

NG.Focus

Investor Relations | June 2020

One of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas. We play a vital role in connecting millions of people to the energy they use safely, reliably and efficiently.

Investment proposition

We aim to be a **low risk** business, focused on generating shareholder value through both **dividends** and **asset growth** by investing in essential assets under primarily **regulated** market conditions, to service **long-term sustainable** consumer-led demands

London Stock Exchange **NG.**

New York Stock Exchange **NGG**

Financial performance in 19/20

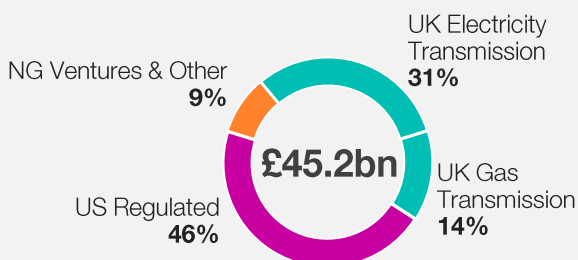
- Underlying operating profit up 1% to £3.5bn
- COVID-19 impact on earnings, primarily driven by a £117m increased provision for US bad debts
- Underlying EPS down 1% to 58.2p reflecting improved regulated performance, offset by non-recurrence of prior year one-off benefits
- Group RoE of 11.7% (2019: 11.8%)
- Achieved 99% of allowed RoE in the US (9.3%)
- Recommended final dividend to bring full year dividend to 48.57p, up 2.6%, in line with policy
- FY21 outlook: assumed COVID-19 underlying operating profit impact of approximately £400m

Business highlights in 19/20

- Business continuity plans successfully implemented in response to COVID-19
- Continued progress on 2050 net zero emissions target; achieved 70% reduction on 1990 baseline; new interim target to achieve 80% by 2030
- Record capital investment of £5.4bn leading to strong asset growth of 9%
- Published long-term gas options for New York
- Business plans submitted for RIIO-2
- Cost efficiency programmes delivered around £100m savings
- First renewable project commissioned through Geronimo since acquisition in July

Growing portfolio of high quality assets

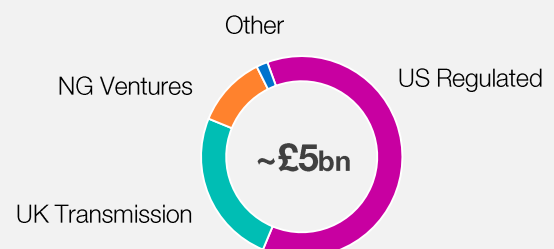
Assets by segment as at 31 March 2020



- Power and heat networks at the heart of the energy system
- Targeting annual asset growth of 5-7%*

*Assuming long run UK RPI Inflation of 3%

FY21 forecast capital investment by segment



- US regulated driven by mandated gas pipe replacement programmes; electric network resiliency, storm hardening and grid modernization; and decarbonisation of energy
- UK regulated driven by asset health and network resilience
- NG Ventures driven by interconnector programme

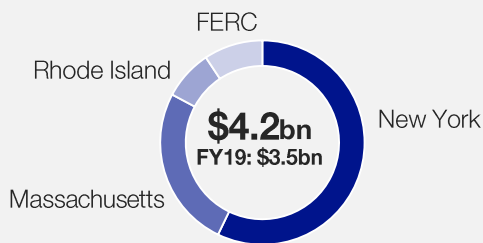
Good regulatory progress in 2019/20

US returns

Return on equity	
8.7% New York	Capital investment \$4.2bn FY19: \$3.5bn
9.0% Massachusetts	Rate base \$25.6bn FY19: \$22.9bn
10.3% Rhode Island	Assets outside rate base \$2.7bn FY19: \$2.5bn
11.4% FERC	Underlying operating profit £1.6bn FY19: £1.6bn*
Achieved return 9.3% FY19: 8.8%	

* At actual currency

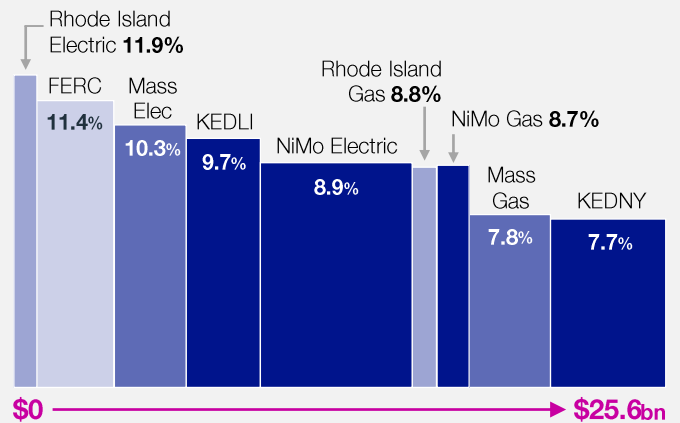
FY20 US Regulated capital investment



Regulation

- All distribution rates have been refreshed within the last 3 years
- ~50/50 debt:equity regulatory capital structure
- Nominal returns provide a faster cash return

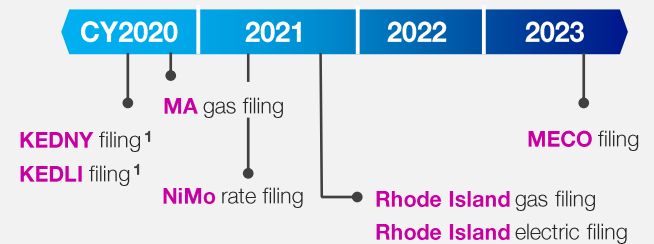
2019/20 RoE/Rate base (\$m)



Strong performance in the US in FY20

- Rate base growth of 12%
- Consistent achieved return on equity; 99% of allowed
- Delivered over \$30m of savings this year and remain on course to deliver \$50m in 20/21

Rate case outlook



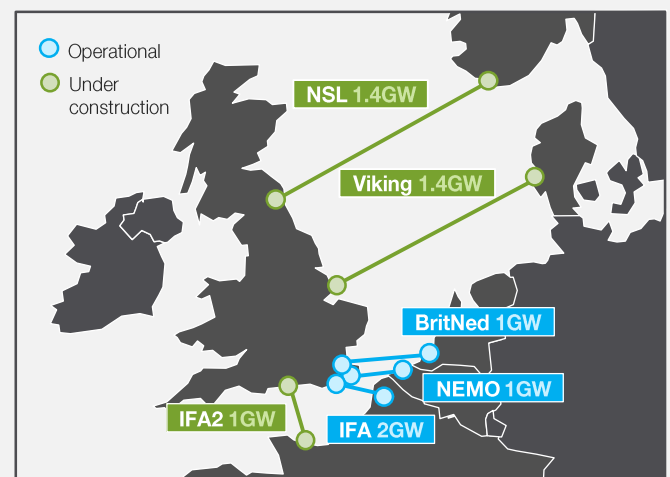
¹ Currently in settlement discussions with the regulator with new rates expected to be backdated to 1 April 2020

National Grid Ventures & Other

Capital investment £885m FY19: £623m	Total contribution £330m FY19: £440m
Operating profit £242m FY19: £400m	Post-tax share £88m FY19: £40m

NG Ventures & Other

Operating profit	Post-tax share
£158m Metering	£29m Interconnectors
£78m Grain LNG	£22m Millennium
£61m Interconnectors	£18m St. William
£63m Property	£13m Sunrun



- NGV includes long term assets with a low risk profile and stable cash flows
- Own and operate 4GW of electricity interconnection between UK and Europe, with a further 3.8GW under construction
- Geronimo acquisition to provide US renewable generation opportunities
- St. William joint venture with Berkley Group to unlock land value

Continued solid performance in the UK in 2019/20

UK RoE Combined
12.4%

FY19: 12.4%

Electricity Transmission

Return on equity	Other key financial metrics
10.2% Base return	Capital investment £1.0bn FY19: £0.9bn
250bps Totex incentive	Regulated asset value £14.1bn FY19: £13.5bn
10bps Other incentives	Underlying operating profit £1.2bn FY19: £1.1bn
70bps Additional allowances	
Achieved return 13.5% FY19: 13.7%	

Gas Transmission

Return on equity	Other key financial metrics
10.0% Base return	Capital investment £0.2bn FY19: £0.3bn
(70)bps Totex incentive	Regulated asset value £6.3bn FY19: £6.2bn
110bps Other incentives	Adjusted operating profit £0.4bn FY19: £0.3bn
(60)bps Additional allowances	
Achieved return 9.8% FY19: 9.5%	

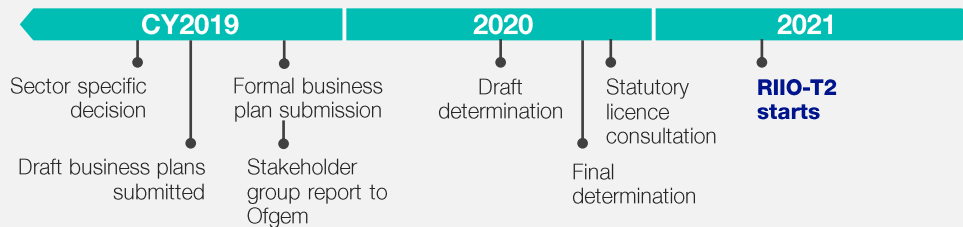
Regulation

- Single regulatory body - Ofgem
- 8-year RIIO price control through to 2021
- Incentives to promote innovative and efficient capital investments benefitting customers and shareholders
- Cost allowances and revenues linked to RPI
- Remunerated in part through RPI asset indexation

Good performance in the UK in FY20

- Achieved outperformance of 230bps through innovation and efficiency
- Focus on customer savings; over £700m generated to date under RIIO
- Continued investment in maintaining the network
- Delivered over £70m of savings this year and remain on course to deliver £100m in 20/21

Timeline on RIIO-T2



ESG performance and priorities

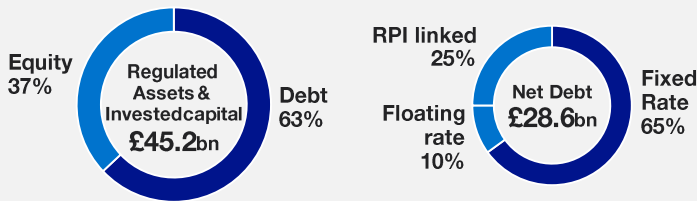
Environment	Community	People	Economy	Governance
 <p>Enabling a fair and affordable transition to a clean energy economy</p> <p>Net Zero scope 1 and 2 GHG emissions by 2050 (1990 baseline)</p> <p>70% reduction achieved in FY20</p>	 <p>Going the extra mile to deliver positive impact in the communities we serve</p>	 <p>We are working to ensure all our people are treated fairly and given the opportunity to thrive at work.</p>	 <p>How we contribute to the economies of the countries where we operate our businesses</p>	 <p>We are committed to the highest standard of corporate governance and strive to apply best practice in this area</p>



Strong and efficient balance sheet

Gearing and debt profile

as at 31 March 2020



*Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments

- Appropriate level of debt funding for strong credit ratings, with gearing at 63%
- Target retained cash flow (RCF) to net debt above 9%
- Single A credit rating for UK operating companies and majority of US operating companies; NG plc rated BBB+
- Scrip dividend option provides flexibility for growth

Key measures to deliver shareholder value

Total Group 19/20 performance ¹		
£3.5bn Operating profit	58.2p EPS	9% Group asset growth

1. Underlying results excluding exceptional items, remeasurements, timing and major storm costs

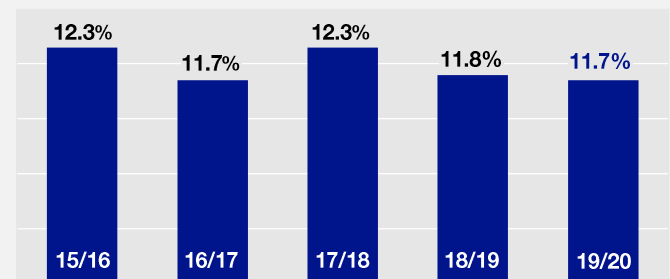
Value added (at constant currency)

Captures total return per share created on an operational basis

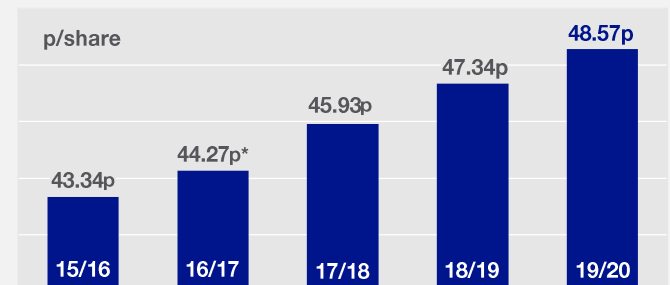
2019/20	
Net asset growth	£3.7bn
+	+
Cash dividend	£0.9bn
-	-
Growth in adjusted net debt	£2.6bn
=	=
Value added	£2.0bn
	58.9p/share

Note: value added excludes Cadent sales proceeds

Group return on equity (RoE)



Dividend policy to grow DPS at least in line with UK RPI



*Excludes 84.375p special interim dividend related to sale of UK Gas Distribution (NGGD)

Important notice

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' section on pages 212 to 215 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2019 as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2019, published on 14 November 2019. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equiniti Limited. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

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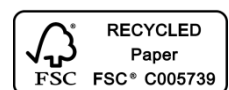
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