

9 November 2017

### Bring Energy to Life



# 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 (the Company) financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as '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, predict 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 those relating to the role of the UK electricity system operator; 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; 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 internal transformation 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 presentation 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; inflation or deflation; 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, train or retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with the 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, including assumptions in connection with the Company's sale of a majority interest in its UK Gas Distribution business and joint ventures. 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 180 to 183 of National Grid's most recent Annual Report and Accounts, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2017 published on 9 November 2017. 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.

# Financial highlights

OPERATING PROFIT<sup>1</sup>

**£1.3bn**

HY17 £1.4bn

OPERATING PROFIT<sup>1</sup>  
Excluding Timing

**£1.4bn**

HY17 £1.3bn

CAPITAL INVESTMENT<sup>3</sup>

**£2.0bn**

HY17 £1.9bn

EARNINGS PER SHARE

**18.5p**

HY17 25.0p<sup>2</sup>

EARNINGS PER SHARE  
Excluding Timing

**20.4p**

HY17 22.2p<sup>2</sup>

DIVIDEND PER SHARE

**15.49p**

HY17 15.17p

1 Adjusted results, excluding exceptional items and remeasurements

2 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

3 Capital investment includes investment in JVs, excluding equity contributions to St. William property JV



# Safety and reliability remain core

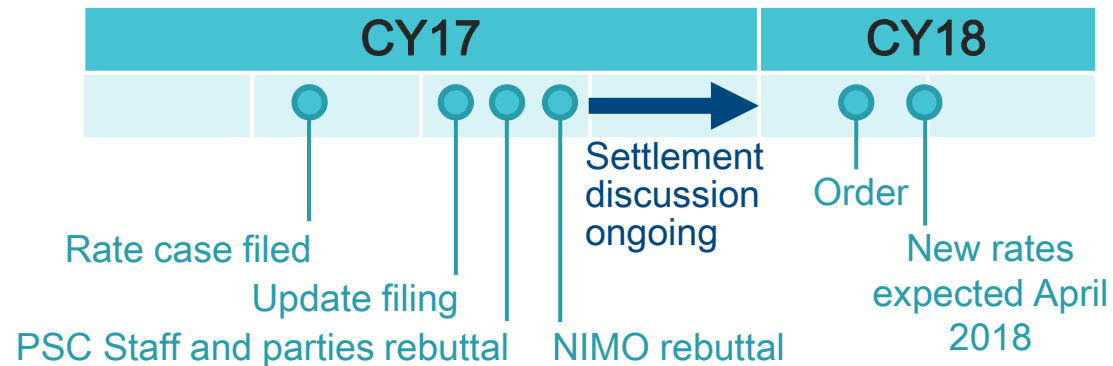
- On track to achieve world class performance
- Severe storms in our service areas
  - 400,000 customers affected
  - Strong response provided
- UK System Operator prepared for winter
  - Capacity market auction driving increased winter margins
  - 10.3% de-rated capacity margin forecast



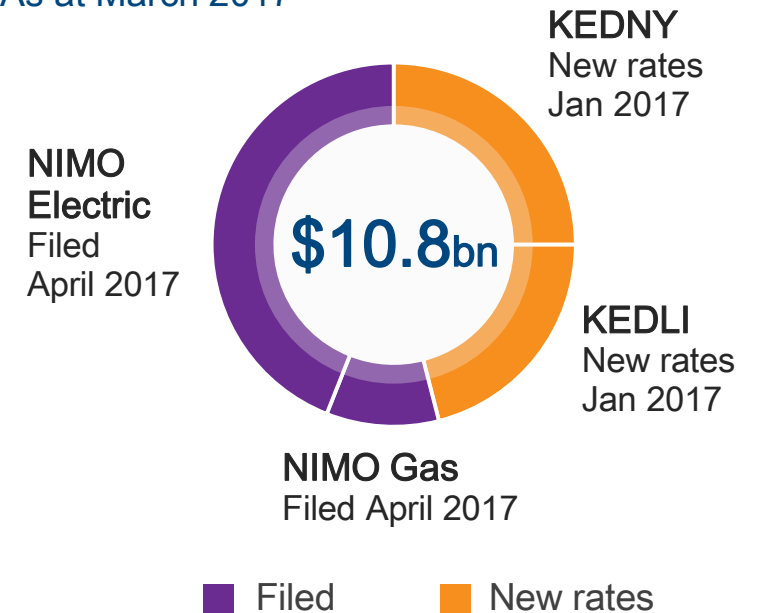
# US rate filings support growth and performance

- Niagara Mohawk (NIMO) in rate case settlement discussions
- NIMO represents over 50% of New York rate base
- New rates expected from April 2018
- 70% of US rate base will have new rates
- Rate cases contributing to improving US returns

## NIMO rate case progress



## New York Rate Base As at March 2017



# UK focus on efficiency and innovation

- Majority of UK GD sale proceeds returned
  - £3.2bn returned via special dividend
  - 60% of £0.8bn share buyback complete to date
- Innovation and efficiency driving savings for customers
  - £460m of savings generated under RII0
- System operator separation framework agreed



## St Fergus UK's largest import terminal

- Innovative technique to deal with corrosion of pipework
- Projected savings of ~ £10m

# NG Ventures progressing well



## Nemo Link

Completed the first cable laying activities

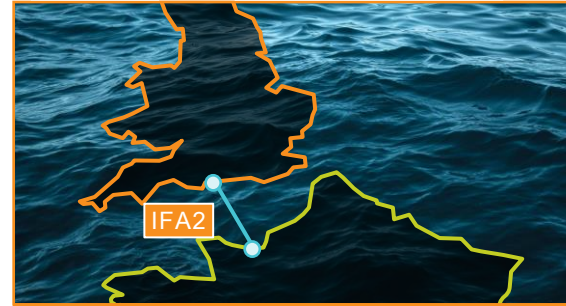
- 1 GW, 140km link to Belgium
- Expect to commission in 2019



## North Sea Link

Norwegian civil site works completed

- 1.4GW, 720km link to Norway
- Expect to commission in 2022



## IFA 2

Design and permitting stage

- 1GW, 240km link to France
- Expect to commission in late 2020



## Shetland link

Awarded preferred bid status for innovative new solution

- 60MW, 260 km link
- Expect to commission in 2021

# Financial Review



# Mechanics of changes in inflation and interest

## UK

### Inflation

- £19bn asset base, partially hedged by £7bn RPI linked debt
- Inflation deferred into RAV to keep consumer cost lower in short term
- Regulatory mechanism creates two year lag in revenue true up
- Inflation economically positive – 100bps RPI increase creates £120m additional value

### Interest

- 10 year lagging tracker offers protection in rising or falling interest rate environment
- Outperformance through issuing at lower than index spot

£19bn  
RAV

100bps inflation  
increase gives:

**+£190m**

£7bn  
RPI debt

**£(70)m**

## US

### Inflation

- Nominal regulation allows assumed in-year inflation recovery
- Rate filings key to regular inflation recovery on cost of service and RoE

### Interest

- Cost of debt passed through to customers

# Interest, tax and earnings

## FINANCE COSTS

**£527m**

23% higher than HY17<sup>1</sup>

- Higher RPI
- Effective interest rate of 4.7%

## EFFECTIVE TAX RATE<sup>2</sup>

**20.8%**

at £(152)m

- Tax rate 200bps lower than HY17<sup>1</sup>
- Tax charge £79m lower than HY17

## EARNINGS

**£654m**

HY17 £885m<sup>1</sup>

- 3,539m weighted average shares
- 18.5p/share

<sup>1</sup> To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

<sup>2</sup> Excluding joint ventures and associates

Adjusted results, excluding exceptional items and remeasurements

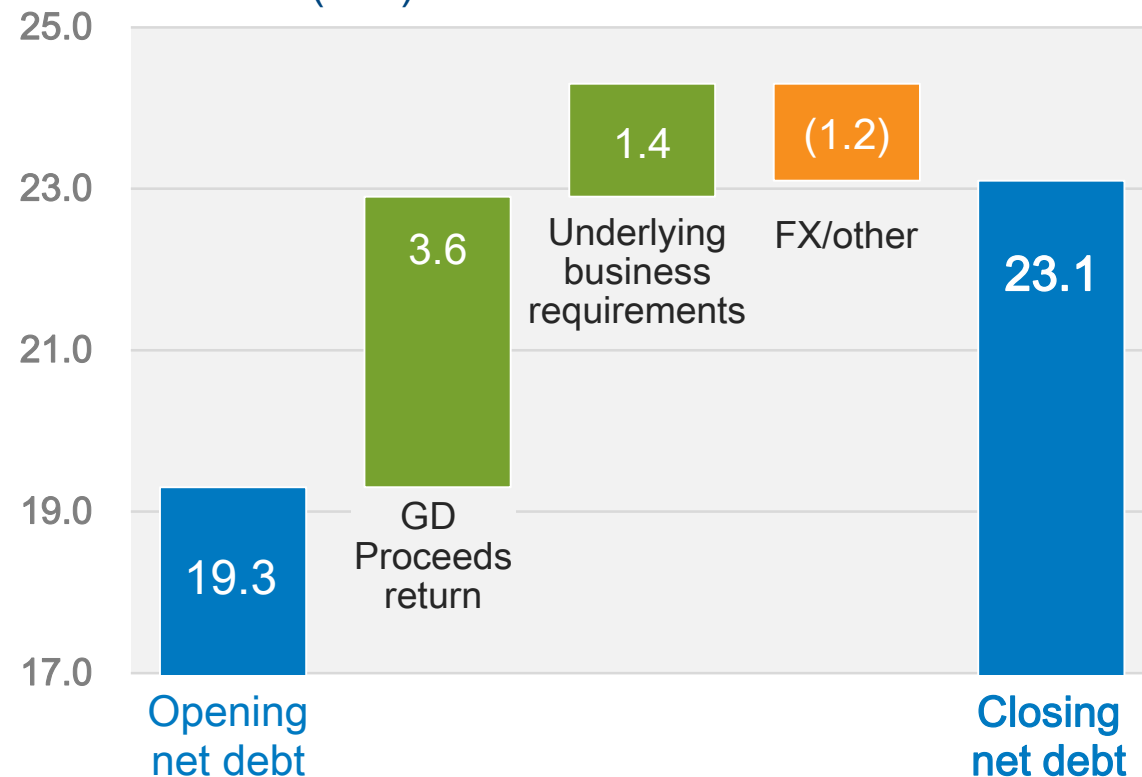
# Cash flow and Net debt

£m

Period ended 30 September 2017

Operating profit	1,259
Depreciation & amortisation	762
Pensions	(124)
Working capital & other	125
<b>Net operating cash flow</b>	<b>2,022</b>
<b>Net debt</b>	<b>(23,075)</b>

Net debt (£bn)



Adjusted results for continuing operations, excluding exceptional items and remeasurements

# Priorities & Outlook



# UK business focused on regulatory outcomes

## Hinkley Seabank consultation

- Committed to providing necessary network connections
- Significant project with estimated costs of almost £1bn
- Responded to Ofgem consultation
- Regulatory clarity will enable timely delivery of the connection
- Ofgem decision on 'needs case' expected in December and on preferred delivery model in 2018

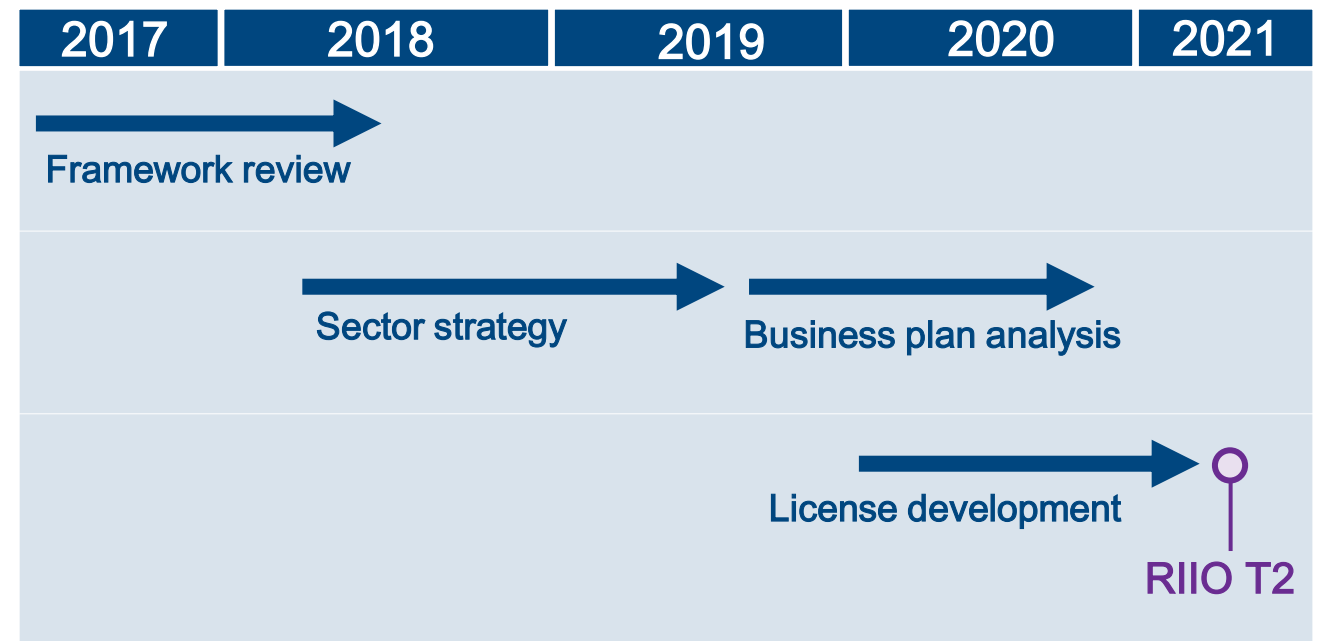


# UK business focused on regulatory outcomes

## RIIO T2

- Ofgem open letter kick started lengthy review to 2021
- We share the principle of putting the customer at the heart of decisions
- Framework decision in 2018
- RIIO T2 framework should ensure efficient delivery of needed investment
- National Grid has a track record of delivering on price controls
  - For customers and shareholders

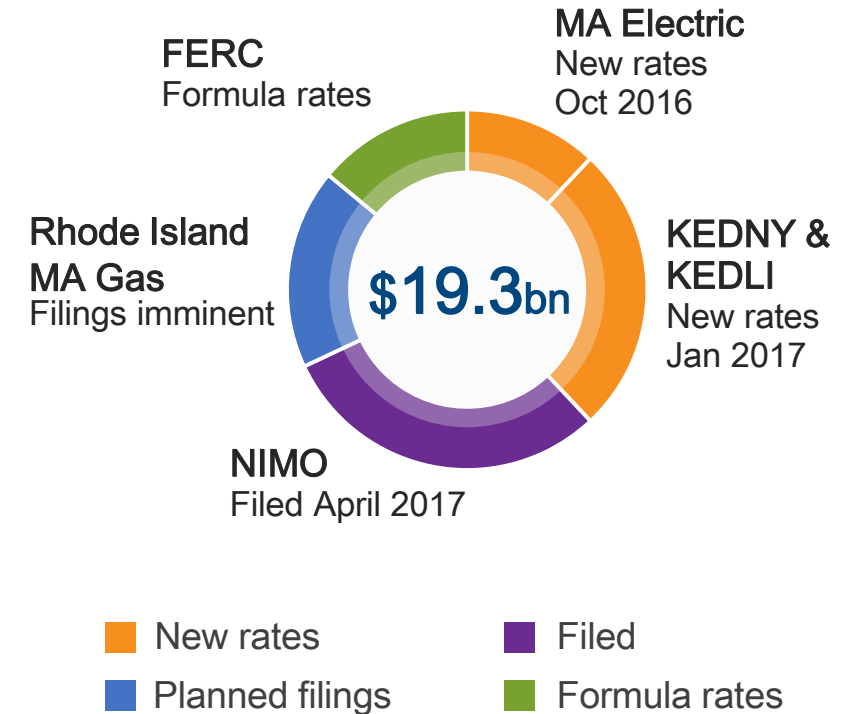
### RIIO T2 Timeline



# US rate case programme to continue

- Niagara Mohawk engaged in settlement discussions with new rates expected in April 2018
- MA Gas and Rhode Island to be filed this month
  - 20% of US rate base
  - To be filed after a long period
  - To update revenues to closely reflect current cost of service
  - Will enable us to earn a fair level of return

## US Rate Base As at March 2017



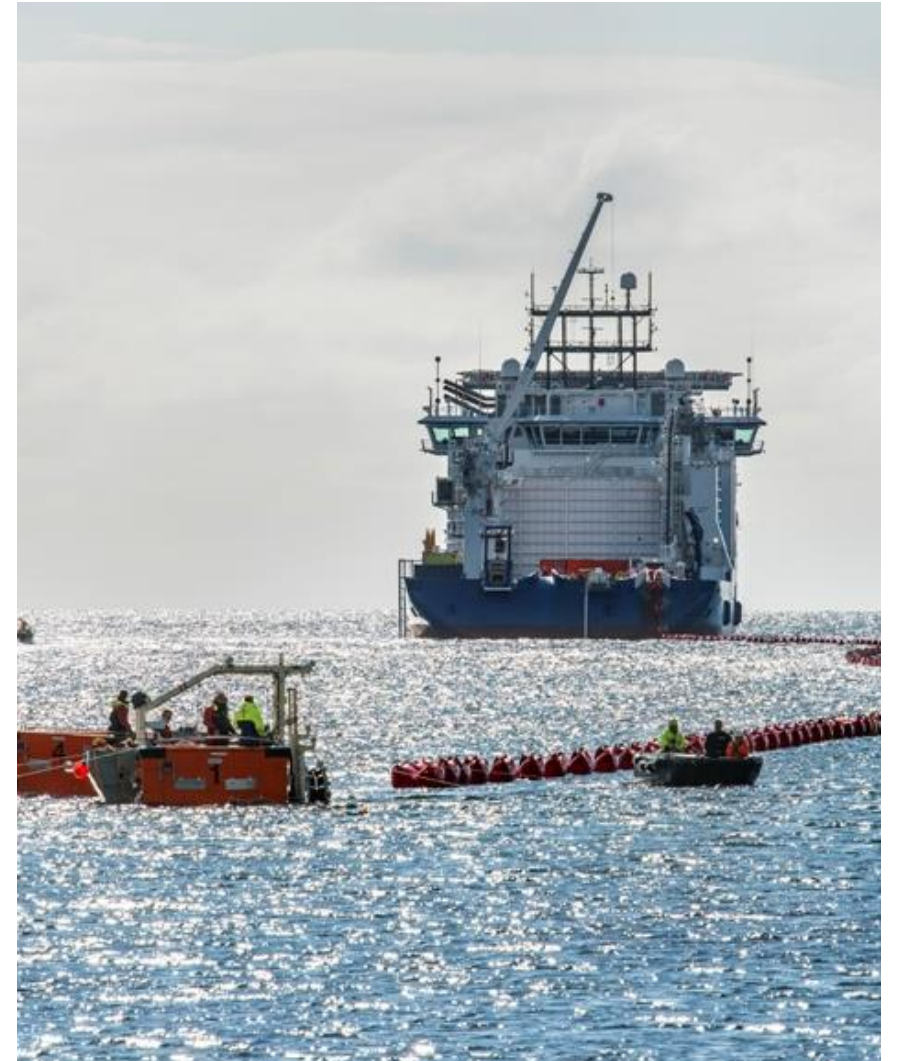
# Growing pipeline of projects for NG Ventures

## Further UK interconnector opportunities

- 1.4GW Viking Link to Denmark
- Investment decision in 2018

## US development opportunities

- Competitive transmission to bring onshore and offshore renewables
  - 1.2GW Granite State interconnector between Canada to New Hampshire
  - 600MW North East Renewable link between New York and Massachusetts
  - Tender results for both in early 2018
- Other opportunities in storage and EVs





# Debt Funding

# Debt Funding

- So far in 2017/18 we have raised over £1bn in the capital markets, including:
  - National Grid North America Inc. 1% €500m due 2024
  - Boston Gas 3.15% \$500m due 2027
- Focus on US OpCo funding in remainder of 2017/18
- UK operating companies not expected to issue during the rest of the current fiscal year
- £5.5bn of committed bank facilities, giving sufficient group liquidity



# Summary

- Good progress across the Group
- Clear priorities moving forward
- Strong fundamentals that underpin long-term value creation
  - High quality asset portfolio
  - Strong balance sheet
  - Access to solid growth opportunities that underpin growth and yield
  - Excellent teams that are motivated to deliver
- Well positioned for attractive growth and returns



# Q&A