Centrica 2017 AGM
Presentation transcript 8 May 2017

Good afternoon Ladies and Gentlemen. It is now 2 o'clock and it gives me great pleasure to welcome you to the Annual General Meeting of Centrica plc. My name is Rick Haythornthwaite. This is the twenty-first AGM in the company's history and my fourth as Chairman.

Thank you for coming. Centrica has a tradition of support from a wide base of shareholders and I'm delighted to see that that continues with so many of you here today.

There have been several board changes and new appointments during the year, so I would like to begin by introducing you to my colleagues here on the podium.

On my far left is Mark Hodges who, since he joined us in June 2015, has been responsible for running our energy supply and services business in the UK and Ireland. Mark has recently been appointed Chief Executive of Centrica Consumer, one of the two new global divisions we have created as the final major step in reorganising the Group around the customer. You'll hear more details about this shortly.

Next to Mark is Joan Gillman, who was appointed as a Non-Executive Director in October. Joan is former executive vice president of Time Warner Cable, the second largest cable company in the United States, and has wide experience in media, communications and the shaping of network technology strategies.

Then we come to Steve Pusey, who joined your Board in 2015 and is also the Chairman of our Safety, Health, Environment, Security and Ethics Committee.

Sitting on Steve's right is Margherita Della Valle who has been a Non-Executive Director since 2011 and is Chairman of our Audit Committee.

Next is Stephen Hester, who was appointed as a Director of the company last June and, in October, succeeded Ian Meakins as Senior Independent Director. I would like to thank Ian for the great contribution he made in his six years' service on the Board. Stephen, as I am sure you know, has wide-ranging commercial experience, particularly in customer-facing businesses. In addition, he brings a broad understanding of financial services, together with a deep knowledge of operating within highly regulated businesses.

Directly on my left is Grant Dawson, our Group General Counsel & Company Secretary who has been in that role since 1997.

To my right, on the far end, is Mark Hanafin who, as well as leading the energy production and trading operations, has added our new Distributed Energy & Power business to his portfolio of responsibilities. He was recently appointed Chief Executive of Centrica Business, the second new global division I referred to just now. Again, more on that later.

Carlos Pascual is next to Mark. He joined us as a Non-Executive Director at the start of 2015 and has far-reaching experience in energy geopolitics and economic and commercial development.

Next to him is Scott Wheway, who joined your Board last May. Scott has a wealth of experience as a senior customer-facing business leader with a mix of deep retail and consumer expertise. He is also a seasoned remuneration committee chair and we have announced that Scott will assume this role for Centrica following this meeting, subject to his election as a Director of the Company.

As remuneration committee chair, he will succeed Lesley Knox, sitting on his left, who has been a Non-Executive Director since 2012.

Then we come to Jeff Bell, Group Chief Financial Officer. Since his appointment to your Board in August 2015, Jeff has played a key role in delivering our financial framework and, during the past year, he has driven a significant reorganisation of the Group's finance functions.

Finally, on my immediate right is Iain Conn, Group Chief Executive, who will shortly be updating you on the performance of the business and the strategic progress of the Group.

You will of course have the opportunity to meet the directors in the reception area later on.

2016 was an extremely challenging year, but also one in which our senior executives drove through substantive changes across the Group. Centrica met or beat its targets while, importantly, underpinning discipline throughout the organisation in the key areas of safety, ethics and compliance.

There was distinct progress across all facets of our business - in financial delivery, organisational change, process efficiency, cash flow and the implementation of our strategy.

The business re-orientation has been radical, with the emphasis on finding ways to enable our people and technology to better understand and serve the changing energy needs of our customers on both sides of the Atlantic.

This process of reshaping Centrica has not been easy or comfortable for our own people. So, I would like to pay tribute to them and thank everyone for their hard work and resilience during the year.
Throughout this process, Iain Conn has shown firm, imaginative and decisive leadership. He has chosen his senior team wisely and led them intelligently. They too deserve credit for their performance.

Despite the improvement in our financial position, we took the decision to maintain the dividend at the same level as 2015. We expect to restore a progressive dividend when the Group's net debt is at the optimal sustainable level with the existing portfolio, given the current environment for commodity prices, interest rates and inflation.

This was a finely weighted judgement. But, in these uncertain times, we would rather err on the side of prudence, as further work still needs to be done to strengthen the balance sheet and return the business to growth.

Our plans are clearly shaped as we shift our investment intensity from resource-based activities towards the customer, building our growth businesses such as Distributed Energy &

Power, Connected Home, and Energy Marketing & Trading. By doing so, we are positioning ourselves to succeed in fast growing, highly dynamic and attractive markets.

We made strides in 2016. But we are far from satisfied. Our objective is not simply a return to profitable growth for the benefit of you, our investors, important though that is. Rather, we are driven by an over-arching aspiration to become a truly great company.

Great companies meet a need that is valued by customers and society. And, in doing so, they benefit their shareholders, as well as their wider stakeholders, including employees, suppliers, partners and communities.

But the most important stakeholders must always be our customers. That is why we have clearly and unequivocally restated our purpose to serve them better. It is a purpose that seeks to bring a contemporary relevance to a set of values rooted in our 205-year history.

Great companies are places where people worry more about what is NOT working than what is. Our customer complaints are down. But your Board and executive leadership regard any complaint as one too many. Efficiency has improved. But we have suffered a decline in employee engagement. Affordability is better. But our customers live in a world where incomes continue to be squeezed.

These are issues that continue to exercise us daily.

Great companies are places where people think like owners and entrepreneurs, staying emotionally and intellectually alive to the dynamics of their businesses and the forces that shape the operating context of those businesses. And that context, today, is not easy. Business and wealth creation are often terms of disparagement. Many reputations have been damaged by the actions of a few. And the positive impacts of globalisation, new technologies and creative investment have been overshadowed by the growth of social inequality.

This poor opinion of business is bad for us, bad for the UK economy and for prosperity in general. So, we are acutely aware that we not only need to reconnect with our customers; we need to forge a new partnership with government and other stakeholders, based on mutual understanding and a willingness to work together.

Again, the context is not easy. 2016 was the year in which political orthodoxies were upset on both sides of the Atlantic. The UK referendum vote in June to leave the European Union and the outcome of the United States Presidential election in November have added to the uncertainties faced by business.

As far as the UK's withdrawal from the EU is concerned, many details of the implementation process remain unclear, even despite the victory of President-elect Macron yesterday. But, despite the difficulties ahead, Centrica is well-positioned to manage any market impacts.

Our focus continues to be understanding what the result means for energy and other business regulations. We will continue to engage with the UK Government and the European Commission as they move towards a resolution.

Positive engagement by businesses with governments and other stakeholders is now more important than ever. The Prime Minister's decision to call a snap General Election, and the campaign pledges of various parties, have once again brought the treatment of consumers by businesses into the spotlight.

While we do not believe that increased regulation of the UK retail energy market is the answer to any perceived failings, we are very clear on two points. First, the benefit of the customer is our absolute priority; and second, we are committed to positive dialogue with any government.

That is why we welcome the recently published Green Papers on Industrial Strategy and Governance. These demonstrate that Government has the power to create a constructive context in which businesses can make the investments which the nation needs.

Ultimately though, it is businesses like ours, through every day contact with their customers, which can make the biggest and most immediate impact. The source of real economic and social change is at a local, community level. And that is where companies can be essential facilitators of change for the better in people's lives.

Our engineers and technicians visit thousands of customers every week. They are trusted on an individual level to enter people's homes and meet an immediate need, as well as assessing their overall energy requirements.

Our Hattersley call centre on the outskirts of Manchester specialises in helping hundreds of indebted customers every day to manage their energy bills. I only wish that you could visit Hattersley, as I have been fortunate enough to do, and witness the way our people reach out and listen to those who are struggling to make ends meet. And it works. Last year, the proportion of our customers in debt fell.

These are just two examples of how we as a business connect with communities and individuals to effect change on the ground. We are close to the real issues and we can make a difference. And we know that we should do more.

It is through these relationships that we can rebuild trust in our company and sector. And great businesses must be built on a foundation of trust, a quality that is in short supply today.

This requires not only an emotional and physical investment in our relationship with our customers and society. We must also address the prevalent impression that UK governance in general is failing when the fact would suggest there is a strong case that the UK has one of the best, if not, the best corporate governance framework in the world.

The answer to any breakdowns in governance lies not in further embellishment of that framework. Rather, it lies in promoting better compliance and a collective commitment to resolve some of the more intractable and sensitive issues over time.

Your Board is continuously seeking ways in which we can better comply with and apply the Governance Code. This must always start with recruiting the best possible directors whose track record speaks to their credentials, wisdom and professional approach.

We have worked hard to enhance our governance structures and processes throughout the year. We reviewed the succession plans in place for the Board and the executive leadership. We identified digital, retail, North America and financial services as areas of business experience and expertise where the recruitment of new Board members could complement our existing strengths.

And we have paid close attention to risk management. The implementation of our strategic review in 2016 highlighted emerging risks and provided the opportunity to simplify and standardise the ways in which the more significant of these risks are managed across the Group.

And we have increased the company's resilience to risk through measures such as our focus on reducing net debt - which fell by more than a quarter last year - and our commitment to fund the pension deficit through significant additional cash contributions well into the future.

We also paid heed to public concerns about the extent to which the voices of customers and employees were being heard in the boardroom, and we have bolstered our agendas and approaches were necessary.

Overall, the Centrica leadership did a great deal in 2016 to put in place the diverse teams, structure and technology required to underpin our growth and give us a competitive advantage in our chosen markets.

Centrica has moved a long way in 12 months. And although we are constantly challenging ourselves to be a great company, we never lose sight of what we must do every day to make a difference for our customers now.

It is thanks to this healthy combination of aspiration and practical application among your executive team that your Board looks to the future with growing confidence.

I will now ask Iain to update you on the business performance and strategic progress of the Group during the year.

Thank you Rick. Good afternoon everyone and thank you for coming today.

Since I spoke to you last year we have seen a lot of change - both within Centrica and in the external environment.

At Centrica, we have been able to make considerable progress in delivering our strategy and improving the performance and delivery of the company and its resilience. We are delivering against our key objectives, starting with safety performance, higher levels of customer service and more innovative offerings and solutions – while driving cash flow growth, repositioning our portfolio, building capability and driving significant cost savings as we create a strong platform for the future.

Externally we have continued to see profound changes: politically; in the global energy market; and in the UK energy supply market.

In my remarks today I will cover four things. I'd like to start with some comments about the environment in which we operate. I'd then like to recap briefly our purpose and strategy, and the performance we delivered in 2016. I will then provide an update on our new global customer-facing divisions - Centrica Consumer and Centrica Business - and provide a summary of recent strategic progress. Finally, I will cover our targets for 2017 and progress so far, as outlined in our Trading Update which we released this morning. As part of that, I will comment on the recent speculation regarding a potential intervention into the functioning of the UK energy supply market.

So, turning first to the external environment. Over the last year we have witnessed the Brexit vote in the UK and the election of Donald Trump as President of the United States. Both outcomes underlined concerns that, while globalisation has on average been good for the world, many people feel left behind.

As an international business, Centrica is not a passive spectator of these events. They affect us and we must manage through them.

As far as Brexit is concerned, as Rick said we are monitoring this closely, but believe the near-term impacts on Centrica will be limited to those affecting many companies, such as foreign exchange and interest rate impacts. Longer term, there are three priorities for us: energy security for the UK; continuity and stability of policy; and the functioning of the EU energy market. All of these can impact our business and ultimately our customers, particularly as the UK becomes increasingly an energy importer and the EU energy market will set the price for our imports.

We are working closely with the UK government on Brexit and in contributing to the UK's industrial strategy. Improving UK productivity, investments in energy infrastructure, and developing innovation and technology will be key to the UK's future outside of the EU.

As for the United States, it remains a material market for Centrica and we are expanding our presence there. We are watching policy developments closely, especially in relation to companies headquartered outside the US, and energy market regulation generally.

In addition to these political developments, commodity prices and margins in 2017 have settled into a narrow range but at levels which continue to challenge the Exploration and Production sector, and the economics of central power generation.

Last but not least, we are in the run-up to the General Election in the UK and energy bills have been part of the debate in recent weeks. I will cover our perspective on this and the UK energy supply market at the end of my presentation.

All of this makes for a challenging backdrop, but Centrica has the resilience to manage through these issues. I am also convinced that we have the right strategy to respond to the huge changes taking place in energy and service offerings for customers in all countries.

Let me briefly recap on our stated purpose and strategy.

In 2015 we reaffirmed our purpose, which is essentially one we have pursued for 205 years since 1812, to be an energy and services company and focus our efforts on satisfying the changing needs of our customers. If we do this well, for you our shareholders we will deliver long-term value through returns and cash flow growth. We also aim to be a trusted corporate citizen, an employer of choice and a "21st century energy company".

To fulfil this purpose, we are shifting our focus and resources more towards the customer-facing businesses and less heavily towards the asset-based businesses. Our growth focus is in five areas; Energy Supply, Services, Distributed Energy and Power, the Connected Home, and Energy Marketing & Trading. We have most recently organized these activities into two new global divisions - Centrica Consumer and Centrica Business.

These divisions are responding to three key drivers which are changing the energy and services landscape.

The first is the decentralisation of the energy system. This arises from the growth of more viable, often lower-carbon, technologies and solutions for energy management at the point of use.

The second shift, which follows from the first, is that customers – communities, businesses and individuals – are gaining greater power through increased choice.

And thirdly, these trends are being accelerated by digital technology, creating new products and offerings, and large amounts of data driving the actionable insights provided by analytics.

As an energy and services company we are very well-positioned, putting the customer at the heart of our strategy and developing new propositions and technologies in line with these trends.

This slide summarises our strategy and the key financial parameters we are aiming to deliver. I have described our purpose, our long-term goals for our shareholders, and our focus areas for customer-led growth.

In financial terms we will deliver these through: growing operating cash flow on average by 3-5% per annum to 2020, relative to 2015; delivering a major £750m per annum efficiency programme as we reposition the Group; shift £1.5bn of resources towards the customer-facing businesses by 2020; and deliver a progressive dividend policy linked to our confidence in operating cash flow growth while targeting strong investment grade credit ratings.

Let me now turn to how we performed in 2016.

In 2016, we delivered a robust performance, improved the resilience of the Group, made progress in repositioning the portfolio, and remain confident in our ability to deliver medium term returns and growth.

Adjusted operating profit and earnings were both up 4%, with adjusted earnings per share of 16.8 pence. Adjusted operating cash flow was up 19% to £2.7 billion and underlying adjusted operating cash flow growth was 14%, significantly above our 3-5% per annum target.

We delivered savings of £384 million as part of the Group's cost efficiency programme.

Because of our strong cash flows, we made significant progress in reducing net debt in 2016, down by £1.3 billion to below £3.5 billion.

However, we continue to face a complex economic outlook including - at least to date - continuing low interest rates, uncertain UK growth prospects and some early signs of inflationary pressures. Along with many other companies, low interest rates over 2016 meant we saw an increase in our accounting pension deficit.

We maintained the 2016 full year dividend at 12 pence per share. As we said at the Preliminary Results in February, given the strength of the Group and our projected cash flows, all other things being equal we would currently expect to restore a progressive dividend, linked to the growth in underlying adjusted operating cash flow, once net debt is in the range of £2.5 to £3 billion.

This encouraging financial performance was delivered as a result of a strong focus on implementing our strategy and the tremendous efforts of the Centrica team. I would like to thank all of our employees and contractors for what we were able to achieve in 2016.

Let me now provide you with a few headlines from across the Group. I will begin with the customer-facing divisions of Consumer and Business.

The demands of residential consumers are changing and yet are similar across all our markets. Therefore, our Consumer division has brought together our residential consumer facing business units – UK Home, Ireland, North America Home and Connected Home. Over the last year we have made good progress on our consumer strategy. Our 5 pillar strategic framework is shown on this slide.

In energy supply, we delivered solid results in 2016, despite the fall in home energy accounts as we continue to focus on value not volume. We delivered material cost efficiencies and saw a significant reduction in complaints and higher net promoter scores in the UK, Ireland and North America. We now have a number of new propositions in development, including bundled energy and boiler servicing, and bundled energy and connected home offerings. Last month we also launched a new British Gas Rewards programme to reward the loyalty of our customers.

In services, we maintained already high levels of customer satisfaction. Our base of around 12,000 engineers and technicians across the UK and North America also gives us strong capability to deliver both insurance-based and on-demand offers, and we are testing a new on-demand offering in the UK called "Local Heroes". Early results are encouraging.

Regarding 'Peace of Mind', we have already sold 'Boiler IQ' to around 35,000 households. This is the UK's first connected boiler service that uses sensors to identify and diagnose faults remotely. We are developing a number of other home risk management and insurance propositions.

In 'Home Energy Management', we have now installed over 600,000 HIVE hubs, the majority of which also have the HIVE home heating active thermostat, and have launched HIVE home heating in Ireland and North America. As well as installing HIVE heating controls, we are using data analytics to help our customers and now have 3.7 million households who gain additional insight into their energy use by subscribing to 'MyEnergy' reports in the UK or 'Direct your Energy' in North America.

In 'Home Automation', our Hive products can now be inter-linked through "recipes" – for example setting a command for a light to come on when a motion sensor is triggered. We are also the preferred UK smart home partner for Amazon Echo, which allows our customers to control their heating, lighting and devices simply by speaking through the Alexa Voice Assistant.

Let me now move onto our strategy for business customers.

Our 'Centrica Business' division includes the following business units – UK Business, North America Business, Distributed Energy & Power, Energy Marketing & Trading and Central Power Generation.

Let me update you on our progress, again using our 5 pillar strategic framework for Centrica Business.

In energy supply, we delivered improved customer service levels and cost efficiencies. UK Business returned to profitability following the resolution of billing issues and delivered material cash flows. North America business recovered well in the second half of 2016 after a slow start to last year driven by extremely warm weather.

In wholesale energy, we delivered record results in Energy Marketing & Trading, and have made good progress in developing a global LNG presence, signing several agreements during the year, including an extension to our deal with Qatargas. We continue to manage and optimise our Central Power Generation assets as part of our wholesale pillar.

In energy insights, 40,000 sensors have been deployed by Panoramic Power, providing real time energy usage information for a diverse range of customers, and we are now receiving 10 billion pieces of data a month from this channel.

Neas Energy has enhanced our energy optimisation capability. It provides grid services and a route to market for 2,500 decentralised customer assets including windfarms, solar plants and combined heat and power plants, totalling 8.1 Gigawatts of capacity under contract - that's nearly double the capacity of Centrica's existing power fleet in the UK.

In energy solutions, the acquisition of ENER-G Cogen provides us with significantly expanded combined heat and power technology and capabilities both in the UK and internationally.

To deliver our strategy successfully across the whole group, we continue to build new capabilities, particularly in areas such as technology, marketing, customer segmentation and propositions. In terms of technology, we are investing in both digital technology and new forms of physical energy technologies such as batteries and combined heat and power units. In the last 18 months we have appointed a new Chief Information Officer, Mike Young, and a new Head of Technology and Engineering, Charles Cameron.

Let me now briefly cover the progress we have made in our asset businesses of Exploration and Production and Centrica Storage.

In our asset businesses, we continue to make progress in reducing scale and simplifying the portfolio. We are targeting oil and gas production of 40 to 50 million barrels equivalent a year, focused on the UK, Netherlands and Norway. We expect the divestment of our Trinidad and Tobago assets to complete in the first half of this year, and we are targeting disposal of our position in Canada by the end of 2017.

In the UK the Cygnus field came on stream at the end of last year and to date is performing ahead of expectations, and we approved the Oda development in Norway.

We have now exited asset ownership in offshore wind, concentrating instead on enabling wind development through power purchase agreements and route-to-market services.

In Centrica Storage, the Rough asset was unavailable for operations for much of the second half of the year, after we identified well integrity issues as part of our ongoing testing programme into what is a significantly ageing asset. Our programme to test all the wells is continuing and, until we can be sure of the integrity of the field and its associated infrastructure, we have taken the decision not to offer Rough for injection and storage for the 2017/2018 winter.

So that covers our strategy, and our progress against it. Let me now turn to 2017.

In February at our Preliminary Results presentation we laid out a number of targets for 2017:

- We expected to deliver adjusted operating cash flow in excess of £2 billion
- Group capital expenditure would again be limited to £1 billion with E&P capex expected to be around £500 million.
- We also expected around £100 million of incremental revenue investment in our growth businesses as we continue to build capability in Distributed Energy & Power, launch Hive in North America and develop subscription commercial models for Connected Home in both the UK and North America.
- We expected to deliver a further £250 million of cost efficiencies in 2017 and to reduce direct like-for-like headcount by a further 1,500 people.
- And we also expected to see a further reduction in net debt over 2017, targeting to be within the £2.5 to £3.0 billion range I mentioned earlier.

We confirmed in our Trading Update this morning that we are on track to achieve all of these targets.

We also referenced the strategic progress we continue to make, building on the momentum generated in 2016, as we continue to execute on all aspects of our strategy which we announced in July 2015

However, warmer than normal weather in the last two to three months has resulted in lower than planned consumption in the UK and North America, while UK wholesale oil, gas and baseload power prices have all fallen since our Preliminary Results in February. Centrica will continue to focus on driving underlying performance improvement and cost efficiencies to help mitigate the negative impact of these changes in the external environment. As I referenced earlier, we announced the unavailability of the Rough gas storage asset for the 2017/18 storage year.

Other than the situation at Rough, year-to-date most underlying operational inputs and parameters are in line with plan levels. Customer service levels are up with complaints down in all markets. The ramp-up of the Hive launch in North America experienced some initial delays. We have now reached a total of over 600,000 Hive hubs installed. Revenues in Connected Home to the end of April were up 30% relative to the same period in 2016. Energy Marketing and Trading has had a strong start to the year. In UK Home, we have frozen our standard tariff until August. UK Home energy supply accounts were down 261,000 in the year to date, reflecting the planned roll-off of collective switch tariffs and our focus on enhanced customer segmentation and customer value rather than volume. In UK Business, gross margin was impacted by warm weather, electricity cost volatility and the phasing of energy volume settlements. Secured revenues in Distributed Energy and Power are up 5% since the beginning of the year. E&P production is slightly behind as a result of a planned outage at Morecambe Bay, significantly offset by encouraging performance from the Cygnus field. We have provided a number of other updates from across the Group.

Clearly 2017 full year financial performance remains subject to the usual variables of commodity prices, weather and asset performance over the balance of the year. However, we remain on track to deliver on the targets set in February and Centrica is now much more resilient having strengthened the balance sheet significantly over the last year.

We also face an uncertain regulatory environment for the UK energy supply business. The impact of any government intervention is more likely to affect 2018 rather than 2017, and there is as yet little clarity on the specific policy and its implementation. However, it is important enough to the Group that I felt I should address it here before closing.

We are experiencing even more intense political and media scrutiny, despite the recent conclusion of a two-year investigation by the Competition & Markets Authority. The CMA remedies have included the introduction of a price cap on pre-payment meters. We are implementing all of the CMA recommendations, and have had a regular and generally very constructive dialogue with the Government.

This has led to us making further commitments, including more competitive pricing with a price freeze until August, the only large supplier to do this, addressing our own cost base, improving customer service, developing new innovative propositions, engaging 5 million standard tariff customers by the middle of this year, and introducing a loyalty reward programme. At Centrica, our priority must always be to deliver for our customers. In 2016, customer complaints were down 31% and we achieved a 10-point improvement in our brand net promoter score over the year. We currently have a standard variable dual fuel tariff that is cheaper than 95% of the contracts in the market.

Despite what has been said, we fundamentally do not believe price regulation is in consumers' interests. With over 50 suppliers and huge choice, the energy market is now highly competitive. We believe that price regulation will result in reduced competition and choice, stifle innovation and potentially impact customer service.

This market is highly competitive, and what price increases we have seen have been more as a result of transmission and policy costs than the actions of suppliers.

This chart shows the make-up of our average dual-fuel bill since 2007. The reality is that over the nine years since 2007 the average bill has increased by just over 3% per annum or, in total, by £273. Of this: energy costs have not risen – at all; transmission, distribution and metering cost increases have been about £150; and environmental and social policy increases about £100. Our own operating costs have increased over the period by £26 in line with inflation, and our profits have been flat to slightly falling.

In short, increases have been largely because of the costs of changing the energy system and policy costs, not profiteering from suppliers. Such costs to change the system and deliver a lower-carbon mix are actually necessary, but it is just wrong to suggest that supply companies have caused this to happen and, therefore, bills to rise.

However, we do recognise that the market has not served all customers well, and there is much more to do. We also recognise that the current market structure does not guarantee exactly the same behaviour from all suppliers. But we do not believe price regulation is in consumers' interests. The CMA remedies should be given a chance to work, and we urge the Government to focus on ensuring that all companies are making strong efforts to engage and support their customers.

To help the Government, we have proposed alternative ways to improve the market further and address their concerns, without resorting to price regulation, and which I believe would better serve the customer, the market participants and indeed the Government.

Whatever the outcome, Centrica is committed to engagement with the Government and our regulator, and to respond in a way which will make our continued leadership of energy supply and services in the UK sustainable.

So now let me summarise.

Centrica made significant progress and delivered a robust performance in 2016. We are on track in delivering our strategy, and in delivering our 2017 targets.

We have made good progress in re-positioning our portfolio, and in strengthening the balance sheet.

Despite a very challenging external environment, we remain confident in delivering shareholder value through both returns and medium term cash flow growth.

We will continue to focus on our Group priorities:

- High standards of safety, compliance and conduct, always first;
- Customer satisfaction and operational excellence;
- Cash flow growth and strategic momentum, as we reposition the portfolio and deliver new propositions and services;
- Cost efficiency and simplification; and
- People and building capability.

We are confident that the market trends we have identified are the right ones and our response will ensure we are well-positioned over the long-term to compete and deliver for our customers, for our employees and for you our shareholders.

Thank you very much for listening and I will now hand back to Rick.

Thank you Iain.