

NG.Focus

Investor Relations | May 2019



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**

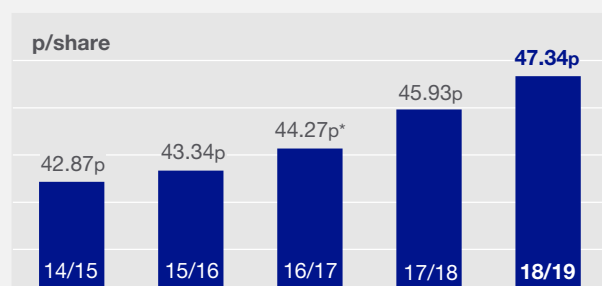
Strong strategic progress in 2018/19

- £4.5bn of capital invested delivering strong organic asset growth of 7.2%
- Sale of Cadent to complete with £2bn in proceeds expected in June
- Good US regulatory progress, with all operating companies under refreshed rates
- Launched new cost efficiency programmes in both UK and US
- Significant progress on interconnector portfolio
- Major milestone achieved for Property business with transfer of Fulham site to St William

Total Group 18/19 performance		
7.2% Asset growth	58.9p EPS ¹	11.8% Group return on equity

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

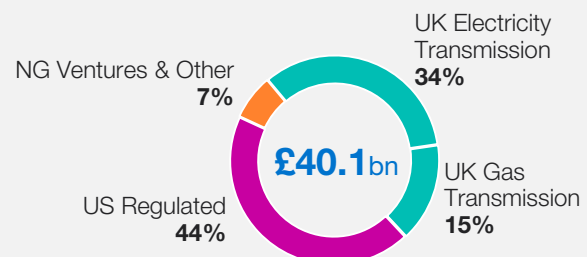
Dividend policy to grow DPS at least in line with RPI Inflation



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

Growing portfolio of high quality assets

Assets by segment as at 31 March 2019



- Power and heat networks at the heart of the energy system
- Targeting annual asset growth of 5-7%*
- Dividend policy underpinned by regulatory agreements
- Robust balance sheet and strong financial discipline
- Protection from generation and supply exposure/margins

*Assuming long run UK RPI Inflation of 3%

Strong and efficient balance sheet

- Appropriate level of debt funding for strong credit ratings, with gearing around 65%
- Target retained cash flow (RCF) to net debt above 9%
- Strong 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

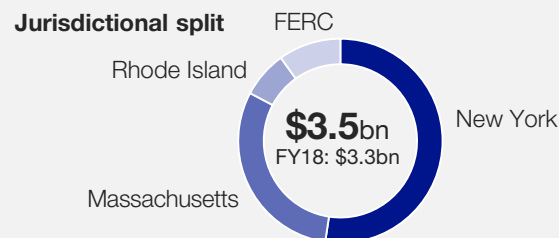
Good regulatory progress in 2018/19

US returns

Return on equity	
8.6% New York	Capital investment \$3,458m FY18: \$3,290m
7.6% Massachusetts	Rate base \$22.9bn FY18: \$20.9bn
7.7% Rhode Island	Assets outside rate base \$2.5bn FY18: \$2.5bn
11.5% FERC	Underlying operating profit £1.6bn* FY18: £1.7bn*
Achieved return 8.8% FY18: 8.9%	

* At actual currency

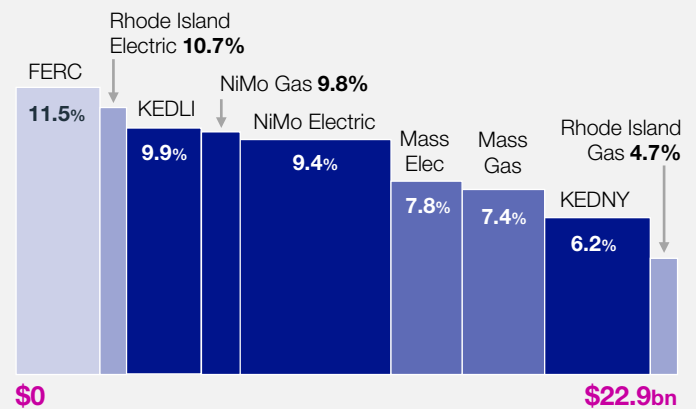
FY19 US Regulated capital investment



US investment drivers

- mandated gas pipe replacement programmes
- electric investments for network resiliency, storm hardening and grid modernisation
- decarbonisation of energy

2018/19 RoE/Rate base (\$m)



Regulation

- 80% of distribution rate base operating under updated rates
- ~50/50 debt:equity regulatory capital structure
- Nominal returns provide a faster cash return

Strong rate base growth of 9.2% in FY19

- Consistent achieved return on equity; 93% of allowed
- Launched cost efficiency programme, to save costs \$30m in FY20 and \$50m in FY21
- First cycle of refreshing rate plans successfully complete
- Rhode Island and Massachusetts Gas filings completed in FY19
- New rates filed for Massachusetts Electric and KEDNY/KEDLI

National Grid Ventures & Other

Capital investment
£623m

FY18: **£518m**

Total contribution
£440m

FY18: **£275m**

NG Ventures & Other

Operating profit

£153m

Metering

£74m

Grain LNG

£64m

Interconnectors

£181m

Property

Operating profit
£400m

FY18: **£231m**

Joint Ventures

Post-tax share

£29m

Interconnectors

£18m

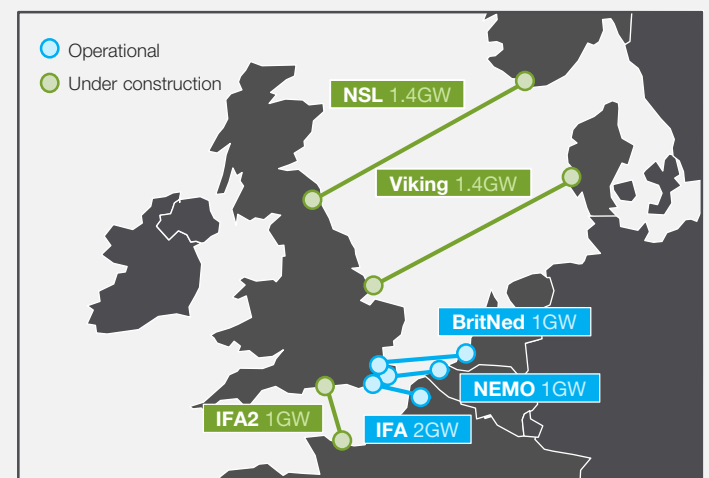
Millennium

£(7)m

Other

Post-tax share
£40m

FY18: **£44m**



- NGV includes long term assets with a low risk profile and stable cash flows
- 5GW of electricity interconnection between UK and Europe, with a further 2.4GW under construction
- Geronimo Energy 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 2018/19

UK RoE Combined
12.4%

FY18: **12.1%**

Electricity Transmission

Return on equity	Other key financial metrics
10.2% Base return	Capital investment £925m FY18: £999m
230bps Totex incentive	Regulated asset value £13.5bn FY18: £13.0bn
50bps Other incentives	Underlying operating profit £1,092m FY18: £1,055m
70bps Additional allowances	
Achieved return 13.7% FY18: 13.1%	

Gas Transmission

Return on equity	Other key financial metrics
10.0% Base return	Capital investment £308m FY18: £310m
(110)bps Totex incentive	Regulated asset value £6.2bn FY18: £6.0bn
120bps Other incentives	Adjusted operating profit £341m FY18: £505m
(60)bps Additional allowances	
Achieved return 9.5% FY18: 10.0%	

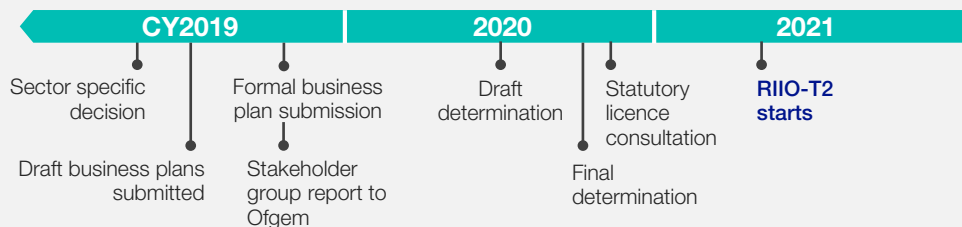
Regulation

- Single regulatory body - Ofgem
- RIIO price control provides regulatory clarity 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 FY19

- Achieved outperformance of 230bps through innovation and efficiency
- Focus on customer savings; almost £640m generated to date under RIIO
- Continued investment in maintaining the network
- Launched cost efficiency programme, to save costs £50m in FY20 and £100m in FY21

Timeline on RIIO-T2



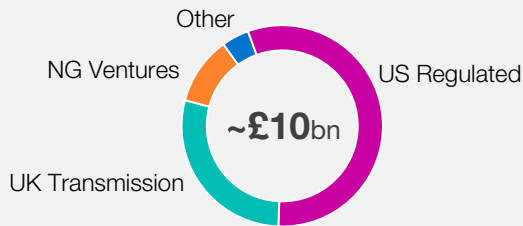
Environmental performance and priorities

Climate change	Responsible resource use	Caring for our environment
<p>70% reduction in GHG emissions by 2030</p> <p>80% reduction by 2050</p> <p>68% reduction achieved in FY19</p>	<p>Divert 100% of construction waste from landfill and send zero office waste to landfill by 2020</p>	<p>Recognise and enhance the value of our natural assets on at least 50 sites by 2020</p>



High-quality growth drives shareholder value

FY20-FY21 forecast capital investment by segment

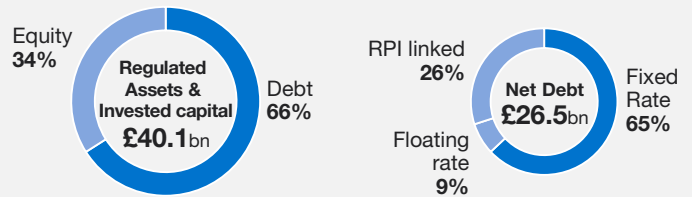


- US Regulated capital investment funded through rate agreements, forecast around \$3.5bn p.a. to 2021
- UK regulated business forecast ~£1.3bn p.a. to 2021
- NG Ventures driven by interconnector programme

Strong and efficient balance sheet

Gearing and debt profile

as at 31 March 2019



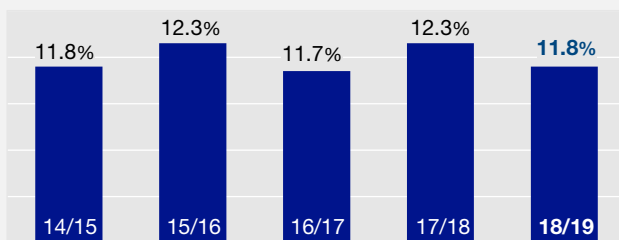
*Net debt includes borrowings, associated derivatives and cash and current financial investments

Key measures to deliver shareholder value

Total Group 18/19 performance¹

£3.4bn Operating profit **58.9p** EPS **11.8%** Group return on equity

Group return on equity (RoE)



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

	2018/19
Net asset growth	£3.0bn
+	+
Dividend cash cost net of scrip and share buybacks	£1.2bn
-	-
Growth in net debt	£2.1bn
=	=
Value added	£2.1bn
	61.2p/share

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 193 to 196 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2018 as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2018, published on 8 November 2018. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equinity. 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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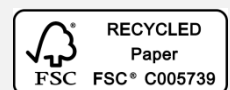
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