Debt Investor Update

Full Year Results 2019/20

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Responding to COVID
Driving safe and seamless operational delivery

- Maintained excellent levels of reliability across our networks
- Delivered our significant capital programme
  - risk assessed all our projects
  - issued new working guidance to our field force, and
  - collaborated across the industry, sharing best practice
- Continued to deliver strong operational performance
  - rapid restoration of power in Massachusetts

Responding to COVID

Delivering for our customers and communities

- Helping US customers who may be in financial difficulty
  - paused our US collections activities
  - deferred proposed rate increases in New York
- Helping UK suppliers to address the financial impacts of COVID
  - deferral of network charges
  - no additional burdens on consumers
- Supporting local communities
  - financial donations to help the most vulnerable;
  - community volunteering; and
  - helping deliver local field hospitals

COVID-19 impact

Business environment

- Limited medium term economic impact
- £400m operating profit impact in FY21

Revenue deferrals

- Deferred NiMo rate increase
- KEDNY / KEDLI rates flat, awaiting settlement

Other COVID costs

- Sequestering staff, IT costs and lower capitalisation

Bad debts

- Expecting bad debt expense in FY21 to remain elevated

Cash flow and net debt

- Forecast impact up to £1bn
- ~£3bn increase in net debt (excluding impact of FX)

Financial performance highlights

A strong 2020

Underlying operating profit

£3,454m

FY19: **£3,451m**

Underlying EPS

58.2p ↓1%

FY19: **58.9p**

Return on Equity

11.7% ↓10bps

FY19: **11.8%**

Capital investment

£5.4bn ↑19%

FY19: **£4.5bn**

Asset growth increased

9% ↑180bps

FY19: **7.2%**

Dividend growth in line with policy

48.57p ↑2.6%

FY19: **47.34p**

Underlying results from continuing operations, excluding exceptional items, remeasurements, timing and major storm costs. Exceptional items within operating profit totalled £402m in 2019/20

Operating profit calculated at constant currency

Progress on operational priorities in 19/20

US plans drive growth and value

Strong operational progress

- Achieved an ROE of 9.3%, up 50bps
  - earned 99% of our allowed return
- Strong rate base growth of 12%
  - driven by investment of over $4bn; and
  - transfer of CWIP to rate base
- Agreed new rates for MA electric
- Delivered $30m of savings
  - remain on course to deliver $50m in 20/21
- Progress on NY gas constraints
  - filed options report
  - working on delivering solution with the State

Progress on operational priorities in 19/20
UK delivering growth and value for all stakeholders

Strong operational delivery

- Achieved an ROE of 12.4%
  - within target range of 200-300bp outperformance
- Invested £1.3bn, up 5% on the prior year
  - completed Feeder 9 tunnel under the Humber
  - progressing second phase of our London Power Tunnels project
- Hinkley remains on track
  - we welcome Ofgem's use of Strategic Wider Works
- Final RIIO-T2 plans submitted in December
- Exceeded £50m cost efficiency target

Progress on operational priorities in 19/20
NGV & Other

Investment of £815m

- Higher interconnector spend
  - projects remain on track
- Acquisition of Geronimo Energy
  - start of operations at 200MW windfarm in South Dakota

Good year for Property

- Continued to sell sites into the St William joint venture
- JV contributed a net profit for the first time

Interest, tax and earnings

Finance costs

£1,049m

6% higher than FY19

- Higher US debt
- Effective interest rate of 4.1%

Underlying effective tax rate[1]

19.9%

at **£(478)m**

- Tax rate 30bps higher than 19/20, due to lower value property sales

Underlying earnings[2]

£2,014m

FY19: **£1,995m**

- 3,461 weighted average shares
- 58.2p/share

1 Excluding joint ventures and associates

2 Underlying results attributable to equity shareholders

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

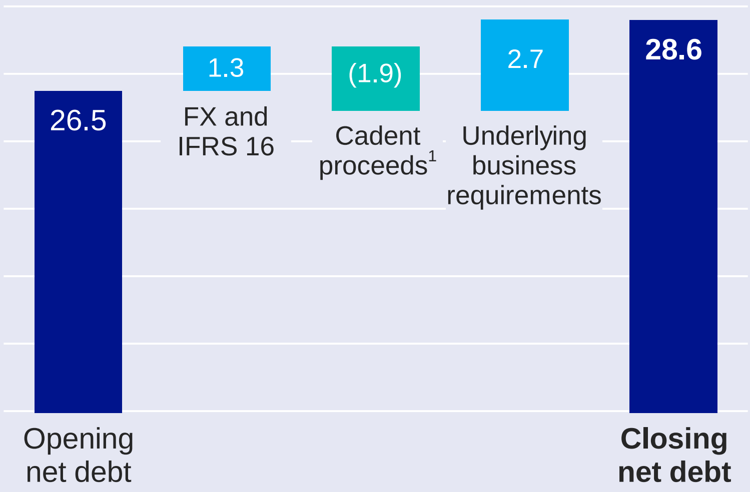
Cash flow and net debt

£m	Year ended 31 March 2020
Underlying operating profit	3,307
Depreciation & amortisation	1,640
Exceptional items	(60)
Working capital, timing & other	27
Cash generated from operations	4,914
Net debt	(28,590)

RCF / Net debt
9.2%

FFO / Net debt
12.3%

Net debt (£bn)



Net debt slightly lower than guidance
– favourable working capital and scrip uptake

RCF / Net debt based on the Moody's methodology. FFO / Net debt based on the S&P methodology

1 Final Cadent proceeds net of exceptional costs

Capital investment and funding

Group capital investment includes

- £4.5bn investment in regulated networks
- ~£500m interconnector investment
- Over £200m investment in Geronimo

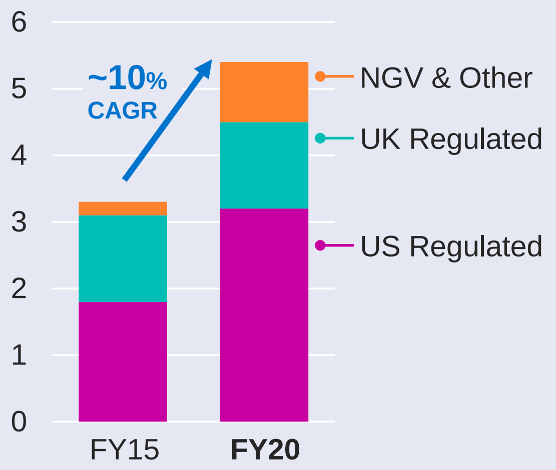
Sustainable growth

- Network investment to meet mandated safety and reliability targets
- 85% US investment already covered by existing rate plans
- Interconnector investment will decline from FY20 onwards

Funding

- Strong internal cash flows combined with scrip utilisation
- Green financing framework and regular bond issuance

Capital investment by segment (£bn)[1]



1 Excludes UK Gas Distribution, calculated at constant currency

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20/21 Outlook

Regulated performance

- Fall in US operating profit from deferred revenue, bad debt and higher COVID costs
- Increase in US depreciation
- UK operating profit expected to reduce in Electricity Transmission and increase in Gas Transmission

NGV and Other

- NGV profit fall ~5% from lower interconnector arbitrage and lower St William profits

Interest and tax

- Interest charge to reduce from falling RPI and lower rates
- Effective tax rate of around 22%

Capex

- ~£5bn leading to group growth of 5-7%

Priorities & Outlook

Our pathway to value creation

Strategic priorities

- Enable the energy transition for all
- Deliver for our customers efficiently
- Grow our organisational capabilities
- Empower our people for great performance

Our strategic priorities guide our focus areas over the next 12 months:

US

- Ensuring right rate plans post COVID
- Efficient delivery of our investment program

UK

- Agreeing the RIIO-T2 regulatory framework
- Driving innovation for our customers

NGV & Other

- Delivery of our interconnector program
- Geronimo investment opportunities

US priorities and outlook

Ensuring we have the right rate plans for a post-COVID world

- Focus on new rates in New York and Massachusetts
- Working with regulators to achieve timely recovery of COVID-related costs; and
- Balancing the need for critical investment with affordability

KEDNY / KEDLI

- Moving to a multi-year, negotiated settlement
- We expect rates to remain flat for our customers this year
- Working on gas supply constraint issues

Niagara Mohawk

- Delayed this spring's filing
- Will either extend current plan, or file later this summer
- Minimise bill impact

MA Gas

- Intention to file for new rates towards the end of the year
- Incentive based formula

US priorities and outlook
Efficient investment

- We expect investment levels in the US to remain significant
- Streamlining processes
  - Gas Business Enablement program
    - modernising our work management
    - integrating planning and customer requirements
- Finding digital solutions
  - ‘On My Way’ in Electric Distribution
    - automated crew dispatch

UK priorities and outlook
RIIO-T2: Agreeing a new regulatory outcome

- Final business plans submitted in December
  - wealth of stakeholder engagement
  - working through points raised by the Challenge Group
- We will look at the whole package:
  - putting customers at the centre of the price control
  - enabling the energy networks of the future
  - allowing a fair return for investors

UK priorities and outlook
Delivering innovation and efficiencies for our customers

- On track to meet our cost reduction target of £100m for FY21
- Improving the customer experience
- Two new digital platforms launched:
  - 'ConnectNow': help customers with new transmission connections, and
  - 'Connect3D': standardises design for small ET connections, reducing connection costs
- Benefits to flow in to RIIO-T2

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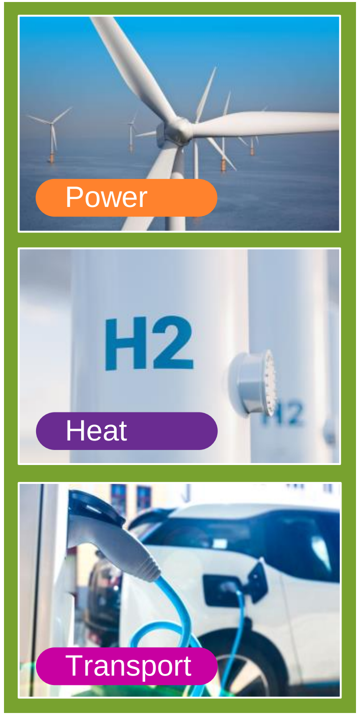
NGV & Other priorities and outlook

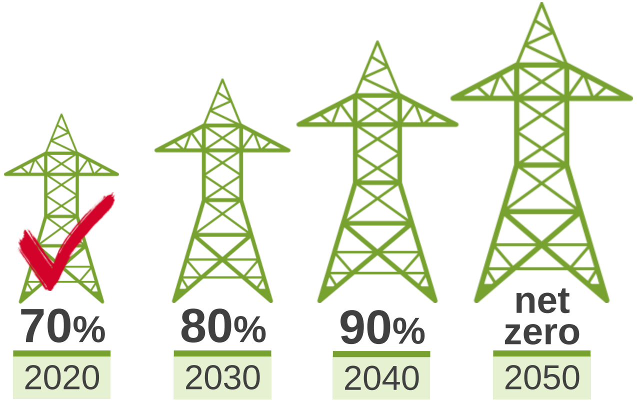
- Delivering Interconnector projects
  - NSL, IFA2, and Viking
  - over £900m to invest through to 2023
  - EBITDA contribution of £250m from the mid-2020s
- Continue to grow pipeline of renewable energy projects in the US
  - signed PPAs on nearly 500MW of solar projects
    - for projects to commence 2021-23

Maintaining momentum on targeting net zero



- Achieved a significant milestone, with our own emissions now 70% below 1990 levels
- Setting more ambitious interim targets of
  - 80% reduction by 2030, and
  - 90% reduction by 2040
- Our ESG event in October will
  - set out how we plan to achieve our targets, and
  - our wider societal role of decarbonising power, heat and transport

CO_2 reduction targets
vs 1990 baseline



Debt funding

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Debt funding

2019/2020

- c. £2.9bn of senior long-term debt raised in 2019/20, including 13 bonds:
  - Majority raised in UK through GBP public bonds for NGET and NGG, our debut EUR green bond for NGET and a number of EMTN private placements across AUD/EUR/GBP/HKD/USD
  - US issuance lower due to $2.5bn NGNA equity injection with Cadent proceeds
- Fully refinanced €1.25bn hybrid that was callable in June 2020

2020/21

- In early April, we issued a $600m 10-year bond for NECO and a £400m 20-year bond for NGET, taking advantage of an improvement in market tone
- New green Export Credit Agency facilities in support of Viking interconnector
- In the rest of 2020/21 we expect further NGET issuance and issuance from our US OpCos. NGNA may issue in the second half of the fiscal year
- £5.5bn of general liquidity facilities have remained undrawn. The UK Electricity System Operator also maintains £550m of committed facilities
- Strong credit ratings: single A range for UK operating companies and the majority of US operating companies

Summary

- A year of good operational progress
- We are managing the impacts of COVID
  - helping our most vulnerable customers
  - maintaining network reliability
  - higher near term costs, but limited long term economic impact
- Focus on our regulatory filings
  - RIIO-T2 in the UK
  - New York and Massachusetts filings in the US
- Delivering efficiently for our customers
- Creating long term value for our shareholders

Q&A

Appendices

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UK Electricity Transmission

Return on equity

10.2%
Base return

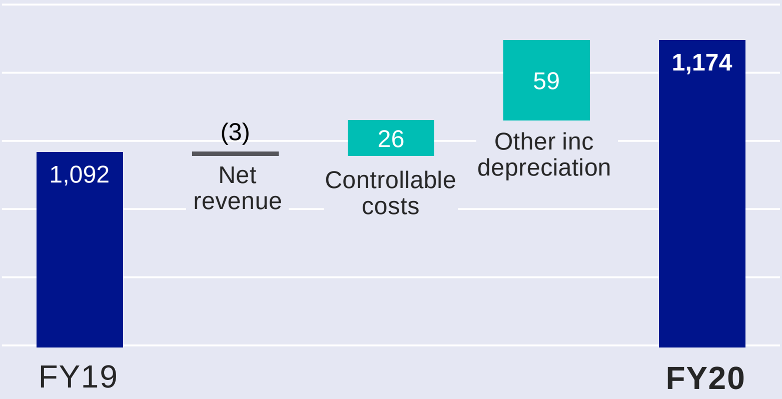
250bps
Totex incentive

10bps
Other incentives

70bps
Additional allowances

Achieved return
13.5%
FY19: **13.7%**

Underlying operating profit (£m)



Capital investment
£1,043m
FY19: **£925m**

Regulated asset value
£14.1bn
FY19: **£13.5bn**

- Controllable costs benefit from efficiency savings of £54m
- Capital investment up 13%:
  - Phase 2 London power tunnels
  - Hinkley Seabank
- 4.4% RAV growth

Underlying results, excluding timing, exceptional items and remeasurements

UK Gas Transmission

Return on equity

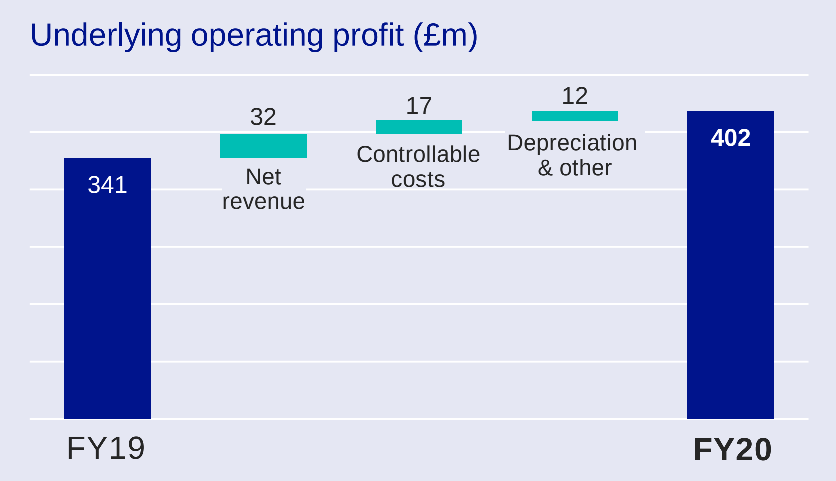
10.0%
Base return

(70)bps
Totex incentive

110bps
Other incentives

(60)bps
Additional allowances

Achieved return
9.8%
FY19: **9.5%**



Capital investment
£249m
FY19: **£308m**

Regulated asset value
£6.3bn
FY19: **£6.2bn**

- Net revenue increase from
  - non repeat of Avonmouth revenue return
  - 2018 Cyber reopeners
- Controllable costs benefit from efficiency savings of £19m
- 2.3% RAV growth

Underlying results, excluding timing, exceptional items and remeasurements

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US Regulated

Return on equity

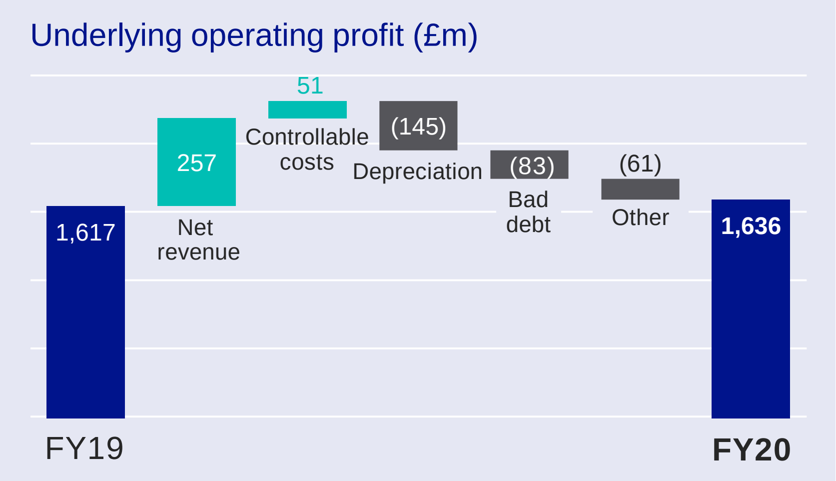
8.7%
New York

9.0%
Massachusetts

10.3%
Rhode Island

11.4%
FERC

Achieved return
9.3%
FY19: **8.8%**



Capital investment
$4.2bn
FY19: **$3.5bn**

Rate base
$25.6bn
FY19: **$22.9bn**

Assets outside rate base
$2.7bn[1]
FY19: **$2.5bn**

- Achieved 99% of the allowed return
- Net revenue increase from new rates
- Exceeded efficiency programme goal of $30m savings
- Additional £117m provision for COVID related bad debts
- Rate base growth of 12% including $380m CWIP transfer

Underlying results, excluding timing, exceptional items, remeasurements and major storm costs at constant currency

1 Excludes working capital

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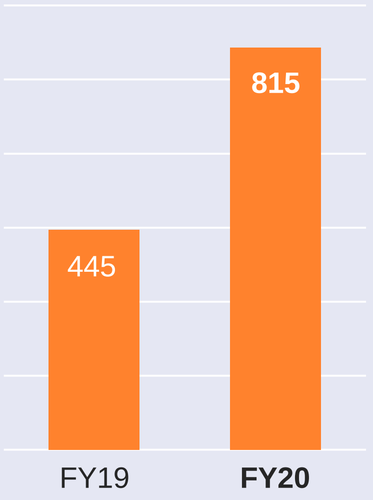
NG Ventures

Operating profit (£m)	Year ended 31 March 2020	Year ended 31 March 2019
Metering	158	153
Grain LNG	78	74
Interconnectors	61	64
Other	(28)	(28)
	269	263

Post tax share of JVs (£m)		
Interconnectors[1]	29	29
Millennium	22	18
Other	16	6
	67	53
Total NGV (£m)	336	316

- Geronimo investment over £200m
- £246m increase in interconnector capital expenditure
- FY20 is peak NGV investment year

Capital investment (£m)



Operating profit, share of joint venture profit after tax and investment calculated at constant currency

Underlying results, excluding timing, exceptional items and remeasurements

1 Includes Britned and Nemo

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Other activities

Operating profit (£m)	Year ended 31 March 2020	Year ended 31 March 2019
Property	63	181
Corporate centre & other	(90)	(44)
	(27)	137

Post tax share of JVs (£m)		
St William	18	(17)
Other	3	4
	21	(13)

Total Other activities (£m)	(6)	124

- Non recurrence of
  - Fulham transaction
  - US legal settlements

Total investment[1]

£70m

FY19: **£179m**

- US IT investment now included in Regulated segment (FY19 £87m)
- NG Partners investment £61m

Operating profit, share of joint venture profit after tax and investment calculated at constant currency

Underlying results, excluding timing, exceptional items and remeasurements

1 Excludes investment in St William joint venture