

A photograph of three men in high-visibility yellow safety vests and hard hats working on a piece of equipment. The man in the center is wearing a white hard hat with the National Grid logo and a lanyard with an ID badge. The man on the right is wearing a tan hard hat and safety glasses. The man on the left is partially visible, wearing a yellow vest. The background is a bright, overcast sky. A blue diagonal graphic element is overlaid on the top right and bottom left corners of the image.

nationalgrid

# Debt Investor Update

Half Year Results  
2019/20

14 November 2019

# Cautionary statement

This presentation 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. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union; announcements from and decisions by governmental bodies or regulators, including proposals relating to the RII0-T2 price controls as well as increased political and economic uncertainty;; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supplies; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this announcement include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in National Grid's regulated businesses and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, develop and retain employees with the necessary competencies, including leadership and business capabilities, and any significant disputes arising with National Grid's employees or the breach of laws or regulations by its employees; and the failure to respond to market developments, including competition for onshore transmission, the threats and opportunities presented by emerging technology, development activities relating to changes in the energy mix and the integration of distributed energy resources, and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 212 to 215 of National Grid's most recent Annual Report and Accounts, published on 4 June 2019. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this presentation.

# Our contribution to net zero by 2050

- New target of net zero for own emissions by 2050
  - accelerating previous 80% commitment
- Achieved 68% reduction by March 2019
- Several initiatives to reduce own emissions
- Taking a leading role to influence industry wide transition



# Our contribution to net zero by 2050

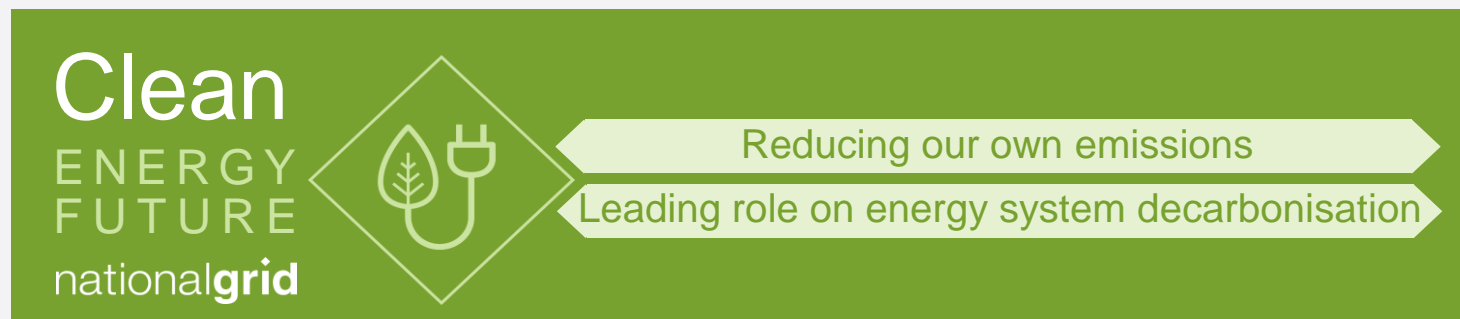
## Actions we are taking

### Reducing our own emissions

- Pipeline replacement programme to reduce leakage
- Reducing use of SF6 in electricity networks
- Reducing carbon through low carbon construction

### Leading to influence industry-wide energy system decarbonisation

- Electricity System Operator developing plans to operate zero carbon system by 2025
- Proposals to accelerate EV adoption
- Further US customer energy efficiency programmes; renewable gas programmes; hydrogen blending
- European interconnectors



## A solid performance in the first half

- Record capital investment on safety, reliability and modernisation of networks
  - supports asset growth at top end of 5-7% range
- Good regulatory progress
  - new rates in place for Massachusetts Electric
  - welcome Ofgem’s ‘minded-to’ position on Hinkley-Seabank
  - RIIO-2 engagement continues with helpful stakeholder feedback
- Cost efficiency programmes remain on track

Underlying results from continuing operations, excluding exceptional items, remeasurements, timing and major storm costs.

Capital investment includes investment in JVs (excluding equity contributions to St William property JV), investment in NG Partners and the acquisition of Geronimo.

Operating profit and capital investment presented at actual exchange rates.

Underlying operating profit

**£1,301m**    **↑ 1%**

**HY19: £1,285m**

Underlying EPS

**20.0p**    **↑ 2%**

**HY19: 19.7p**

Capital investment

**£2,722m**    **↑ 28%**

**HY19: £2,130m**

Dividend growth in line  
with policy

**16.57p**

**HY19: 16.08p**

# Strong reliability performance maintained

- UK power outage a rare and exceptional event
  - we don't underestimate the disruption and inconvenience it caused
- Our investigation concluded the electricity system operator and transmission network operated as designed
- Continue to work closely with Ofgem and Government
- Well prepared for winter in both the UK and US



# US operational performance

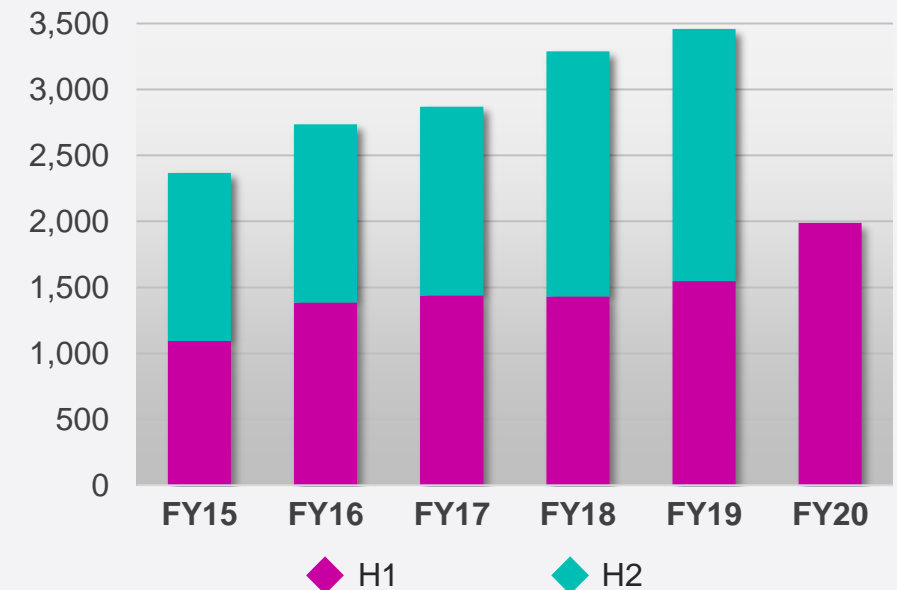
- Significant capital investment maintains strong organic growth
  - £1.6bn in the period
  - 80% driven by mandated safety and reliability requirements
  - MRI and Gardenville projects on track
- New rates and frameworks driving improved profitability
  - longer term visibility
  - greater protection against cost pressures
  - incentives to innovate and create value
- Mass Electric rates effective in October
  - five-year inflation-linked settlement

**\$2.0bn**

growing capital investment to maintain safety and reliability

## Investment split H1 vs H2

(\$m)



# Consistent delivery in the UK

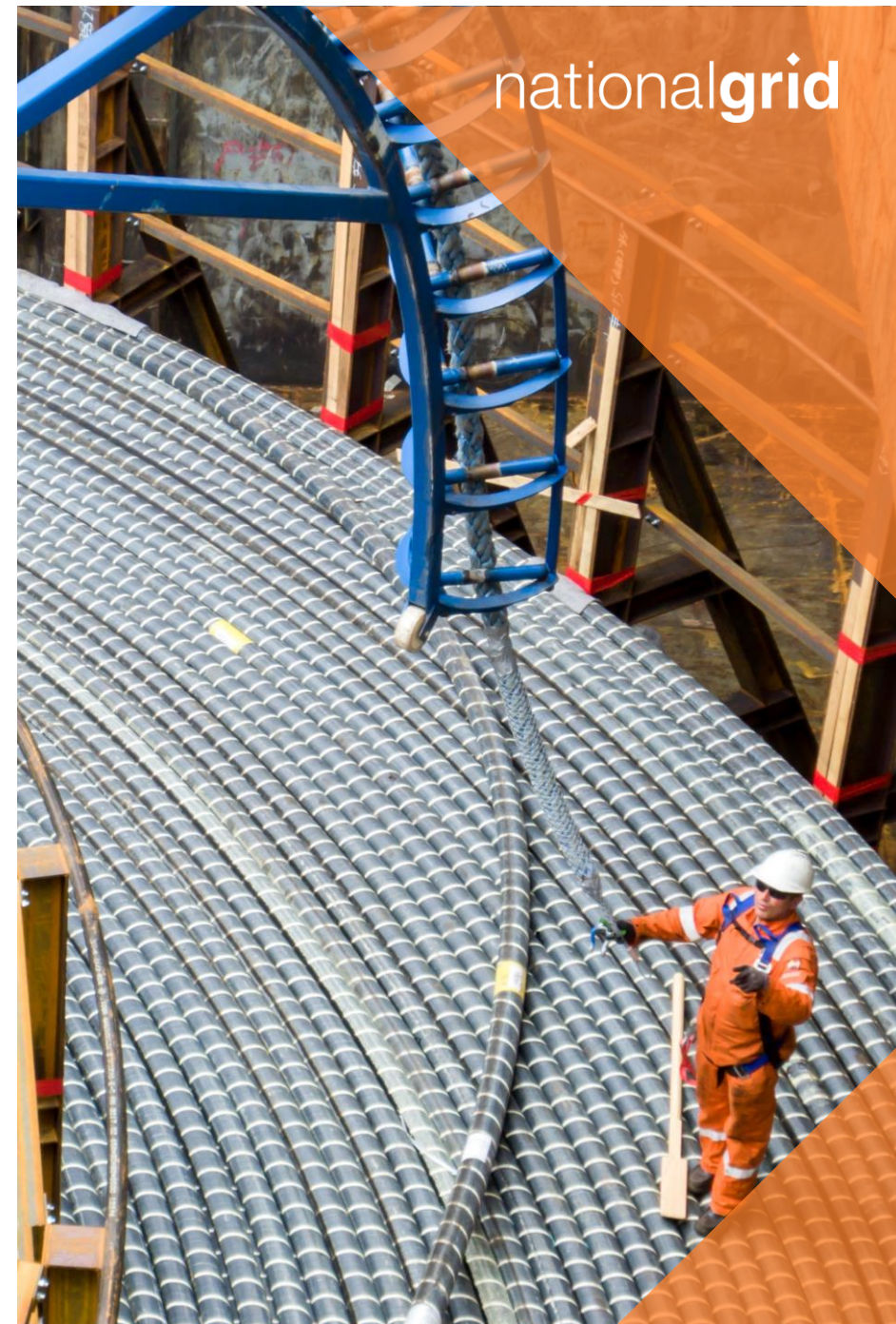
- Capital investment remains consistent
  - Feeder 9 tunnelling complete under the Humber estuary
    - transports up to 20% of UK's gas capacity
    - awarding contracts for London Power Tunnels 2
- Cost efficiency programme on track
- Helpful stakeholder feedback on RIIO-2 business plans
- Pleased with 'minded-to' position from Ofgem on Hinkley-Seabank
  - will provide more information to support cost estimates





## Strong progress for NG Ventures & Other

- Interconnector construction progressing well
  - IFA2: large majority of cable laid and good progress on converter stations
  - NSL: over 650km cable laid so far
  - Viking: EPC contracts awarded and pre-construction work on track
- Completed Geronimo acquisition
  - opportunities for large scale solar and wind projects



# Interest, tax and earnings

Finance  
costs  
**£553m**

12% higher than HY19

- US long-term debt issuances and hybrid buy-back costs, offset by lower RPI
- Effective interest rate of 4.4%

Underlying  
effective tax rate<sup>1</sup>  
**13.2%**

Underlying tax charge: **£(99)m**

- 610 bps lower than prior year
- US tax settlement in respect of prior periods

Underlying  
earnings<sup>2</sup>  
**£685m**

HY19: **£662m**

- 3,430m weighted average shares
- 20.0p/share

<sup>1</sup> Excluding joint ventures and associates.

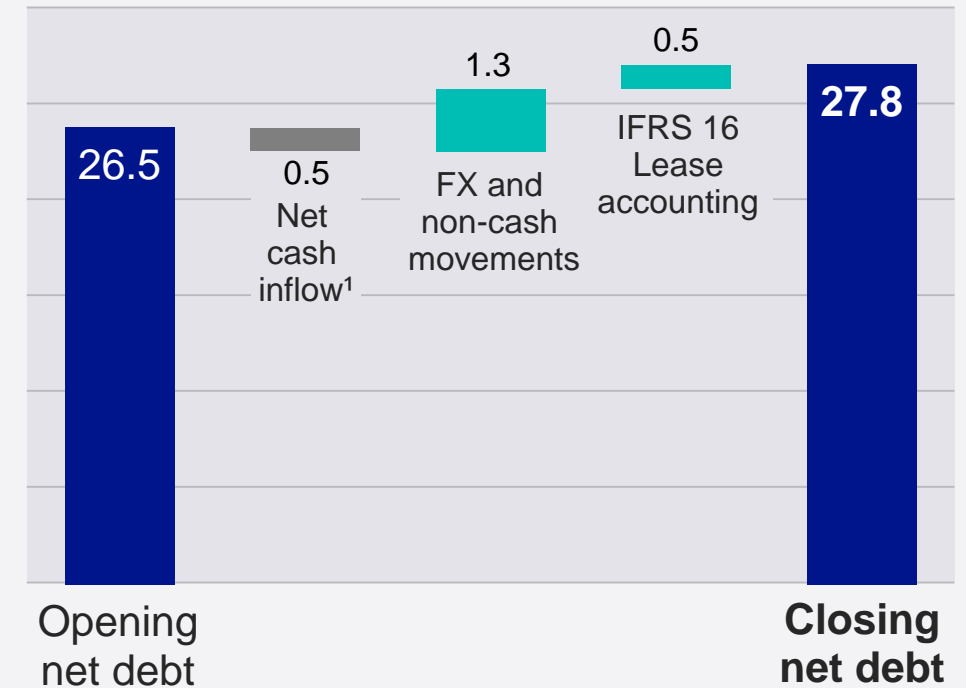
<sup>2</sup> Underlying results attributable to equity shareholders.

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

# Cash flow and net debt

£m	Six months ended 30 Sept 2019
Underlying operating profit	1,301
Depreciation & amortisation	833
Exceptional items	(28)
Working capital, timing & other	(1)
Cash generated from operations	2,105
<b>Net debt</b>	<b>(27,833)</b>

## Net debt (£bn)



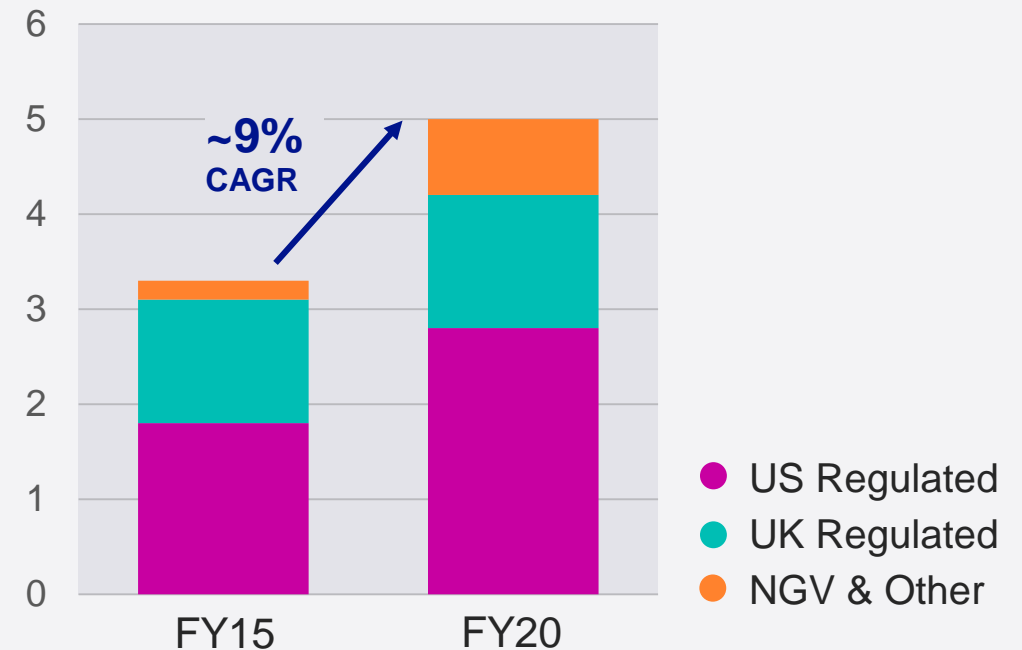
<sup>1</sup> Includes £2 billion Cadent proceeds received.

Underlying operating profit excludes timing, exceptional items, remeasurements and major storm costs.

# Sustainable long-term growth

- Step change in total group capital investment from £3.3bn in FY15 to around £5bn this year
- US regulated
  - 85% capex already funded through rate plans
  - ~8% annual asset growth in the medium term
- UK regulated
  - two-thirds capex spend on asset health in T1
  - slightly higher capex proposed for RIIO-2
  - Ofgem’s feedback expected in the first half of 2020
- NGV and Other
  - FY20 peak year for interconnector investment
  - flexibility of incremental investment in Geronimo

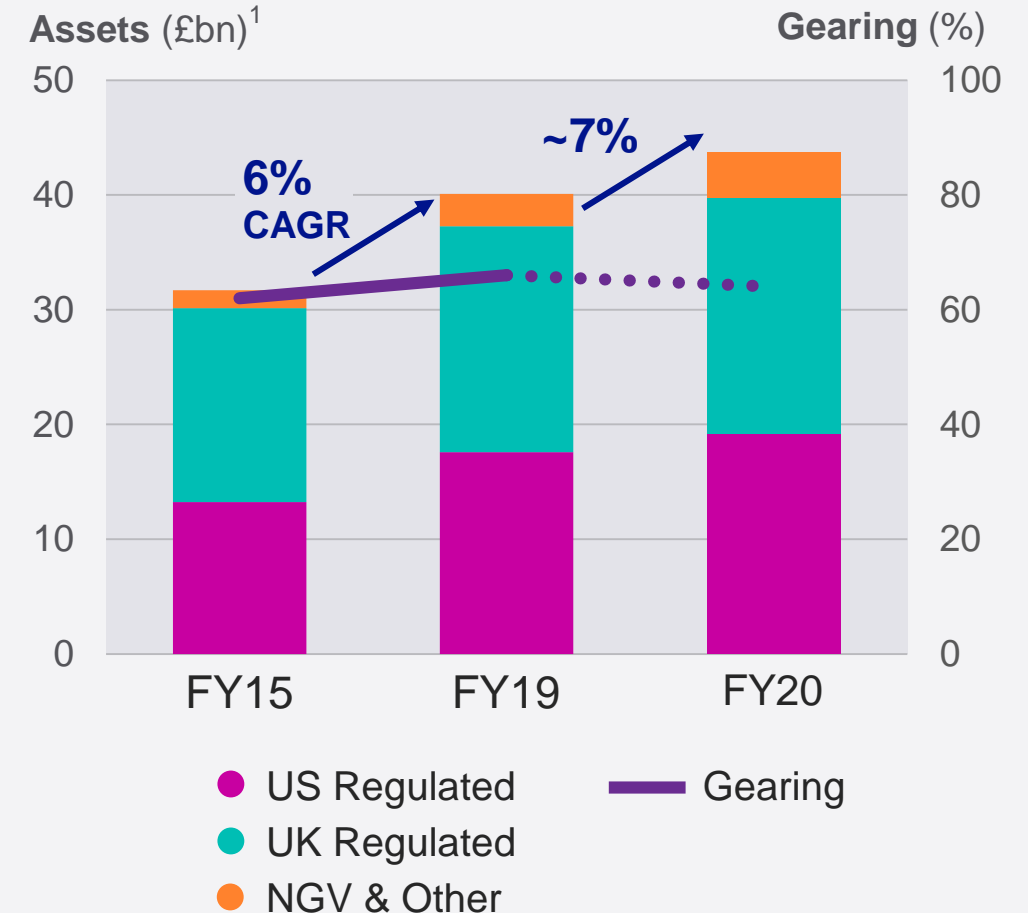
Capital investment by segment (£bn)<sup>1</sup>



<sup>1</sup> Excludes UK Gas Distribution, calculated at constant currency

# Efficiently funding growth

- Continued strong growth prospects across the Group
- Growth being funded through
  - mix of debt at attractive rates
  - internally generated cash flows
  - scrip utilisation
  - Cadent proceeds
- Green Financing Framework to support sustainable Group financing
- Balance sheet remains robust
- Expect gearing to remain at around 65%



<sup>1</sup> Excludes UK Gas Distribution, calculated at constant currency

# Priorities & Outlook

# US priorities & outlook

## Addressing downstate New York gas constraint



Efficiently maximise  
safety, reliability and  
resilience

- Working with all parties to find short and long term solutions
- Decade long plan for incremental gas supply into region
  - large number of investments made to support this
- Took difficult decision to enact connection moratorium to ensure continued safe service for existing 1.8m customers
  - in the short term, connecting 1,100 customer accounts
- Recognise the hardship caused by the moratorium
- Confident will be able to address the issues raised by the Governor



# US priorities & outlook

## Progress regulatory filings



Customer affordability  
& experience

- Delivering fair and progressive regulation
  - KEDNY/KEDLI rate case settlement
    - requested RoE of 9.65%
    - annual capex of \$1.5bn to improve safety and reliability
- Next stage – hearings to be held this winter
- May need to proceed with litigated settlement
  - a common feature in US regulatory settlements, such as in Massachusetts

nationalgrid





# US priorities & outlook

## Regulatory frameworks driving decarbonisation



Enabling  
decarbonisation

- Other regulatory priorities to drive decarbonisation of energy system
- Massachusetts grid modernisation plan
  - \$50m energy storage proposal, as well as advanced metering and EV infrastructure
- New York \$650m AMI proposals
  - PSC order expected later this year
- Rhode Island grid modernisation
  - advanced metering proposal to be filed in early 2020



# UK priorities & outlook

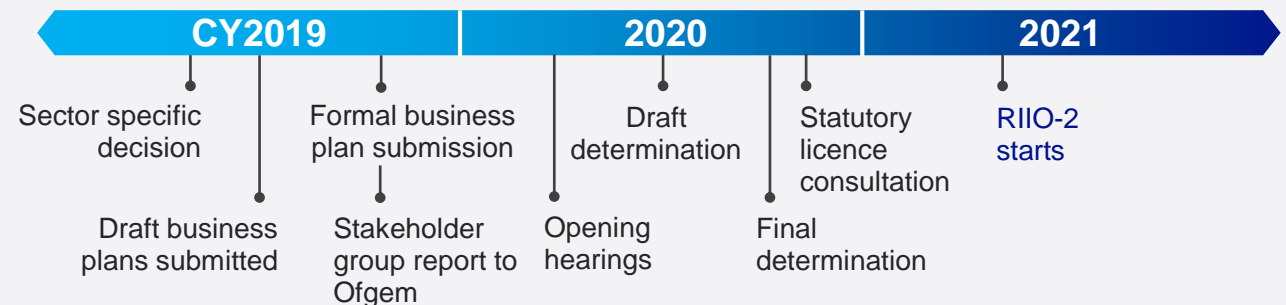
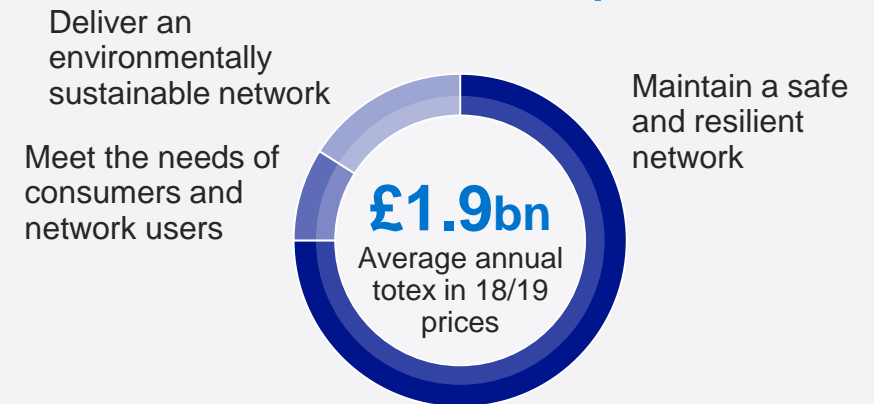
## Fair regulatory outcome remains key



Efficiently maximise safety, reliability and resilience

- Advancing RIIO-2 discussions with draft plans submitted
  - overall financial package remains key
  - continue to believe a fair real CPI RoE is 6.5%
  - mechanisms included to agree funding for future projects if delivered
- Next step: submit final business plans in December

### Summary of October business plans



# UK priorities & outlook

## Deliver further customer benefits



Deliver digital,  
smarter networks

- Driving customer benefits through delivering our digital ambitions
  - ‘ConnectNow’ digital platform for ET customers
  - focus on smaller solar, storage, EV and data centre customers
  - more transparency and easier communication during connection process



# NGV priorities & outlook

## Interconnectors and renewables the focus



Invest in diverse talent  
and evolve our  
operating model

- Continue to successfully deliver interconnector projects
  - IFA2 build completion with commissioning in summer 2020
  - NSL on track to commence operations by the end of 2021
  - expect Viking construction to begin in early 2020
- Geronimo capex plans
  - completing 200MW Crocker wind farm in South Dakota

nationalgrid



# Debt Funding

# Debt funding

- National Grid has raised c. £2.4bn of new long term debt so far in 2019/20:
  - Boston Gas issued a \$500m 10-year bond in July
  - National Grid Electricity Transmission (NGET) issued £700m in September, across 7-year and 19-year tranches
  - We fully redeemed and refinanced our €1.25bn hybrid that was callable in June 2020, issuing new hybrid bonds callable in 2024 and 2027
- In the second half of 2019/20 we expect further NGET issuance and an issue from our US operating companies
- New Green Financing Framework published today to support sustainable financing across the group
- £5.5bn of general liquidity facilities
- Strong credit ratings: single A range for UK operating companies and the majority of US operating companies



# Summary

- Power and gas networks at the heart of the energy system
  - new net zero greenhouse gas emissions target by 2050
- Confident in addressing issues in New York
- Solid financial performance in the first half
  - continued to deliver strong, efficient organic growth
- Good progress on strategic priorities
- Disciplined approach to attractive growth opportunities



# Q & A

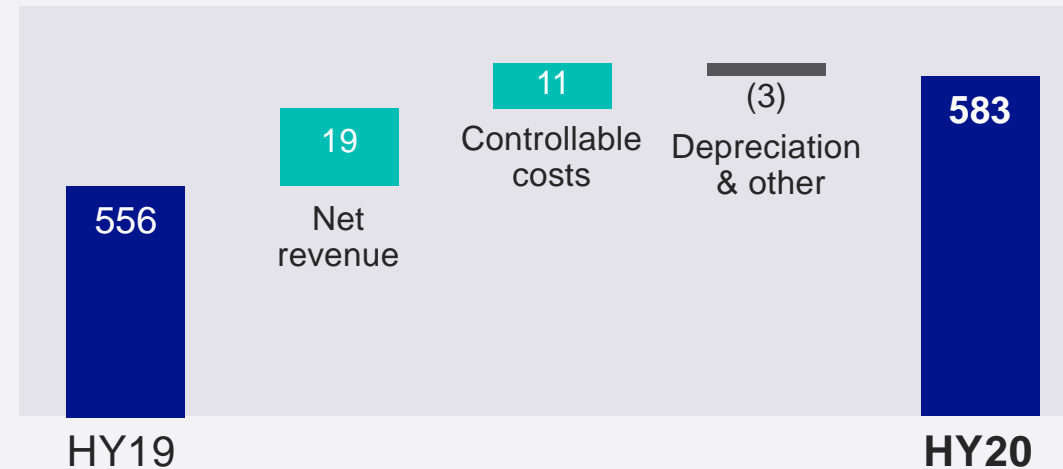


# Appendices

# UK Electricity Transmission

FY19	OUTLOOK FY20
<b>230bps</b> Totex incentive	▲
<b>50bps</b> Other incentives	▼
<b>70bps</b> Additional allowances	▲
<b>Achieved return</b> <b>13.7%</b>	◀▶

## Underlying operating profit (£m)



Capital investment

**£471m**

HY19: £462m

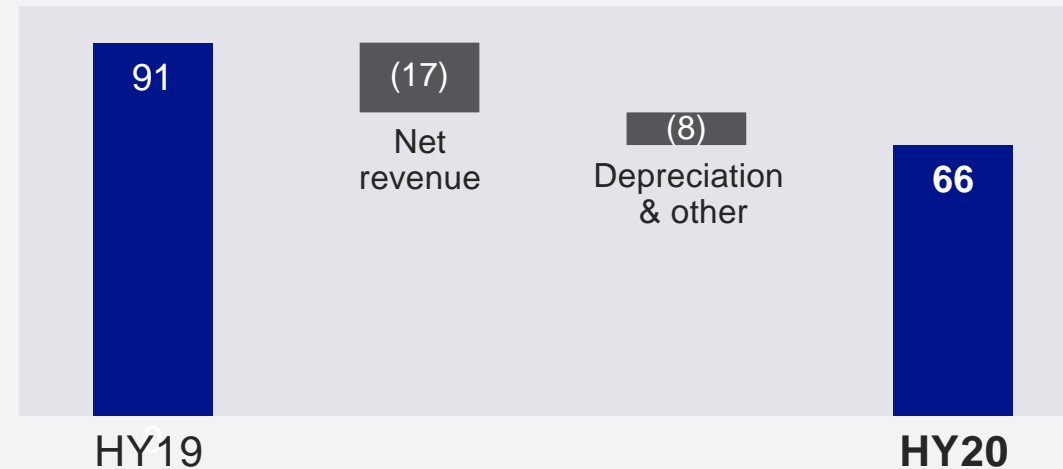
- Higher base revenues
- Capital investment broadly in line with last half year
- Expect RoE outperformance to be slightly above 200-300 bps range

Underlying results, excluding timing, exceptional items and remeasurements.

# UK Gas Transmission

FY19	OUTLOOK FY20
(110)bps Totex incentive	▲
120bps Other incentives	▼
(60)bps Additional allowances	▲
Achieved return 9.5%	▲

## Underlying operating profit (£m)



Capital investment

**£167m**

HY19: £153m

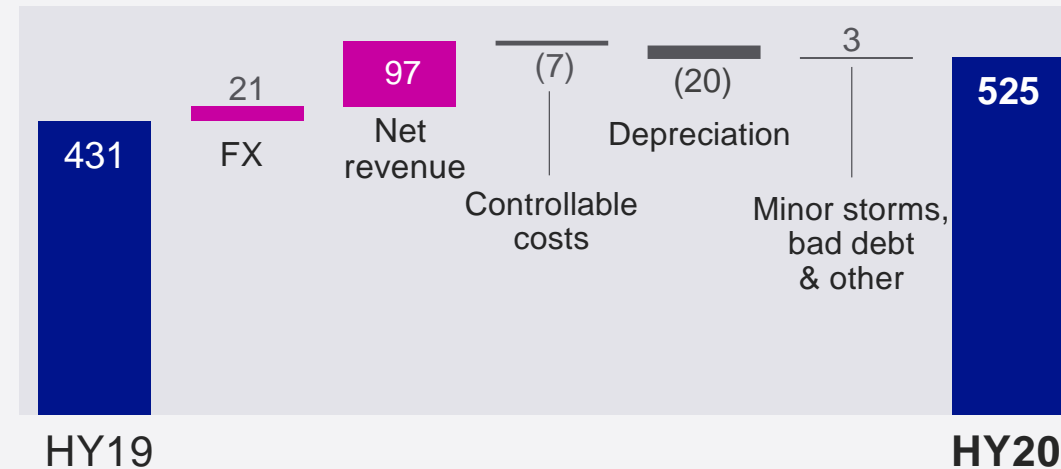
- Lower net revenue driven by reduced capacity charge (Avonmouth)
- Increased capex reflects higher compressor expenditure, offset by reduced Feeder 9 spend
- RoE forecast to be around the allowed level for the full year

Underlying results, excluding timing, exceptional items and remeasurements.

# US Regulated

FY19	OUTLOOK FY20
Achieved return <b>8.8%</b>	▲
Targeting at least 95% of Allowed RoE	

## Underlying operating profit (£m)



Capital investment  
**£1,588m**  
HY19: £1,177m

- Higher revenues from new rate cases and lower storm costs
- Capex driven by higher New York investment and non-recurrence of the Mass Gas labour dispute

Underlying results, excluding timing, exceptional items, remeasurements and major storm costs.  
Operating profit and capital investment presented at actual exchange rates.

# NG Ventures

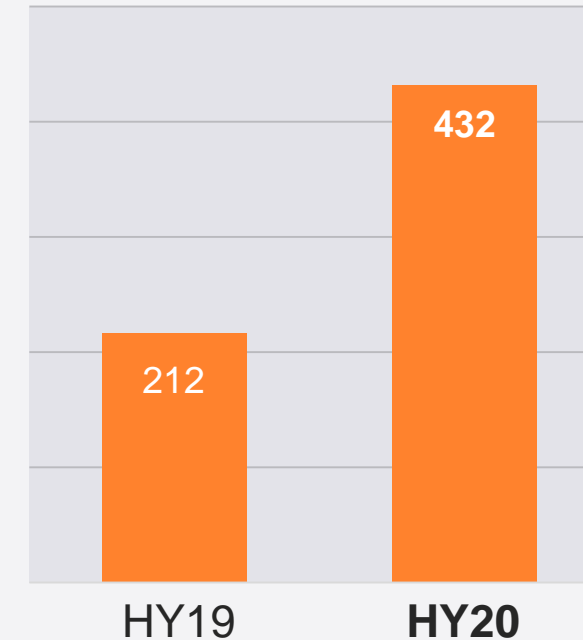
	Six months ended	
	30 Sep 2019	30 Sep 2018
<b>Operating profit (£m)</b>		
Metering	81	78
Grain LNG	39	37
Interconnectors	21	34
Other	(13)	(18)
	<b>128</b>	<b>131</b>
<b>Post tax share of JVs (£m)</b>		
Interconnectors <sup>1</sup>	10	13
Millennium	11	8
Other	4	10
	<b>25</b>	<b>31</b>
<b>Total NGV</b>	<b>153</b>	<b>162</b>

<sup>1</sup> Includes Britned and Nemo.

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

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

## Capital investment (£m)



- Increased investment principally reflects Geronimo
- Lower Millennium and NEMO investment offset by higher NSL and IFA2 capex

# Other activities

	Six months ended	
	30 Sep 2019	30 Sep 2018
Operating profit (£m)		
Property	46	38
Corporate & other	(47)	38
	(1)	76

## Post tax share of JVs (£m)

St William	11	(6)
Other	1	-
	12	(6)

- Operating profit lower than prior year
  - no repeat of legal settlements
- Property operating profit driven by land sales
- Increased profits at St William through sale of units at Prince of Wales Drive and Rickmansworth

Capital investment<sup>1</sup>

**£64m**

HY19: £126m

- Lower capital investment, principally reflecting lower IT expenditure

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

Underlying results, excluding timing, exceptional items and remeasurements.

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