

US Performance Reporting

Investor Relations | May 2019



Adjusted US GAAP earnings

Adjusted US GAAP earnings measure aids comparability with other US utilities, capturing performance against rate plans and rate base growth.

	\$m	Year ended 31 March 2019
Underlying IFRS op profit ¹		2,081
Environmental reserves		(117)
Storms and other		(51)
US GAAP op profit ²		1,913
Levelisation and other		(49)
EBIT		1,864
Pension interest		(95)
Interest		(457)
Tax		(345)
Earnings		967

AORB* \$2.5bn	→	Earnings (incl. AORB) ~\$1,040m
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- Significant adjustments between IFRS and US GAAP relate to pensions, environmental and storm costs
- Under US GAAP certain costs are deferred to the balance sheet until we receive the associated revenue
- Under IFRS, costs are expensed immediately
- 50:50 regulatory gearing assumption

To aid comparison with other US utilities, include:

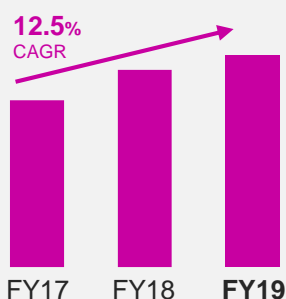
- Assets outside rate base which earn a non-cash post-tax return of ~\$75m
- Group gearing of 65%, which would increase post-tax interest charge by ~\$100m

* Assets outside rate base

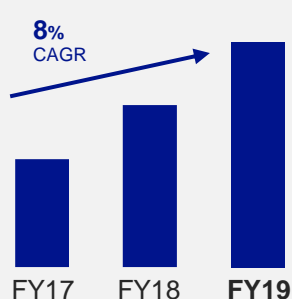
1 Underlying IFRS operating profit for the US Regulated business in USD, translated from £1,594m at a rate of \$1.31 to £1

2 Excludes charges related to the Massachusetts Gas labour dispute

US GAAP earnings (\$m)



Rate base (\$m)



- Achieved adjusted US GAAP earnings CAGR of 12.5% between 16/17 and 18/19
 - reflect average asset growth of 8%
 - 60 bps improvement in RoE
- Sustainable future earnings growth driven by continued asset growth and earning returns close to the allowed levels

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