

Centrica's subsidiary Direct Energy to become leading B2B gas supplier in the Eastern US through £500m acquisition

30 July 2013

Centrica plc's North American subsidiary, Direct Energy Business, LLC, has agreed to acquire the New Jersey-based Energy Marketing business of Hess Corporation, for \$731 million (£478 million) in cash plus net working capital, estimated at approximately \$300 million.

The Energy Marketing business is one of the largest B2B energy suppliers in the Eastern US, operating in 18 states. The acquisition builds on Direct Energy's existing capabilities and further integrates these activities along the gas value chain, linking gas supply from producers and other market participants through secured transport and storage capacity to the gas and power customer base.

In 2012, the Energy Marketing business supplied 378 billion cubic feet (bcf) of gas and 28 terawatt hours (TWh) of power to over 23,000 customers. When combined with Direct Energy's existing business, which in 2012 supplied 77bcf of gas and 51TWh of power, the acquisition will make Direct Energy the largest business gas supplier on the East Coast of the US and the second largest business power supplier in the competitive US retail markets.

The business has an extensive portfolio of existing gas and power contracts. These include purchase agreements with Marcellus shale gas producers, gas storage and pipeline capacity, and gas and power supply agreements with customers, including local distribution companies. In addition it has a tolling arrangement on the Bayonne Energy Centre gas-fired power plant, to supply power to its customers in New York.

Hess' Energy Marketing business had revenues of over \$6 billion in 2012 and is expected to deliver around \$200 million of EBITDA in 2013, with margins similar to those of Direct Energy's existing B2B activities. The combination of the skills and capabilities of the employees of Direct Energy and Hess' Energy Marketing business will enable the delivery of enhanced products and services to our customers. The acquisition is expected to be earnings accretive in its first full year, after the effect of fair value accounting, and in addition is expected to deliver operational efficiencies.

Centrica Chief Executive, Sam Laidlaw, said: "This transaction will transform our B2B operations in North America, giving us leading positions in business gas and power supply and creating a unique dual fuel business in the US. It marks a significant step towards delivering on our strategy – substantially increasing the scale of our North American downstream business and integrating along the gas value chain – with the aim of doubling the profitability of our North American downstream business over the next 3-5 years."

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Notes:

- Further information summarising the transaction is available at [Acquisition of Hess' Energy Marketing business](#)
- Centrica will host a conference call for institutional investors and analysts at 8:00am (UK time) on 30 July 2013. Dial in: + 44 20 3059 8125.
- Hess' Energy Marketing business is headquartered in Woodbridge, New Jersey.
- The transaction is subject to customary regulatory approvals and is expected to close later this year.

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