

*Jeff Bell, Chief Financial Officer*

## **Interim Management Statement**

**20 November 2014**

### **2014 Earnings Outlook**

We've continued to see in the autumn the warm weather that we saw earlier in the year here in the UK, and that's led to lower consumption for our customers. At the same time, two of our nuclear power stations have had issues and those are only now coming back online. So for both of those external reasons, primarily they are the drivers of our lower earnings forecast.

### **2015 Earnings Outlook**

So next year we expect to return to earnings growth. We expect to see growth in our downstream businesses in North America, in Ireland for our first year of ownership, and here in the UK. We will, with falling commodity prices, experience less profitability in our upstream business but overall expect to see a return to modest growth next year.

### **Energy Bills**

Well the good news for British Gas customers is that we expect their bills to be about a hundred pounds lower this year than they were last year. Now a big part of that is warm weather. However, we are also rolling out a number of energy efficiency measures that are helping them take control of their consumption. It includes rolling out of our 1.1 million smart meters, and also launching the Hive Smart thermostat which is really allowing customers to control their energy usage right from their iPad or phone.

We're committed to keeping prices for our customers as low as possible and cutting them if and when we can. However, we purchase our gas and power some way in advance for customers and although prices have fallen recently, it will take a while for those lower prices to work their way through. At the same time, there are other elements of the bill that have continued to see increasing cost including some of the environmental and social obligations and some of the network cost.

### **Customer Numbers**

Residential energy accounts have fallen slightly from the half year, but in recent weeks have returned to growth and new tariffs like Sainsbury's energy is a big factor in that. We'd expect to end the year with slightly more than 15 million accounts. And in British Gas services, we are seeing a return to growth there as well and at the same time very high levels of customer service.

### **Upstream**

Well there is no question that lower gas and oil prices will lower the profitability of our Centrica Energy business, both in power and gas and we would expect earnings next year to definitely be lower than they are this year. However, we continue to invest material amounts of money this year, about a billion pounds in sourcing new gas supply for our customers in the UK and we will be bringing on-stream in the next year or so two significant fields – Cygnus and Valemon – to help support our customers.

### **North America**

It's a business that is back to account growth. We've been integrating our acquisition, the Hess Energy Marketing business, and that business along with our legacy commercial business has been performing very well. We think it's well set-up for 2015 and we expect to see additional growth in our services business as well.

### **Prospects**

Well I think 2014 has been a very challenging year for the business but at the same time, we've been laying the foundation for a stronger, resilient business going forward – new systems, new innovative customer propositions and therefore I think it's well set-up for growth in 2015 and beyond.

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