

# NG.Focus

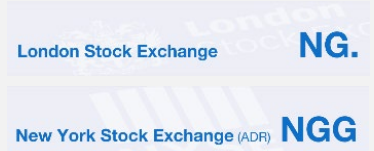
Investor Relations | May 2018



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

## Investment proposition

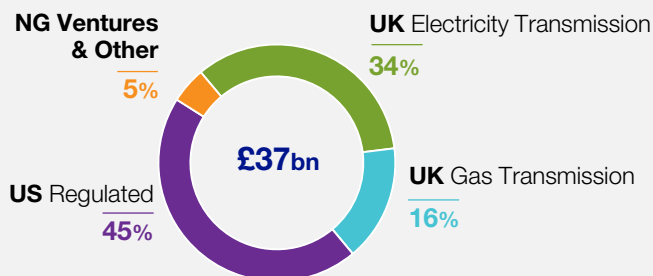
We aim to be a **low risk** business, focused on generating shareholder value through both **dividends** and **asset growth** by investing in essential assets under primarily **regulated** market conditions, to service **long-term sustainable** consumer-led demands



## High quality regulated assets

Total assets £37bn as at 31 March 2018

### Assets by segment

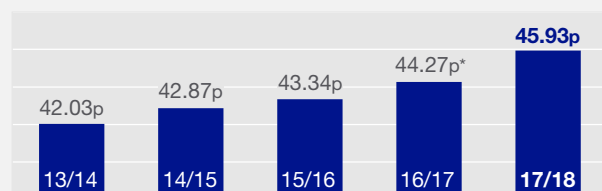


- A portfolio of high quality long-term assets at the heart of the energy system
- Targeting annual asset growth of 5-7%\*
- Dividend policy underpinned by regulatory agreements
- Balance of activities with stable regulation and macro-economic protection
- Underpinned by a robust balance sheet and strong financial discipline
- Protection from generation and supply exposure/margins

\*Including assumed long run UK RPI Inflation of 3%

## Strong track record of delivering growth and yield

Dividend policy is to grow DPS at least in line with RPI Inflation (p/share)



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

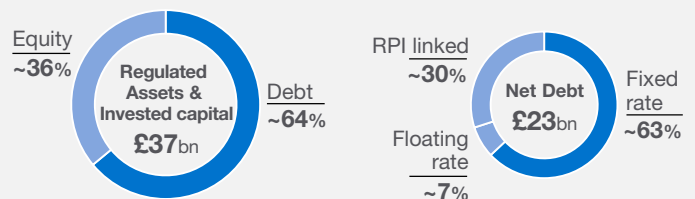
## Strong and efficient balance sheet

### Appropriate mix of debt and equity financing

- Appropriate level of debt funding for strong credit ratings
- 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 provides flexibility for growth
- Access to global debt markets delivering financial benefits

### Gearing and debt profile

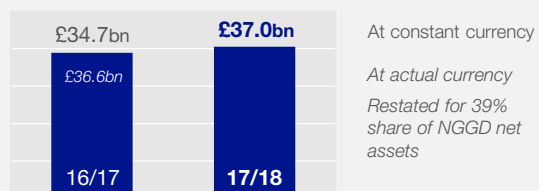
as at 31 March 2018



- Total borrowings of £26bn
  - 73% US Dollar; 27% UK Sterling

Notes: Currency profile includes associated derivatives and excludes cash and investments. Currency and interest rate profiles shown post derivative financial instruments and excluding assets

### Targeting asset growth of 5-7% per annum assuming 3% inflation



## Continued strong UK operational and financial performance in 2017/18

### UK combined returns 2017/18

	Base return	+ Totex incentive	+ Other incentives	+ Additional allowance	= Operational return on equity	Regulated asset value	Adjusted operating profit
<b>UK Electricity Transmission</b>	10.2%	180bps	40bps	70bps	13.1%	£13.0bn ↑ 4.5%	£1.0bn
<b>UK Gas Transmission</b>	10.0%	(80)bps	120bps	(40)bps	10.0%	£6.0bn ↑ 4.5%	£0.5bn

<b>UK RoE Combined</b>	<b>12.1%</b>	FY17 12.7%*
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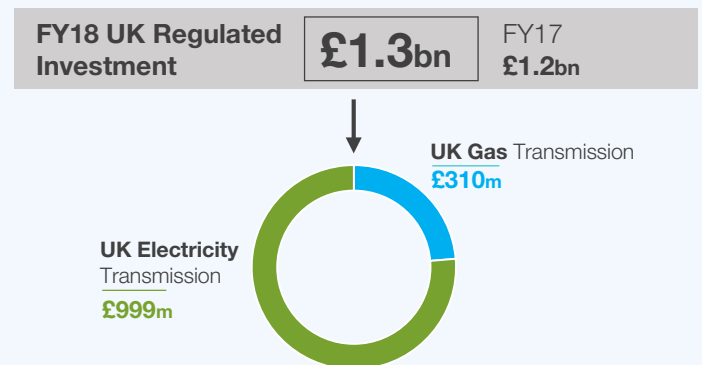
\*Excludes 100% of NCGD performance in FY17 – classified as a discontinued operation on 31 March 2017 and excludes any gain on the sale of NCGD

### 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

### Strong performance in the UK

- Achieved outperformance of 200bps through innovation and efficiency
- Focus on customer savings; around £540m generated to date under RIIO
- Continued investment in maintaining the network



## National Grid Ventures & Other

	Metering	Grain LNG	French Interconnector	Property	Adjusted operating profit
<b>NG Ventures &amp; Other</b>	£155m	£76m	£65m	£84m	£231m
	Britned	Millennium	Cadent	Other	Post tax share
<b>Joint ventures</b> Post tax share	£36m	£13m	£123m	£(5)m	£167m

<b>CAPITAL INVESTMENT</b>	<b>£518m*</b>
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\*excludes £19m equity contribution o St William property joint venture

### National Grid Ventures

- Long term assets with a low risk profile and stable cash flows
- 3GW of electricity interconnection between UK and Europe, with a further 3.4GW under construction

### Other activities

- 295 sites of varying sizes and values owned by National Grid Property
- St. William joint venture partnership with Berkley Group to unlock land value and provide access to downstream profits
- Following the sale of a 61% stake in UK Gas Distribution, National Grid now owns a 39% share of Cadent
  - Option agreements in place for the sale of remaining 39%

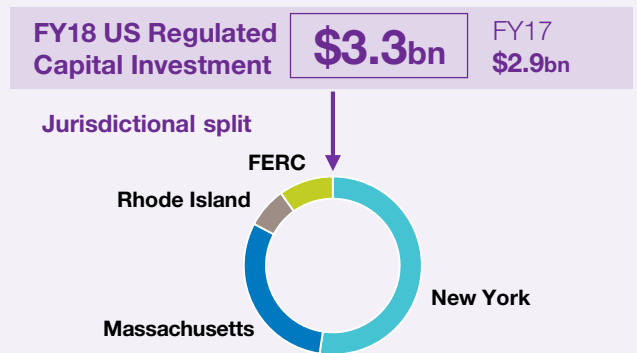
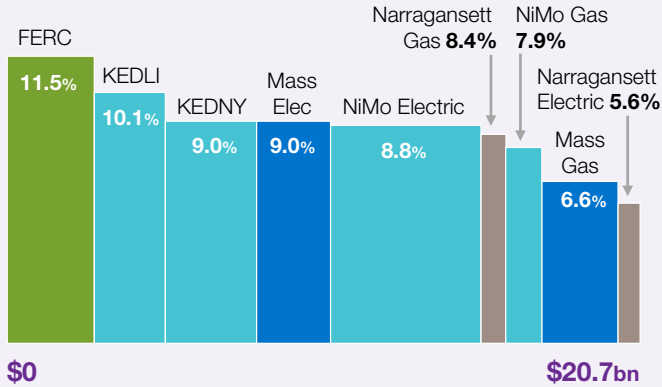
## Improved US financial performance in 2017/18

### US returns

Fiscal year 2017/18

	New York	Massachusetts	Rhode Island	FERC	Operational return on equity	Adjusted operating profit
<b>US Regulated</b>	<b>9.0%</b>	<b>7.8%</b>	<b>6.9%</b>	<b>11.5%</b>	<b>8.9%</b>	<b>£1.7bn</b>
Rate base	\$11.5bn	\$4.9bn	\$1.5bn	\$2.8bn	\$20.7bn ↑7.4%	

### 2017/18 RoE/Rate base (\$m)



### Regulation

Jurisdictional operating model aligned with regulatory bodies

- 80% of distribution rate base operating under updated rates
- ~50/50 debt:equity capital structure assumed by regulator
- Nominal returns provide a faster cash return
- \$2.7bn of assets outside of rate base, including capital work in progress

### US investment drivers

- Electric investments for network resiliency and storm hardening and grid modernisation
- Mandated leak prone gas pipe replacement programmes
- Decarbonisation of energy

### Timeline on regulatory filings

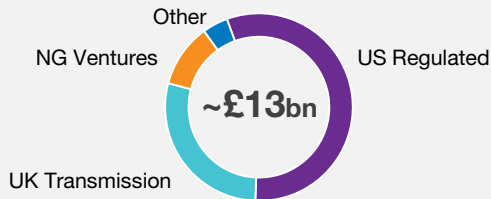


## Environmental performance and priorities

<h3>Climate change</h3> <p><b>70%</b> reduction in GHG emissions <b>by 2030</b></p> <p><b>80%</b> reduction <b>by 2050</b></p>	<h3>Responsible resource use</h3> <p>Divert <b>100%</b> of construction waste from landfill and send <b>zero</b> office waste to landfill <b>by 2020</b></p>	<h3>Caring for our environment</h3> <p>Recognise and enhance the value of our natural assets on at least <b>50 sites</b> <b>by 2020</b></p>	
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## High-quality organic growth drives shareholder value

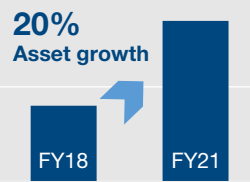
### FY19-FY21 forecast capital investment by segment



#### US Regulated

- Increased capital investment funded through rate agreements, forecast over \$3bn p.a. to 2021
- Expect over 7% organic growth rate in the near term

### >£12bn of investment over the next 3 years



Investment over the medium term

>£4bn per annum

#### UK Regulated

- UK regulated business forecast ~£1.3bn p.a. to 2021
- ET spend driven by non-load related investments
- GT investment in support of asset health work

## Key measures to deliver shareholder value

Total Group  
17/18 performance<sup>1</sup>

Operating Profit **£3.5bn**

EPS **60.4p**

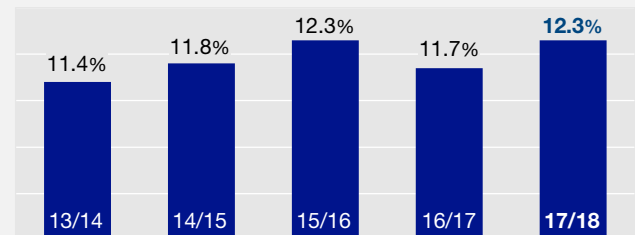
Group Return on equity **12.3%**

### Value added (at constant currency)

Captures total return per share created on an operational basis

	2017/18
Asset growth	£2,330m
+	+
Dividend cash cost net of scrip and share buybacks	£1,494m <sup>2</sup>
-	-
Change in net debt and goodwill	£1,820m <sup>2</sup>
=	=
Value added	£2,004m
	57.9p/share

### Group return on equity (RoE)



1. Underlying results excluding exceptional items, remeasurements, timing and major storms  
2. Excludes £4bn relating to UK Gas Distribution return of capital

### 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](http://www.nationalgrid.com) or from Link Asset Services. 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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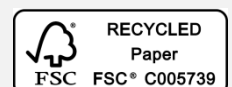
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