Half Year Results 2020/21

London, 12 November 2020

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Highlights

John Pettigrew

Chief Executive

COVID: Proud of our response

- Continue to deliver safe, reliable networks despite new COVID regulations and restrictions
- Delivering on our substantial investment program
- Outstanding response to a greater number of US storms
- Maintained cost discipline
  - mitigating some COVID cost pressures
- Progress on regulation
  - across our UK and downstate NY businesses

A strong performance in the first half

- COVID HY21 cost impact of £117m in line with expectations
  – full year c.£400m impact remains unchanged
- Capital investment of £2.6bn in critical infrastructure
  – large capital programs in UK Electricity Transmission
  – continued high levels of US capex
  – increased interconnector investment in NG Ventures
- Expect overall investment to be around £5bn for FY21
  – driving asset growth towards the top half of our 5-7% range.

Underlying operating profit
£1,147m ⬇11%
HY20: **£1,294m**

Underlying EPS
17.2p ⬇14%
HY20: **20.0p**

Capital investment
£2,560m ⬇5%
HY20: **£2,696m**

Dividend growth in line with policy
17.00p
HY20: **16.57p**

Underlying results from continuing operations, excluding exceptional items, remeasurements and timing.
Capital investment includes investment in JVs (excluding equity contributions to St William property JV).
Operating profit and capital investment presented at constant exchange rates.

Good safety performance

Continued to deliver good performance, despite unique safety challenges faced in 20/21

- Overall safety performance remains strong, with lost time frequency rates trending down
- Safety challenges required us to adapt our processes
- COVID-19 Health and Safety Plan allowed us to deliver our critical investment with limited disruption

Maintained reliability

Successfully managed:

- Low levels of demand
  - new flexibility tool developed by UK Electricity System Operator
- US Storms
  - 18 major storms in HY21 versus 8 in HY20
  - one of our biggest ever in October 2020
- Well prepared for winter in both the UK and US

Delivering US operational performance

Capital investment

- **£1.6bn** in the period, majority on safety and reliability
- Gas; pipe replacement expected to reach full year target of **300 miles**
- Electricity; limited disruption as a result of work prioritisation

Regulation

- New York progress:
  - KEDNY and KEDLI discussions ongoing
  - NIMO new rates filed
- Progressing way forward with our Downstate NY solutions
  - enhancing existing CNG and LNG infrastructure
  - significant increases in energy efficiency and demand side response

New Rates

- Niagara Mohawk filing proposes:
  - capital investment of **$3.6bn**
  - new incentives and earnings adjustment mechanisms
- Mass Gas filing 13th November 2020

UK operational performance

- Capital investment remains robust
- London Power Tunnels 2 and Hinkley Point progressing well
- Feeder 9 pipeline nearing commissioning
- RIIO-2 Draft determination response;
  - provided detailed evidence to support investment levels
  - proposed modifications to the regulatory framework to support UK's 2050 net zero ambition
  - highlights the need to balance customer bills and much needed UK infrastructure investment

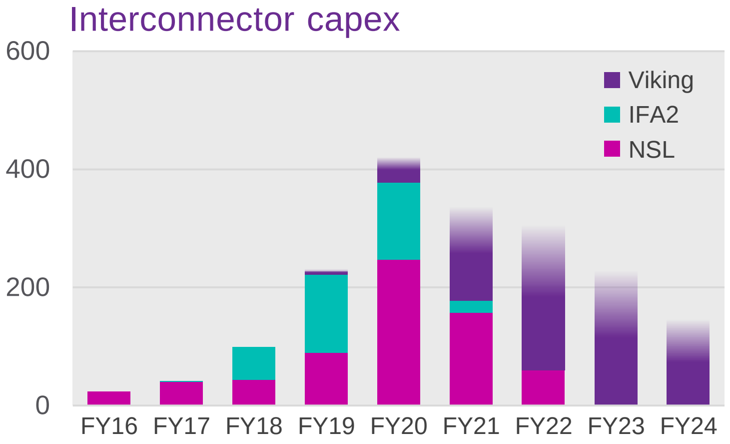
NG Ventures & Other

Continuing investment in our interconnector projects

- IFA2 go-live by the end of this year
- North Sea Link and Viking expected completion in FY22 and FY24 respectively

Developing clean energy projects

- TenneT agreement – connecting Dutch and British wind farms to energy systems of both countries
- 200MW Prairie Wolf solar project in Illinois: Cargill PPA signed, with project delivery expected by end of 2021



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Financial Performance

Andy Agg

Chief Financial Officer

COVID-19 update

- £117m impact to year on year underlying operating profit from
  - £56m bad debt provision increase
  - revenue shortfall of £41m
  - net COVID-19 costs of £20m
- Delay to updating rates in KEDNY and KEDLI of net £24m
- Maintain full year guidance
  - £400m impact to expected operating profit
  - up to £1bn of cash flow impact
- Expect to recover majority of costs over time
- Regulatory submissions already commenced

Financial performance highlights

Underlying operating profit

£1,147m ⬇11%

HY20: **£1,294m**

Underlying EPS

17.2p ⬇14%

HY20: **20.0p**

Capital investment

£2,560m ⬇5%

HY20: **£2,696m**

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HY20: **16.57p**

Underlying results from continuing operations, excluding exceptional items, remeasurements and timing.
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Operating profit and capital investment presented at constant exchange rates.

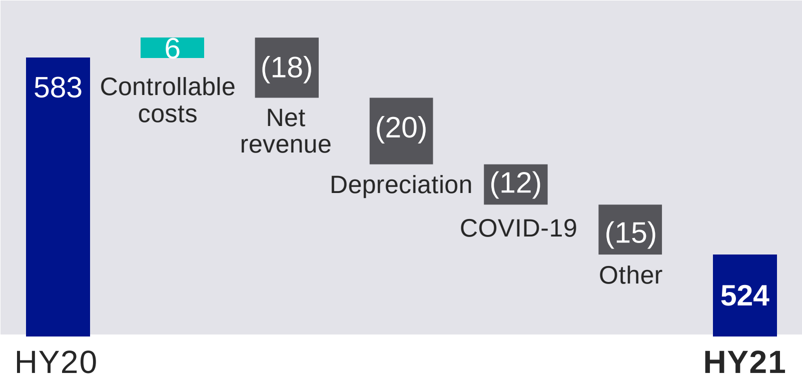
UK Electricity Transmission

FY20	OUTLOOK FY21
250bps Totex incentive	▼
10bps Other incentives	▲
70bps Additional allowances	▼

Achieved return

13.5% ◀▶

Underlying operating profit (£m)



Capital investment

£548m

HY20: **£471m**

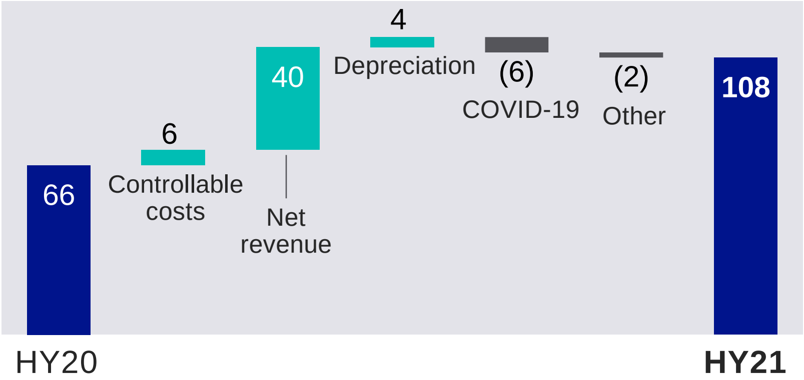
- Adverse MOD adjustments
- Capital investment higher than FY20
- Expect RoE outperformance to be slightly above 200-300 bps range

Underlying results, excluding timing, exceptional items and remeasurements.

UK Gas Transmission

FY20	OUTLOOK FY21
(70)bps Totex incentive	▼
110bps Other incentives	▼
(60)bps Additional allowances	▲
Achieved return 9.8%	▼

Underlying operating profit (£m)



Capital investment

£85m

HY20: **£167m**

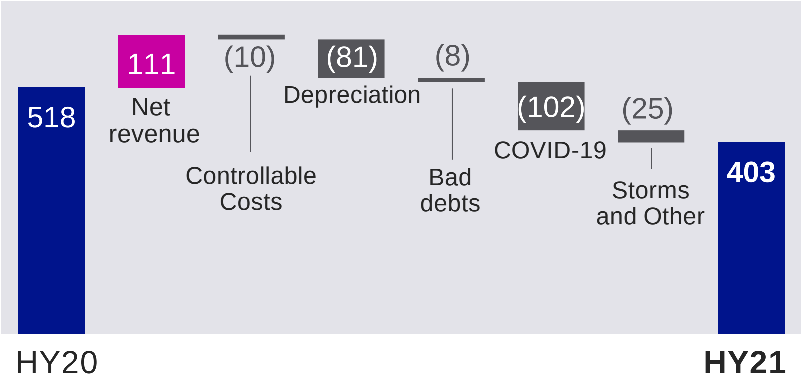
- Higher net revenue and favourable MOD adjustments
- Lower capex reflects lower asset health work and completion of Feeder 9
- RoE forecast to be lower than the allowed level for the full year

Underlying results, excluding timing, exceptional items and remeasurements.

US Regulated

FY20	OUTLOOK FY21
Achieved return 9.3%	▼

Underlying operating profit (£m)



Capital investment
£1,641m
HY20: **£1,566m**

- Higher net revenues from new rate cases
- Higher controllable costs
- Higher bad debts and depreciation
- $61m recoverable storm costs
- Expect RoE to fall

Underlying results, excluding timing, exceptional items and remeasurements.
Operating profit and capital investment presented at constant exchange rates.

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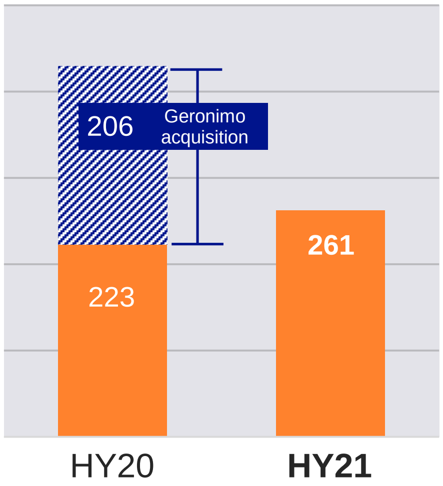
NG Ventures

Operating profit (£m)	Six months ended 30 Sep 2020	Six months ended 30 Sep 2019
Metering	79	81
Grain LNG	48	39
Interconnectors	19	21
Other	(4)	(13)
	142	128
Post tax share of JVs (£m)		
Interconnectors[1]	13	10
Millennium	12	11
Other	8	4
	33	25
Total NGV	175	153

Capital investment (£m)



- Excluding Geronimo acquisition of £206m, investment increased year on year
- Higher Viking expenditure

1 Includes Britned and Nemo.

Operating profit, share of joint venture profit after tax and investment presented at constant exchange rates.

Underlying results, excluding timing, exceptional items, and remeasurements.

Other activities

Operating profit (£m)	Six months ended 30 Sep 2020	30 Sep 2019
Property	25	46
Corporate & other	(55)	(47)
	(30)	(1)

Post tax share of JVs (£m)		
St William	4	11
Other	1	1
	5	12

- Operating profit lower than prior year due to lower land sales
- Lower St William contribution reflecting timing of sales from development sites

Capital investment[1]

£25m

HY20: **£63m**

- US IT investment now included in regulated segment (HY20: £41m)

Operating profit, share of joint venture profit after tax and investment presented at actual exchange rates.

Underlying results, excluding timing, exceptional items and remeasurements.

1 Capital investment includes investment in JVs (excluding equity contributions to St William property JV) and investment in NG Partners.

Interest, tax and earnings

Finance costs

£468m

15% lower than HY20

- Lower rates and RPI
- Lower hybrid costs
- Effective interest rate of 3.3%

Underlying effective tax rate[1]

16.5%

Underlying tax charge**: £(112)m**

- 330 bps higher than prior year
- Reduced value of US tax settlements

Underlying earnings[2]

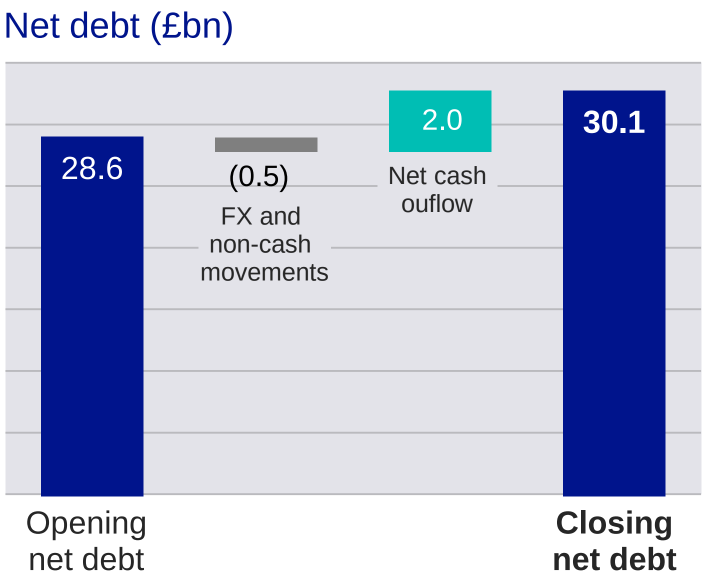
£604m

HY20: **£685m**

- 3,513m weighted average shares
- 17.2p/share

1 Excluding joint ventures and associates.
2 Underlying results attributable to equity shareholders.
Underlying results, excluding timing, exceptional items and remeasurements.

Cash flow and net debt



- Outlook on Group's credit rating from Moody's and S&P moved to negative after Ofgem's draft determination published
- First green financing report to be issued in December

Summary

- Strong operational performance
- Asset growth in the top half of 5-7% range
- Largely mitigated direct COVID-19 costs
- Full year guidance remains unchanged

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Priorities & Outlook

John Pettigrew

Chief Executive

Responsible Business

Environment

- Net Zero for scope 1 and 2 by 2050
- 20% reduction in scope 3 by 2030

Communities

- Skills development for 45,000 people by 2030
- 500,000 volunteering hours by 2030

People

- Safety and wellbeing is our top priority
- Meeting diversity challenge head-on, with new commitments

Economy

- Commit $250m in smarter energy technology
- Cascade our values through our supply chain

Governance

- Achieve 50% diversity in our Group Exec
- Ensure voices of our people and all stakeholders are heard

Priorities & Outlook

Clean Infrastructure

Enabling networks to support decarbonised electricity

Future of Gas

Enabling cleaner gas, and decarbonisation of heat

RIIO-2 & Efficiencies

Getting the right RIIO-2 framework and identifying efficiency opportunities

Clean Infrastructure

Targets[1]

UK
net zero
by 2050

New York
net zero
by 2050

Massachusetts
net zero
by 2050

Rhode Island
100% renewables
by 2030

Energy Transition

Smart Metering
- $650m funding request in NY
- $200m RI filing

Offshore Wind
- Infrastructure policies to support 40GW UK offshore wind by 2030
- Exploring concept of fully connected North Sea Grid

EV Infrastructure
- NIMO: 850,000 EVs by 2025
- MA: $150m filing in 2021
- UK: £500m EV infrastructure fund

Interconnectors
- IFA2 by end of year
- North Sea Link by FY22
- Viking by FY24

1. Country and State level targets

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Future of Gas

gas used for heating in

>22 million homes

in the UK

Newtown Creek will generate energy to heat

5,000 homes

using RNG

Renewable Natural Gas

Newtown Creek facility

Decarbonisation of heating

- Exploring ways to use hydrogen in existing infrastructure
  - US: hydrogen blending project
  - UK: hydrogen transmission test facility
- Zero Carbon Renewable Natural Gas (RNG), Newtown Creek

Gas has a key role in the future of energy transition

- Isle of Grain: Qatar Petroleum Agreement
- Net Carbon Humber: Carbon Capture and Storage project

"Grid Guide to…" on Future of Gas, 21st January 2021

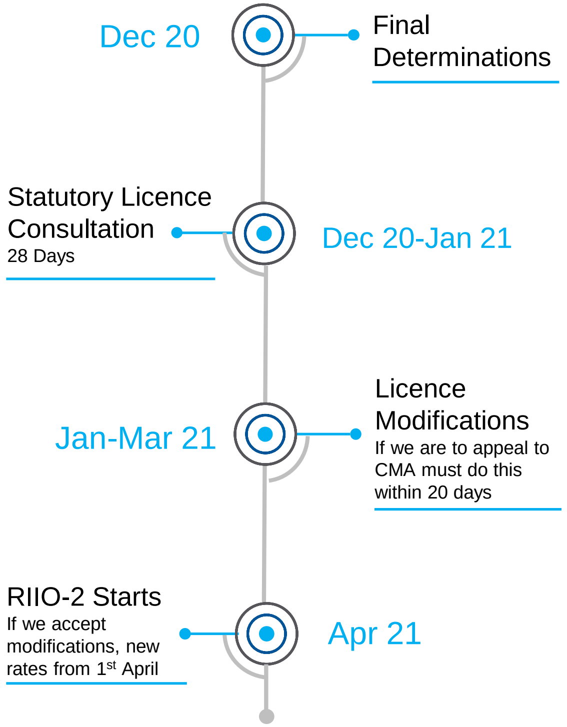
RIIO-2 Framework and Efficiencies

Need a RIIO-2 final settlement that has:

- Incentives to drive innovative solutions
- The right framework to deliver required investment
- A fair base level of return

Efficiencies:

- Streamlining our maintenance operating procedures,
- Further digital innovations to increase productivity,
  - new digital tool to transform work management and scheduling
- And making improvements to our back-office processes



Summary

- Strong first half operational performance
- Overcome COVID challenges
  - well prepared for any further challenges
- Well placed as an enabler for the energy transition, whether it be:
  - Decarbonisation of power
  - Decarbonisation of transport
  - Decarbonisation of heat

Q&A

Appendices

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Pensions & other post employment benefit obligations (IAS 19 data)

	UK		US		
At 30 September 2020 (£m)	ESPS	NGUK PS	Pensions	OPEBs[1]	Total
Fair value of assets	3,489	12,038	7,528	2,754	25,809
Present value of liabilities	(3,257)	(11,435)	(8,415)	(3,972)	(27,079)
Net (liability) / asset	232	603	(887)	(1,218)	(1,270)
Taxation	(44)	(115)	233	319	393
Net (liability) / asset net of taxation	188	488	(654)	(899)	(877)
Discount rates	1.5%	1.5%	2.75%	2.75%	

	UK		US		
At 31 March 2020 (£m)	ESPS	NGUK PS	Pensions	OPEBs[1]	Total
Fair value of assets	3,161	11,203	6,972	2,412	23,748
Present value of liabilities	(2,782)	(10,062)	(8,085)	(3,772)	(24,701)
Net (liability) / asset	379	1,141	(1,113)	(1,360)	(953)
Taxation	(72)	(217)	292	357	360
Net (liability) / asset net of taxation	307	924	(821)	(1,003)	(593)
Discount rates	2.35%	2.35%	3.30%	3.30%	

[1]OPEBs = Other post employment benefits

Appendix 2

Timing impacts

£m	UK Electricity Transmission	UK Gas Transmission	US Regulated	Total
1 April 2020 Opening balance	19	5	236	260
Opening balance restatement adjustment	-	-	9	9
Over / (under) recovery	(47)	(13)	(40)	(100)
30 Sept 2020 Closing balance to (recover)/ return	(28)	(8)	205	169
1 April 2019 Opening balance	(118)	59	477	418
Over / (under) recovery	42	(4)	(248)	(210)
30 Sept 2019 Closing balance to (recover)/ return	(76)	55	229	208
Year on year timing variance	(89)	(9)	208	110

2019/20 opening balance restatement adjustment reflects finalisation of timing balances
All USD balances stated using the average 19/20 rate of $1.2694 to £1
2020/21 closing timing balance as at 30 September 2020 at spot rate (1.2906): £165m
2019/20 closing timing balance as at 30 September 2019 at spot rate (1.2292): £217m

Appendix 3

Weighted average number of shares

For the half year ended 30 September	2020	2019
Number of shares (millions):		
Current period opening shares	3,508	
Scrip dividend shares (weighted issue)	1	
Other share movements (weighted from issuance/repurchase)	4	
Weighted average number of shares	3,513	3,430
Underlying earnings (£m)	604	685
Underlying EPS (restated)	17.2p	20.0p

Underlying earnings represent statutory results excluding exceptional items, remeasurements, timing and major storms