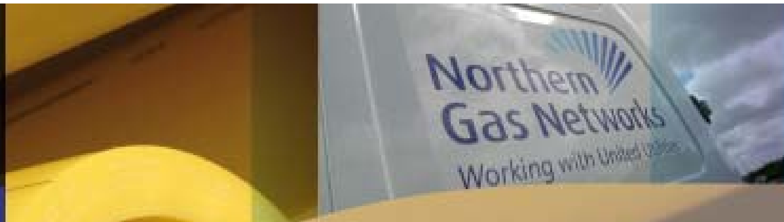

Delivering gas to the North of England

Northern Gas Networks Limited
Bond Investor Presentation
March 2010

Basil Scarsella – Chief Executive Officer
Chris Johns – Finance Director

Northern Gas Networks

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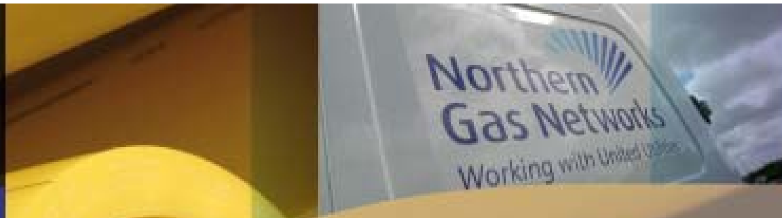
Contents

Executive Summary

- Northern Gas Networks ('NGN') came into existence in 2005 out of the National Grid (NG) gas distribution network (GDN) sales.
- We have four and a half years of excellent operating and financial track record.
- Stable regional monopoly in an established regulatory environment.
- Material reduction in regulatory risk from DPCR2/3, with elimination of earnings volatility, reduced pensions risk and historic capex overspends added to RAV.
- What differentiates us from other sold GDNs:
  - strong, supportive shareholder base and efficient outsourced business operating model
  - lower gearing and prudent approach to running the business
  - strong credit metrics (BBB+/ Baa1) ratings
  - benchmarked as the most efficient GDN by Ofgem
  - class leading safety performance.
- We will be a regular issuer going forward in the sterling market.



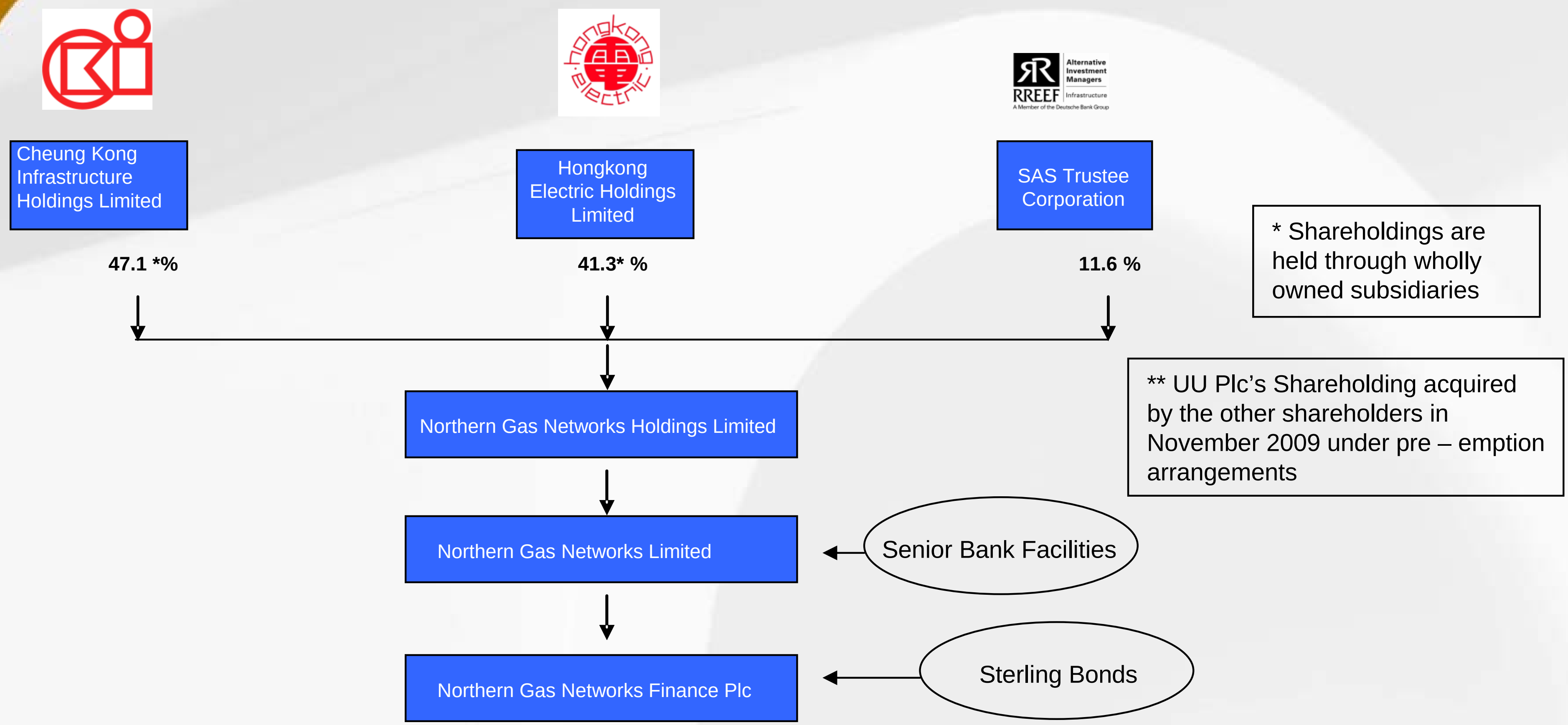
NGN Highlights

Northern Gas Networks

Business Characteristics

- NGN is 1 of 8 regional GDNs.
- NGN bought the North of England GDN from NG in June 2005 for £1.4bn.
- NGN is a stable regional monopoly gas distribution network operating within an established regulatory environment.
- NGN owns, operates, maintains, repairs and develops a gas distribution system of 37,000km supplying 2.6m customers.
- Provides the gas emergency service in the North of England.
- Governed by the Gas Act 1986 (Gas Act). NGN’s Licence is regulated by Ofgem, the gas and electricity regulator, and the Health and Safety Executive (HSE).

Group Structure and Ownership



Ownership Strategy:

- Long term ownership and long term stewardship of assets
- Focus on low risk predictable businesses
- Strong emphasis on corporate governance and reputation, underpinned by robust internal control framework

NGN is owned by an experienced and well capitalised consortium. Ownership is supported by a £572m equity cushion.

Efficient Outsourced Business Model

Ownership vehicle

Northern Gas Networks Holdings Limited

100%

Licensed entity

Northern Gas Networks Limited

c90 staff
"Controlling mind" – responsible for strategy
Accountable for Regulatory Licence and Safety Case obligations
Asset management and decisions

Asset Service Agreement

Special purpose vehicle providing services to NGN

United Utilities Operations Limited

c1,100 manpower
Responsible for delivery of asset operational activity

- The ASA through a target cost model has delivered long term strategic and operational benefits.
- The ASA runs to 2013 but contains 'change of control' provisions to maintain flexibility.
- Existing contractual arrangements will be maintained as long as commercial benefits are delivered.

NGN's Strategy

Our vision is to be benchmarked by Ofgem and the HSE consistently in the top two comparable utilities on:
- **safety**
- **efficiency**
- **customer service**

- We have transformed the business over the past few years through our efficient business model.
- Our strategy focuses on continuous business improvements and exceptional operating and financial performance to deliver our vision.
- We have a clear regulatory strategy which has put us at Ofgem's efficiency frontier and in its benchmarking we are seen by Ofgem, and the HSE as 'setting the standard'.

Top Tier Performer

Progressing towards the vision
Operational Performance

Northern Gas Networks

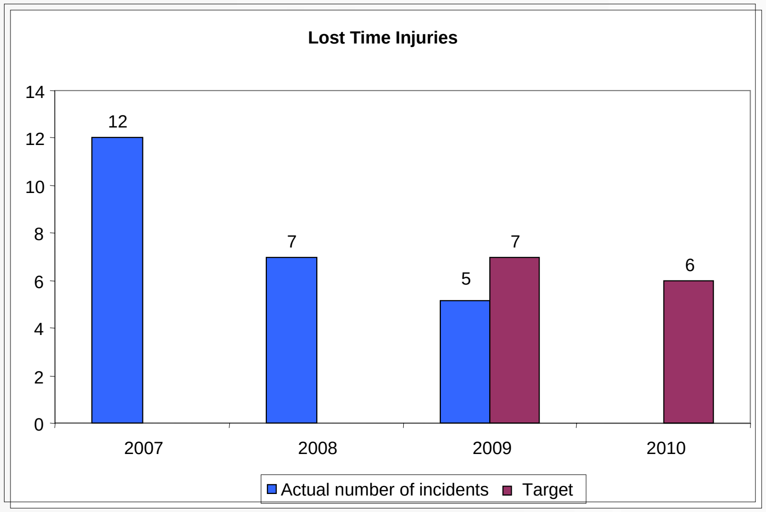
Safety

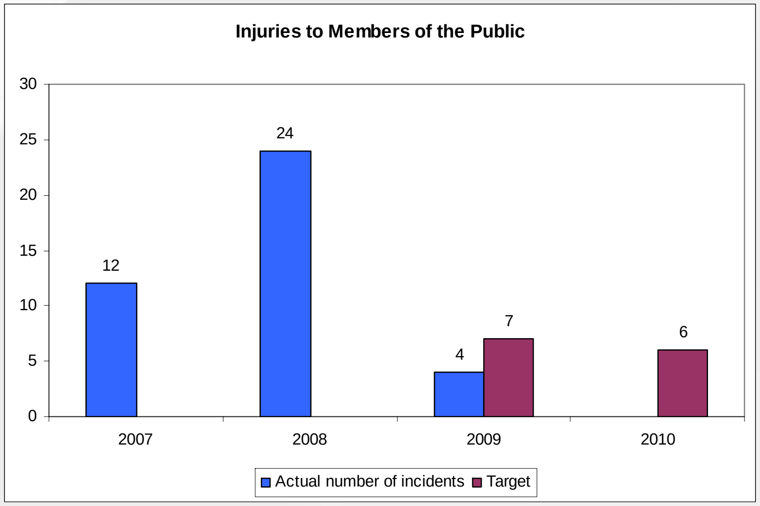
Aims:

- 100% Health & Safety and Environmental compliant
- No Lost Time Injuries (LTIs) or injuries to members of the public (MOPs) as a result of our streetworks

Strong Performance:

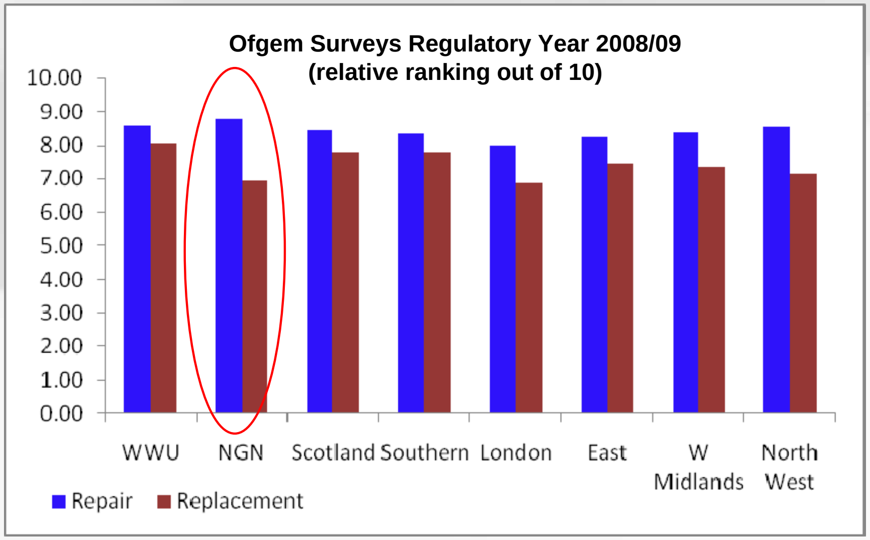
- The number of LTIs - accidents requiring time away from work – was cut by 28% in 2009 with only 5 LTIs against a target of 7 for the year
- Represents over 70% improvement from position at acquisition from NG
- Overall performance recognised by Institution of Gas Engineers (IGEM's) Safety Award
- Objective is to deliver continuous year on year improvements

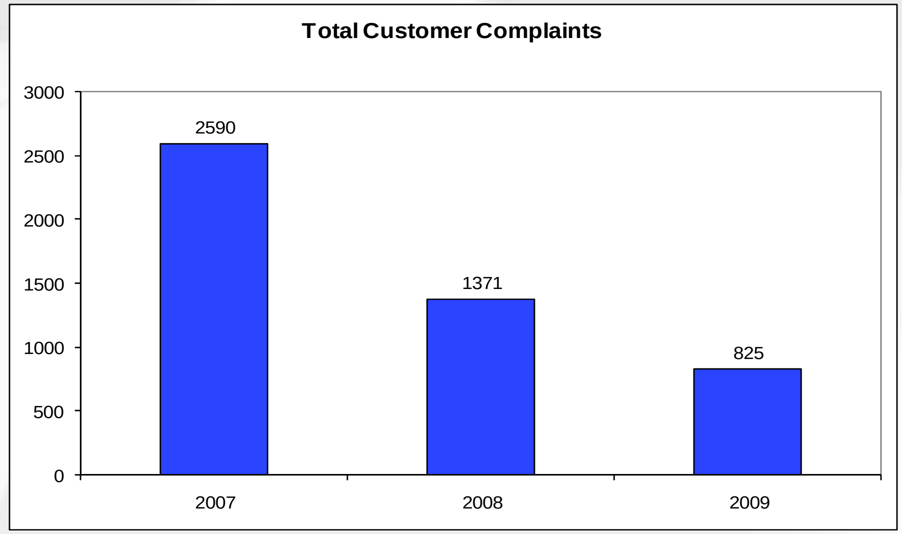




Both LTIs and MOPs show a significant improvement on the 2008 position and have both outperformed the 2009 targets. Annual targets are set to drive continuous improvement, working towards the long term target of zero.

Improved Customer Service Performance



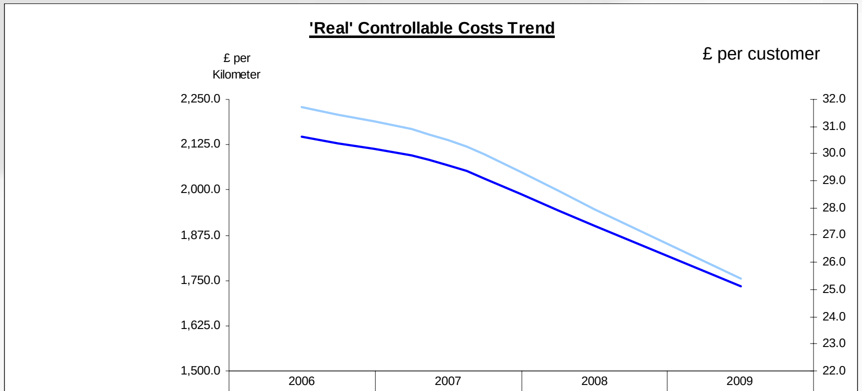


- In the 2008/09 Regulatory year NGN was ranked 1st for Repair and in the bottom half of the table for Replacement.
- In the latest quarterly survey for Regulatory Year 2009/10 NGN's replacement position has improved to 1st.

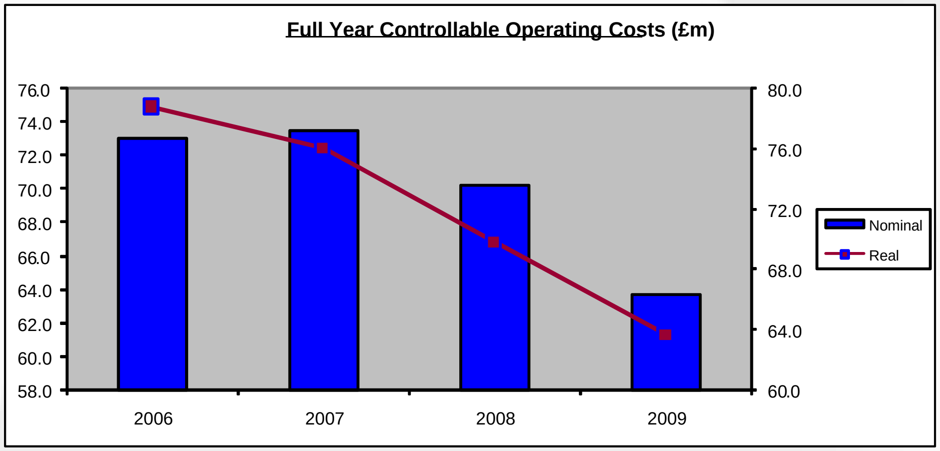
- 40% year on year reduction in customer complaints delivered.

Our challenge is to improve our relative ranking given all networks are improving performance year on year

Efficiency – cost reduction and increased productivity



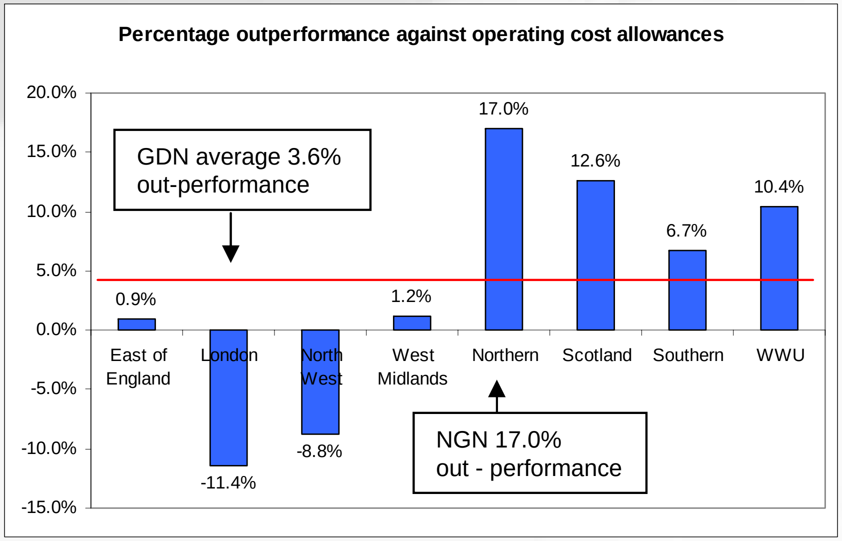
	2006	2007	2008	2009
Controllable Costs per Km	2,147.0	2,067.9	1,901.5	1,732.8
Controllable Costs per Customer	31.7	30.5	27.9	25.4

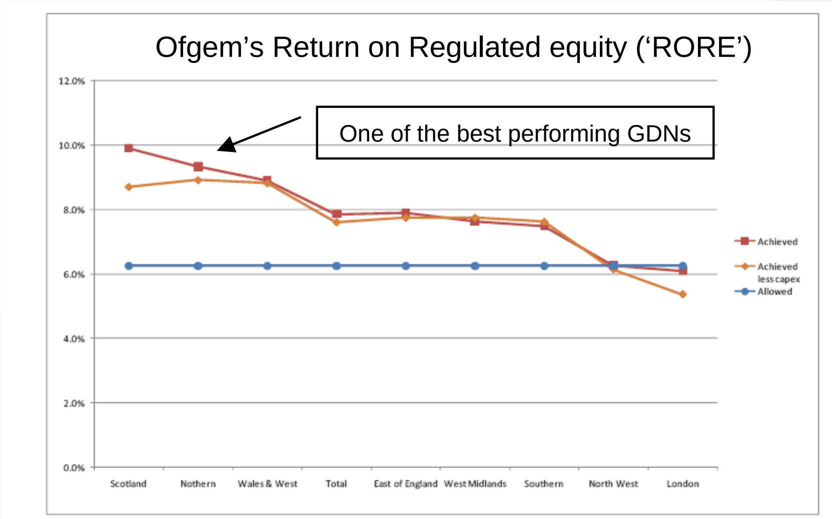


- Our continued cost reduction and efficiency is evident in operating costs shown above in costs / km of pipe and costs / customer connected to our network continuing to reduce absolute controllable operating costs year on year in both 'nominal' and 'real' terms.
- Our efficient business model and contractual arrangements with our dedicated operator UUOL afford NGN significant cost protections and therefore reduced business risk.
- Our contractual Asset Services Agreement (ASA) with UUOL is based on a target cost approach rewards out-performance through gain sharing and protects NGN from cost overruns by an 80 : 20 opex pain sharing mechanism.

Efficiency - Comparative Performance

- Extracts from Ofgem's Gas Distribution Annual Report for 2007/08 (the last official published benchmarking show NGN as being the most efficient network) :





Source : Ofgem

Financial Performance

Northern Gas Networks

Summary Financial Performance

£m	December 2006 *	December 2007 *	December 2008 *	December 2009 **
Financial Performance				
Revenue	273.3	289.5	323.7	343.6
EBITDA (pre Repex)	150.4	170.2	198.8	229.9
EBITDA	88.3	106.4	116.7	130.0
PBT	2.7	15.2	19.2	23.9
Dividend	60.0	65.0	70.0	30.0
Operating cash flow (pre interest and capex)	99.9	95.4	121.6	102.4
Net operating cash flow	25.9	18.4	34.9	4.5
Financial position and key ratios				
RAV	1,355.5	1,436.8	1,464.2	1,499.7
Consolidated net senior debt	906.1	952.5	990.6	1,016.2
Equity	571.1	571.1	571.1	571.1
Consolidated net senior debt to RAV	66.8%	66.3%	67.7%	67.8%
EBITDA / revenue	32.3%	36.8%	36.1%	38.3%
EBITDA interest cover	2	2.2	2.1	2.1
Post Maintenance Interest Cover Ratio	1.6	1.9	1.8	1.9

Revenue in 2009 not impacted by deflation

Profit reflects higher revenue position

Dividend reduced to maintain constant leverage

Constant leverage even with lower RAV position

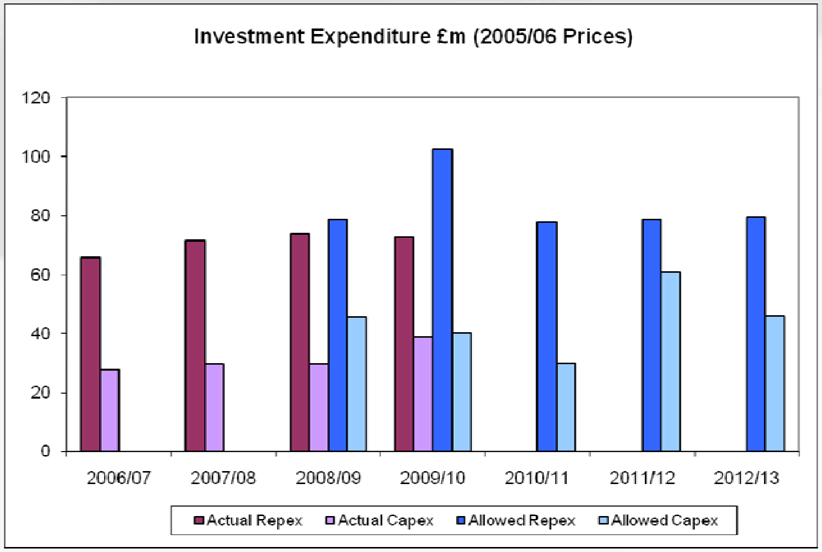
The 2005 actuals are not shown as they were for a 7 month period from acquisition

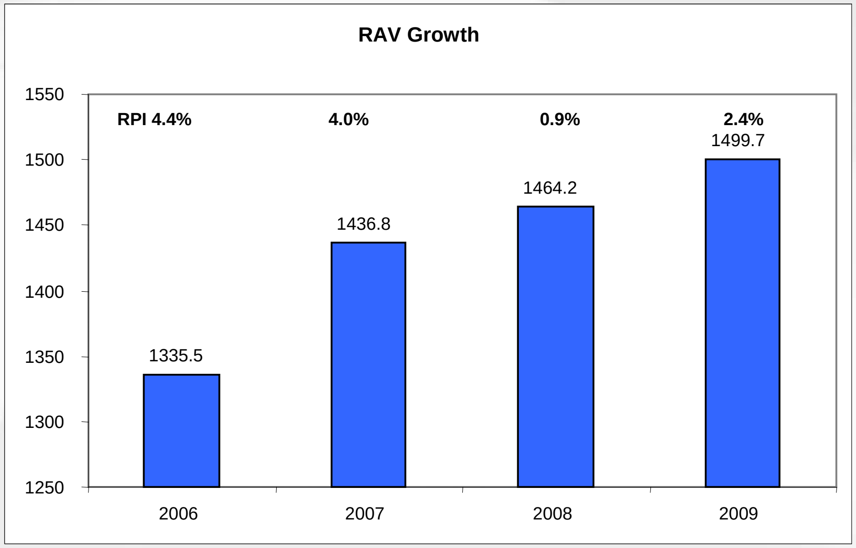
*** Audited ** Unaudited**

- 2009 EBITDA is £14.9m better than 2008 delivering a 6.2% increase year on year
- 53% increase in EBITDA (pre Repex) over four years

Dividend reduced to maintain leverage <70% given the low inflationary conditions prevailing in 2009

Network and RAV Investment





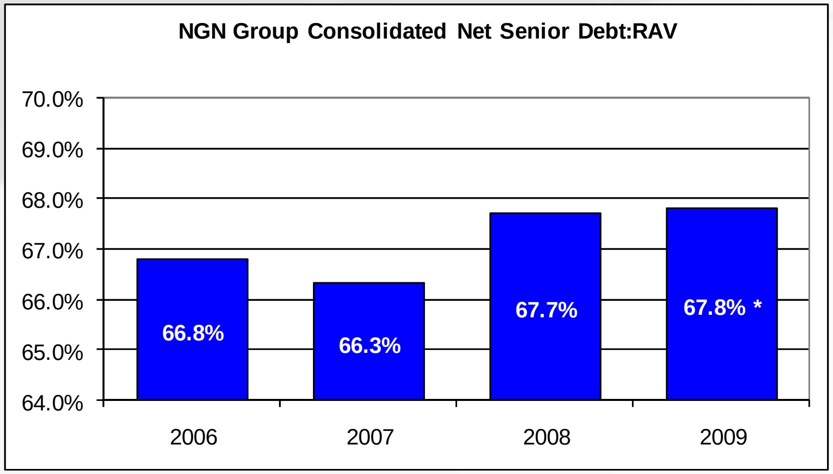
- Significant increase in level of investment allowed by Ofgem to ensure network security, reliability and safety primarily driven by replacement programme.
- Replacement programme funded 50% through revenue, therefore only modest debt funding requirement over the price control.
- Significant RAV growth delivered since acquisition 12%
- NGN is outperforming the allowances significantly
- RAV growth in 2008 and 2009 reduced by prevailing low inflationary conditions

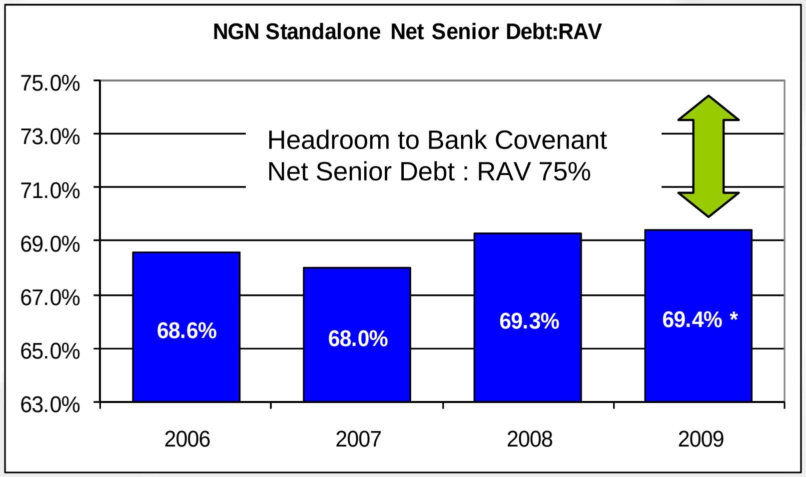
The high quality of the assets is preserved and improved through strong focus on asset management

Financing and Liquidity

Northern Gas Networks

Financing Strategy and Gearing





* 2009 unaudited

- Current financial strategy is to maintain approximately 70% leverage using bank facilities to fund investment before periodically issuing longer term debt

NGN continues to uphold prudent financial management and benefits from stable, predictable regulated cash flows

Rating Agency views

Moody's Investors Service

STANDARD & POOR'S

- In June 2009 Moody's reaffirmed NGN's Baa1 rating with stable outlook.
- In January 2010 Standard & Poor's (S&P) reaffirmed NGN's BBB+ but amended the outlook from "stable" to "negative".
- The "negative" outlook from S&P reflects their view that NGN's financial risk profile could potentially come under pressure in particular net debt : FFO coverage. NGN have given assurances that the dividend policy will be adjusted to improve the S&P ratios.
- S&P have no concerns over the operational capability of the business and the NGN credit remains strong.
- The rating action by S&P is unrelated to the proposed refinancing, in fact the proposed bond issue is a ratings-positive move as it will mark the completion of our refinancing, reduce our reliance upon bank finance and extend our debt maturity profile.
- These ratings are expected to be applied to the bond issuance.

Offering Overview

Northern Gas Networks

Offering Overview

Issuer	Northern Gas Networks Finance Plc
Guarantor	Northern Gas Networks Limited
Expected Issue rating (Moody's, S&P)	Baa1 / BBB+
Expected Issue Rating	
Moody’s	Baa1 (stable outlook)
Standard and Poor’s	BBB+ (negative outlook)
Format	Fixed Rate
Currency	GBP
Size	Minimum £200m
Tenor	30 years
Use of proceeds	To repay maturing acquisition bank facilities
Joint lead managers	Barclays / Lloyds / RBC / RBS
Listing	London

Conclusions

Conclusions

- Significant business transformation delivered.
- Significant step up in financial performance delivered since acquisition.
- Favourable price control outcomes and strong operational performance, supported by our efficient business model, have created sound foundations for continued improvement and significant out-performance with materially reduced risks.
- Highly regarded network in eyes of both our Regulators - HSE and Ofgem.
- Benchmarked as the most efficient of all the GDNs and created opportunity for significant regulatory out-performance.
- As a member of the CKI Group (now c.90% owned), NGN has a strong, supportive shareholder base, with a long term investment horizon.
- Shareholders are strongly supportive of the current capital structure.
- NGN has honoured commitments to bondholders.
- NGN will be a regular issuer in the sterling market in line with its capex investment program.

Supplementary

A – Shareholders
B – Regulatory Framework
C – Price control overview
D – Detailed 2009 Financial Performance
E – Financing and Liquidity
F – Financing Structure Overview
G – Contacts

Northern Gas Networks

A. Shareholders

- **Cheung Kong Infrastructure Holdings (CKI) (47.1%)**

- CKI is part of the Hutchinson Whampoa Group which has market cap of approximately HK$630 billion (£50.0 billion December 2009).
  - Largest Hong Kong publicly listed diversified infrastructure company.
  - Three core businesses–energy, materials and transportation.
  - Cash rich with ample capacity to raise financing.
  - Market cap of approximately HK$67.0 billion (£5.3 billion – December 2009) and S&P rating of A- (stable outlook).

- **Hongkong Electric (HEH) (41.3%)**
  - Owns and operates a vertically integrated electricity generation, transmission and distribution business in Hong Kong.
  - Sole supplier of electricity to Hong Kong Island and Lamma Island.
  - 38.9% owned by CKI.
  - In partnership with CKI, has investments in three electricity distribution networks in Australia Canada and New Zealand.
  - Market cap of approximately HK$92.2 billion (£7.3 billion – December 2009) and S&P rating of A+ (stable outlook).

A. Shareholders (cont'd)

- **SAS Trustee Corporation (11.6%)**
  - The Pooled Fund covers the investment assets held on behalf of four New South Wales (Australia) public sector pension schemes.
  - One of the largest pension schemes in Australia.
- **Shareholding changes:**
  - In November 2009 United Utilities (UU) sold its 15.0% shareholding in Northern Gas Networks Holdings Limited.
  - Under the Shareholder Agreement this shareholding was acquired proportionally by the three remaining shareholders.
  - The shareholders have a long term investment rationale and their increased equity participation clearly shows their commitment to NGN.

B. Regulatory Framework

- NGN operates in a Legislative and Regulatory framework determined by two elements of Primary Legislation – the Gas Act (1986) and the Health and Safety at Work Act (1974).

- The Gas Act established the Office of Gas and Electricity Markets (Ofgem) – the economic regulator of energy markets in the UK, the licensable activities and the broad statutory duties. NGN operates under a Gas Transporter's Licence granted by Ofgem that defines the broader range of licensable activities and responsibilities and sets out the rules and standards the company must adhere to, including:
  - Prices and Revenue Limits
  - Service Levels and Standards to customers
  - Non-discrimination and prohibition of cross-subsidy.

- The Health and Safety at Work Act 1974 (HASWA) and the associated regulations provide the legal framework for health and safety related issues arising from work activities in the UK. The Health and Safety Executive (HSE) is the enforcing authority for the gas industry.

- The framework focuses obligations on quality of service to customers, ensuring safe operation of the network and that companies are carrying out their activities in an efficient, non discriminatory manner.

B. Key protections afforded by the Regulatory Licence

- **Disposal of assets:**
  - Ofgem consent required to dispose of or relinquish operational control over any significant transportation asset (includes giving security over it)
- **Prohibition of giving or receiving cross subsidies:**
  - Restrictions on activity:
  - Licensee is restricted from conducting any business other than permitted activities which are principally gas transportation
- **Availability of resources:**
  - Licensee is required to ensure it is able to properly finance its Licence obligations
  - Annual certification to Ofgem that there are sufficient financial resources for the next 12 months
  - Prior to making a dividend must certify availability of resources to the Regulator

- **Credit rating:**
  - Licensee must take all reasonable steps to maintain an investment grade rating
- **Limitations on indebtedness**:
  - Ofgem consent required for any debt not on arms length terms
  - If rating falls below investment grade, certain cash lock up provisions kick in
- **Restricted trading activity permitted:**
  - Only allowed to purchase gas capacity rights or gas derivatives for sale to third parties where required to meet obligations under the Network Code
- **Term of Licence:**
  - Termination of Licence requires 10 years notice, such notice not to be given before August 2011
- **Ultimate parent obligations:**
  - Licensee obligation to procure from ultimate parent that they will not act in a way that would cause it to breach its obligations under the Licence

C. The UK gas distribution 2008-2013 price control summary of key outcomes

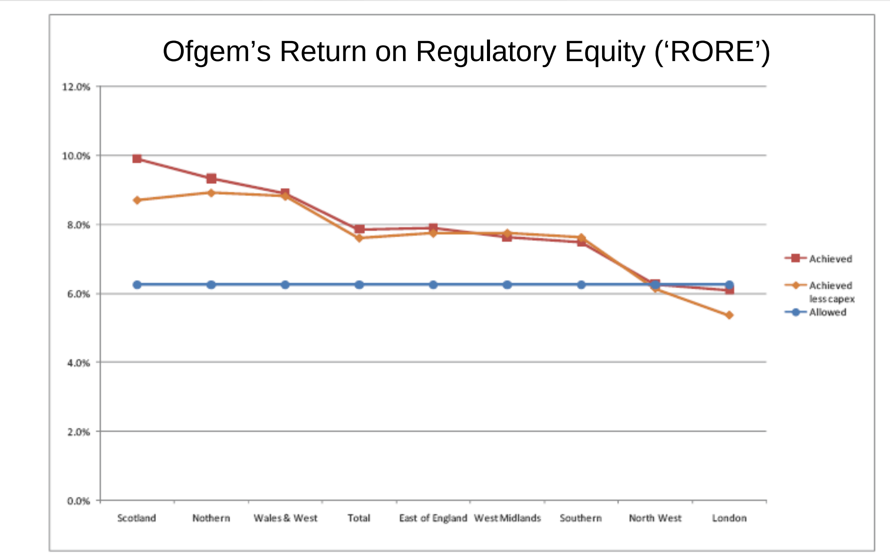
Revenue	• A 2% real average increase in allowed revenue
Investment	• Almost 12% growth in the regulatory asset base over the price control period
Opex	• Controllable opex allowance of £395m (including pensions, excluding shrinkage) • Mechanisms to deal with specific uncertain costs
Rate of Return	• 4.94% (vanilla) real return from April 2008
Pensions	• Full funding of ongoing contributions to April 2013 • Recovery of the majority of 2007 pension deficit position
Incentives	• 2% real annual increase in revenues • Features that reduce risk or provide opportunities for out-performance
Risk Reduction	• Revenue risk removed as volume driver removed – weather effects on revenue collection are now only a timing issue • Certainty given regarding funding of various pass through costs e.g. shrinkage and pensions

C. Price Control Key Overview

- Regulatory certainty achieved out to 2013 through acceptance of DPCR4 final proposals at start of 2008
- Reduction in risk that existed at acquisition and over DPCR2/3:
  - Significant majority of historic inherited capex overspends allowed into RAV
  - Removal of volume driver on allowed revenue
  - Shrinkage gas moves to an indexed allowance and effectively a pass through
  - Pass through granted for “efficient” pension costs to 2013
- New incentives also introduced (e.g environmental emissions, R&D) increase available returns
- Benefits of 100% opex out-performance, and 36% of benefit of capex out-performance retained
- Outcomes have driven significant improvement in financial performance since 2005/6 and drastically reduced earnings volatility going forward

NGN has been rewarded for setting the efficiency frontier

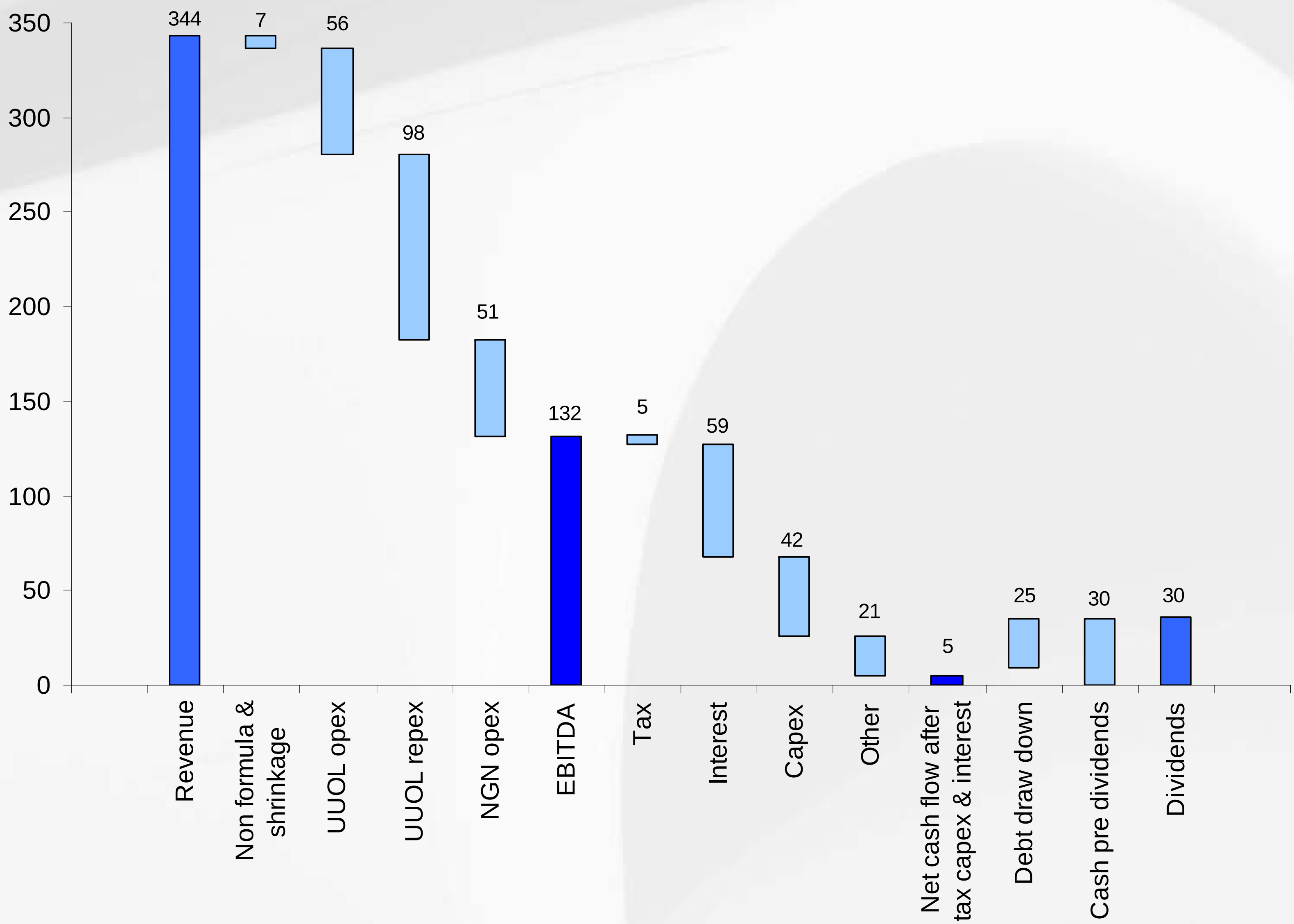
C. Price Control Key Overview (cont.)



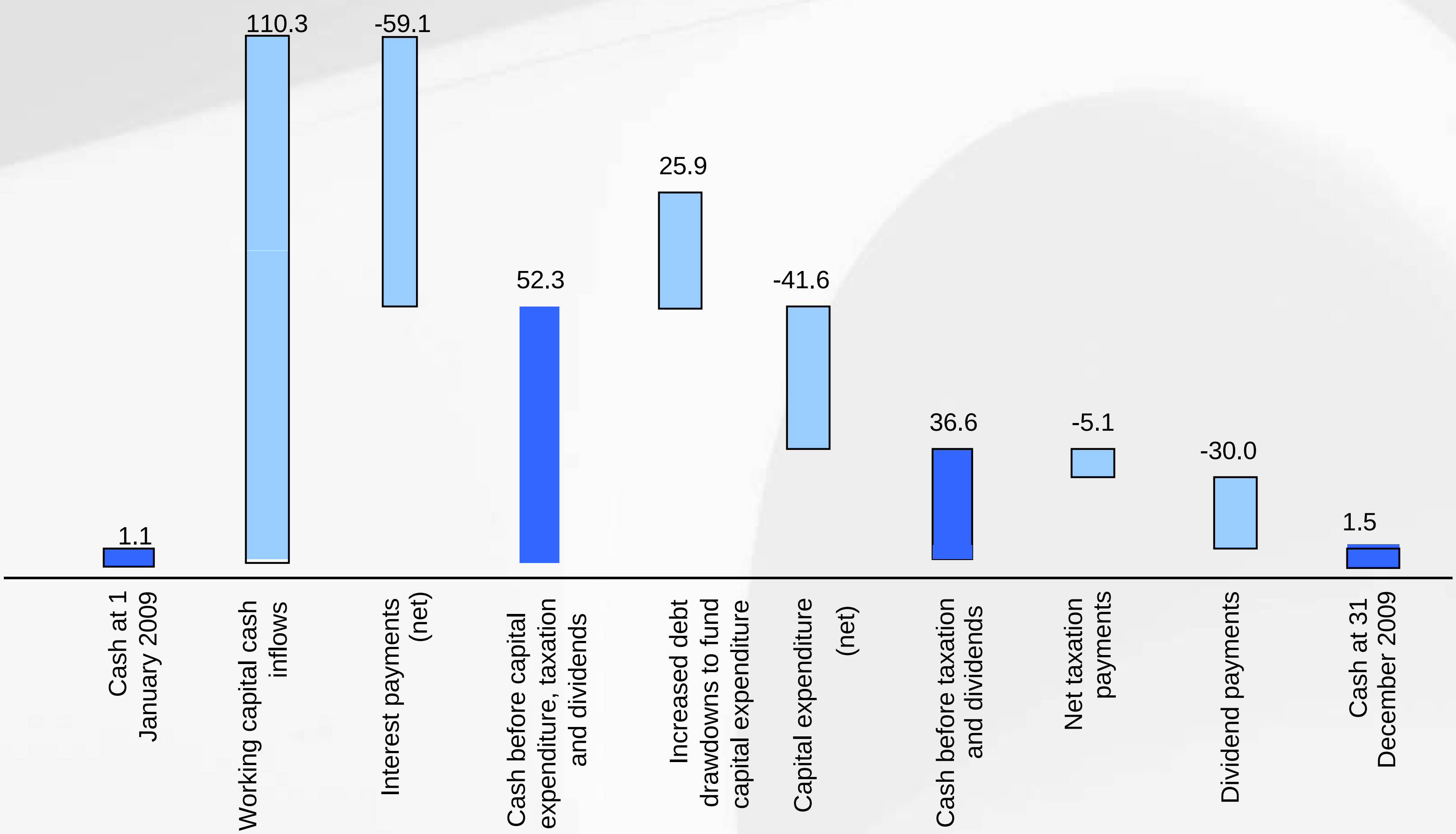
- Under Ofgem's calculations of RORE, NGN is achieving an overall return of 9.3% real NGN's return is equivalent to c13% nominal.
- The regulatory out-performance shown here is being delivered by:
    - Reward of favourable allowances due to NGN setting the efficiency frontier
    - Business model leading to continuous delivery of efficiencies
    - Removal of previous shrinkage and pension risks
    - New incentive schemes providing additional reward opportunities

Regulatory settlement delivered an acceptable balance of risk and reward and new incentives provide opportunities for additional reward

D. Summary of 2009 P&L Results (£m) (unaudited)



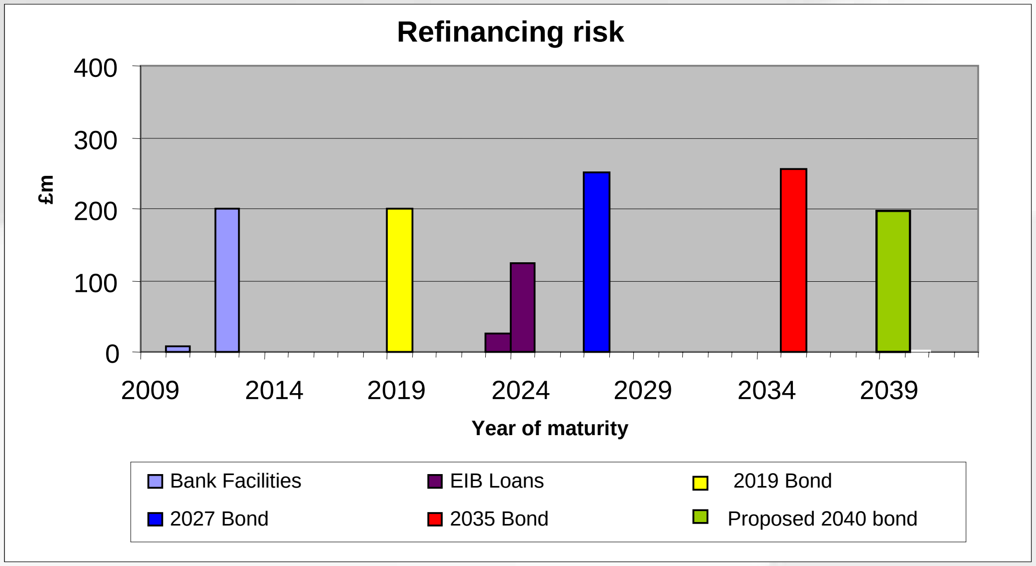
D. 2009 Cash Flow Bridge (£m) (unaudited)



D. NGN Holdings Limited December 2009 Consolidated Balance Sheet (unaudited)

£m	2009	2008
Fixed Assets		
Intangible - goodwill	200.1	205.8
Tangible fixed assets	1,399.5	1,388.1
Investments	0.1	0.1
	1,599.7	1,594.0
Current Assets		
Debtors	37.8	32.4
Cash	1.5	1.1
	39.3	33.5
Creditors < 1 yr		
Bank debt	(312.2)	(142.0)
Other	(93.8)	(94.1)
	(406.0)	(236.1)
Net current liabilities	(366.7)	(202.6)
Total assets less current liabilities	1,233.0	1,391.4
Creditors > 1 yr		
Bank loan	(24.9)	(365.8)
2027 bond	(249.6)	(249.6)
2035 bond	(254.6)	(254.6)
2019 bond	(197.4)	
Deferred income	(34.9)	(29.9)
	(761.4)	(899.9)
Provisions		
Deferred taxation	(114.3)	(108.5)
Environmental restoration	(6.0)	(7.9)
Other	(8.9)	(9.3)
	(129.2)	(125.7)
Net asset less pension liability	342.3	365.8
Pension liability (net of defereed taxation)	(17.4)	(14.9)
Net assets	342.9	350.9
Capital and reserves		
Called up share capital	571.1	571.1
Profit and loss reserve	(246.7)	(220.8)
	324.9	350.9

E. Financing and Liquidity



Liquidity Policy:
> Cash surplus retained on short term deposit to prevent shortage of liquidity

> Liquidity risk is managed by having undrawn bank facilities available to meet expected and unexpected obligations.

Debt Mix:
> Long–term strategy to maintain a blended debt profile

- NGN's existing acquisition bank credit facilities mature in mid 2010.
- £200m of 2019 bonds were issued mid 2009 with the net proceeds used to repay bank debt.
- Additional refinancing:

- The process of refinancing the remaining £358 million of bank facilities is well advanced.
- Drawings under the facilities (£314m at 31 December 2009) will be partly repaid by this issue.
- Further drawings under the EIB facility will also be made in the year.
- Going forward, NGN will have access to £200m of banking facilities with a maturity of August 2012.

F. Financing Structure Overview

Northern Gas Networks Holdings Limited

£572m of pure equity.
No shareholder loans

100%

Northern Gas Networks Limited
(Regulated Opco)

£150m 14 year EIB Loan

£200m 3 year RCF /
Capex and working capital facilities

100%

Northern Gas Networks Finance Plc
(Issuer guaranteed by the Regulated Opco)

Existing Bonds:
£250.0m 4.875% guaranteed bonds due 2027
£255.0m 4.875% guaranteed bonds due 2035
£200.0m 5.875% guaranteed bonds due 2019

G. Contacts

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