free cash-free basis plus a deferred commodity price-linked contingent payment. The commercial effective date of the transaction was 1 January 2021. The transaction was approved by Centrica shareholders at a General Meeting on 13 January 2022 and completed on 31 May 2022.
- After adjustments for the net post-tax cash flows generated by the sale business and interests after the commercial effective date, less any remaining tax payable on these cash flows, net consideration was £104m, including a deferred commodity price-linked receivable and a tax indemnity provided to Sval Energi. In June 2022, Spirit Energy distributed the net cash flow generated since 1 January 2021 and the net consideration to Centrica and its joint venture partners in proportion to their ownership, with £233m distributed to Centrica's non-controlling interest in June 2022.
- Further details on assets purchased, acquisitions and disposals are included in notes 4(e) and 11.

EVENTS AFTER BALANCE SHEET DATE

- Details of events after the balance sheet date are described in note 17.

RISKS AND CAPITAL MANAGEMENT

- The nature of the Group's principal risks and uncertainties are broadly unchanged from those set out in its 2021 Annual Report. Our top three Principal Risks are Commodity Risk, Weather Risk and Asset Production, with Commodity Risk further heightened by the impact the war in Ukraine is having on global commodity prices.
- The Group has also actively responded to those risks heightened by the record levels of global wholesale energy prices. Centrica's approach to risk management has enabled the implementation of agile hedging policies and effective demand forecasting processes. The extent to which the Group may continue to be impacted by the consequences of the current high level of commodity prices, including the onboarding of around 700,000 customers through the SOLR process since the start of 2021, will in part depend on government and regulatory policy, including the setting of future levels of default tariff caps, which could also be a factor in the level of customer bad debt we see.
- Details of how the Group has managed financial risks such as liquidity and credit risk are set out in note 19. Details of the Group's capital management processes are provided under sources of finance in note 12(a).

ACCOUNTING POLICIES

- The Group's accounting policies and specific accounting measures, including changes of accounting presentation and selected key sources of estimation uncertainty, are explained in notes 1, 2 and 3.

Appendix: Upstream performance metrics

Nuclear

Six months ended 30 June	2022	2021	Change
Nuclear power generated (GWh)	**4,648**	4,171	11%
Nuclear achieved power price (£/MWh)	**110.4**	46.5	137%

Exploration & Production

Six months ended 30 June	2022	2021	Change
Total recordable injury frequency rate (per 200,000 hours worked)	**0.14**	0.22	(36%)
Process safety incident rate – tier 1 & 2 (per 200,000 hours worked)	**0.19**	0.09	111%
Gas production volumes (mmth)			
Spirit Energy	**692**	637	9%
CSL	**136**	84	62%
Total gas production volumes (mmth)	**828**	721	15%
Liquids production volumes (mmboe)			
Spirit Energy	**4.2**	6.7	(37%)
CSL	**0.09**	0.05	80%
Total liquids production volumes (mmboe)	**4.3**	6.8	(37%)
Total production volumes (mmboe)			
Spirit Energy	**15.6**	17.1	(9%)
CSL	**2.4**	1.4	71%
Total production volumes (mmboe)	**18.0**	18.5	(3%)
Average achieved gas sales prices (p/therm)			
Spirit Energy	**104.4**	44.4	135%
CSL	**134.3**	55.9	140%
Average achieved liquid sales prices (£/boe)			
Spirit Energy	**59.9**	38.7	55%
CSL	**88.5**	26.8	230%
Lifting and other cash production costs (£/boe) [1]			
Spirit Energy	**18.7**	16.4	14%
CSL	**8.4**	20.4	(59%)
Gas and liquids realisations (£m) [2]	**1,152**	575	100%
Unit DDA rate (£/boe)			
Spirit Energy	**12.0**	11.5	4%
CSL	**16.6**	5.4	207%
Net investment (£m) [3]			
Capital expenditure (including small acquisitions)	**155**	122	27%
Net disposals	**(82)**	-	nm
Net investment (£m)	**73**	122	(40%)
Free cash flow (£m) [3]	**942**	266	254%

1. Lifting and other cash production costs are total operating costs and cost of sales excluding depreciation and amortisation, dry hole costs, exploration costs and profit on disposal.
2. Realisations are total revenues from sales of gas and liquids including hedging and net of Spirit NTS costs.
3. See pages 69 to 73 for an explanation of the use of adjusted performance measures.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Interim Results for the six-month period ended 30 June 2022 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 profit or loss of the Group for that period.

The Directors confirm that the condensed interim Financial Statements have been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting", 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.

A list of current Directors is maintained on the Centrica plc website which can be found at www.centrica.com.

On behalf of the Board on 27 July 2022

Chris O'Shea **Group Chief Executive**	**Kate Ringrose** **Group Chief Financial Officer**

Independent Review Report to Centrica plc

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the Group Income Statement, the Group Statement of Comprehensive Income, the Group Balance Sheet, the Group Statement of Changes in Equity, the Group Cash Flow Statement and related notes 1 to 20.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusion Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE (UK), however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the review of the financial information

In reviewing the half-yearly financial report, we are responsible for expressing to the group a conclusion on the condensed set of financial statement in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom

27 July 2022

Group Income Statement

Six months ended 30 June	Notes	2022 Business performance £m	2022 Exceptional items and certain re-measurements £m	2022 Results for the period £m	2021 Business performance £m	2021 Exceptional items and certain re-measurements £m	2021 Results for the period £m
Continuing operations							
Group revenue	4, 6	**14,302**	**(3,987)**	**10,315**	8,154	(1,236)	6,918
Cost of sales [i]	6	**(12,039)**	**2,991**	**(9,048)**	(7,000)	2,244	(4,756)
Re-measurement and settlement of derivative energy contracts	6	**–**	**(1,541)**	**(1,541)**	–	(640)	(640)
Gross profit/(loss)	4, 6	**2,263**	**(2,537)**	**(274)**	1,154	368	1,522
Operating costs before exceptional items and credit losses on financial assets		**(830)**	**–**	**(830)**	(790)	–	(790)
Credit losses on financial assets	14	**(140)**	**–**	**(140)**	(66)	–	(66)
Exceptional items – net impairment reversals	6	**–**	**424**	**424**	–	366	366
Exceptional items – net loss on significant disposals	6	**–**	**(329)**	**(329)**	–	–	–
Exceptional items – net restructuring cost reversals	6	**–**	**–**	**–**	–	7	7
Operating costs		**(970)**	**95**	**(875)**	(856)	373	(483)
Share of profits/(losses) of joint ventures and associates, net of interest and taxation	5	**49**	**1**	**50**	(36)	–	(36)
Group operating profit/(loss)	4	**1,342**	**(2,441)**	**(1,099)**	262	741	1,003
Net finance cost	7	**(78)**	**–**	**(78)**	(96)	–	(96)
Profit/(loss) from continuing operations before taxation		**1,264**	**(2,441)**	**(1,177)**	166	741	907
Taxation on profit/(loss) from continuing operations	6, 8	**(571)**	**747**	**176**	(57)	(97)	(154)
Profit/(loss) from continuing operations after taxation		**693**	**(1,694)**	**(1,001)**	109	644	753
Discontinued operations [ii]	6	**–**	**–**	**–**	–	608	608
Profit/(loss) for the period		**693**	**(1,694)**	**(1,001)**	109	1,252	1,361
Attributable to:							
Owners of the parent		**643**	**(1,507)**	**(864)**	98	1,253	1,351
Non-controlling interests		**50**	**(187)**	**(137)**	11	(1)	10

Earnings per ordinary share	Notes	2022 Pence	2021 Pence
From continuing and discontinued operations			
Basic	9	**(14.7)**	23.2
Diluted	9	**(14.7)**	22.9
From continuing operations			
Basic	9	**(14.7)**	12.8
Diluted	9	**(14.7)**	12.6
Interim dividend proposed per ordinary share	10	**1.0**	–

(i) Costs of sales includes a movement of £1,869 million (2021: £nil) relating to the onerous energy supply contract provision within the certain re-measurements column. See notes 3 and 6.
(ii) Profit from discontinued operations is entirely attributable to equity holders of the parent.

The notes on pages 30 to 68 form part of these condensed interim Financial Statements.

Group Statement of Comprehensive Income

Six months ended 30 June	Notes	2022 £m	2021 £m
(Loss)/profit for the period		**(1,001)**	1,361
Other comprehensive income			
Items that will be or have been reclassified to the Group Income Statement:			
Impact of cash flow hedging (net of taxation)		**(22)**	(8)
Exchange differences on translation of foreign operations		**(62)**	(32)
Exchange differences reclassified to Group Income Statement on disposal	11	**274**	(20)
Net investment hedging (net of taxation) reclassified to the Group Income Statement on disposal		**–**	(40)
Items that will not be reclassified to the Group Income Statement:			
Net actuarial gains on defined benefit pension schemes (net of taxation)		**497**	184
(Losses)/gains on revaluation of equity instruments measured at fair value through other comprehensive income (net of taxation)		**(1)**	1
Share of other comprehensive (loss)/income of joint ventures and associates (net of taxation)		**(19)**	42
Other comprehensive income (net of taxation)		**667**	127
Total comprehensive (loss)/income for the period		**(334)**	1,488
Attributable to:			
Owners of the parent		**(197)**	1,481
Non-controlling interests		**(137)**	7
Total comprehensive (loss)/income attributable to owners of the parent arises from:			
Continuing operations		**(197)**	933
Discontinued operations		**–**	548

The notes on pages 30 to 68 form part of these condensed interim Financial Statements.

Group Statement of Changes in Equity

	Share capital £m	Share premium £m	Retained earnings £m	Other equity £m	**Total £m**	Non-controlling interests £m	**Total equity £m**
1 January 2022	363	2,377	377	(752)	**2,365**	385	**2,750**
Loss for the period	–	–	(864)	–	**(864)**	(137)	**(1,001)**
Other comprehensive income	–	–	–	667	**667**	–	**667**
Total comprehensive (loss)/income	–	–	(864)	667	**(197)**	(137)	**(334)**
Employee share schemes and other share transactions	2	17	(2)	(17)	**–**	–	**–**
Distributions to non-controlling interests (note 11)	–	–	–	–	**–**	(233)	**(233)**
30 June 2022	**365**	**2,394**	**(489)**	**(102)**	**2,168**	**15**	**2,183**

	Share capital £m	Share premium £m	Retained earnings £m	Other equity £m	Total £m	Non-controlling interests £m	Total equity £m
1 January 2021	361	2,347	(836)	(915)	957	425	1,382
Profit for the period	–	–	1,351	–	1,351	10	1,361
Other comprehensive income/(loss)	–	–	–	130	130	(3)	127
Total comprehensive income	–	–	1,351	130	1,481	7	1,488
Employee share schemes and other share transactions	2	30	1	(25)	8	–	8
30 June 2021	363	2,377	516	(810)	2,446	432	2,878

The notes on pages 30 to 68 form part of these condensed interim Financial Statements.

Group Balance Sheet

	Notes	30 June 2022 £m	31 December 2021 £m
Non-current assets			
Property, plant and equipment		**1,819**	1,985
Interests in joint ventures and associates		**2,084**	1,628
Other intangible assets		**836**	760
Goodwill		**405**	401
Deferred tax assets	8	**1,340**	823
Trade and other receivables, and contract-related assets	14	**241**	233
Derivative financial instruments	15	**1,463**	1,005
Retirement benefit assets	13	**801**	231
Securities	12, 15	**124**	135
		9,113	7,201
Current assets			
Trade and other receivables, and contract-related assets	14	**5,814**	5,881
Inventories		**1,141**	644
Derivative financial instruments	15	**10,444**	6,545
Current tax assets		**105**	83
Cash and cash equivalents	12	**4,093**	5,060
		21,597	18,213
Assets of disposal groups classified as held for sale	11	**–**	1,672
		21,597	19,885
Total assets		**30,710**	27,086
Current liabilities			
Derivative financial instruments	15	**(9,565)**	(4,929)
Trade and other payables, and contract-related liabilities		**(6,299)**	(7,513)
Current tax liabilities		**(94)**	(333)
Provisions for other liabilities and charges		**(4,578)**	(2,769)
Bank overdrafts, loans and other borrowings	12	**(490)**	(1,204)
		(21,026)	(16,748)
Liabilities of disposal groups classified as held for sale	11	**–**	(1,228)
		(21,026)	(17,976)
Non-current liabilities			
Deferred tax liabilities		**(23)**	(36)
Derivative financial instruments	15	**(2,275)**	(1,080)
Trade and other payables, and contract-related liabilities		**(312)**	(120)
Provisions for other liabilities and charges		**(1,475)**	(1,454)
Retirement benefit obligations	13	**(54)**	(231)
Bank loans and other borrowings	12	**(3,362)**	(3,439)
		(7,501)	(6,360)
Total liabilities		**(28,527)**	(24,336)
Net assets		**2,183**	2,750
Share capital		**365**	363
Share premium		**2,394**	2,377
Retained earnings		**(489)**	377
Other equity		**(102)**	(752)
Total shareholders' equity		**2,168**	2,365
Non-controlling interests		**15**	385
Total shareholders' equity and non-controlling interests		**2,183**	2,750

The notes on pages 30 to 68 form part of these condensed interim Financial Statements.

Group Cash Flow Statement

Six months ended 30 June	Notes	2022 £m	2021 £m
Continuing operations:			
Group operating (loss)/profit including share of results of joint ventures and associates		**(1,099)**	1,003
(Deduct)/add back share of (profits)/losses of joint ventures and associates, net of interest and taxation	5	**(50)**	36
Group operating (loss)/profit before share of results of joint ventures and associates		**(1,149)**	1,039
Add back/(deduct):			
Depreciation, amortisation, write-downs, impairments and write-backs		**(57)**	(13)
Loss on disposals	11	**329**	27
Increase/(decrease) in provisions		**1,845**	(47)
Cash contributions to defined benefit schemes in excess of service cost income statement charge		**(85)**	(243)
Employee share scheme costs		**3**	3
Unrealised losses/(gains) arising from re-measurement of energy contracts		**1,224**	(239)
Exceptional charges reflected directly in operating profit		**–**	5
Operating cash flows before movements in working capital relating to business performance and payments relating to taxes and exceptional charges		**2,110**	532
(Increase)/decrease in inventories		**(488)**	2
Decrease/(increase) in trade and other receivables and contract-related assets relating to business performance		**155**	(122)
(Decrease)/increase in trade and other payables and contract-related liabilities relating to business performance		**(1,222)**	153
Operating cash flows before payments relating to taxes and exceptional charges		**555**	565
Taxes (paid)/refunded		**(367)**	41
Payments relating to exceptional charges in operating costs		**(23)**	(48)
Net cash flow from continuing operating activities		**165**	558
Net cash flow from discontinued operating activities		**–**	–
Net cash flow from operating activities		**165**	558
Continuing operations:			
Purchase of businesses, net of cash acquired		**(5)**	(13)
Sale of businesses	11	**82**	4
Purchase of property, plant and equipment and intangible assets (including disposal group purchases)	4	**(223)**	(174)
Sale of property, plant and equipment and intangible assets		**1**	32
(Investments in)/disposal of joint ventures and associates		**(1)**	2
Dividends received from joint ventures and associates		**–**	1
Interest received		**8**	2
Purchase of securities	12	**(1)**	–
Net cash flow from continuing investing activities		**(139)**	(146)
Net cash flow from discontinued investing activities		**–**	2,582
Net cash flow from investing activities		**(139)**	2,436
Continuing operations:			
Payments for own shares		**(1)**	–
Proceeds from sale of forfeited share capital		**–**	1
Distributions to non-controlling interests	11	**(233)**	–
Financing interest paid	12	**(125)**	(111)
Repayment of borrowings and capital element of leases	12	**(336)**	(630)
Net cash flow from continuing financing activities		**(695)**	(740)
Net cash flow from discontinued financing activities		**–**	–
Net cash flow from financing activities		**(695)**	(740)
Net (decrease)/increase in cash and cash equivalents		**(669)**	2,254
Cash and cash equivalents including overdrafts, and including cash classified as held for sale at 1 January		**4,328**	1,393
Effect of foreign exchange rate changes	12	**111**	(10)
Cash and cash equivalents including overdrafts at 30 June	12	**3,770**	3,637
Included in the following line of the Group Balance Sheet:			
Cash and cash equivalents		**4,093**	3,733
Overdrafts included within current bank overdrafts, loans and other borrowings		**(323)**	(96)

The notes on pages 30 to 68 form part of these condensed interim Financial Statements.

Notes to the condensed interim Financial Statements

Notes to the condensed interim Financial Statements provide additional information required by statute, accounting standards or Listing Rules to explain a particular feature of the condensed interim Financial Statements. These condensed interim Financial Statements should be read in conjunction with the information that was released in the Group's consolidated Financial Statements for the year ended 31 December 2021.

1. General information

Centrica plc (the 'Company') is a public company limited by shares, domiciled and incorporated in the UK, and registered in England and Wales. The address of the registered office is Millstream, Maidenhead Road, Windsor, Berkshire, SL4 5GD. The Company has its listing on the London Stock Exchange. The Company, together with its subsidiaries comprise the 'Group'.

The condensed interim Financial Statements for the six months ended 30 June 2022 included in this announcement were authorised for issue in accordance with a resolution of the Board of Directors on 27 July 2022.

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 2021 were approved by the Board of Directors on 23 February 2022 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified and 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, Group Cash Flow Statement for the interim period to 30 June 2022, the Group Balance Sheet as at 30 June 2022, and the related notes have been reviewed by the auditors and their report to the Company is set out on page 24.

2. Basis of preparation

These condensed interim Financial Statements for the six months ended 30 June 2022 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 United Kingdom.

These condensed interim Financial Statements should be read in conjunction with the Group's consolidated Financial Statements for the year ended 31 December 2021, which were prepared in accordance with the United Kingdom adopted International Accounting Standards, with International Financial Reporting Standards as issued by the IASB and in conformity with the requirements of the Companies Act 2006. The Group's consolidated Financial Statements for the year ending 31 December 2022 will be prepared in accordance with the United Kingdom adopted International Financial Reporting Standards.

Preparation of interim financial 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 consistent with those applied in the Group's consolidated Financial Statements for the year ended 31 December 2021, unless amended by the application of new accounting policies, standards or interpretations, or as a result of changes in estimation uncertainty or judgements as described in note 3.

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.

In the context of the continuing economic uncertainty caused by commodity price volatility and energy market uncertainty, the Directors have updated their going concern assessment performed to support the December 2021 Annual Report and Accounts, which were approved by the Board of Directors on the 23 February 2022. That going concern assessment included the impact on the Group of a reduction in commodity prices, adverse weather events, higher bad debt, reduced asset production and increased margin requirements. The Directors have updated their going concern assessment to factor in the Group's updated principal risks, strategy and forecasts, together with modelling downside sensitivities. The going concern assessment has considered the financial impact on the Group's credit and liquidity headroom of certain stress events impacting the Group's key risks over a 12-18 month horizon, including the risks noted above.

The Group's forecasts (including reasonable worst case forecasting) show that the Group will maintain sufficient headroom, underpinned by unrestricted cash and cash equivalents, net of bank overdrafts, of c.£3.4 billion as at 30 June 2022, and c.£2.9 billion of undrawn committed facilities, which remain committed until at least 2024. Accordingly, the Directors continue to believe it is appropriate to adopt the going concern basis of accounting in preparing the condensed interim Financial Statements.

3. Accounting policies

This section details new accounting policies, standards, amendments and interpretations, whether these are effective in 2022 or later years, and if and how these are expected to impact the financial position and performance of the Group. In addition, this section sets out the Group's specific accounting measures applied in the preparation of the condensed interim Financial Statements. These measures enable the users of the accounts to understand the Group's underlying and statutory business performance separately.

The accounting policies applied in these condensed interim Financial Statements are consistent with those used in the preparation of the Group's consolidated Financial Statements for the year ended 31 December 2021, as described in those annual Financial Statements, with the exception of policies, standards, amendments and interpretations effective as of 1 January 2022 and other changes detailed below.

(a) New accounting policies, standards, amendments and interpretations effective or adopted in 2022

From 1 January 2022, the following standards and amendments are effective in the Group's consolidated Financial Statements:

- Amendments to IAS 16: 'Property, Plant and Equipment' regarding proceeds before intended use. The amendments specified that proceeds from selling items produced while bringing an asset into the location and condition necessary for it to be capable of operating in the manner intended should be included in profit or loss;
- Amendments to IAS 37: 'Provisions, contingent assets and contingent liabilities'. The amendments specify which costs an entity should include when assessing whether a contract is onerous and therefore requires a provision; and
- Annual Improvements to IFRS 2018-2020.

None of the changes to IFRS described above have a material impact on the Group's consolidated Financial Statements.

(b) Standards, amendments and interpretations that are issued but not yet applied by the Group

The following standards and amendments have been issued, endorsed and will be applied to the Group in future periods:

- IFRS 17: 'Insurance Contracts', effective from 1 January 2023.

The following standards and amendments have been issued and will be applied to the Group in future periods, subject to UK endorsement:

- Amendments to IAS 1: 'Presentation of Financial Statements' relating to the classification of financial liabilities are effective from 1 January 2023. The amendments clarify the meaning of settlement in the context of liabilities, and the circumstances in which liabilities are classified as current or non-current;
- Amendments to IAS 12: 'Income Taxes' relating to deferred tax on assets and liabilities arising from a single transaction effective from 1 January 2023;
- Amendments to IAS 1 relating to the disclosure of accounting policy and materiality judgements, effective from 1 January 2023; and
- Amendments to IAS 8: 'Accounting policies, change in accounting estimates and errors' relating to the definition of accounting estimates, effective from 1 January 2023.

IFRS 17 will be effective from 1 January 2023. The Group currently has fixed-fee service contracts that it accounts for as insurance contracts under IFRS 4, 'Insurance Contracts'. The Group has substantially completed its assessment of IFRS 17 and expects these contracts to fall within the scope of IFRS 17 where the Group reflects an assessment of the risk associated with an individual customer in setting the price of the contract. The Group plans to apply the simplified 'Premium Allocation Approach' to its contracts on the basis that the coverage period of the Group's insurance contracts is not greater than one year. The Group does not expect a material impact from the application of this standard.

Management does not expect other issued but not effective amendments of standards, or standards not discussed above to have a material impact on the Group's financial statements.

3. Accounting policies

(c) Centrica specific accounting measures

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

Management uses adjusted revenue, adjusted gross margin and adjusted operating profit to evaluate segment performance. They are defined as revenue/gross margin/operating profit before:

- exceptional items; and
- certain re-measurements.

Exceptional items and certain re-measurements are excluded because these items are considered by the Directors to distort the Group's underlying business performance.

Adjusted earnings is defined as earnings before:

- exceptional items net of taxation; and
- certain re-measurements net of taxation.

A reconciliation of adjusted earnings and adjusted earnings per share is provided in note 9.

Free cash flow is used by management to assess the cash generating performance of each segment. Segmental free cash flow is defined as net cash flow from operating and investing activities before:

- deficit reduction payments made to the UK defined benefit pension schemes;
- movements in variation margin and collateral;
- interest received;
- sale, settlement and purchase of securities; and
- taxes paid and refunded.

Segmental free cash flow as assessed by management excludes cash flows relating to tax. This is because the effect of group relief and similar reliefs could distort the measure of segment performance. As a Group-wide measure, free cash flow includes taxes paid and refunded.

Free cash flow gives a measure of the cash generation performance of the business after taking account of the need to maintain its capital asset base. By excluding pension deficit reduction payments and movements in variation margin and collateral, which are predominantly triggered by wider market factors and, in the case of collateral and margin movements, represent timing differences, free cash flow gives a measure of the underlying performance of the Group.

Interest received and cash flows from the sale, settlement and purchase of securities are excluded from free cash flow as these items are included in the Group's net debt measure, and are therefore viewed by the Directors as related to the manner in which the Group finances its operations.

3. Accounting policies

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 users with this clear and consistent presentation, the effects of 'certain re-measurements' of financial instruments, and 'exceptional items', are reported in a different column in the Group Income Statement.

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 contracts (and similar capacity or off-take arrangements), as well as to meet the future needs of its 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, they are prohibited from being designated as 'own use' and so IFRS 9: 'Financial instruments' requires 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 the Group's upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued. Similarly, where our downstream customer supply contracts have become onerous as a result of significant market price movements (and the fact any associated commodity hedges have separately been recognised at fair value under IFRS 9 and therefore the onerous supply contract assessment must reflect the reversal of those gains in subsequent periods), movements in the required provision are also reflected as a certain re-measurement in the 'Cost of sales' line item and separately disclosed in note 6. Movements in this provision do not reflect the underlying performance of the business because they are economically related to both the hedges and forecast future profitability of the supply contracts. 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 effects of these certain re-measurements are presented within either revenue or cost of sales when recognised in business performance depending on the nature of the contract. They are managed separately from proprietary energy trading activities where trades are entered into speculatively for the purpose of making profits in their own right. These proprietary trades are included in revenue in the business performance column of the Group Income Statement.

The Group's result for the period presents both realised and unrealised fair value movements on all derivative energy contracts, including those within the 'Re-measurement and settlement of energy contracts' line item.

Exceptional items are those items that, 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 the separate column in the Group Income Statement. Items that may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings (including property rationalisation costs), significant onerous contract charges/releases, debt repurchase costs, certain pension past service credits/costs, asset impairments/write-backs, the tax effects of these items and the effect of changes in UK upstream tax rates.

The Group distinguishes between business performance asset impairments/write-backs and exceptional impairments/write-backs on the basis of the underlying driver of the impairment, as well as the magnitude of the impairment. Drivers that are deemed to be outside of the control of the Group (e.g. commodity price changes) give rise to exceptional impairments. Additionally, impairment charges or write-backs that are of a one-off nature (e.g. reserve downgrades or one-time change in intended use of an asset) and significant enough value to distort the underlying results of the business are considered to be exceptional. Other impairments that would be expected in the normal course of business, such as unsuccessful exploration activity (dry holes), are reflected in business performance.

(d) Key sources of estimation uncertainty and critical accounting judgements

With the exception of the items noted below which have been updated during the reporting period, key areas of critical accounting judgement and estimation uncertainty that have the most significant effect on the consolidated Group Financial Statements remain as disclosed in note 3(a) and 3(b) of the Annual Report and Accounts for the year ended 31 December 2021.

Supplier of Last Resort (SoLR)

During 2021, the Group was appointed as the Supplier of Last Resort to eight suppliers who ceased trading during the year and one further appointment was made in January 2022. Under Ofgem's licence conditions, the Group is entitled to make a Last Resort Supplier Payment (LRSP) claim for the shortfall between costs reasonably incurred in supplying gas and electricity to premises under the Last Resort Supply Direction, and the charges recovered from customers.

Ofgem published a decision setting out temporary changes to the process for claiming the LRSP and as a result, the Group submitted an initial claim for £361 million covering a six month period from the date of appointment, and received confirmation of Ofgem's acceptance in December 2021. The claim primarily covers incremental commodity costs, incurred as a result of procuring gas and electricity to supply affected customers. The six month SoLR period has now ended for all appointments made in 2021 and the related claim is being settled in monthly instalments between April 2022 and April 2023; £107 million has been received during the period to 30 June 2022. The Group will submit a second claim, estimated to be £159m, to Ofgem by Autumn 2022. This is expected to include a true-up to the initial claim for incremental costs incurred, the inclusion of customer credit balances where the Group has not waived the right to do so, and a claim for costs incurred in relation to the Group's further SoLR appointment made in January 2022. The second claim is expected to be settled between April 2023 and April 2024 and remains subject to Ofgem validation.

The total receivable recognised at 30 June 2022 in respect of both claims is £413 million (31 December 2021: £234 million).

3. Accounting policies

The Group concluded that the LRSP process represents an Ofgem support mechanism, enabling energy suppliers to provide stability to the customers of failed suppliers. The Group determines that the critical accounting judgement is that the LRSP falls within the scope of IAS 20 'Government Grants' and amounts receivable under the mechanism are recognised as an asset, and a credit within cost of sales and operating costs, as the related expenses are incurred.

British Gas Energy and Centrica Business Solutions Onerous Supply Contracts

The Group operates and manages a hedging strategy to ensure that the future costs of supplying customers of the British Gas Energy and Centrica Business Solutions portfolios are appropriately managed.

Hedges are measured at fair value under IFRS 9 and are recognised as certain re-measurements in the Group's income statement until the point at which the related costs to purchase electricity and gas are incurred. Fair value movements on energy purchase contracts entered to meet the future needs of customers are economically related to customer demand; the supply contracts for which are measured on an accrual basis.

Gains arising from hedges have been recognised in the income statement (within certain re-measurements) in accordance with the requirements of IFRS 9. Because of this hedge value recognition, the assessment of whether the supply contracts are onerous must include the contracted energy purchase costs and those mark to market reversals. The Group determines that at the reporting date, the future costs to fulfil customer contracts, including those mark to market reversals, will exceed the charges recovered from customers because the associated hedging gains have already been recognised in the income statement.

The Group has recognised an onerous supply contract provision of £4,399 million at 30 June 2022 (31 December 2021: £2,530 million). This has been calculated by estimating the expected margins from energy supply customers and deducting from this margin the expected costs to fulfil those arrangements, including energy purchase costs reflecting the mark to market gains, and directly attributable overhead costs. For customers where this results in a loss, an onerous contract provision is recorded.

The change in commodity prices significantly impacts the value of the provision and has resulted in a material increase since year end. This increase is partially offset by the corresponding gains on the related derivatives recognised in certain re-measurements. Further disclosures relating to movements in certain re-measurements are provided in note 6.

Further key sources of estimation uncertainty relate to the expected future tenure of the Group's customer portfolio at 30 June 2022, and the estimated gross margin attributable to them. Estimations are based on historic experience, adjusted to reflect non-recurring costs. At 30 June 2022, the Group has determined that the assumptions in relation to customer tenure made at December 2021 continue to be applicable; the ability of customers to change suppliers is currently restricted due to market conditions, and the Group therefore determines that customer tenure assumptions at year end are the best measure of customer behaviour in normal market conditions. Gross margin assumptions have been updated in relation to the British Gas Energy residential portfolio to reflect changes to the price cap methodology during the period, and certain operating cost assumptions have also been revised.

The British Gas Energy residential element of the provision is particularly sensitive to movements in these assumptions. The model indicates that a customer tenure of eight years or more is not expected to be onerous. The gross margin for 30 June 2022 can be found in note 4. The element of the provision relating to business customers is much less sensitive to the assumptions made.

Sensitivities for residential customers are provided in the table below:

Assumption	30 June 2022 Decrease/ (increase) in provision £m	31 December 2021 Decrease/ (increase) in provision £m
Customer tenure one year longer/(shorter)	**241/(190)**	**170/(124)**
Gross margin 10% increase/(decrease)	**138/(174)**	**111/(150)**

Impairment and impairment reversals of long-lived assets

The Group makes judgements in considering whether the carrying amounts of its long-lived assets (principally Upstream gas and oil assets, Nuclear investment (20% economic interest accounted for as an investment in associate) and goodwill) or cash generating units (CGUs) are recoverable and estimates their recoverable amounts.

2021 and 2022 have seen significant increases in forward commodity prices, both in terms of observable market prices and forecast forward prices. As a result, impairment reversals have been booked related to our retained assets. Impairment reversals cannot exceed the depreciated historic cost value of an asset and as a result, all material long-lived assets now have headroom where the estimated recoverable value is higher than depreciated historic cost. Accordingly, these are no longer subject to significant estimation uncertainty as at 30 June 2022.

Upstream gas and oil assets

Forward prices for gas and liquids are a key input in the determination of the recoverable amount of the Group's gas and oil assets. The first half of 2022 has seen continued increases in the prices for such commodities, both in terms of observable market prices and forecast forward prices. The recoverable amounts of the Group's gas and oil assets are capped at depreciated historic cost; no material impairment reversals have been recorded during the period.

3. Accounting policies

Nuclear investment

The recoverable amount of the Nuclear investment is based on the value of the existing UK nuclear fleet operated by EDF. The existing fleet value is calculated by discounting pre-tax cash flows derived from the stations based on forecast power generation and power prices, whilst taking account of outages and the likely operational lives of the stations.

Further details of the methodology, assumptions, impairment reversals booked during the year and related sensitivities are provided in note 6.

Credit provisions for trade and other receivables

The economic effects of the significant increase in wholesale gas and electricity costs, and resultant increase in consumer tariffs alongside wider inflationary and cost of living pressures may impact the ability of the Group's customers to pay amounts due. The level of estimation uncertainty in determining the credit provisions required for customers is heightened.

The methodology for determining provisions for credit losses on trade and other receivables and the level of such provision, along with associated sensitivities, are set out in note 14. Although the provisions recognised are considered appropriate, the use of different assumptions or changes in economic conditions could lead to movements in the provisions and therefore impact the Group Income Statement.

4. Segmental analysis

The Group's reporting segments are those used internally by management to run the business and make decisions. The Group's segments are based on products and services as well as the major factors that influence the performance of these products and services across the geographical locations in which the Group operates.

(a) Segmental structure

The types of products and services from which each reportable segment derived its income during the period are detailed below. Income sources are reflected in Group revenue unless otherwise stated:

Segment	Description
British Gas Services & Solutions	(i) The installation, repair and maintenance of domestic central heating and related appliances, installation of smart meters, and the provision of fixed-fee maintenance/breakdown service and insurance contracts in the UK; and (ii) the supply of new technologies and energy efficiency solutions in the UK.
British Gas Energy	(i) The supply of gas and electricity to residential and small business customers in the UK.
Centrica Business Solutions	(i) The supply of gas and electricity and provision of energy-related services to medium and large business customers in the UK [(i)]; and (ii) the supply of energy efficiency solutions, flexible generation, and new technologies to commercial and industrial customers in all geographies in which the Group operates. Flexible merchant generation is also provided to the UK system operator.
Bord Gáis Energy	(i) The supply of gas and electricity to residential and commercial and industrial customers in the Republic of Ireland; (ii) the installation, repair and maintenance of domestic central heating and related appliances in the Republic of Ireland; and (iii) power generation in the Republic of Ireland [(i)].
Energy Marketing & Trading	(i) The procurement, trading and optimisation of energy in the UK and Europe [(i)]; and (ii) the global procurement and sale of LNG.
Upstream	(i) The production and processing of gas and oil, principally within Spirit Energy [(i)]; and (ii) the sale of power generated from nuclear assets in the UK [(i)].
Direct Energy (Discontinued operation)	(i) The supply of gas and electricity, and provision of energy-related services to residential and business customers in North America; (ii) the installation, repair and maintenance of domestic central heating and cooling systems and related appliances, and the provision of fixed-fee maintenance/breakdown service and insurance contracts in North America; and (iii) the procurement, trading and optimisation of energy in North America [(i)].

(i) Where income is generated from contracts in the scope of IFRS 9, this is included in re-measurement and settlement of energy contracts.

4. Segmental analysis

(b) Revenue

Gross segment revenue includes revenue generated from the sale of products and services to other reportable segments of the Group. Group revenue reflects only the sale of products and services to third parties. Sales between reportable segments are conducted on an arm's length basis.

	2022			2021		
Six months ended 30 June	**Gross segment revenue £m**	**Less inter-segment revenue £m**	**Group revenue £m**	Gross segment revenue £m	Less inter-segment revenue £m	Group revenue £m
British Gas Services & Solutions	**744**	**(22)**	**722**	722	(32)	690
British Gas Energy	**5,090**	**–**	**5,090**	3,840	–	3,840
Centrica Business Solutions	**1,295**	**(11)**	**1,284**	871	(9)	862
Bord Gáis Energy	**784**	**–**	**784**	484	–	484
Energy Marketing & Trading	**6,355**	**(113)**	**6,242**	1,991	(151)	1,840
Upstream	**1,695**	**(1,515)**	**180**	838	(400)	438
Group revenue included in business performance	**15,963**	**(1,661)**	**14,302**	8,746	(592)	8,154
Less: revenue arising from contracts in scope of IFRS 9 included in business performance			**(3,987)**			(1,236)
Group revenue			**10,315**			6,918

4. Segmental analysis

The table below shows the Group revenue arising from contracts with customers, and therefore in the scope of IFRS 15, and revenue arising from contracts in the scope of other standards. The key economic factors impacting the nature, timing and uncertainty of revenue and cash flows are considered to be driven by the type and broad geographical location of the customer. The analysis of IFRS 15 revenue below reflects these factors.

	2022				
Six months ended 30 June	Revenue from contracts with customers in scope of IFRS 15 £m	Revenue from fixed-fee service and insurance contracts in scope of IFRS 4, and leasing contracts in scope of IFRS 16 £m	Group revenue £m	Revenue in business performance arising from contracts in scope of IFRS 9 £m	Group revenue included in business performance £m
Energy services and solutions	**293**				
British Gas Services & Solutions	**293**	**429**	**722**	**–**	**722**
Energy supply – UK	**5,090**				
British Gas Energy	**5,090**	**–**	**5,090**	**–**	**5,090**
Energy supply – UK	**609**				
Energy services and solutions	**142**				
Centrica Business Solutions	**751**	**9**	**760**	**524**	**1,284**
Energy supply – Republic of Ireland	**571**				
Bord Gáis Energy	**571**	**–**	**571**	**213**	**784**
Energy sales to trading and energy procurement counterparties	**2,777**				
Energy Marketing & Trading	**2,777**	**8**	**2,785**	**3,457**	**6,242**
Gas and oil production	**387**				
Upstream	**387**	**–**	**387**	**(207)**	**180**
	9,869	**446**	**10,315**	**3,987**	**14,302**

	2021				
Six months ended 30 June	Revenue from contracts with customers in scope of IFRS 15 £m	Revenue from fixed-fee service and insurance contracts in scope of IFRS 4, and leasing contracts in scope of IFRS 16 £m	Group revenue £m	Revenue in business performance arising from contracts in scope of IFRS 9 £m	Group revenue included in business performance £m
Energy services and solutions	240				
British Gas Services & Solutions	240	450	690	–	690
Energy supply – UK	3,840				
British Gas Energy	3,840	–	3,840	–	3,840
Energy supply – UK	484				
Energy services and solutions	129				
Centrica Business Solutions	613	1	614	248	862
Energy supply – Republic of Ireland	406				
Bord Gáis Energy	406	–	406	78	484
Energy sales to trading and energy procurement counterparties	1,042				
Energy Marketing & Trading	1,042	7	1,049	791	1,840
Gas and oil production	319				
Upstream	319	–	319	119	438
	6,460	458	6,918	1,236	8,154

4. Segmental analysis

(c) Adjusted gross margin and adjusted operating profit

The measure of profit used by the Group is adjusted operating profit. Adjusted operating profit is operating profit before exceptional items and certain re-measurements. This includes business performance results of equity-accounted interests.

This note also details adjusted gross margin. Both measures are reconciled to the reported results.

	Adjusted gross margin		Adjusted operating profit	
Six months ended 30 June	**2022 £m**	2021 £m	**2022 £m**	2021 £m
British Gas Services & Solutions	**255**	266	**7**	60
British Gas Energy	**551**	530	**98**	172
Centrica Business Solutions	**113**	75	**20**	(24)
Bord Gáis Energy	**97**	69	**33**	19
Energy Marketing & Trading	**337**	26	**278**	(40)
Upstream	**910**	188	**906**	75
Adjusted gross margin/adjusted operating profit	**2,263**	1,154	**1,342**	262
Certain re-measurements:				
Onerous energy supply contract provision	**(1,869)**	–	**(1,869)**	–
Derivatives contracts	**(668)**	368	**(668)**	368
Share of re-measurement of certain associates' contracts (net of taxation)	**–**	–	**1**	–
Gross (loss)/profit	**(274)**	1,522		
Exceptional items in operating profit			**95**	373
Operating (loss)/profit after exceptional items and certain re-measurements			**(1,099)**	1,003

4. Segmental analysis

(d) Included within adjusted operating profit

Presented below are certain items included within adjusted operating profit, including a summary of impairments of property, plant and equipment and write-downs relating to exploration and evaluation assets.

	Depreciation of PP&E		Amortisation, write-downs and impairments of intangibles	
Six months ended 30 June	**2022 £m**	2021 £m	**2022 £m**	2021 £m
British Gas Services & Solutions	**(15)**	(15)	**(7)**	(7)
British Gas Energy	**(1)**	(3)	**(40)**	(45)
Centrica Business Solutions	**(6)**	(6)	**(13)**	(19)
Bord Gáis Energy	**(4)**	(2)	**(7)**	(6)
Energy Marketing & Trading	**(15)**	(20)	**(5)**	(6)
Upstream	**(227)**	(204)	**–**	(21)
Other (i)	**(14)**	(15)	**(13)**	(15)
	(282)	(265)	**(85)**	(119)

(i) The Other segment includes corporate functions, subsequently recharged.

Impairments and impairment reversals of PP&E

No impairments or impairment reversals of PP&E were recognised within business performance during the six months ended 30 June 2022 or 30 June 2021.

Write-downs and impairments of intangible assets

During the six months ended 30 June 2022, no write-downs (2021: £21 million) relating to exploration and evaluation assets were recognised in the Upstream segment. All such current and prior period write-downs were recognised within business performance as they were not deemed exceptional in nature. During the six months ended 30 June 2022, no other intangible assets were impaired within business performance (2021: £3 million).

4. Segmental analysis

(e) Capital expenditure

Capital expenditure represents additions, other than assets acquired as part of business combinations, to property, plant and equipment and intangible assets. Capital expenditure has been reconciled to the related cash outflow.

	Capital expenditure on property, plant and equipment		Capital expenditure on intangible assets other than goodwill	
Six months ended 30 June	**2022 £m**	2021 £m	**2022 £m**	2021 £m
British Gas Services & Solutions	**25**	11	**13**	9
British Gas Energy	**–**	–	**112**	97
Centrica Business Solutions	**22**	6	**43**	46
Bord Gáis Energy	**–**	–	**3**	4
Energy Marketing & Trading	**–**	–	**8**	3
Upstream	**48**	129	**6**	10
Other	**6**	2	**–**	–
Capital expenditure	**101**	148	**185**	169
Capitalised borrowing costs	**–**	(4)	**–**	–
Inception of new leases and movements in payables and prepayments related to capital expenditure	**(23)**	(13)	**1**	13
Capital expenditure cash outflow subsequent to transfer to held for sale	**109**	–	**10**	–
Purchases of emissions allowances and renewable obligation certificates [(i)]	**–**	–	**(160)**	(139)
Net cash outflow	**187**	131	**36**	43

(i) Purchases of emissions allowances and renewable obligation certificates of £86 million (2021: £97 million) in British Gas Energy, £63 million (2021: £42 million) in Centrica Business Solutions, £5 million (2021: £nil) in Energy Marketing & Trading and £6 million (2021: £nil) in Upstream.

4. Segmental analysis

(f) Free cash flow

Free cash flow is used by management to assess the cash generating performance of each segment, after taking account of the need to maintain its capital asset base. By excluding pension deficit reduction payments and movements in collateral and margin cash, which are predominantly triggered by wider market factors, and in the case of collateral and margin movements, represent timing movements, free cash flow gives a measure of the underlying cash generation of the business. Free cash flow excludes investing cash flows that are related to net debt. This measure is reconciled to the net cash flow from operating and investing activities.

Six months ended 30 June	2022 £m	2021 £m
Continuing operations		
British Gas Services & Solutions	**(54)**	46
British Gas Energy	**(507)**	(58)
Centrica Business Solutions	**124**	72
Bord Gáis Energy	**66**	(7)
Energy Marketing & Trading	**218**	121
Upstream (i)	**1,151**	255
Other (ii)	**12**	54
Segmental free cash flow excluding tax	**1,010**	483
Discontinued operations		
Direct Energy	**–**	2,582
Group total segmental free cash flow excluding tax	**1,010**	3,065
Taxes (paid)/refunded from continuing operations (i)	**(367)**	41
Group total free cash flow	**643**	3,106
Less discontinued operations free cash flow (including tax)	**–**	(2,582)
Free cash flow from continuing operations	**643**	524
UK Pension deficit payments	**(105)**	(243)
Movements in variation margin and collateral	**(519)**	129
Interest received	**8**	2
Purchase of securities	**(1)**	–
	26	412
Net cash flow from continuing operating activities	**165**	558
Net cash flow used in continuing investing activities	**(139)**	(146)
Total cash flow from continuing operating and investing activities	**26**	412

(i) Upstream free cash flow excluding tax in 2022 includes inflows of £650 million relating to the Norwegian disposal groups. Realised hedge cash outflows of £(89) million have been incurred relating to the Norwegian assets but were held outside the disposal groups. £(286) million of taxes paid relate to the Norway disposal group.

(ii) The Other segment includes corporate functions.

5. Joint ventures and associates

Share of results of joint ventures and associates represents the results of businesses where we exercise joint control or significant influence and generally have an equity holding of up to 50%.

Share of results of joint ventures and associates

The Group's share of results of joint ventures and associates for the six months ended 30 June 2022 principally arises from its interest in Nuclear – Lake Acquisitions Limited, an associate, reported in the Upstream segment.

	2022			2021		
Six months ended 30 June	**Share of business performance £m**	**Share of exceptional items and certain re-measurements £m**	**Share of results for the period £m**	Share of business performance £m	Share of exceptional items and certain re-measurements £m	Share of results for the period £m
Income	**286**	**–**	**286**	208	–	208
Expenses before exceptional items and certain re-measurements	**(226)**	**–**	**(226)**	(241)	–	(241)
Exceptional items and re-measurement of certain contracts	**–**	**1**	**1**	–	–	–
Operating profit/(loss)	**60**	**1**	**61**	(33)	–	(33)
Financing costs	**(1)**	**–**	**(1)**	(1)	–	(1)
Taxation on profit/(loss)	**(10)**	**–**	**(10)**	(2)	–	(2)
Share of post-taxation results of joint ventures and associates	**49**	**1**	**50**	(36)	–	(36)

6. Exceptional items and certain re-measurements

(a) Certain re-measurements

Certain re-measurements are the fair value movements on energy contracts entered into to meet the future needs of our customers or to sell the energy produced from our upstream assets. These contracts are economically related to our upstream assets, capacity/off-take contracts or downstream demand, which are typically not fair valued, and are therefore separately identified in the current period and reflected in business performance in future periods when the underlying transaction or asset impacts the Group Income Statement.

Six months ended 30 June	**2022 £m**	2021 £m
Certain re-measurements recognised in relation to energy contracts:		
Net losses arising on delivery of contracts	**(1,658)**	(232)
Net gains arising on market price movements and new contracts	**990**	600
Net re-measurements included within gross profit before onerous supply contract provision	**(668)**	368
Onerous energy supply contract provision movement [(i)]	**(1,869)**	–
Net re-measurements included within gross profit	**(2,537)**	368
Net gains arising on re-measurement of certain associates' contracts (net of taxation)	**1**	–
Net re-measurements included within Group operating profit	**(2,536)**	368
Taxation on certain re-measurements (note 8) [(ii)]	**660**	28
Net re-measurements after taxation	**(1,876)**	396

Six months ended 30 June	**2022 £m**	2021 £m
Re-measurement and settlement of derivative energy contracts	**(1,541)**	(640)
excluding:		
IFRS 9 business performance revenue	**(3,987)**	(1,236)
IFRS 9 business performance cost of sales	**4,860**	2,244
Unrealised certain re-measurements recognised in relation to energy contracts included in gross profit	**(668)**	368
Onerous contract provision movement (cost of sales)	**(1,869)**	–
Total certain re-measurements	**(2,537)**	**368**

(i) The onerous supply contract provision represents the future costs to fulfil customer contracts on a current market price basis. The associated hedging gains are separately recognised within the gains arising on market price movements and new contracts.

(ii) Taxation on onerous energy supply contracts amounted to a £355 million credit (2021: £nil) and taxation on other certain re-measurements amounted to a £305 million credit (2021: £28 million).

The table below reflects the certain re-measurement derivative movements between UK energy supply net purchases, and trades related to other business units:

Six months ended 30 June	**2022 £m**	2021 £m
UK Energy Supply (British Gas Energy and Centrica Business Solutions)	**2,731**	1,145
Upstream/Energy Marketing & Trading/Bord Gáis	**(3,399)**	(777)
Unrealised certain re-measurements recognised in relation to energy contracts included in gross profit	**(668)**	368

6. Exceptional items and certain re-measurements

(b) Exceptional items

Exceptional items are those items that, in the judgement of the Directors, need to be disclosed separately by virtue of their nature, size or incidence. Items which may be considered exceptional in nature include disposals of businesses or significant assets, business restructurings, significant onerous contract charges and releases, pension change costs or credits, significant debt repurchase costs and asset write-downs/impairments and write-backs.

Six months ended 30 June	**2022 £m**	2021 £m
Exceptional items recognised in continuing operations		
Write-back of power assets [(i)]	**424**	–
Write-back of exploration and production assets [(ii)]	**–**	366
Loss on disposal of E&P Norway [(iii)]	**(329)**	–
Restructuring credit	**–**	7
Exceptional items included within Group operating profit	**95**	373
Net taxation on exceptional items [(iv)] (note 8)	**87**	(125)
Net exceptional items recognised in continuing operations after taxation	**182**	248
Net exceptional items recognised in discontinued operations after taxation	**–**	608
Total exceptional items recognised after taxation	**182**	856

Exceptional items recognised in discontinued operations		
Profit on disposal of Direct Energy	**–**	597
Exceptional items before taxation	**–**	597
Net taxation on exceptional items	**–**	11
Net exceptional items recognised in discontinued operations after taxation	**–**	608

(i) In the Upstream segment, an impairment write-back of the nuclear investment of £424 million (post-tax £424 million) has been recorded as a result of increase in near-term liquid commodity prices and this has reached historic depreciated cap. See note 6c.

(ii) Despite the increase in near-term liquid commodity prices, no material impairment write-backs have been recorded for exploration and production assets because field carrying values have now reached depreciated historic cost. In 2021, impairment write-backs of £366 million (post-tax £194 million) were booked.

(iii) The disposal of E&P Norway completed on 31 May 2022. See note 11 for further details.

(iv) Taxation on exceptional items relates to a credit of £87 million (2021: £49 million) associated with net deferred tax asset recognition related to exploration and production tax losses, investment allowance and decommissioning carrying back, due to the increase in forecast commodity prices. In 2021, a taxation charge of £2 million was also recognised in association with the restructuring credit (alongside the tax impact of the exploration and production write-backs referenced in footnote (ii)).

6. Exceptional items and certain re-measurements

(c) Impairment accounting policy, process and sensitivities

The information provided below relates to the assets and CGUs (or groups of CGUs) that have been subject to impairment write-backs during the period.

Exceptional impairments/write-back assessments of assets measured on a value in use (VIU) basis

Segment	Asset/CGU (or group of CGUs)	Basis for impairment/write-back assessment	Recoverable amount £m	Carrying value (closing) £m	Write-back £m
Upstream	Nuclear	Increase in short-term baseload power prices	3,202	2,081	424

Nuclear

A VIU calculation has been used to determine the recoverable amount of the Group's investment in Nuclear. The cash flows incorporated in the valuation are based on detailed business forecasts in the short term, extrapolated to future years to account for the expected generation profile of the fleet for its remaining life. Assumptions include forward commodity prices, capacity rates, fuel and network costs, operating and capital expenditure requirements. Price assumptions are based on liquid market prices for mid-2022 to mid-2026 which are then blended over a one-year period to long-term price forecasts. Long-term price assumptions derived from third-party market comparator median curves are used due to alignment with pricing that a reasonable market participant would use. The VIU calculation assumes that the Sizewell plant operates until 2055, reflecting a 20-year extension beyond its original design life.

The future pre-tax cash flows generated by the investment in the associate are discounted using a pre-tax nominal discount rate of 18.0% (2021: 9.2%). This equated to a post-tax rate of 6.5% (2021: 5.7%).

During the period the impairment write-back has been restricted to the depreciated historic cost of the investment and therefore significant impairment headroom remains over the closing carrying value. As a consequence, the asset carrying value is not particularly sensitive to the above assumptions, with the exception of changes in short-term commodity price. The table below details average prices for the relevant periods and associated sensitivities.

	Five-year liquid and blended-period price (i)		Ten-year long-term average price (i)		Change in pre/post-tax write-back/(impairment) (ii)			
					+10%		-10%	
	2022-2026	2022-2026	2027-2036	2027-2036				
	30 June 2022 £/MWh	31 December 2021 £/MWh	30 June 2022 £/MWh	31 December 2021 £/MWh	30 June 2022 £m	31 December 2021 £m	30 June 2022 £m	31 December 2021 £m
Baseload power	177	93	63	49	–	319	–	(317)
							-50% Five-year liquid and blended-period only	
							(554)	

(i) Prices are shown in 2021 real terms.

(ii) A 10% change was historically deemed to represent a reasonably possible variation across the entire period covered by the liquid market and comparator curves used in the nuclear impairment test. Given the increases in commodity prices during 2022, a further sensitivity has been included based on a 50% fall in liquid and blend-period commodity prices only.

7. Net finance cost

Financing costs mainly comprise interest on bonds and bank debt, the results of hedging activities used to manage foreign exchange and interest rate movements on the Group's borrowings, and notional interest arising on discounting of decommissioning provisions and pensions. An element of financing cost is capitalised on qualifying projects.

Investment income predominantly includes interest received on short-term investments in money market funds, bank deposits and government bonds.

Continuing operations

	2022			2021		
Six months ended 30 June	**Financing costs £m**	**Investment income £m**	**Total £m**	Financing costs £m	Investment income £m	Total £m
Cost of servicing net debt:						
Interest income	**–**	**8**	**8**	–	4	4
Interest cost on bonds, bank loans and overdrafts	**(84)**	**–**	**(84)**	(93)	–	(93)
Interest cost on lease liabilities	**(2)**	**–**	**(2)**	(4)	–	(4)
	(86)	**8**	**(78)**	(97)	4	(93)
Net losses on revaluation	**(5)**	**–**	**(5)**	(4)	–	(4)
Notional interest arising from discounting	**–**	**1**	**1**	(3)	–	(3)
	(91)	**9**	**(82)**	(104)	4	(100)
Capitalised borrowing costs [(i)]	**4**	**–**	**4**	4	–	4
Financing (cost)/income	**(87)**	**9**	**(78)**	(100)	4	(96)

(i) Borrowing costs have been capitalised using an average rate of 5.13% (2021: 4.37%).

8. Taxation

The taxation note details the different tax charges arising in the Group. This tax charge excludes the Group's share of taxation on the results of joint ventures and associates.

The tax charge for the period has been calculated based on an estimate of the annual effective tax rate expected for the full financial year applied to the interim pre-tax accounting profits for each relevant source of income.

Analysis of tax charge

	2022			2021		
Six months ended 30 June	**Business performance £m**	**Exceptional items and certain re-measurements (ii) £m**	**Results for the period £m**	Business performance £m	Exceptional items and certain re-measurements £m	Results for the period £m
Continuing operations:						
The taxation (charge)/credit comprises						
UK corporation tax	**(99)**	**782**	**683**	26	(41)	(15)
UK petroleum revenue tax	**(1)**	**(20)**	**(21)**	5	–	5
Non-UK tax	**(471)**	**(15)**	**(486)**	(88)	(56)	(144)
Total taxation on profit/(loss) (i)	**(571)**	**747**	**176**	(57)	(97)	(154)

(i) Total taxation on profit/(loss) excludes taxation on the Group's share of profits of joint ventures and associates.
(ii) Exceptional item and certain re-measurement movements predominantly relate to deferred tax, resulting in significantly increased deferred tax assets in 2022.

The Group's adjusted effective tax rate for the six months ended 30 June 2022 was 46% (2021: 35%). This is reconciled to this note in the Group Financial Review on page 18.

The tax charge in respect of the business performance was increased by £15 million as a result of a net increase in the Group's uncertain tax provision in respect of the Group's tax disputes primarily relating to transfer pricing.

On 26 May 2022, the UK Government announced the introduction of an Energy Profits Levy ('EPL') on the UK ring fence profits of oil and gas producers with effect from 26 May 2022. The legislation introducing the EPL was substantively enacted on 11 July 2022. The EPL is charged at the rate of 25% on taxable profits in addition to ring fence corporation tax of 30% and Supplementary Charge of 10%, making a total rate on ring fence profits of 65%. The Group's profits from Spirit and Rough will be impacted by the EPL and the results for the year will reflect the additional tax.

The interim tax charge does not reflect an EPL charge as the legislation was not substantively enacted at 30 June 2022. An EPL tax charge of £4 million is expected to arise from business performance in the period 26 May 2022 to 30 June 2022. Based on the temporary differences at 30 June 2022, a net deferred tax asset would also be recognised of £325 million in respect of EPL, mainly due to derivative balances. These amounts are provisional and the overall current and deferred tax impact will be updated once the full-year results are known.

9. Earnings per ordinary share

Earnings per share (EPS) is the amount of profit or loss attributable to each share. Basic EPS is the amount of profit or loss for the period divided by the weighted average number of shares in issue during the period. Diluted EPS includes the impact of outstanding share options.

Basic earnings per ordinary share has been calculated by dividing the loss attributable to equity holders of the Company for the period of £864 million (2021: profit of £1,351 million) by the weighted average number of ordinary shares in issue during the period of 5,868 million (2021: 5,825 million). The number of shares excludes 26 million ordinary shares (2021: 37 million), being the weighted average number of the Company's own shares held in the employee share trust and treasury shares purchased by the Group as part of share repurchase programmes.

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 and exceptional items, assists with understanding the underlying performance of the Group, as explained in note 3.

Information presented for diluted and adjusted diluted earnings per ordinary share uses the weighted average number of shares as adjusted for 25 million (2021: 74 million) potentially dilutive ordinary shares as the denominator, unless it has the effect of increasing the profit or decreasing the loss attributable to each share.

Continuing and discontinued operations

	2022		2021	
Six months ended 30 June	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	**(864)**	**(14.7)**	1,351	23.2
Net exceptional items after taxation (notes 3 and 6) (i)	**(166)**	**(2.8)**	(780)	(13.4)
Certain re-measurement losses/(gains) after taxation (notes 3 and 6) (i)	**1,673**	**28.5**	(473)	(8.1)
Earnings – adjusted basic	**643**	**11.0**	98	1.7
Earnings – diluted (ii)	**(864)**	**(14.7)**	1,351	22.9
Earnings – adjusted diluted (ii)	**643**	**10.9**	98	1.7

Continuing operations

	2022		2021	
Six months ended 30 June	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	**(864)**	**(14.7)**	743	12.8
Net exceptional items after taxation (notes 3 and 6) (i)	**(166)**	**(2.8)**	(172)	(3.0)
Certain re-measurement losses/(gains) after taxation (notes 3 and 6) (i)	**1,673**	**28.5**	(473)	(8.1)
Earnings – adjusted basic	**643**	**11.0**	98	1.7
Earnings – diluted (ii)	**(864)**	**(14.7)**	743	12.6
Earnings – adjusted diluted (ii)	**643**	**10.9**	98	1.7

Discontinued operations

	2022		2021	
Six months ended 30 June	£m	Pence per ordinary share	£m	Pence per ordinary share
Earnings – basic	**–**	**–**	608	10.4
Net exceptional items after taxation (notes 3 and 6)	**–**	**–**	(608)	(10.4)
Earnings – adjusted basic	**–**	**–**	–	–
Earnings – diluted (ii)	**–**	**–**	608	10.3
Earnings – adjusted diluted (ii)	**–**	**–**	–	–

(i) Net exceptional items after taxation and certain re-measurement losses/(gains) after taxation are adjusted to reflect the share attributable to non-controlling interests.
(ii) Potential ordinary shares are not treated as dilutive when they would decrease a loss per share.

10. Dividends

Dividends represent the return of profits to shareholders. Dividends are paid as an amount per ordinary share held. The Group retains part of the profits generated to meet future investment plans or to fund share repurchase programmes.

No dividends were paid during the period to 30 June 2022 (30 June 2021: £nil).

The Directors propose an interim dividend of 1.0 pence per ordinary share (totalling £59 million) for the six months ended 30 June 2022. The dividend will be paid on 17 November 2022 to those shareholders registered on 7 October 2022.

11. Acquisitions, disposals and disposal groups classified as held for sale

This section details business combinations, asset acquisitions and disposals made by the Group.

(a) Business combinations and asset acquisitions

During the period, the Group were appointed by Ofgem as the Supplier of Last Resort (SOLR) to one energy company who had ceased trading during the period. This was in addition to the eight appointments that were made in 2021. SOLR appointments are not accounted for as business combinations or asset acquisitions as the incremental costs associated with supplying the affected customers are recoverable through the established Last Resort Supplier Payment (LRSP) claim mechanism under Ofgem supplier licence conditions. A customer intangible asset of £10 million was recognised in 2021 in respect of certain customer credit balances that the Group did not include in their LRSP claims.

There have been no material acquisitions during the period. No material measurement period adjustments have been made to acquisitions completed in prior periods.

(b) Disposals

On 8 December 2021 the Group announced that it had agreed to sell Spirit Energy's entire Norwegian portfolio excluding the Statfjord fields to Sval Energi for a headline consideration of $1,026 million (£758 million), and the Statfjord fields to Equinor for headline consideration of $50 million (£37 million).

The sales had a commercial effective date of 1 January 2021, and the consideration receivable at legal completion of 31 May 2022 has been reduced by the net cash flows generated by the business being disposed and interest since 1 January 2021. Net consideration receivable on completion (including costs to dispose) reduced to £222 million from Sval Energi, with a net consideration payable to Equinor of £(118) million. This includes a deferred commodity price linked receivable, and a tax indemnity provided by Spirit Energy Norway. The deferred commodity price linked receivable is currently valued at £55 million from Sval Energi and £38 million from Equinor. The tax indemnity provided to Sval Energi is currently valued at £(136) million. Distribution of the net consideration and net cash flows generated will be pro-rata to the ownership share, with 31% attributable to the non-controlling interests. In the period ended 30 June 2022, £233 million (2021: £nil) was distributed to SWM Bayerische E&P Beteiligungsgesellschaft mbH upon completion of the Spirit Energy Norway sale.

In applying IFRS 5: 'Non-current assets held for sale and discontinued operations', the Group has judged that there are two separate disposal groups being the Statfjord fields and the remainder of the Norwegian portfolio. The assets and liabilities comprising the disposal groups were classified as held for sale as at 8 December 2021. This is on the basis that at that point, the disposal groups were available for immediate sale, subject only to terms that are customary for sales of such assets, and the sale was highly probable. However, the disposal groups do not represent a separate major line of business or geographical operations and hence the Group has concluded that they do not constitute discontinued operations.

Details of the assets and liabilities of the disposal group at 31 May 2022 are shown below.

	Statfjord £m	Norway portfolio excluding Statfjord £m	Total £m
Non-current assets			
Property, plant and equipment	315	975	1,290
Other intangible assets	–	69	69
Goodwill (i)	19	191	210
Deferred tax assets (ii)	71	–	71
Other non-current financial assets	–	8	8
	405	1,243	1,648
Current assets			
Trade and other receivables, and contract-related assets	5	149	154
Inventories	17	14	31
Cash and cash equivalents	–	30	30
	22	193	215
Assets of disposal groups classified as held for sale	**427**	**1,436**	**1,863**
Current liabilities			
Trade and other payables, and contract-related liabilities	(61)	(129)	(190)
Current tax liabilities	(60)	(393)	(453)
Provisions for other liabilities and charges	(3)	(1)	(4)
Lease liabilities	–	(3)	(3)
	(124)	(526)	(650)
Non-current liabilities			
Deferred tax liabilities (ii)	140	(425)	(285)
Provisions for other liabilities and charges	(527)	(239)	(766)
Lease liabilities	–	(3)	(3)
	(387)	(667)	(1,054)
Liabilities of disposal groups classified as held for sale	**(511)**	**(1,193)**	**(1,704)**
Net (liabilities)/assets of disposal groups classified as held for sale	**(84)**	**243**	**159**
Consideration (payable)/receivable (net of transaction costs of £14 million)	**(118)**	**222**	**104**
Loss on disposal before recycling of foreign currency translation reserve	**(34)**	**(21)**	**(55)**
Recycling of foreign currency translation reserve on disposal			**(274)**
Loss on disposal before and after taxation			**(329)**

(i) The proposed divestment of the entire Norwegian portfolio, and attributing exploration and production goodwill of £408 million, resulted in an impairment of £198 million in 2021, before transfer of the remaining balance of £210 million to assets of disposal groups classified as held for sale.

(ii) Deferred tax assets of £71 million represents tax attributable to Statfjord UK, part of a UK tax group. Deferred tax liabilities are categorised between Statfjord Norway, and the portfolio excluding Statfjord purely for presentational purposes.

The results of the disposal groups during 2022 reported in business performance are as follows:

	Statfjord £m	Norway portfolio excluding Statfjord £m	Total £m
Operating profit	142	416	558
Taxation on profit	(87)	(351)	(438)
Profit after taxation	55	65	120

Commodity derivatives previously entered into outside of the disposal group to hedge the future production of the disposal group assets, have been volumetrically closed prior to the completion date. These derivatives have previously been recognised as a loss of £121 million within certain re-measurements. In accordance with the Group’s policy, these losses will not be subsequently reflected in the business performance column of the income statement because the underlying performance to which they relate (i.e. the asset production disposal group) will no longer occur. Cash flows associated with these derivatives will occur through to September 2023.

In the five month period to legal completion of 31 May 2022, £73 million pre-tax (£48 million post-tax) realised losses were recognised in business performance.

Breakdown of consideration:

	Statfjord £m	Norway portfolio excluding Statfjord £m	Total £m
December 2021 payment	–	39	39
May 2022 completion payment	(156)	278	122
2022 contingent consideration (including tax indemnity)	38	(81)	(43)
Total consideration	(118)	236	118
Less cost to dispose	–	(14)	(14)
	(118)	**222**	**104**

A reconciliation of the completion amounts received in 2022 to the cash flow statement is presented below:

	Statfjord £m	Norway portfolio excluding Statfjord £m	Total £m
May 2022 completion payment	(156)	278	122
Cash and cash equivalents included with disposal group	–	(30)	(30)
Disposal fees incurred	–	(10)	(10)
Cash flow statement	**(156)**	**238**	**82**

Additionally, within the Other segment a minority investment made by the former Centrica Innovations business unit in Driivz (an electric vehicle charging software provider) has completed, with cash flow of £21 million expected in the second half of the year.

All other disposals undertaken by the Group were immaterial, both individually and in aggregate.

12. Sources of Finance

(a) Capital structure

The Group seeks to maintain an efficient capital structure with a balance of net debt and equity as shown in the table below:

	30 June 2022 £m	31 December 2021 £m
Net (cash)/debt	**(316)**	(680)
Shareholders' equity	**2,168**	2,365
Capital	**1,852**	1,685

Debt levels are restricted to limit the risk of financial distress and, in particular, to maintain a strong credit profile. The Group's credit standing is important for several reasons: to maintain a low cost of debt, limit collateral requirements in energy trading, hedging and decommissioning security arrangements, and to ensure the Group is an attractive counterparty to energy producers and long-term customers.

The Group monitors its current and projected capital position on a regular basis, considering a medium-term view of at least three 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 credit rating agencies.

The level of debt that can be raised by the Group is restricted by the Company's Articles of Association. Borrowing is limited to the higher of £10 billion and a gearing ratio of three times capital and reserves. The Group funds its long-term debt requirements through issuing bonds in capital markets and taking bank debt. Short-term debt requirements are met primarily through commercial paper or short-term bank borrowings.

The Group maintains substantial committed facilities and uses these to provide liquidity for general corporate purposes, including short-term business requirements and back-up for commercial paper.

British Gas Insurance Limited (BGIL) is required under PRA regulations to hold a minimum capital amount and has complied with this requirement since its inception. BGIL's capital management policy and plan are subject to review and approval by the BGIL board. Reporting processes provide relevant and timely capital information to management and the board. A medium-term capital management plan forms part of BGIL's planning and forecasting process, embedded into approved timelines, management reviews and board approvals.

12. Sources of Finance

(b) Net debt summary

Net debt includes capital market borrowings offset by cash, securities and certain hedging financial instruments used to manage interest rate and foreign exchange movements on borrowings.

Presented in the derivatives and current and non-current borrowings, leases and interest accruals columns shown below are the assets and liabilities that give rise to financing cash flows.

	Current and non-current borrowings, leases and interest accruals £m	Derivatives £m	Gross debt £m	Other assets and liabilities: Cash and cash equivalents, net of bank overdrafts (i) (ii) £m	Other assets and liabilities: Current and non-current securities (iii) £m	Other assets and liabilities: Sub-lease assets £m	Net cash/ (debt) £m
1 January 2022	(3,899)	93	**(3,806)**	4,328	156	2	**680**
Disposal of business [iv]	6	–	**6**	(30)	(21)	–	**(45)**
Net cash outflow from purchase of securities	–	–	**–**	(1)	1	–	**–**
Cash outflow for payment of capital element of leases	54	–	**54**	(54)	–	–	**–**
Cash outflow for repayment of borrowings [v]	282	–	**282**	(282)	–	–	**–**
Remaining cash outflow [iv]	–	–	**–**	(177)	–	–	**(177)**
Revaluation	135	(177)	**(42)**	–	(13)	–	**(55)**
Financing interest paid	72	33	**105**	(125)	–	–	**(20)**
Interest payable and amortisation of borrowings	(84)	–	**(84)**	–	–	–	**(84)**
New lease agreements and re-measurement of existing lease liabilities	(10)	–	**(10)**	–	–	–	**(10)**
Exchange adjustments	(85)	–	**(85)**	111	1	–	**27**
30 June 2022	**(3,529)**	**(51)**	**(3,580)**	**3,770**	**124**	**2**	**316**

	Current and non-current borrowings, leases and interest accruals £m	Derivatives £m	Gross debt £m	Other assets and liabilities: Cash and cash equivalents, net of bank overdrafts (i) (ii) £m	Other assets and liabilities: Current and non-current securities (iii) £m	Other assets and liabilities: Sub-lease assets £m	Net cash/ (debt) £m
1 January 2021	(4,877)	346	(4,531)	1,393	138	2	(2,998)
Disposal of business [iv]	36	–	36	(132)	(4)	–	(100)
Cash outflow for payment of capital element of leases	86	–	86	(86)	–	–	–
Cash outflow for repayment of borrowings	650	(106)	544	(544)	–	–	–
Remaining cash inflow	–	–	–	3,127	–	–	3,127
Revaluation	74	(93)	(19)	–	1	–	(18)
Financing interest paid	93	(8)	85	(111)	–	–	(26)
Interest payable and amortisation of borrowings	(100)	–	(100)	–	–	–	(100)
New lease agreements and re-measurement of existing lease liabilities	(7)	–	(7)	–	–	–	(7)
Exchange adjustments	39	–	39	(10)	–	–	29
30 June 2021	(4,006)	139	(3,867)	3,637	135	2	(93)

(i) Cash and cash equivalents includes £377 million (2021: £400 million) of restricted cash, of which £250 million relates to cash on escrow in favour of the UK defined benefit pension schemes. Restricted cash also includes £5 million (2021: £8 million) within the Spirit Energy business that is not restricted by regulation, but is managed by Spirit Energy's own treasury department.

(ii) Cash and cash equivalents are net of £323 million bank overdrafts (2021: £96 million).

(iii) Securities balances include £72 million (2021: £83 million) of debt instruments and £52 million (2021: £52 million) of equity instruments, all measured at fair value.

(iv) Disposal of business in 2022 represents the net debt items disposed of as part of the sale of the Norway and Driivz businesses, and the cash received for the sale is shown as part of remaining cash outflow. Disposal of business in 2021 represents the net debt items disposed of as part of the sale of Direct Energy.

(v) Bond repayment comprises £36 million repayment of a 3.68% HKD bond repaid on 22 February 2022, and £246 million repayment of a 6.375% GBP bond repaid on 10 March 2022.

12. Sources of Finance

(c) Borrowings, leases and interest accruals summary

			30 June 2022			31 December 2021		
	Coupon rate %	Principal m	**Current £m**	**Non-current £m**	**Total £m**	Current £m	Non-current £m	Total £m
Bank overdrafts			**(323)**	**–**	**(323)**	(750)	–	(750)
Bank loans (> 5 year maturity)			**–**	**(139)**	**(139)**	–	(137)	(137)
Bonds (by maturity date):								
22 February 2022	3.680	HK$450	**–**	**–**	**–**	(43)	–	(43)
10 March 2022	6.375	£246	**–**	**–**	**–**	(241)	–	(241)
16 October 2023 [(i)]	4.000	US$302	**–**	**(246)**	**(246)**	–	(228)	(228)
4 September 2026 [(i)]	6.400	£52	**–**	**(52)**	**(52)**	–	(55)	(55)
16 April 2027	5.900	US$70	**–**	**(57)**	**(57)**	–	(51)	(51)
13 March 2029 [(i)]	4.375	£552	**–**	**(512)**	**(512)**	–	(559)	(559)
5 January 2032 [(ii)]	Zero	€50	**–**	**(66)**	**(66)**	–	(63)	(63)
19 September 2033 [(i)]	7.000	£770	**–**	**(728)**	**(728)**	–	(788)	(788)
16 October 2043	5.375	US$367	**–**	**(297)**	**(297)**	–	(267)	(267)
12 September 2044	4.250	£550	**–**	**(538)**	**(538)**	–	(538)	(538)
25 September 2045	5.250	US$50	**–**	**(40)**	**(40)**	–	(36)	(36)
10 April 2075 [(i) (iii)]	5.250	£450	**–**	**(433)**	**(433)**	–	(455)	(455)
			–	**(2,969)**	**(2,969)**	(284)	(3,040)	(3,324)
Obligations under lease arrangements			**(85)**	**(254)**	**(339)**	(102)	(262)	(364)
Interest accruals			**(82)**	**–**	**(82)**	(68)	–	(68)
			(490)	**(3,362)**	**(3,852)**	(1,204)	(3,439)	(4,643)

(i) Bonds or portions of bonds maturing in 2023, 2026, 2029, 2033 and 2075 have been designated in a fair value hedge relationship.
(ii) €50 million of zero coupon notes have an accrual yield of 4.2%, which will result in a €114 million repayment on maturity.
(iii) The Group has the right to repay at par on 10 April 2025 and every interest payment date thereafter.

13. Post-retirement benefits

The Group manages a number of final salary and career average defined benefit pension schemes. It also has defined contribution schemes. The majority of these schemes are in the UK.

(a) Summary of main post-retirement benefit schemes

Name of scheme	Type of benefit	Status	Country
Centrica Engineers Pension Scheme	Defined benefit final salary pension	Closed to new members in 2006	UK
	Defined benefit career average pension	Open to service engineers only	UK
Centrica Pension Plan	Defined benefit final salary pension	Closed to new members in 2003	UK
Centrica Pension Scheme	Defined benefit final salary pension	Closed to new members in 2003	UK
	Defined benefit career average pension	Closed to new members in 2008	UK
	Defined contribution pension	Open to new members	UK
Bord Gáis Energy Company Defined Benefit Pension Scheme	Defined benefit final salary pension	Closed to new members in 2014	Republic of Ireland
Bord Gáis Energy Company Defined Contribution Pension Plan	Defined contribution pension	Open to new members	Republic of Ireland

The Centrica Engineers Pension Scheme (CEPS), Centrica Pension Plan (CPP) and Centrica Pension Scheme (CPS) form the significant majority of the Group's defined benefit obligation and are referred to below as the 'Registered Pension Schemes'. The other schemes are individually, and in aggregate, immaterial.

Independent valuations

The Registered Pension Schemes are subject to independent valuations at least every three years, on the basis of which the qualified actuary certifies the rate of employer contributions, which together with the specified contributions payable by the employees and proceeds from the schemes' assets, are expected to be sufficient to fund the benefits payable under the schemes. These valuations are known as technical provisions (funding basis) and differ to the IAS 19 accounting basis recognised on the Group's balance sheet.

The latest full actuarial valuations agreed and finalised with the Pension Trustees were carried out at the following dates: the Registered Pension Schemes at 31 March 2018 and the Bord Gáis Energy Company Defined Benefit Pension Scheme at 1 January 2020. For the Registered Pension Schemes, a full actuarial valuation as at 31 March 2021 has been undertaken but is in the process of being finalised. These valuations (including insights from the current in-progress valuation) have been updated to 30 June 2022 for the purpose of meeting the requirements of IAS 19. Investments held in all schemes have been valued for this purpose at market value.

The technical provisions deficit (funding basis) for the Registered Pension Schemes was £1,402 million at the date of the last agreed actuarial valuation as at 31 March 2018. The Group remains committed to additional annual cash contributions to fund this pension deficit. The overall deficit contributions, including the previously disclosed asset-backed contribution arrangements, totalled £235 million in 2019, £175 million in 2020 and 2021, and will amount to an average of £175 million per annum from 2022 to 2025, with a balancing payment of £93 million in 2026. A further £193 million was paid in 2021 in relation to a previous pension strain deferral agreement. The Group has also provided security to the Trustees in the form of £745 million of letters of credit and £250 million cash in escrow.

The technical provisions deficit for the Registered Pension Schemes as at 31 March 2021 has been agreed in principle with the Pension Trustees at £944 million but work continues to finalise the overall arrangement. If the technical provisions deficit was rolled forward to 30 June 2022, using the same assumptions and allowing for contributions paid and investment market movements since the valuation date, it would be c.£600 million.

Governance

The Registered Pension Schemes are managed by trustee companies whose boards consist of both company-nominated and member-nominated Directors. Each scheme holds units in the Centrica Combined Common Investment Fund (CCCIF), which holds the majority of the combined assets of the Registered Pension Schemes. The board of the CCCIF is currently comprised of nine directors: three independent directors, three directors appointed by Centrica plc (including the Chairman) and one director appointed by each of the three Registered Pension Schemes.

Under the terms of the Pensions Act 2004, Centrica plc and each trustee board must agree the funding rate for its defined benefit pension scheme and a recovery plan to fund any deficit against the scheme-specific statutory funding objective. This approach was first adopted for the triennial valuations completed at 31 March 2006, and has been reflected in subsequent valuations, including the 31 March 2018 valuation.

13. Post-retirement benefits

(b) Accounting assumptions

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

Major assumptions used for the actuarial valuation	30 June 2022 %	31 December 2021 %
Rate of increase in employee earnings:		
Subject to 2% cap	**1.8**	1.8
Other not subject to cap	**2.5**	2.6
Rate of increase in pensions in payment	**3.0**	3.1
Rate of increase in deferred pensions:		
In line with CPI capped at 2.5%	**2.3**	2.4
In line with RPI	**3.0**	3.1
Discount rate	**3.7**	1.8

The assumptions relating to longevity underlying the pension liabilities at the balance sheet date have been based on a combination of standard actuarial mortality tables, scheme experience and other relevant data, and include an allowance for future improvements in mortality.

For the Registered Pension Schemes, marginal adjustments to the assumptions used to calculate the pension liability, or significant swings in bond yields or stock markets, can have a large impact in absolute terms on the net assets of the Group. Historic reasonably possible changes as at 30 June to one of the actuarial assumptions would have affected the scheme liabilities as set out below:

Impact of changing material assumptions	30 June 2022		31 December 2021	
	Increase/ decrease in assumption	Indicative effect on scheme liabilities %	Increase/ decrease in assumption	Indicative effect on scheme liabilities %
Rate of increase in employee earnings subject to 2% cap	**0.25%**	**+/-0**	0.25%	+/-0
Rate of increase in pensions in payment and deferred pensions	**0.25%**	**+/-4**	0.25%	+/-4
Discount rate	**0.25%**	**-/+5**	0.25%	-/+5
Inflation assumption	**0.25%**	**+/-4**	0.25%	+/-5
Longevity assumption	**1 year**	**+/-4**	1 year	+/-4

Given the movement in discount rate during the period, the following additional sensitivity has been provided: a 1% increase in the discount rate would reduce the scheme liabilities by 16%, and a 1% decrease in the discount rate would increase scheme liabilities by 21%.

The indicative effects on scheme liabilities have been calculated by changing each assumption in isolation and assessing the impact on the liabilities. For the reasonably possible change in the inflation assumption, it has been assumed that a change to the inflation assumption would lead to corresponding changes in the assumed rates of increase in uncapped pensionable pay, pensions in payment and deferred pensions.

(c) Amounts included in the Group Balance Sheet

	30 June 2022 £m	31 December 2021 £m
Fair value of plan assets	**8,100**	10,666
Present value of defined benefit obligation	**(7,353)**	(10,666)
Net asset recognised in the Group Balance Sheet	**747**	–
Pension asset presented in the Group Balance Sheet as:		
Retirement benefit assets	**801**	231
Retirement benefit liabilities	**(54)**	(231)

The Trust Deed and Rules for the Registered Pension Schemes provide the Group with a right to a refund of surplus assets assuming the full settlement of scheme liabilities. No asset ceiling restrictions have been applied.

Included in the Group Balance Sheet within non-current securities are £98 million (31 December 2021: £111 million) of investments, held in trust on behalf of the Group as security in respect of the Centrica Unfunded Pension Scheme. Of the pension scheme liabilities above, £52 million (31 December 2021: £66 million) relates to this scheme.

14. Trade and other receivables, and contract-related assets

Trade and other receivables include accrued income and are amounts owed by our customers for goods we have delivered or services we have provided. These balances are valued net of provisions for bad debt. Other receivables include payments made in advance to our suppliers. Contract-related assets are balances arising as a result of the Group's contracts with customers in the scope of IFRS 15.

	30 June 2022		31 December 2021	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Financial assets:				
Trade receivables	**1,883**	**–**	1,546	–
Unbilled downstream energy income	**748**	**–**	726	–
Trading and energy procurement accrued income (i)	**1,617**	**–**	2,546	–
Other accrued energy income	**98**	**–**	175	–
Other accrued income	**109**	**–**	108	–
Cash collateral posted	**1,280**	**–**	888	–
Other receivables (including loans and contract assets) (ii)	**560**	**147**	333	135
	6,295	**147**	6,322	135
Less: provision for credit losses	**(739)**	**–**	(633)	–
	5,556	**147**	5,689	135
Non-financial assets: prepayments, other receivables and costs to obtain or fulfil a contract with a customer	**258**	**94**	192	98
	5,814	**241**	5,881	233

(i) Trading and energy procurement counterparty receivables are typically with customers with external, published credit ratings. Such receivables have typically much lower credit risk than downstream counterparties and expected credit losses are not significant.

(ii) Other receivables include £413 million (31 December 2021: £234 million) of Supplier of Last Resort (SoLR) claims, see note 3 for further details.

The amounts above include gross amounts arising from the Group's IFRS 15 contracts with customers of £1,746 million (31 December 2021: £1,419 million). Additionally, accrued income of £1,016 million (31 December 2021: £797 million) arising under IFRS 15 contracts is included.

Trade and other receivables include financial assets representing the contractual right to receive cash or other financial assets from residential customers, business customers and treasury, trading and energy procurement counterparties as follows:

	30 June 2022		31 December 2021	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Financial assets by class:				
Residential customers (i)	**2,255**	**127**	1,664	110
Business customers	**1,063**	**19**	1,019	21
Treasury, trading and energy procurement counterparties	**2,977**	**1**	3,639	4
	6,295	**147**	6,322	135
Less: provision for credit losses	**(739)**	**–**	(633)	–
	5,556	**147**	5,689	135

(i) Residential customers include current other receivables of £286 million (31 December 2021: £124 million) and non-current other receivables of £127 million (31 December 2021: £110 million) in relation to SoLR claims, see note 3(a) for further details.

14. Trade and other receivables, and contract-related assets

Credit losses and provisions for Trade and other receivables

Receivables from residential and business customers are generally considered to be credit impaired when the payment is past the contractual due date. The Group applies different definitions of default for different groups of customers, ranging from sixty days past the due date to six to twelve months from the issuance of a final bill. Receivables are generally written off only once a period of time has elapsed since the final bill. Contractual due dates range from falling due upon receipt to falling due in thirty days from receipt.

The table below shows credit impaired balances in gross receivables (those that are past due) and those that are not yet due and therefore not considered to be credit impaired.

Gross trade and other receivables	30 June 2022 £m	31 December 2021 (i) £m
Balances that are not past due	**4,912**	5,155
Balances that are past due	**1,383**	1,167
	6,295	6,322

(i) The prior year has been re-presented to reclassify £123 million of balances that are past due to balances that are not past due.

The IFRS 9 impairment model is applicable to the Group's financial assets including trade receivables and other financial assets. As the majority of the relevant balances are trade receivables and contract assets to which the simplified model applies, this disclosure focuses on these balances.

The provision for credit losses for trade receivables and contract assets is based on an expected credit loss model that calculates the expected loss applicable to the receivable balance over its lifetime. Expected credit losses on receivables due from treasury, trading and energy procurement counterparties are not significant. For residential and business customers default rates are calculated initially by considering historical loss experience and applied to trade receivables within a provision matrix. The matrix approach allows application of different default rates to different groups of customers with similar characteristics. These groups are determined by a number of factors including; the nature of the customer, the payment method selected and where relevant, the sector in which they operate. The characteristics used to determine the groupings of receivables are the factors that have the greatest impact on the likelihood of default. The rate of default increases once the balance is thirty days past due.

Concentration of credit risk in Trade and other receivables

Treasury, trading and energy procurement counterparty receivables are typically with customers with external, published credit ratings. Such receivables have typically much lower credit risk than downstream counterparties, and that risk is assessed primarily by reference to the credit ratings rather than to the ageing of the relevant balance.

The Group was appointed as a Supplier of Last Resort to a number of energy suppliers who have ceased to trade. Under Ofgem licence conditions, the Group is entitled to make a Last Resort Supplier Payment claim for incremental costs reasonably incurred to supply affected customers; a total of £413 million (31 December 2021: £234 million) has been recognised in other receivables at 30 June 2022. This is being recovered as part of a two-step claim process. An initial levy claim, based on expected commodity costs, was submitted and approved by Ofgem, and is being settled in monthly instalments between April 2022 and April 2023. A second claim, truing up the initial claim to reflect both actual costs incurred and customer credit balances will be submitted in Autumn 2022 and recovered between April 2023 and April 2024. The second claim will also include costs arising from the Group's additional SoLR appointment made in January 2022. The claims are settled by network operators who have strong credit ratings, therefore risk of default is considered low. In addition, Ofgem have the power under licensing conditions to take enforcement action against default in accordance with its statutory duties and its Enforcement Guidelines.

The Group's cash collateral balance has increased to £1,280 million in 2022 (31 December 2021: £888 million) as a result of higher commodity prices. The related liability for collateral received has decreased, see note 19. Collateral counterparties typically have strong credit ratings and accordingly have low credit risk; the Group does not expect credit losses to arise on these balances.

The majority of the Group's credit exposure arises in the British Gas Energy and Centrica Business Solutions segments and relates to residential and business energy customers. The credit risk associated with these customers is assessed as described above, using a combination of the age of the receivable in question, internal ratings based on a customer's payment history, and external data from credit rating agencies and wider macroeconomic information. The disclosures below reflect the information that is reported internally for credit risk management purposes in these segments.

14. Trade and other receivables, and contract-related assets

British Gas Energy credit risk

Of the Group total of £1,883 million (31 December 2021: £1,546 million) billed trade receivables, the British Gas Energy reporting segment contributes £1,395 million (31 December 2021: £1,033 million). British Gas Energy includes small business customers on the basis that their profile closely matches those of residential customers. As described above, credit risk is concentrated in receivables from energy customers who pay in arrears. Gross receivables from British Gas Energy residential customers amount to £894 million (31 December 2021: £601 million) and are analysed below.

Trade receivables due from British Gas residential energy customers as at [(i)]	**30 June 2022**				31 December 2021			
Days beyond invoice date [(ii)]	< 30 days £m	30-90 days £m	>90 days £m	**Total £m**	< 30 days £m	30-90 days £m	>90 days £m	Total £m
Risk profile								
Direct debits [(iii)]								
Gross receivables	109	100	120	329	55	28	53	136
Provision	–	(1)	(17)	(18)	–	–	(2)	(2)
Net	109	99	103	311	55	28	51	134
Payment on receipt of bill [(iii)]								
Gross receivables	93	39	257	389	87	22	194	303
Provision	(4)	(7)	(126)	(137)	(3)	(4)	(102)	(109)
Net	89	32	131	252	84	18	92	194
Final bills [(iv)]								
Gross receivables	9	11	156	176	7	8	147	162
Provision	(2)	(5)	(126)	(133)	(2)	(4)	(122)	(128)
Net	7	6	30	43	5	4	25	34
Total net British Gas residential energy customers trade receivables	205	137	264	606	144	50	168	362

(i) The receivables information presented in this table relates to downstream customers who pay energy bills using the methods presented. It excludes low residual credit risk amounts, such as balances in the process of recovery through pay-as-you-go energy (PAYGE) arrangements and amounts receivable from PAYGE energy vendors. Gross amounts in the process of recovery through PAYGE arrangements at 30 June 2022 are £208 million (31 December 2021: £201 million), against which a provision of £139 million is held (31 December 2021: £136 million).

(ii) This ageing analysis is presented relative to invoicing date, and presents receivables according to the oldest invoice outstanding with the customer. There are a range of payment terms extended to residential energy customers. Amounts paid on receipt of a bill (PORB), which are settled using bank transfers, cash or cheques are typically due within fourteen days of invoicing. Direct debit customers typically pay in equal instalments over a twelve-month period.

(iii) Receivables settled by direct debit are deemed to present a lower credit risk than PORB amounts. This is reflected in the relative level of provision held for these types of receivables.

(iv) Final bill customers are those who are no longer customers of the Group and have switched energy supplier. These balances are deemed to have the highest credit risk.

Gross receivables from British Gas Energy small business customers amount to £289 million (31 December 2021: £232 million) and are analysed below.

Trade receivables due from British Gas small business energy customers as at	**30 June 2022**				31 December 2021			
Days beyond invoice date [(i)]	< 30 days £m	30-90 days £m	>90 days £m	**Total £m**	< 30 days £m	30-90 days £m	>90 days £m	Total £m
Risk profile								
Small businesses								
Gross receivables	49	24	216	**289**	48	18	166	232
Provision	–	(2)	(157)	**(159)**	–	(1)	(128)	(129)
Total net British Gas small business energy customers trade receivables	**49**	**22**	**59**	**130**	48	17	38	103

(i) This ageing analysis is presented relative to invoicing date, and presents receivables according to the oldest invoice outstanding with the customer. There are a range of payment terms extended to business energy customers. Average credit terms for small business customers are ten working days.

Unbilled downstream energy income at 30 June 2022 includes gross balances of £607 million in respect of British Gas Energy customers (31 December 2021: £535 million), against which a provision of £22 million is held (31 December 2021: £21 million).

14. Trade and other receivables, and contract-related assets

Centrica Business Solutions energy credit risk

Of the Group total of £1,883 million (31 December 2021: £1,546 million) billed trade receivables, the Centrica Business Solutions reporting segment contributes £288 million (31 December 2021: £299 million). As described above, credit risk is concentrated in receivables from business energy customers who pay in arrears. Gross receivables from these customers amount to £247 million (31 December 2021: £251 million) and are analysed below.

Trade receivables due from Centrica Business Solutions business energy customers as at	**30 June 2022**				31 December 2021			
Days beyond invoice date (i)	< 30 days £m	30-90 days £m	>90 days £m	**Total £m**	< 30 days £m	30-90 days £m	>90 days £m	Total £m
Risk profile								
Commercial and industrial (ii)								
Gross receivables	110	3	40	153	116	3	47	166
Provision	–	–	(19)	(19)	–	–	(18)	(18)
Net	110	3	21	134	116	3	29	148
Medium-sized entities (ME)								
Gross receivables	18	10	66	94	22	7	56	85
Provision	–	–	(43)	(43)	–	–	(36)	(36)
Net	18	10	23	51	22	7	20	49
Total net Centrica Business Solutions business energy customers trade receivables	128	13	44	185	138	10	49	197

(i) This ageing analysis is presented relative to invoicing date, and presents receivables according to the oldest invoice outstanding with the customer. There are a range of payment terms extended to business energy customers. Average credit terms for ME customers are ten working days. Credit terms for Commercial and Industrial customers are bespoke and are set based on the commercial agreement with each customer.

(ii) This category includes low credit risk receivables, including those from public sector and customers with high turnover (greater than £100 million).

Unbilled downstream energy income at 30 June 2022 includes gross balances of £146 million in respect of Centrica Business Solutions business energy customers (31 December 2021: £193 million), against which a provision of £4 million is held (31 December 2021: £5 million).

Sensitivity to changes in assumptions

Typically, the most significant assumption included within the expected credit loss provisioning model that gives rise to estimation uncertainty is that future performance will be reflective of past performance and that there will be no significant change in the payment profile or recovery rates within each identified group of receivables. To address this risk, the Group reviews and updates default rates, by group, on a regular basis to ensure they incorporate the most up to date assumptions along with forward-looking information where available and relevant. The Group also considers regulatory changes and customer segment specific factors that may have an impact, now or in the future, on the recoverability of the balance.

The specific consideration of forward-looking information in the impairment model does not usually give rise to significant changes in the levels of credit losses. However, inflationary pressures and increasing wholesale gas and electricity costs continue to cause uncertainty in economic outlook. The economic recovery remains vulnerable and there remains a level of estimation uncertainty inherent in determining credit loss provisions for the Group's trade receivables.

Where customers experience difficulties in settling balances, the increased ageing of these amounts results in an increase in provisions held in respect of them under the provision matrix approach employed. The Group has also considered changes in customer payment patterns, the specific circumstances of the customers and the economic impacts of the factors identified above, on the sectors in which they operate. Whilst economic recovery is expected, a level of unpredictability remains apparent.

The Group has considered macroeconomic forecasts in determining the level of provisions for credit losses. Customers are facing increases to their cost of living, including increased energy bills, higher inflation and higher interest rates.

During the period, the Group recognised impairment charges of £140 million (2021: £66 million) in respect of financial assets, representing 1.4% of Group revenue (2021: 1.0%) and 1.0% of Group revenue from business performance (2021: 0.8%). As described above, the majority of the Group's credit exposure arises in respect of downstream energy receivables in British Gas Energy and Centrica Business Solutions. Credit losses in respect of these assets amounted to £132 million (2021: £63 million). This represents 2.1% (2021: 1.4%) of total UK downstream energy supply revenue from these segments of £6,223 million (2021: £4,572 million). Further details of segmental revenue are provided in note 4.

14. Trade and other receivables, and contract-related assets

Due to the different level of risks presented by billed and unbilled receivables, these asset groups are considered separately in the analysis below.

Billed trade receivables

	30 June 2022 £m	31 December 2021 £m
Gross billed receivables	**1,883**	1,546
Provision	**(713)**	(607)
Net balance	**1,170**	939

	30 June 2022 %	31 December 2021 %
Provision coverage	**38**	39
Sensitivity	**£m**	£m
Impact on billed receivables/operating profit from 1 percentage point (increase)/decrease in provision coverage [(i)]	**(19)/19**	(16)/16

(i) Credit risk in the Group is impacted by a large number of interacting factors.

Cash collection relative to billing has remained largely stable throughout the first half of 2022, driven by continued high levels of Business collections. Provision rates by customers in the Group's downstream operations have fallen marginally, driven by higher customer bill amounts which, being less aged, attract a lower rate of bad debt provision. However, the macroeconomic environment is deteriorating with higher inflation, higher interest rates and lower growth projections leading to a more challenging outlook. There remains significant uncertainty around the possible increase in bad debt as a result of these factors, and some leading debt indicators including the number of new customers going into debt have deteriorated. Owing to recent changes in Price Cap levels and the delayed impact on customer payments, these factors are yet to be reflected fully in the underlying matrix output model used to book provision coverage. Therefore, as part of management's assessment of the adequacy of bad debt provisions, a £32 million increase to the macroeconomic provision has been booked, which now totals £62 million (31 December 2021: £30 million). It remains highly uncertain when and how these factors will reduce the collectability of debt and what impact future Government intervention, including for the Energy Bills Support Scheme (EBSS), may limit the impact of these. The table above and the unbilled section below provides details of the sensitivity of moving the bad debt provision by a further 1%.

The Group's services, upstream and trading operations are less susceptible to credit risk. No significant deterioration of credit risk has been experienced or is expected in the relevant segments in respect of billed trade receivables recognised at 30 June 2022, taking into account cash collection cycles in those areas of the Group and credit rating information.

Unbilled downstream energy income

The table below shows the IFRS 15 unbilled downstream energy income for the Group as a whole.

	30 June 2022 £m	31 December 2021 £m
Gross unbilled receivables	**748**	726
Provision	**(26)**	(26)
Net balance	**722**	700

	30 June 2022 %	31 December 2021 %
Provision coverage	**4**	4
Sensitivity	**£m**	£m
Impact on unbilled receivables/operating profit from 1 percentage point (increase)/decrease in provision coverage [(i)]	**(7)/7**	(7)/7

(i) Credit risk in the Group is impacted by a large number of interacting factors.

Unbilled downstream energy income is typically provided at a significantly lower rate than billed debt. This is because a large proportion of this debt once billed will be subject to the historically short cash collection cycles of the Group's downstream energy supply businesses.

15. Financial instruments

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Group has documented internal policies for determining fair value including methodologies used to establish valuation adjustments required for credit risk.

(a) Fair value hierarchy

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; and
- 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 2022				31 December 2021
	Level 1 £m	Level 2 £m	Level 3 £m	**Total £m**	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets								
Derivative financial instruments:								
Energy derivatives	–	10,475	1,259	**11,734**	–	6,906	480	7,386
Interest rate derivatives	–	20	–	**20**	–	71	–	71
Foreign exchange derivatives	–	153	–	**153**	–	93	–	93
Debt instruments	71	–	1	**72**	82	–	1	83
Equity instruments	28	4	20	**52**	29	3	20	52
Contingent consideration receivable	–	38	–	**38**	–	–	–	–
Cash and cash equivalents	–	3,084	–	**3,084**	–	3,670	–	3,670
Total financial assets at fair value	**99**	**13,774**	**1,280**	**15,153**	111	10,743	501	11,355
Financial liabilities								
Derivative financial instruments:								
Energy derivatives	–	(10,401)	(1,234)	**(11,635)**	–	(5,662)	(290)	(5,952)
Interest rate derivatives	–	(97)	–	**(97)**	–	–	–	–
Foreign exchange derivatives	–	(108)	–	**(108)**	–	(57)	–	(57)
Contingent consideration payable	–	–	(81)	**(81)**	–	–	–	–
Total financial liabilities at fair value	**–**	**(10,606)**	**(1,315)**	**(11,921)**	–	(5,719)	(290)	(6,009)

The reconciliation of the Level 3 fair value measurements during the period is as follows:

	2022		2021	
Period ended 30 June	**Financial assets £m**	**Financial liabilities £m**	Financial assets £m	Financial liabilities £m
Level 3 financial instruments				
1 January	**501**	**(290)**	120	(129)
Total realised and unrealised gains/(losses):				
Recognised in Group Income Statement	**779**	**(944)**	36	75
Contingent consideration payable recognised on disposal	**–**	**(81)**	–	–
Purchases, sales, issuances and settlements (net) [(i)]	**–**	**–**	(53)	20
30 June	**1,280**	**(1,315)**	103	(34)
Total gains/(losses) for the period for Level 3 financial instruments held at the end of the reporting period	**779**	**(944)**	36	75

(i) During 2021, Level 3 financial assets and financial liabilities of £53 million and £20 million respectively were disposed as part of the Direct Energy sale.

15. Financial instruments

(b) Valuation techniques used to derive Level 2 and Level 3 fair values and Group valuation process

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, with the resulting market value discounted back to present value using observable yield curves.

Level 2 energy derivatives are fair valued by comparing and discounting the difference between the expected contractual cash flows for the relevant commodities and the quoted prices for those commodities in an active market. The average discount rate applied to value this type of contract during the period was 2% per annum (31 December 2021: 1% per annum).

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 the Group's contractual terms. This applies to certain contracts within Europe. Fair values are then calculated by comparing and discounting the difference between the expected contractual cash flows and these derived future prices using an average discount rate of 2% per annum (31 December 2021: 1% per annum).

Active period of markets	Gas	Power	Coal	Emissions	Oil
UK (years)	**4**	**4**	**3**	**3**	**4**

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 the volumetric exposures and 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 because of the level of hedging related to these exposures.

It should be noted that the fair values disclosed in the tables above only concern those contracts entered into that are within the scope of IFRS 9. The Group has numerous other commodity contracts that are outside of the scope of IFRS 9 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 into the energy derivative valuations, subject to adjustments to ensure they are compliant with IFRS 13: 'Fair value measurement'. The price curves are subject to review and approval by the Group Financial Controller and the Group Chief Financial Officer. The valuations of all derivatives, together with other contracts that are not within the scope of IFRS 9 are also reviewed regularly as part of the overall risk management process.

Where the fair value at initial recognition for contracts which extend beyond the active period differs from the transaction price, a day-one gain or loss will arise. Such gains and losses are deferred and amortised to the Group Income Statement based on volumes purchased or delivered over the contractual period until such time as observable market data becomes available. The amount that has yet to be recognised in the Group Income Statement relating to the differences between the transaction prices and the amounts that would have arisen had valuation techniques used for subsequent measurement been applied at initial recognition, less subsequent releases, is as follows:

Day-one gains deferred	**2022 £m**	2021 £m
1 January	**90**	64
Disposal of Direct Energy	**–**	(45)
Net gains deferred on transactions in the period	**152**	3
Net amounts recognised in Group Income Statement	**(54)**	1
Exchange differences	**4**	(1)
30 June	**192**	22

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

The carrying values 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 2022			31 December 2021		
		Notes	**Carrying value £m**	**Fair value £m**	**Fair value hierarchy**	Carrying value £m	Fair value £m	Fair value hierarchy
Bank loans		12	**(139)**	**(145)**	**Level 2**	(137)	(173)	Level 2
Bonds	Level 1	12	**(2,903)**	**(3,006)**	**Level 1**	(3,218)	(3,947)	Level 1
	Level 2	12	**(66)**	**(84)**	**Level 2**	(106)	(136)	Level 2

16. Commitments and contingencies

(a) Commitments

Commitments are not held on the Group's Balance Sheet as these are executory arrangements, and relate to amounts that we are contractually required to pay in the future as long as the other party meets its contractual obligations.

The Group's commitments primarily relate to the acquisition of property, plant and equipment and intangible assets, commodity purchase contracts, and contracts for LNG, transportation and other capacity.

Commodity purchase contract commitments have increased by £24 billion since 31 December 2021 to £68 billion, predominantly as a result of increased forecast prices.

Other commitments, including the acquisition of property, plant and equipment and intangible assets, have remained at £8 billion since 31 December 2021.

(b) Contingent liabilities

The Group has no material contingent liabilities.

17. Events after the balance sheet date

The Group updates disclosures in light of new information being received, or a significant event occurring, in the period between 30 June 2022 and the date of this report.

On 27 July 2022 the Directors approved an interim dividend of 1.0p per share. See note 10. There are no other significant post balance sheet events.

18. Related party transactions

The Group's principal related party is its investment in Lake Acquisitions Limited, which owns the existing EDF UK nuclear fleet. The disclosures below, including comparatives, only refer to related parties that were related in the current reporting period.

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

	2022		2021	
	Purchase of goods and services (i) £m	**Amounts owed to (ii) £m**	Purchase of goods and services (i) £m	Amounts owed to (iii) £m
Associates:				
Nuclear	**(274)**	**(56)**	(191)	(40)
	(274)	**(56)**	(191)	(40)

(i) Six months ended 30 June.
(ii) As at 30 June.
(iii) As at 31 December.

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.

At the balance sheet date, the Group had committed facilities to the Lake Acquisitions Group totalling £120 million (31 December 2021: £120 million), although nothing has been drawn down at 30 June 2022 (31 December 2021: £nil).

19. Financial Risk Management

The Group's normal operating, investing and financing activities expose it to a variety of financial risks: market risk (including commodity price risk, currency risk, and interest rate risk), credit risk and liquidity risk. These condensed interim Financial Statements do not include all financial risk management information and disclosures included in note S3 of the Group's consolidated Financial Statements for the year ended 31 December 2021.

The Group's normal operating, investing and financing activities expose it to a variety of risks. Risk management is fundamental to the way the Group is governed and managed. The Group's system of risk management and internal control is set out in the 2021 Annual Report and Accounts.

The Group's financial performance and price competitiveness is dependent upon its ability to manage exposure to wholesale commodity prices for gas, oil, carbon and power, interest rates for long-term borrowing, fluctuations in various foreign currencies, and environmental factors. Financial risk is reviewed quarterly by the senior Finance stakeholders and the executive Centrica Leadership Team to review Group financial exposures and assess compliance with risk limits.

The four main areas of financial risk are managed as follows:

- commodity price risk management is carried out in accordance with individual business unit policies and directives including appropriate escalation routes;
- treasury risk management, including management of currency risk, interest rate risk and liquidity risk is carried out by a central Group Treasury function in accordance with the Group's financing and treasury policy, as approved by the Board;
- wholesale credit risks associated with commodity trading and treasury positions are managed in accordance with the Group's credit risk policy; and
- downstream customer credit risk management is carried out in accordance with individual business unit credit policies.

Credit risk is the risk of loss associated with a counterparty's inability or failure to discharge its obligations under a contract. The Group continually reviews its rating thresholds for counterparty credit limits, with reference to the current situation in Ukraine and forecast macroeconomic impacts of high inflation and commodity prices, and updates these as necessary based on a consistent set of principles. It maintains a balance between exchange-based trading and bilateral transactions. This allows for a reasonable balance between counterparty credit risk and potential liquidity requirements. In addition, the Group actively manages the trade-off between credit and liquidity risks by optimising the use of contracts with collateral obligations and physically settled contracts without collateral obligations.

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, raise at least 75% of its gross debt (excluding non-recourse debt) in the debt capital markets, and to maintain an average term to maturity in the recourse long-term debt portfolio greater than five years.

At 30 June 2022 the Group had undrawn committed credit facilities of £2,939 million (31 December 2021: £3,006 million) and £3,393 million (31 December 2021: £3,875 million) of unrestricted cash and cash equivalents, net of outstanding overdrafts. 85% (31 December 2021: 89%) of the Group's gross debt has been raised in the long-term debt market, and the forecast average term to maturity of the long-term debt portfolio was 10.4 years (31 December 2021: 10.9 years).

The Group's liquidity is impacted by the cash posted or received under margin and collateral agreements. The terms and conditions of these depend on the counterparty and the specific details of the transaction. Cash is generally returned to the Group or by the Group within two days of trade settlement.

	30 June 2022 £m	31 December 2021 £m
Collateral (received)/posted included within:		
Trade and other payables	**(988)**	(1,185)
Trade and other receivables	**1,280**	888
Collateral (received)/posted extinguishing:		
Net derivative liabilities (i)	**(176)**	(114)
Net collateral posted/(received)	**116**	(411)

(i) Variation margin on daily settled derivatives results in the extinguishment of the net derivative asset/liability. These contracts remain outstanding until a future delivery date, and therefore the cumulative daily settlement is considered collateral until that fulfilment date.

20. 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-month period ended 30 June 2022 may not be indicative of the amounts that would be reported for a full year due to seasonal fluctuations in customer demand for gas, electricity and services, the impact of weather on demand and commodity prices, and market changes in commodity prices and retail tariffs.

Customer demand for gas in the UK and the Republic of Ireland 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 and the Republic of Ireland generally follows a similar pattern to gas, but is more stable.

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 as that is typically when heating systems tend to break down most, so that customer demand from July to December is higher than from January to June.

Gas production volumes 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 at their lowest.

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

Explanatory Notes

Definitions and reconciliation of adjusted performance measures

Centrica's 2022 Interim Results include a number of non-GAAP measures. These measures are chosen as they provide additional useful information on business performance and underlying trends. They are also used to measure the Group's performance against its strategic financial framework. They are not however, defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. Where possible they have been reconciled to the statutory equivalents from the primary statements (Group Income Statement ('I/S'), Group Balance Sheet ('B/S'), Group Cash Flow Statement ('C/F')) or the notes to the Financial Statements.

Adjusted revenue, adjusted gross margin, adjusted operating profit, adjusted earnings, net debt and free cash flow have been defined and reconciled separately in notes 3, 4, 9 and 13 to the Financial Statements where further explanation of the measures is given. Additional performance measures are used within this announcement to help explain the performance of the Group and these are defined and reconciled below.

Adjusted EBITDA

Adjusted EBITDA is a business performance measure of operating profit, after adjusting for depreciation and amortisation. It provides a performance measure in its own right, and provides a bridge between the Income Statement and the Group's key cash metrics.

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Group operating (loss)/profit	I/S	**(1,099)**	1,003	
Exceptional items included within Group operating (loss)/profit before taxation	6	**(95)**	(373)	
Certain re-measurements before taxation	6	**2,536**	(368)	
Share of (profits)/losses of joint ventures and associates, net of interest and taxation (i)	I/S	**(49)**	36	
Depreciation and impairments of PP&E (i)	4	**282**	265	
Amortisation, write-downs and impairments of intangibles (i)	4	**85**	119	
Group total adjusted EBITDA		**1,660**	682	143%

(i) These line items relate to business performance only.

Adjusted EBITDA excluding Spirit Energy disposed assets

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Group total adjusted EBITDA		**1,660**	682	
less disposed assets adjusted EBITDA (including associated hedges)		**(485)**	(255)	
Adjusted EBITDA excluding Spirit Energy disposed assets		**1,175**	427	175%

Adjusted operating profit excluding Spirit Energy disposed assets

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Group total adjusted operating profit	I/S	**1,342**	262	
less disposed assets adjusted operating profit (including associated hedges)		**(485)**	(122)	
Adjusted operating profit excluding Spirit Energy disposed assets		**857**	140	512%

Definitions and reconciliation of adjusted performance measures

The below table shows how adjusted EBITDA reconciles to free cash flow:

Six months ended 30 June	Notes	2022 £m	2021 £m
Adjusted EBITDA		**1,660**	682
Group operating (loss)/profit including share of joint ventures and associates, from exceptional items and certain re-measurements	I/S	**(2,441)**	741
Share of profits of joint ventures and associates, net of interest and taxation, from exceptional items and certain re-measurements	I/S	**(1)**	–
Depreciation, amortisation, write downs, impairments and write-backs, from exceptional items and certain re-measurements	6	**(424)**	(397)
Loss on disposals	C/F	**329**	27
Increase/(decrease) in provisions	C/F	**1,845**	(47)
Cash contributions to defined benefit schemes in excess of service cost income statement charge	C/F	**(85)**	(243)
Employee share scheme costs	C/F	**3**	3
Unrealised losses/(gains) arising from re-measurement of energy contracts	C/F	**1,224**	(239)
Exceptional charges reflected directly in operating profit	C/F	**–**	5
Net movement in working capital	C/F	**(1,555)**	33
Taxes (paid)/refunded	C/F	**(367)**	41
Payments relating to exceptional charges in operating profit	C/F	**(23)**	(48)
Net cash flow from operating activities		**165**	558
Purchase of businesses, net of cash acquired	C/F	**(5)**	(13)
Sale of businesses	C/F	**82**	4
Purchase of property, plant and equipment and intangible assets	C/F	**(223)**	(174)
Sale of property, plant and equipment and intangible assets	C/F	**1**	32
(Investments in)/disposal of joint ventures and associates	C/F	**(1)**	2
Dividends received from joint ventures and associates	C/F	**–**	1
UK Pension deficit payments	4	**105**	243
Movements in variation margin and collateral	4	**519**	(129)
Free cash flow from continuing operations	4	**643**	524

Adjusted earnings attributable to shareholders excluding Spirit Energy disposed assets

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Adjusted earnings attributable to shareholders	I/S	**643**	98	
less disposed assets adjusted earnings attributable to shareholders (including associated hedges)		**(45)**	(24)	
Adjusted earnings attributable to shareholders excluding Spirit Energy disposed assets		**598**	74	708%

Adjusted basic earnings per share excluding Spirit Energy disposed assets

Six months ended 30 June	Notes	2022	2021	Change
Adjusted earnings attributable to shareholders excluding Spirit Energy disposed assets (£m)		**598**	74	
Weighted average of ordinary shares in issue during the period (million shares)	9	**5,868**	5,825	
Adjusted basic earnings per share excluding Spirit Energy disposed assets		**10.2p**	1.3p	685%

Definitions and reconciliation of adjusted performance measures

Loss on disposals

Six months ended 30 June	Notes	2022 £m	2021 £m
Loss on disposal	11	**329**	27
Less: Exceptional loss on disposal	6	**(329)**	(31)
Profit on disposals relating to business performance		**–**	(4)

Group net investment

With an increased focus on cash generation, capital discipline and reducing net debt, Group net investment provides a measure of the Group's capital expenditure from a cash perspective and allows the Group's capital discipline to be assessed.

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Capital expenditure (including small acquisitions) (i)		**228**	187	
Net disposals (ii)		**(82)**	(38)	
Group net investment		**146**	149	(2)%
Dividends received from joint ventures and associates	C/F	**–**	(1)	
Interest received	C/F	**(8)**	(2)	
Purchase and sale of securities	C/F	**1**	–	
Net cash flow used in continuing investing activities	C/F	**139**	146	(5)%

(i) Capital expenditure is the net cash flow on capital expenditure and purchases of businesses (less than £100 million). See table (a).
(ii) Net disposals is the net cash flow from sales of businesses, property, plant and equipment and intangible assets, net of investments in joint ventures and associates. See table (b).

Group net investment is capital expenditure including acquisitions less net disposals. It excludes cash flows from investing activities not associated with capital expenditure as detailed in the table above.

(a) Capital expenditure (including small acquisitions)

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Purchase of property, plant and equipment and intangible assets	C/F	**223**	174	
Purchase of businesses, net of cash acquired	C/F	**5**	13	
Less: material acquisitions (>£100 million)		**–**	–	
Capital expenditure (including small acquisitions)		**228**	187	22%

(b) Net disposals

Six months ended 30 June	Notes	2022 £m	2021 £m	Change
Sale of businesses	C/F	**(82)**	(4)	
Sale of property, plant and equipment and intangible assets	C/F	**(1)**	(32)	
Investment in/(disposal of) joint ventures and associates	C/F	**1**	(2)	
Net disposals		**(82)**	(38)	116%

Definitions and reconciliation of adjusted performance measures

Reconciliation from free cash flow to change in net debt

The following tables provide additional information to help readers when reconciling between different parts of the consolidated Financial Statements, and the Group Cash Flow Statement.

Six months ended 30 June	Notes	**2022 £m**	2021 £m
Free cash flow from continuing operations	4	**643**	524
Discontinued operations free cash flow (including tax)	4	**–**	2,582
Group total free cash flow	4	**643**	3,106
Financing interest paid	C/F	**(125)**	(111)
Interest received	C/F	**8**	2
UK Pension deficit payments	4	**(105)**	(243)
Proceeds from sale of forfeited share capital	C/F	**–**	1
Payments for own shares	C/F	**(1)**	–
Distributions to non-controlling interests	C/F	**(233)**	–
Movements in variation margin and collateral	4	**(519)**	129
Cash flows affecting net debt		**(332)**	2,884
Discontinued operations non-cash movements in net debt		**–**	32
Non-cash movements in net debt		**(32)**	(11)
Change in net debt		**(364)**	2,905
Opening net debt	12	**(680)**	2,998
Closing net debt	12	**(316)**	93

Payments relating to exceptional charges in operating costs

Six months ended 30 June	Notes	**2022 £m**	2021 £m
Restructuring costs incurred during the period and utilisation of prior year liabilities		**(23)**	(48)
Payments relating to exceptional charges in continuing operating costs	C/F	**(23)**	(48)

Depreciation, amortisation, write-downs, impairments and write-backs

Six months ended 30 June	Notes	**2022 £m**	2021 £m
Depreciation, amortisation, write-downs, impairments and write-backs, from exceptional items included in the Group Cash Flow Statement		**(424)**	(397)
Made up of:			
Write-back of E&P assets	6	**–**	(397)
Write-back of power assets	6	**(424)**	–
Depreciation, amortisation, write-downs, impairments and write-backs, from business performance included in the Group Cash Flow Statement		**367**	384
Made up of:			
Business Performance PP&E depreciation	4	**282**	265
Business Performance intangibles amortisation	4	**85**	95
Business Performance intangibles impairments and write-downs	4	**–**	3
Business Performance E&E write-downs	4	**–**	21
Depreciation, amortisation, write-downs, impairments and write-backs included in the Group Cash Flow Statement		**(57)**	(13)

Definitions and reconciliation of adjusted performance measures

Reconciliation in receivables and payables to Group Cash flow Statement

Six months ended 30 June	Notes	2022 £m	2021 £m
Receivables opening balance	B/S	**6,114**	2,946
Less receivables closing balance	B/S	**(6,055)**	(3,061)
Payables opening balance	B/S	**(7,633)**	(3,836)
Less payables closing balance	B/S	**6,611**	4,094
Net (reduction)/increase receivables and payables		**(963)**	143
Non-cash changes, and other reconciling items:			
Business disposals		**9**	–
Movement in capital creditors		**–**	20
Movement in ROCS and emission certificate intangible assets		**(138)**	(137)
Other movements (including foreign exchange movements)		**25**	5
Non-cash changes, and other reconciling items		**(104)**	(112)
Movement in trade and other receivables, trade and other payables and contract related assets relating to continuing business performance	C/F	**(1,067)**	31

Pensions

Six months ended 30 June	Notes	2022 £m	2021 £m
Cash contributions to defined benefit schemes in excess of service cost income statement charge	C/F	**(85)**	(243)
Ordinary employer contributions		**21**	26
UK Pension deficit payments		**105**	243
Contributions by employer in respect of employee salary sacrifice arrangements		**11**	11
Total current service cost		**(52)**	(54)
Termination benefit		**–**	17

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. Forward-looking statements can be identified by the use of terms such as 'may', 'should', 'will', 'continue' or similar words. Forward-looking statements appear in a number of places throughout this announcement and include statements regarding the current intentions, beliefs or expectations of the Directors, Centrica and/or the Group concerning, among other things, the financial condition, goals and commitments, prospects, growth, strategies, results, operations and businesses of Centrica.

Although we make such statements based on assumptions that we believe to be reasonable, by their nature, these forward-looking statements are subject to risk and uncertainties because they relate to, and may be impacted by, events and circumstances that will occur in the future which are beyond Centrica's ability to control or estimate precisely. There can be no assurance that Centrica's actual future results, financial condition, performance, operations and businesses will not differ materially from those express or implied in the forward-looking statements due to a variety of factors, including, but not limited to, those set out in this announcement and the 'Our Principal Risks and Uncertainties' section of the Strategic Report in our Annual Report and Accounts. Readers are cautioned that these forward-looking statements are not guarantees or predictions of Centrica's future performance and undue reliance should not be placed on them when making investment decisions.

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 2022 Interim Results presentation for analysts and institutional investors at 9.30am (UK) on Thursday 28 July 2022. There will be a live audio webcast of the presentation and slides. Please register to view the webcast at:

https://webcasts.centrica.com/centrica121

You may also listen via conference call. To register for this call and to receive a unique caller reference number, visit:

https://webcasts.centrica.com/centrica121/vip_connect

An archived webcast and full transcript of the presentation and question and answer session will be available on the Centrica website by Tuesday 2 August 2022.

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Financial calendar

For more information on Centrica's financial calendar please visit: https://www.centrica.com/investors/financial-calendar/

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