

**Roger Urwin**

Group Chief Executive

# Highly successful sales process

- Sale of four networks for £5.9bn
- Substantial premium to RAV
- Return of £2bn to shareholders
- Enhanced dividend

# Delivering value in UK distribution

- Enhanced performance since the merger in UK distribution
  - 35% savings in controllable opex targeted by end of price control (the Way Ahead programme)
  - 20% already achieved
  - Delivering premium returns
- Optimal size and shape for UK distribution

# A further step in value creation

- Sales secure premium proceeds
- Confirm premium valuation of retained gas distribution business
- Completion of the Way Ahead now more effective

# Premium returns for shareholders

- £2bn one-off return of capital
- Earnings per share enhancement
- Enhanced dividend policy
  - Recommended increase of 20% for current year
  - Reconfirmation of 7% growth target to March 2008
- Financial flexibility retained

**Steve Lucas**

Group Finance Director

# A premium transaction

- Cash proceeds £5,787m
- Liabilities transferred £133m
- Total enterprise value £5,920m
- Premium to Ofgem 04 RAV 20.2%
- Premium to NGT 05 RAV 13.6%
- Capital Gains Tax free

# Debt reduction

- Repayment of around £2.3bn Transco / Transco Holdings debt
- Gearing level increased to ~50% debt to RAV
- Minimal debt repayment costs
- Expect to maintain current credit ratings

# Returns to shareholders

- £2bn one-off return of capital
  - 65p / share
  - 14% of current market capitalisation
  - Mechanics of return to be determined around completion
- Earnings per share enhancement
- Financial flexibility retained
- Enhanced dividend policy
  - Recommended increased of 20% for current year – 23.7p / share
  - Reconfirmation of 7% growth target to March 2008

# Steven Holliday

Group Director, UK Gas Distribution

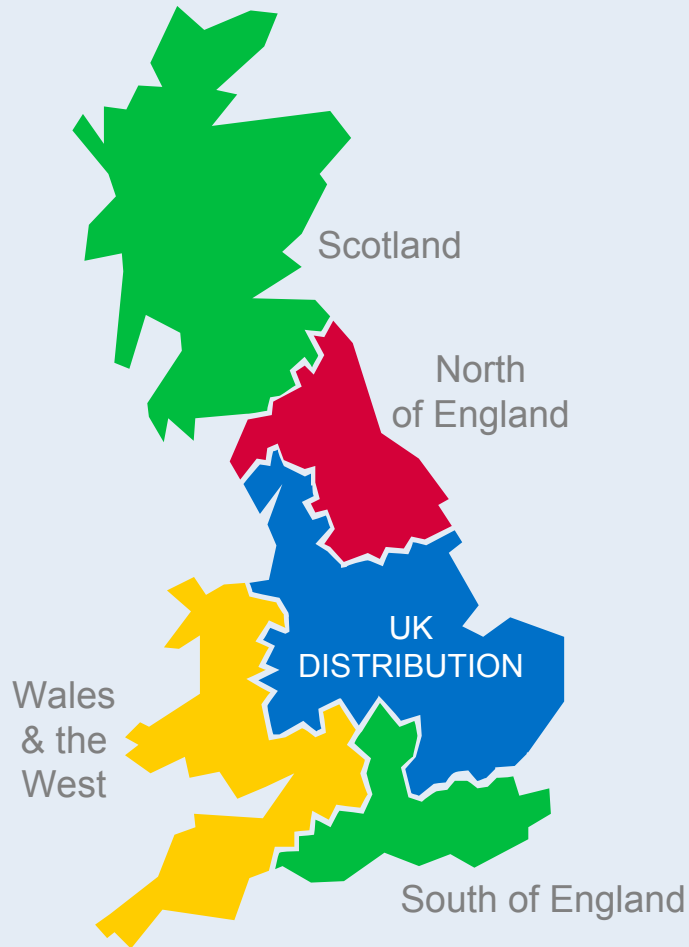
# Successful sales process

- Competitive tension retained throughout sales process
- All relevant employees, assets and liabilities transferred
- Transitional contracts provided to facilitate transfer of ownership
- Principles of ongoing regulatory framework settled
- Pensions terms and rules agreed for transferring employees

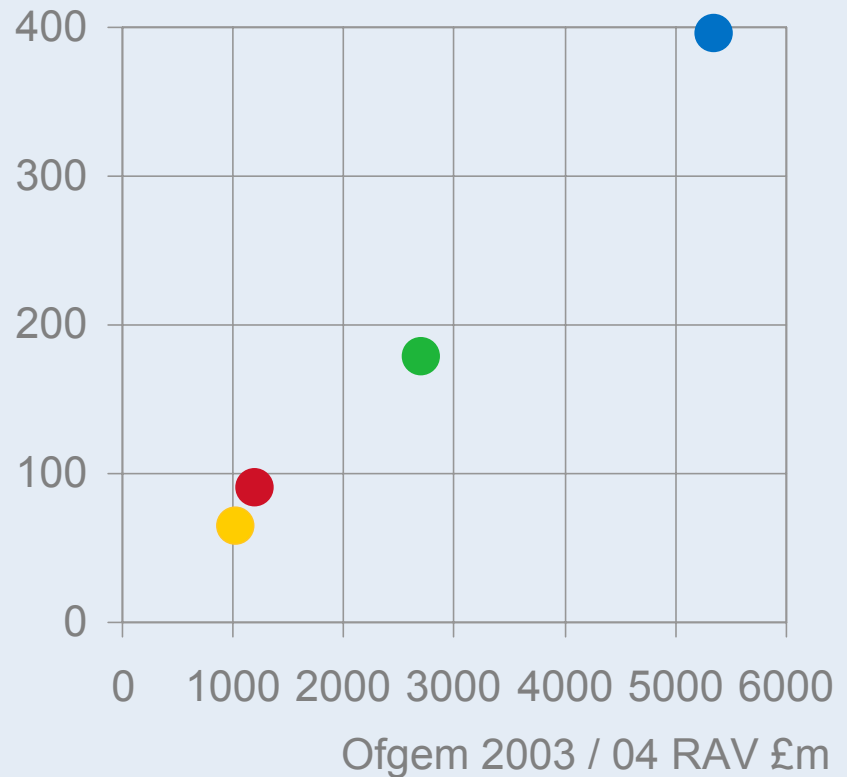
# Milestones through to completion

- Final Regulatory Impact Assessment published - late Sept 04
- Ofgem / Authority conditional consent to disposal - end Nov 04
- Licencing process - Sept 04 to Feb 05
- Ofgem / DTI final consent - end Feb 05
- HSE approval targeted for - end Mar 05
- Completion targeted for - Apr 05

# The new shape of Gas distribution

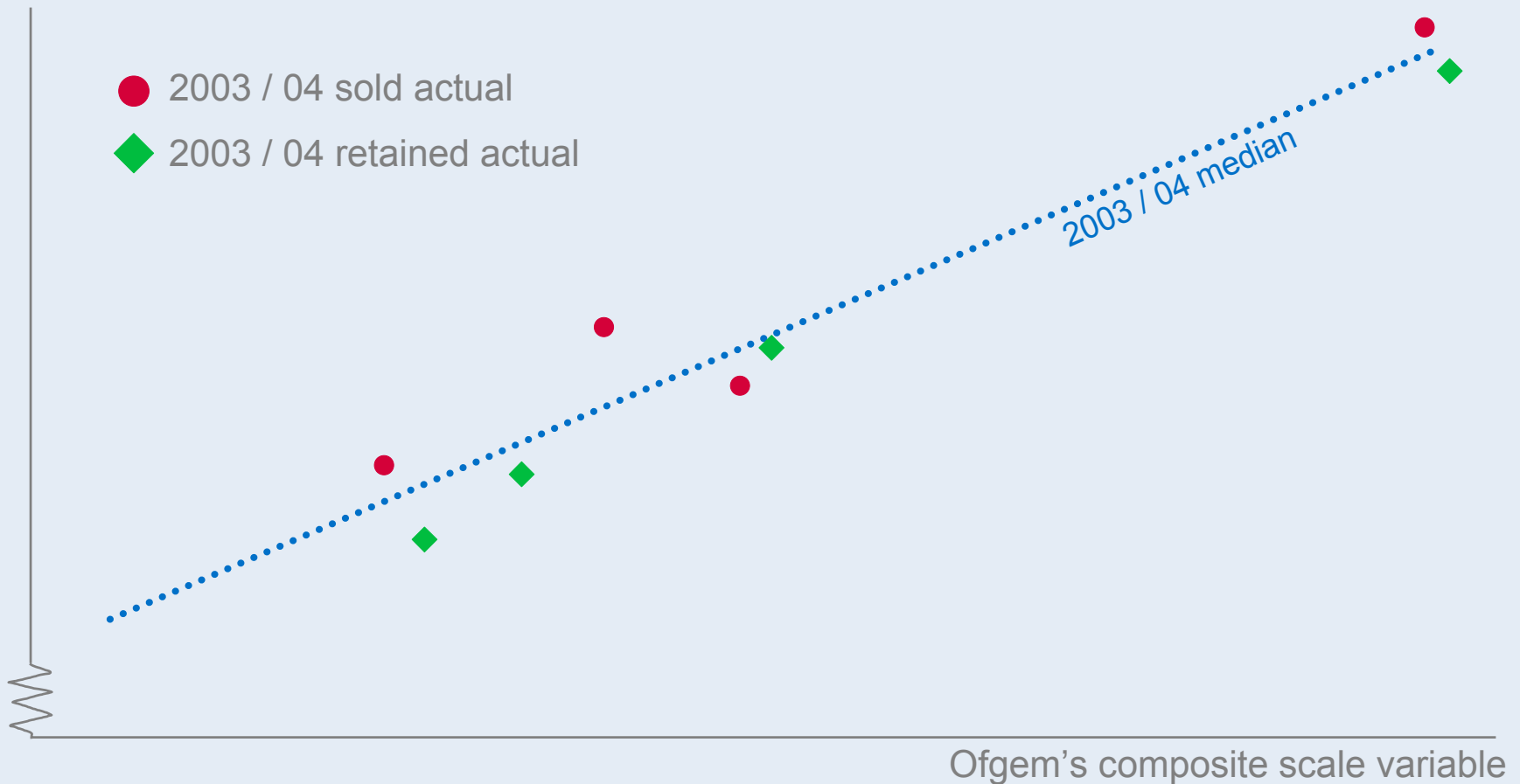


2003 / 04 Operating profit £m



# Retained are four of the most efficient

Fully allocated opex (£m 2003 / 04 prices)



# Driving efficiencies – the Way Ahead

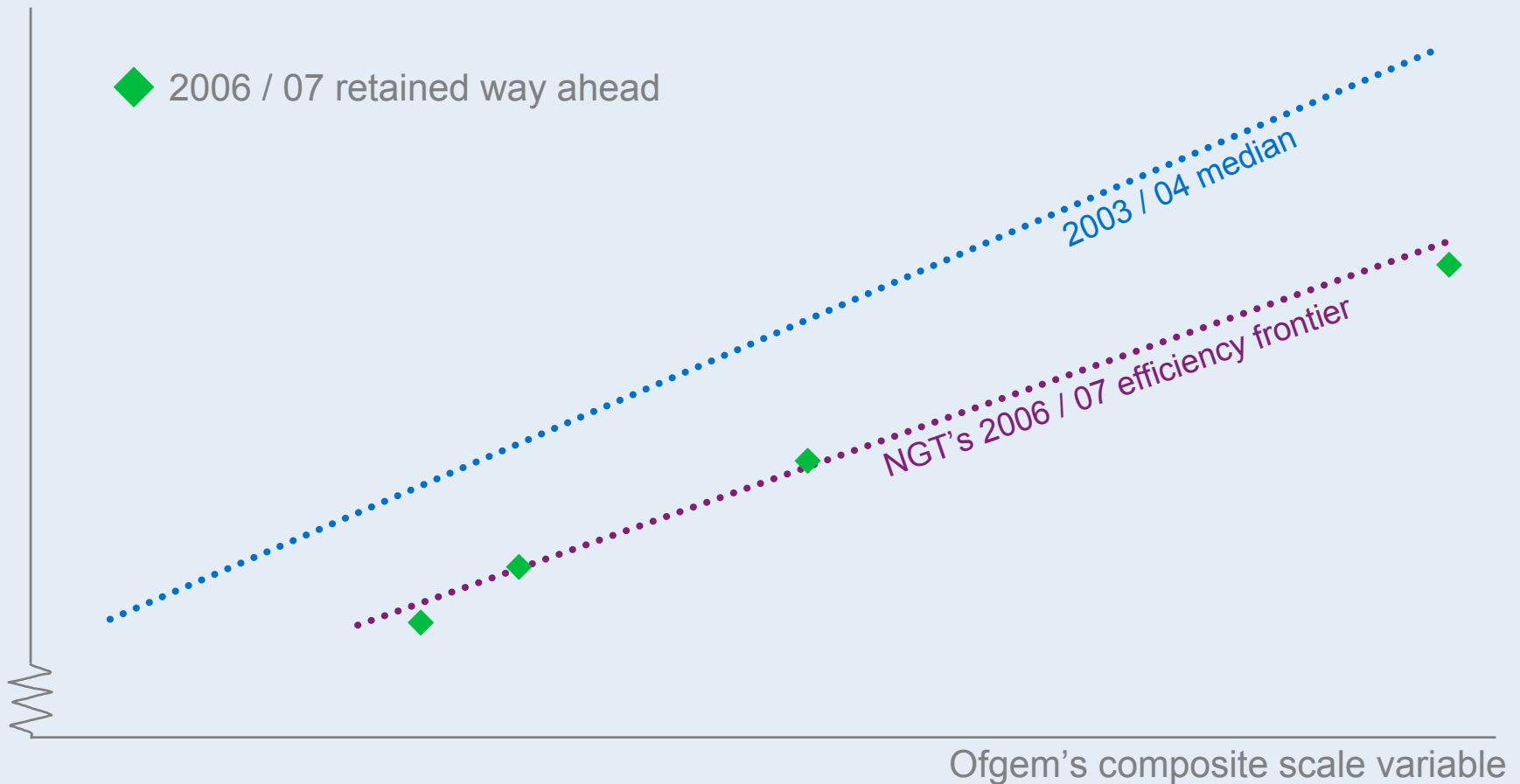
- Single and consistent operating model
- Quicker and more effective deployment of operational and safety best practice
- Effective consolidation of support staff and offices

# The Way Ahead – on track

- 20% reduction in controllable costs delivered out of 35% target
- Delivery of remaining 15% on track
  - All management appointments determined
  - Location strategy defined and ready for implementation
  - Companies short listed for construction Alliances, on track for April 2005
  - Operational pilots surpassing planned productivity targets
  - Immediate transition into the Way Ahead for the North West network

# NGT's 2006/07 efficiency frontier

Fully allocated opex (£m 2003 / 04 prices)



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# Summary

- Successful conclusion to sales process
- Crystallises substantial shareholder value
- Confirms premium valuation of retained gas distribution business
- Optimal shape and position for UK gas distribution business
- £2bn return of value and dividend enhancement
- Focus remains on being the world's premier network utility delivering superior shareholder returns

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