

nationalgrid

Full Year Results 2022/23

London, 18 May 2023



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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 current energy crisis, announcements from and decisions by governmental bodies or regulators, including those relating to the RIIO-T2 and RIIO-ED2 price controls and the creation of a future 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 (including any that result in safety and/or environmental events), 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 other supplies, 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 supply; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to deliver net zero; 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; inflation; 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; the failure to respond to market developments, including competition for onshore transmission; the threats and opportunities presented by emerging technology; the failure by the Company to respond to, or meet its own commitments as a leader in relation to, climate change development activities relating to energy transition, including 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 the sale of a stake in its UK Gas Transmission and Metering 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 253 to 256 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 2022 published on 10 November 2022. 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.

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Highlights

John Pettigrew
Chief Executive



Delivering as a Responsible Business

Significant progress

Record
capital investment



Portfolio
positioned for growth



Continued support
to our customers and communities



Accelerating the energy transition

- 17 major transmission projects awarded by Ofgem
- \$3.8bn approved in the US outside of rate cases

Record capital investment £7.7bn

**World's first
T-Pylons energised**



**1.4 GW
Viking Link
interconnector**
75% cable laid

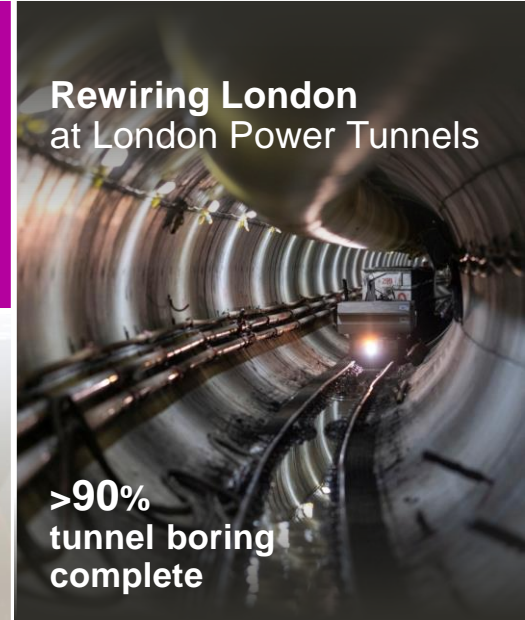
>4,200 miles
of gas pipeline
replaced to date
avoiding
134,000mt
CO₂e

Broke ground
on \$600m
**NY Smart
Path Connect**
project

Twice as many EV connections
in the past two years than all
other years combined, in
UK Electricity Distribution



**Rewiring London
at London Power Tunnels**



>90%
tunnel boring
complete

Repositioned for growth

Strategic pivot complete

- WPD, now National Grid Electricity Distribution, acquired June 2021
- Rhode Island business sale completed May 2022
- UK Gas Transmission and Metering
 - 60% sale completed January 2023
 - Consortium option on remaining 40%

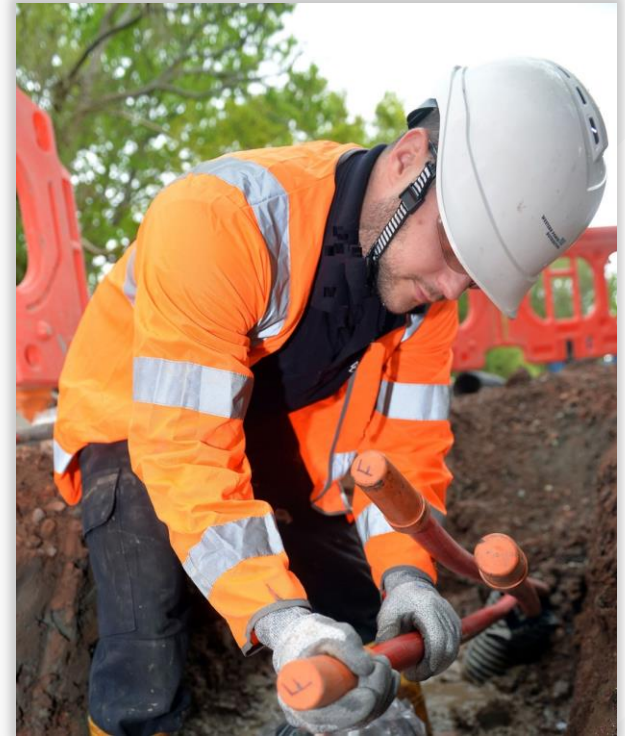
Business Units positioned for delivery

- Progressing Electricity System Operator separation
- New Strategic Infrastructure business unit

Portfolio

c.70% Electricity

c.30% Gas



Supporting our customers and communities

Helping our Customers and Communities

- Early return of £100m of interconnector revenues
 - In addition to the £200m already committed
- £24m of our UK Energy Support fund allocated
- \$6m Customer Assistance Programme launched in US
- Project C day of service
 - 11,000 hours of volunteered



Financial performance highlights

Good delivery in 2023

Underlying operating profit

£4,582m **↑10%**

FY22: £4,171m

Underlying EPS

69.7p **↑7%**

FY22: 65.3p

Return on Equity

11.0% **↓40bps**

FY22: 11.4%

Capital investment

£7,740m **↑8%**

FY22: £7,188m

Asset growth

11.4% **↑270bps**

FY22: 8.7%

Dividend growth in line with policy

55.44p **↑8.77%**

FY22: 50.97p

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m), timing and the contribution from UK Gas Transmission and Metering, which are classified as a discontinued operation for accounting purposes

Capital investment includes investment in NECO, JVs and NG Partners Investments

Asset growth excludes impact of disposal of NECO and UK Gas Transmission and Metering

Return on Equity includes NECO and Gas Transmission and Metering for the period owned in 2022/23

Operating profit and capital investment calculated at constant currency

Safety and reliability



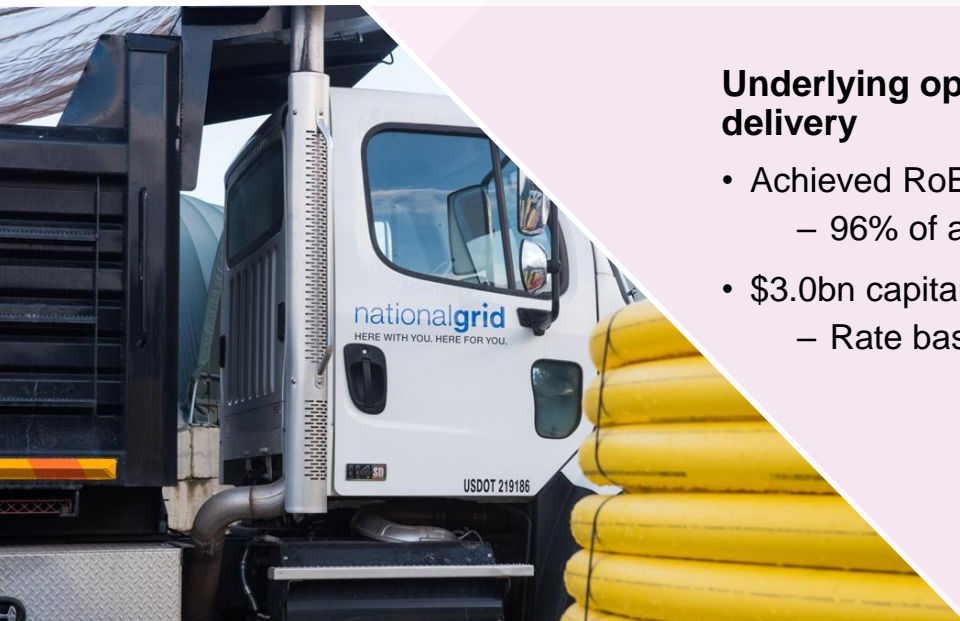
Safety

- Lost Time Injury Frequency rate: 0.11 vs 0.13 in FY22

Reliability

- Over 99.9% availability across regulated networks
- Excellent performance across UK and US
 - Winter storm Elliott in the US
 - Hottest temperatures on record in the UK
 - ESO comprehensive winter preparedness plans

Progress on operational priorities



Underlying operational delivery

- Achieved RoE 8.6%
 - 96% of allowed return
- \$3.0bn capital expenditure
 - Rate base growth of 9.9%

Policy and regulatory progress

- \$2.8bn approved for Transmission investment to enable >2GW renewable generation
- Climate Action Council scoping plan
 - Importance of decarbonised gas networks
 - Continued leak prone pipe replacement investment

Progress on operational priorities

Underlying operational delivery

- Achieved RoE 8.3%
 - 30bps improvement¹
- \$2.0bn capital expenditure
 - Rate base growth² of 6.3%

Regulatory progress

Funding approved for:

- \$336m Grid Modernisation
- \$487m Advanced Metering Infrastructure
- \$206m approved for >30,000 EV charge points



¹ Excluding Rhode Island (NECO) business

² Rate base growth excludes the impact of the Rhode Island (NECO) disposal

Progress on operational priorities



Second year of RIIO-T2

- Achieved RoE 7.5%
 - 120bps outperformance
- £1.3bn capital expenditure

Regulatory and policy progress

- 17 major transmission projects awarded by Ofgem
- UK Government's 'Powering up Britain' package
 - Networks as key enabler of the energy transition
 - Planning processes to be streamlined
 - Community benefits consultation

Progress on operational priorities

Strong final year of RIIO-ED1

- Achieved RoE: 13.2%
 - 360bps above allowed level
 - 8.99/10 Customer Satisfaction Score
- £1.2bn capital expenditure

RIIO-ED2 price control

- Average allowed return of 5.23% real
- c.£5.9bn totex allowance



Progress on operational priorities

Capital investment

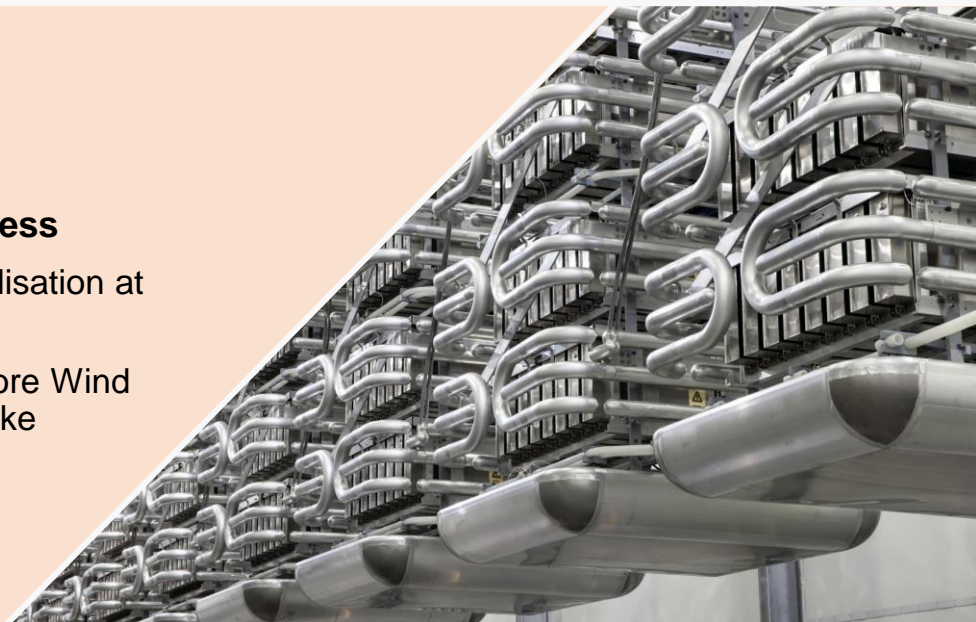
£906m

Interconnectors

- Viking Link: 75% cable laid, commissioning December 2023
- North Sea Link first full year of operations
- IFA returned to full service

Operational progress

- Record year of utilisation at Isle of Grain LNG
- Community Offshore Wind JV submitted offtake proposals



Delivering as a Responsible Business

Significant progress

Record
capital investment



Portfolio
positioned for growth



Continued support
to our customers and communities



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Financial Performance

Andy Agg
Chief Financial Officer



Financial performance highlights

Good delivery in 2023

Underlying operating profit

£4,582m **↑10%**

FY22: £4,171m

Underlying EPS

69.7p **↑17%**

FY22: 65.3p

Cost efficiency
programme delivery

£373m

Target by end of FY24: £400m

Return on Equity

11.0% **↓40bps**

FY22: 11.4%

Dividend growth
in line with policy

55.44p **↑8.77%**

FY22: 50.97p

Capital investment

£7,740m **↑8%**

FY22: £7,188m

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Operating profit and capital investment calculated at constant currency

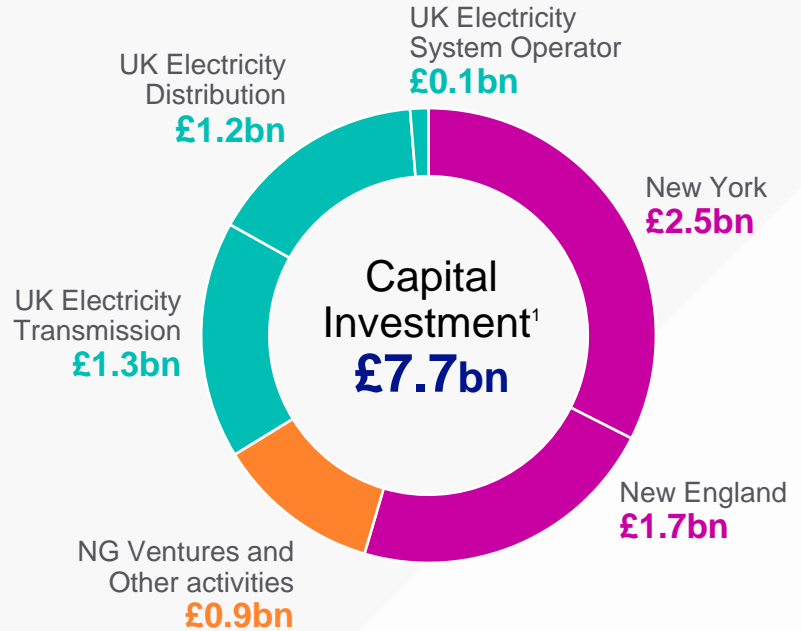
Investment driving asset growth

Capital investment¹
£7,740m ↑8%

FY22: £7,188m

Asset growth²
11.4% ↑270bps

FY22: 8.7%



1. Capital investment from continuing operations, at constant currency, including investment in NECO, JVs and NG Partners

2. Asset growth excludes impact of disposal of NECO and UK Gas Transmission and Metering

UK Electricity Distribution

Return on equity Outperformance

270bps

Customer incentives

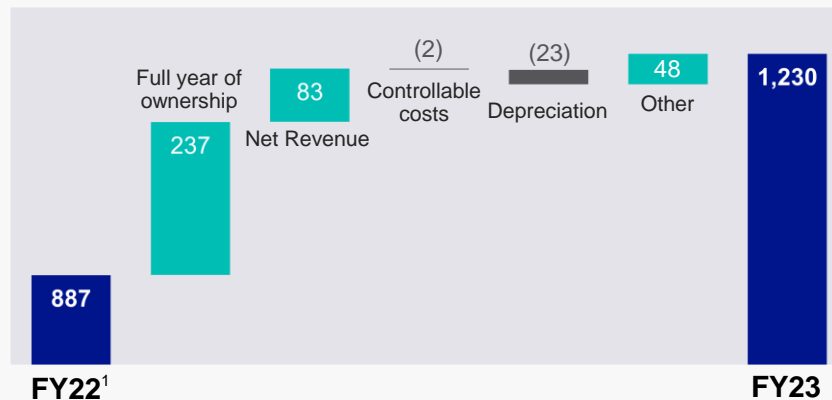
90bps

Totex and other
outperformance

Achieved
return on equity

13.2%

Underlying operating profit (£m)



FY22¹

FY23

Capital
investment
£1,220m
FY22¹: £899m

Regulated
asset value
£10.8bn
FY22: £9.3bn

- Full year of ownership
- Higher indexed revenues

Underlying results, excluding timing, exceptional items and remeasurements.

1. FY22 based on 9.5 months of ownership

UK Electricity Transmission

Return on equity Outperformance

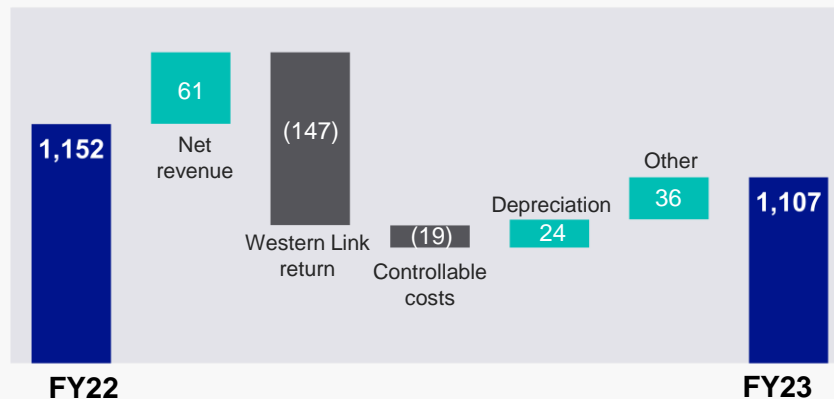
120bps

Totex incentive

Achieved
return on equity

7.5%

Underlying operating profit (£m)



- £147 million Western Link return
- Partially offset by lower depreciation

Capital
investment

£1.3bn

FY22: £1.2bn

Regulated
asset value

£17.1bn

FY22: £15.5bn

Electricity System Operator

Underlying operating profit

£31m

FY22: £54m

US Regulated – New York

Return on equity

96%

of our allowed
baseline return

Achieved
return on equity

8.6%

Underlying operating profit (£m)



Capital
investment

£2.5bn

FY22: £2.2bn

Rate base

\$18.7bn

FY22: \$17.0bn

- Higher revenues through our rate case increases, alongside cost efficiencies
- Partly offset by property taxes and higher bad debt accounting charge

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing

Operating profit and capital investment presented at constant currency

1. Principally higher funded energy efficiency, Advanced Metering Infrastructure and Grid Modernisation spend; higher property taxes due to increased investment and non-repeat of prior year KEDLI property tax settlement

US Regulated – New England

Return on equity

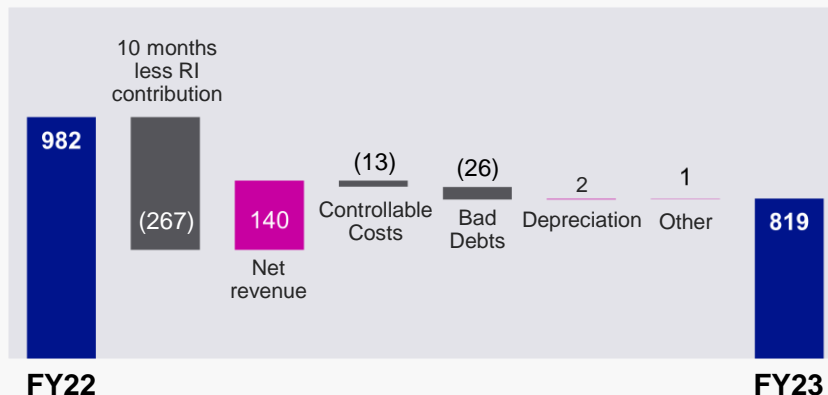
84%

of our allowed
baseline return

Achieved
return on equity

8.3%

Underlying operating profit (£m)



Capital
investment

£1.7bn¹

FY22: £1.7bn¹

Rate base

\$9.8bn

FY22: \$12.2bn¹

- Excluding the impact of Rhode Island, operating profit was **£104 million higher** reflecting:
 - Higher rates
 - Cost efficiency delivery
- Partly offset by higher cyber and vegetation management spend

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing
Operating profit and capital investment presented at constant currency

1. Includes Rhode Island (NECO)

NG Ventures

	Year ended	
	31 March 2023	31 March 2022
Operating profit (£m)		
Grain LNG	131	113
Smart Metering	4	5
Interconnectors	355	135
Business Development & Other	(15)	(11)
US Ventures	15	49
	490	291
Post tax share of JVs (£m)		
Interconnectors ¹	164	91
Millennium	14	24
Other	25	9
	203	124
Total NGV	693	415

1. Includes BritNed and Nemo.

Operating profit, post-tax share of joint ventures and investment presented at constant exchange rates.

Underlying results, excluding timing, exceptional items and remeasurements.

Operating profit and post tax share of JVs:

- Full year contribution from North Sea Link interconnector
- Higher revenues across our interconnectors
- Business interruption insurance recoveries on Sellindge
- Higher Grain LNG income

Capital
investment

£906m

FY22: £968m

Other activities

Operating profit (£m)	Year ended	
	31 March 2023	31 March 2022
Property	216	40
Corporate & other	(172)	(97)
US Other	12	13
NG Partners	(25)	66
	31	22

Post tax share of JVs (£m)

NG Partners	(13)	17
St William	-	11
	(13)	28

Increase in operating profit:

- Property sales completed as part of the St William JV disposal
- Partially offset by:
 - Fair value losses at National Grid Partners
 - Our Energy Support Fund

Capital investment¹

£72m

FY22: £113m

Operating profit, post-tax share of joint ventures and investment presented at constant exchange rates.
Underlying results, excluding timing, exceptional items and remeasurements.

1. Capital investment includes investment in JVs and investment in NG Partners but excludes equity contributions to the St William JV in FY22.

Interest, tax and earnings

Finance costs

£1.5bn

33% higher than FY22

- Higher impact from inflation on index linked debt
- Refinancing of the underlying portfolio
- Partly offset by higher non-treasury income

Underlying effective tax rate¹

23.1%

Underlying tax charge: **£709m**

- 120 bps lower than prior year
- Lower US state deferred tax remeasurement due to Rhode Island sale
- Larger proportion of UK property sales with a lower effective tax rate

Underlying earnings²

£2,549m

FY22 : **£2,350m**

- 69.7p/share – up 7%
- In line with guidance

1. Excluding joint ventures and associates.

2. Underlying results attributable to equity shareholders.

Finance costs presented at constant currency; underlying earnings presented at actual currency

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing

Cash flow and net debt

Cash generated
from operations¹

£6.4bn

FY22: £5.8bn

Net cash outflow²

£3.1bn

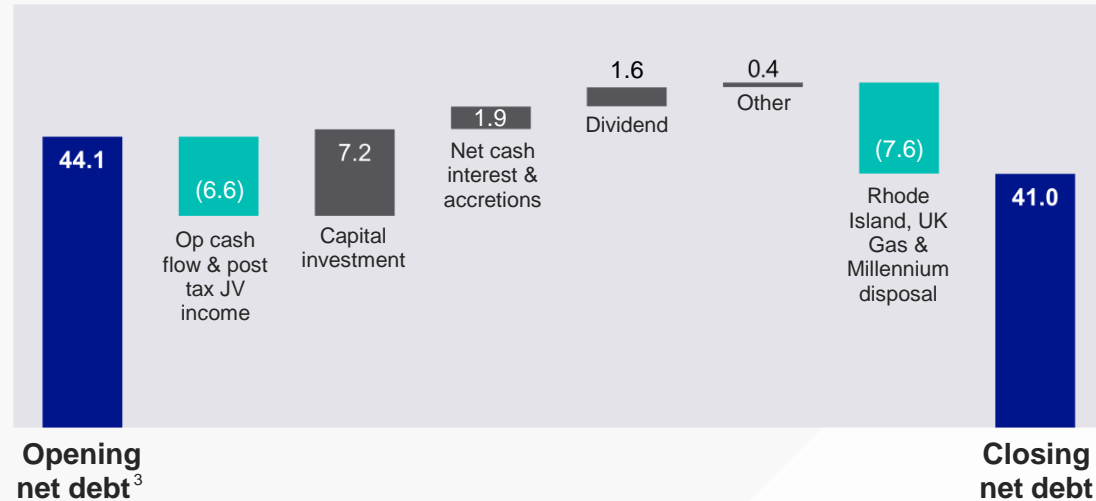
FY22: £1.6bn

Net Debt³

£41.0bn

FY22: £44.1bn

Net debt (£bn)



RCF / Net debt
9.3%

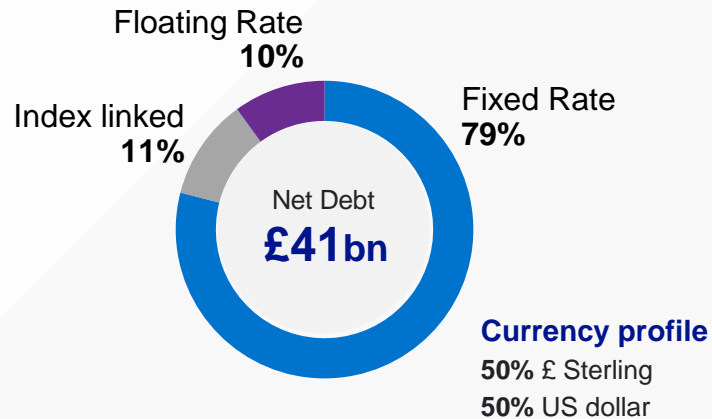
1. From continuing operations

2. Net cashflow from continuing operations, excluding acquisition of WPD, disposal proceeds from NECO and GT and other investing and financing transactions with nil impact on net debt

3. FY22 net debt presented at constant currency

Debt structure

Net debt profile at 31 March 2023 (£bn)



Note: Net debt includes 100% of hybrid debt, borrowings, associated derivatives and cash and current financial investments. Interest rate profile and currency profile are post derivatives. Currency profile reflects ultimate liability, not currency of issue.

- Around 70% of our debt sits in the regulated operating companies
 - High degree of regulatory protection
 - Debt book average maturity of 11 years
- Strong access to debt capital markets
 - £7bn bond issuances in FY23
 - Expect to issue £5-6bn in FY24

Full Year 2024 expectations...

- Another good year of expected earnings growth within our 5 year 6-8% CAGR

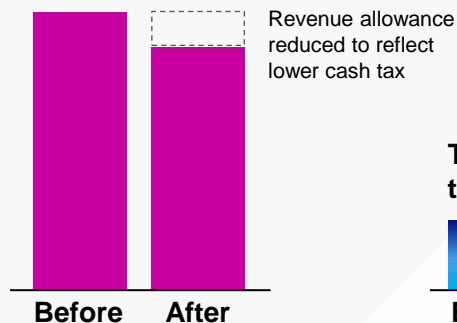
...offset by Capital Allowances impact

- Now expect underlying EPS to be modestly lower year-on-year
- 6 to 7 pence per share impact on underlying EPS for FY24
 - would be removed from FY27 if legislation ends in March 2026

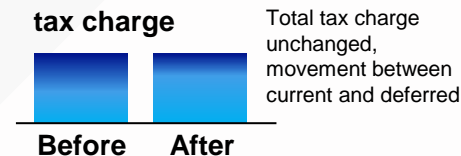
Capital allowances impact is economically neutral

Capital allowances impact (illustrative)

UK Regulated Revenues



Total UK tax charge



5 Year Outlook reconfirmed

FY2022 - 2026

Capital investment

Up to **£40bn** – **c.£29bn green**¹, aligning to EU taxonomy

c.£9bn

UK Electricity Transmission

c.£12bn

New York Regulated

c.£6bn

UK Electricity Distribution

c.£9bn

New England Regulated

c.£3-4bn

NG Ventures

Group asset growth

8-10% CAGR²

Credit metrics

Credit metrics maintained within current rating thresholds

Net debt to RAV in low **70%** range

Underlying EPS

6-8% CAGR²

Dividend

Aim to **grow dividend per share** in line with CPIH

FY24

- Underlying EPS expected to be modestly lower³ than our reported underlying FY23 EPS

1. Aligned to EU Taxonomy, directly invested into the decarbonisation of energy networks.

2. Compound annual growth rate FY2022-26 from a FY21 baseline. Forward years based on assumed USD FX rate of 1.2; long run CPIH and RPI inflation assumptions and scrip uptake of 25%. Reflects sale of Rhode Island (NECO) and UK Gas Transmission & Metering (UK GT&M). Assumes 40% equity interest of UK GT&M treated as held for sale from 1 February 2023.

3. For 2023/24, we expect underlying EPS to be modestly below 2022/23 levels following the UK Government's change to the capital allowances regime from 1 April 2023. We expect this to change to have a 6-7p per share impact on EPS, albeit no economic impact over the long-term. Without this change, underlying EPS was forecast to grow within our 6-8% CAGR range between 2022/23 and 2023/24, assuming an exchange rate of £1:\$1.20.

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Priorities & Outlook

John Pettigrew
Chief Executive



UK Priorities

Advocating for regulatory and policy change

1. Streamline planning and consenting
2. New regulatory and governance frameworks
 - Expand Ofgem's mandate to include net zero
 - Enable anticipatory investment at scale
 - Competition legislation
 - Create the Future System Operator
3. Transform the grid connections process
4. Community benefits framework
5. Regulatory support for supply chain capacity and green skills investment



UK Priorities

Strategic Infrastructure Business Unit

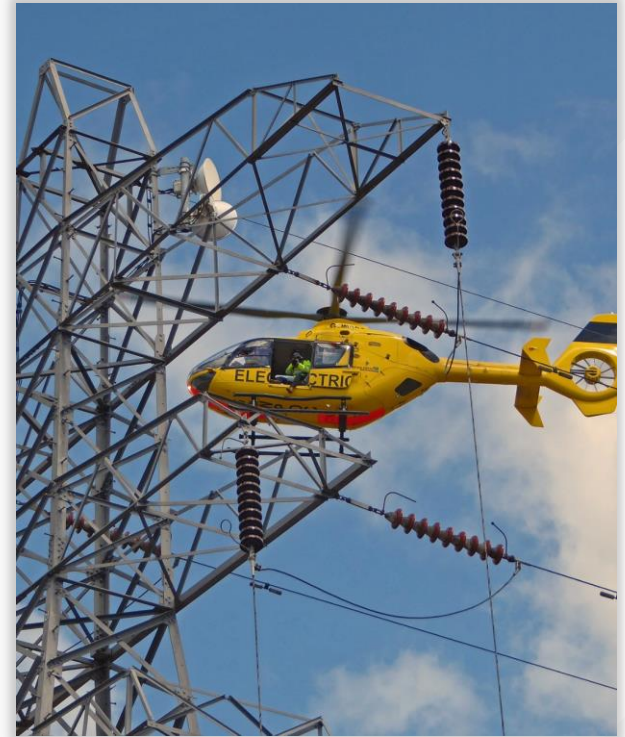
- Programmatic approach to ASTI major projects
- Develop new contractual framework with supply chain

Reduce connection wait times

- UK Electricity Transmission optimising connection offer process
- ESO initiatives for pipeline management

UK Electricity Distribution delivering value

- Strong start to RIIO-ED2
- Investor Event 6th July 2023



US Priorities

Policy

- Clean Energy Vision advocacy
- Working with policymakers on pathways to decarbonisation
- Federal and state permitting and siting reform

Regulatory

- Transmission projects
 - CLCPA Phase 1 & 2 transmission projects
 - NY Propel Project
 - Twin States Clean Energy Link
- New rates filed for KEDNY-KEDLI in Downstate NY
- Preparing to file Massachusetts Electric rate case in October



Delivering hybrid clean energy solutions

- Pipeline replacement for decarbonised gas
- \$2.1bn in energy efficiency measures
- Northeast Hydrogen Hub

Summary

Record capital investment



Strategic pivot complete

- ✓ WPD acquisition complete
- ✓ Sale of Rhode Island complete
- ✓ Sale of majority stake in UK Gas Transmission complete

Strong visibility of growth



Delivering a clean, fair, and affordable energy transition for all

Appendices

Investment driving asset growth

£7.7bn Group Capital Investment¹

UK Electricity
Transmission

£1.3bn ↑9%

UK Electricity
Distribution

£1.2bn ↑36%

UK Electricity
System Operator

£0.1bn →0%

New York
Regulated

£2.5bn ↑25%

New England
Regulated

£1.7bn ↑7%

NG Ventures, JVs
and Other activities

£0.9bn ↓4%

Regulated Asset Value as at 31 March 2023²

UK Electricity
Transmission

£17.1bn ↑10%

UK Electricity
Distribution

£10.8bn ↑17%

UK Electricity
System Operator

£0.4bn ↑21%

New York
Regulated

\$18.7bn ↑10%

New England
Regulated

\$9.8bn ↓20%³

11.4% Group Asset Growth

1 Capital investment in continuing operations

2 Prior year includes opening balance adjustments

3 Prior year includes Rhode Island

UK Electricity Transmission operating profit

For the year ended 31 March (£m)	2023	2022
Revenue	1,987	2,035
Pass through costs	(217)	(152)
Net revenue	1,770	1,883
Depreciation & amortisation	(484)	(508)
Regulated controllable costs	(241)	(227)
Pensions	(31)	(26)
Other costs	(19)	(55)
Total UK Electricity Transmission operating profit	995	1,067

Adjusted results, excluding exceptional items and remeasurements

UK Electricity System Operator operating profit

For the year ended 31 March (£m)	2023	2022
Revenue	4,690	3,455
Pass through costs	(4,152)	(3,215)
Net revenue	538	240
Depreciation & amortisation	(101)	(83)
Regulated controllable costs	(175)	(129)
Pensions	(17)	(16)
Other costs	(7)	(5)
Total UK Electricity System Operator operating profit	238	7

UK Electricity Distribution operating profit

For the year ended 31 March (£m)	2023	2022
Revenue	2,045	1,482
Pass through costs	(418)	(125)
Net revenue	1,627	1,357
Depreciation & amortisation	(223)	(158)
Regulated controllable costs	(235)	(180)
Pensions	(24)	(24)
Other costs	(54)	(86)
Total UK Electricity Distribution operating profit	1,091	909

Adjusted results, excluding exceptional items and remeasurements
 Prior year comparatives from date of acquisition

New England operating profit

For the year ended 31 March (£m)	2023	2022
Revenue	4,427	5,047
Pass through costs	(2,095)	(2,274)
Net revenue	2,332	2,773
Depreciation & amortisation	(393)	(405)
Regulated controllable costs	(755)	(902)
Pensions & OPEBs	(27)	(44)
Bad debts	(58)	(50)
Other costs	(391)	(548)
Total New England operating profit	708	824

At constant currency

Adjusted results, excluding exceptional items and remeasurements

OPEBs = other post employment benefits

New York operating profit

For the year ended 31 March (£m)	2023	2022
Revenue	6,994	6,168
Pass through costs	(2,957)	(2,397)
Net revenue	4,037	3,771
Depreciation & amortisation	(620)	(596)
Regulated controllable costs	(1,151)	(1,068)
Pensions & OPEBs	(2)	(49)
Bad debts	(157)	(96)
Other costs	(1,366)	(1,097)
Total New York operating profit	741	865

At constant currency

Adjusted results, excluding exceptional items and remeasurements

OPEBs = other post employment benefits

NGV and Other Activities operating profit

For the year ended 31 March (£m)	2023	2022
Revenue	231	101
Depreciation & amortisation	(9)	(29)
Operating costs	(40)	(26)
IFA operating profit	182	46

For the year ended 31 March (£m)	2023	2022
Revenue	101	69
Depreciation & amortisation	(12)	(9)
Operating costs	(16)	(15)
IFA2 operating profit	73	45

For the year ended 31 March (£m)	2023	2022
Revenue	136	64
Depreciation & amortisation	(17)	(9)
Operating costs	(19)	(11)
NSL operating profit	100	44

For the year ended 31 March (£m)	2023	2022
Revenue	357	262
Depreciation & amortisation	(56)	(55)
Operating costs	(164)	(94)
Grain LNG operating profit	137	113

For the year ended 31 March (£m)	2023	2022
Revenue	237	82
Depreciation & amortisation	(5)	(2)
Operating costs	(16)	(40)
Property operating profit	216	40

UK Gas Transmission and metering operating profit

For the year ended 31 March (£m)	2023	2022 ¹
Revenue	1,604	1,374
Pass through costs	(658)	(397)
Net revenue	946	977
Depreciation & amortisation	-	(91)
Regulated controllable costs	(146)	(160)
Pensions	(17)	(17)
Other costs	(69)	(55)
Total UK Gas Transmission & Metering operating profit	714	654

1. Revenue includes sales between segments

Adjusted results, excluding exceptional items and remeasurements

Reflects results included in discontinued operations until 31 January 2023

Exchange rates

For the year ended 31 March (£m)	2023	2022
Closing \$ / £ rate	1.23	1.31
Average \$ / £ rate for the period	1.22	1.35

For the year ended 31 March (£m)	2022
Impact on underlying operating profit ¹	179
Impact on timing	(7)
Impact on interest	(55)
Impact on JVs	4
Impact on tax and NCI	(32)
Net impact on earnings ¹	89

Impact on closing net debt ²	(1,293)
Impact on book value of assets ²	2,360

1. Currency impact calculated by applying the average 2022/23 rate to 2021/22 results

2. Currency impact calculated by applying the closing March 2023 rate to March 2022 balances

Adjusted results, excluding exceptional items and remeasurements

Pensions & other post employment benefit obligations (IAS 19 data)

At 31 March 2023 (£m)	UK			US		Total
	ESPS	NGUK PS	NGED	Pensions	OPEBs ¹	
Fair value of plan assets	2,654	4,523	5,401	6,060	2,608	21,246
Present value of liabilities	(2,127)	(4,094)	(4,743)	(5,736)	(2,595)	(19,295)
Net asset	527	429	658	324	13	1,951
Taxation	(132)	(107)	(165)	(84)	(3)	(491)
Net asset (net of taxation)	395	322	493	240	10	1,460
Discount rates	4.80%	4.80%	4.80%	4.85%	4.85%	

At 31 March 2022 (£m)	UK			US		Total
	ESPS	NGUK PS	NGED	Pensions	OPEBs ¹	
Fair value of plan assets	3,430	5,779	7,656	7,263	2,885	27,013
Present value of liabilities	(2,797)	(5,260)	(6,218)	(6,779)	(2,884)	(23,938)
Net asset	633	519	1,438	484	1	3,075
Taxation	(158)	(130)	(359)	(128)	-	(775)
Net asset (net of taxation)	475	389	1,079	356	1	2,300
Discount rates	2.80%	2.80%	2.80%	3.65%	3.65%	

1. OPEBs = Other post employment benefits

Timing impacts

£m	UK Electricity Transmission	UK Electricity System Operator	UK Electricity Distribution	New York	New England	Continuing operations	Discontinued: UK Gas Transmission	Total
2022/2023 Opening balance	(85)	(127)	22	656	(330)	136	(156)	(20)
Opening balance restatement adjustment	(10)	(2)	-	-	(13)	(25)	(4)	(29)
Over / (under) recovery	(112)	207	(139)	53	(39)	(30)	12	(18)
In year disposal	-	-	-	-	(17)	(17)	148	131
2022/2023 Closing balance to (recover)/ return	(207)	78	(117)	709	(399)	64	-	64
2021/2022 Opening balance	-	(80)	-	516	(295)	141	(76)	65
Over / (under) recovery	(85)	(47)	22	140	(35)	(5)	(80)	(85)
2021/2022 Closing balance to (recover)/ return	(85)	(127)	22	656	(330)	136	(156)	(20)
Year on year timing variance	(27)	254	(161)	(87)	(4)	(25)	92	67

2022/23 opening balance restatement adjustment reflects finalisation of timing balances

2022/23 closing timing balance as at 31 March 2023 at spot rate (\$1.2337) - £59m

2021/22 closing timing balance as at 31 March 2022 at spot rate (\$1.3144) - £111m

UK Transmission

Regulated asset values ('RAV') and returns

	UK Electricity Transmission
Regulator	Ofgem
RAV	£17,072m
Base allowed real return (assumed CoD 1.90%)	2.96% (‘vanilla’ WACC)
Allowed RoE (nominal)	6.3%
Achieved RoE (nominal)	7.5%
Equity / debt (assumed)	45 / 55
Totex capitalisation rate (baseline, TO)	78%
Sharing factors (shareholder retention at RoE)	33% plus incentive schemes

UK Electricity Distribution

Regulated asset values ('RAV') and returns

	UK Electricity Distribution
Regulator	Ofgem
RAV	£10,773m
Base allowed real return (assumed CoD 0.39%)	2.49%
	('vanilla' WACC)
Allowed RoE (nominal)	9.6%
Achieved RoE (nominal)	13.2%
Equity / debt (assumed)	35 / 65
Totex capitalisation rate (TO)	80%
Sharing factors (shareholder retention at RoE)	70%
	plus incentive schemes

New York jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity
as at 31 March 2023

Returns are those for the fiscal year ended
31 March 2023

	Long Island (KEDLI)	Downstate New York (KEDNY)	Upstate New York (NMPC Gas)	Upstate New York (NMPC Electric)
Regulator	New York PSC	New York PSC	New York PSC	New York PSC
Rate base	\$3,774m	\$6,048m	\$1,800m	\$7,045m
Base allowed return	8.80% (RoE)	8.80% (RoE)	9.00% (RoE)	9.00% (RoE)
Achieved return	9.2%	9.2%	7.1%	8.1%
Equity / debt (assumed)	48 / 52	48 / 52	48 / 52	48 / 52
Sharing factors (shareholder retention at RoE)	100% to 9.3% 50% to 9.8% 25% to 10.3% 10% above 10.3%	100% to 9.3% 50% to 9.8% 25% to 10.3% 10% above 10.3%	100% to 9.5% 50% to 10.0% 25% to 10.5% 10% above 10.5%	100% to 9.5% 50% to 10.0% 25% to 10.5% 10% above 10.5%
Last rate case filing	New Rates Effective 1 April 2020	New Rates Effective 1 April 2020	New Rates Effective 1 July 2021	New Rates Effective 1 July 2021

New England jurisdiction

Regulated asset base ('Rate base') and returns

*Rate bases are reported by regulatory entity
as at 31 March 2023*

*Returns are those for the fiscal year ended
31 March 2023*

	Massachusetts Electric ¹	Massachusetts Gas ²
Regulator	Massachusetts DPU	Massachusetts DPU
Rate base	\$3,106m	\$4,170m
Base allowed return	9.6% (RoE)	9.7% (RoE)
Achieved return	5.9%	8.6%
Equity / debt (assumed)	53 / 47	53 / 47
Sharing factors (shareholder retention at RoE)	100% to 11.6% 25% above 11.6%	100% to 11.6% 25% above 11.6%
Last rate case filing	Effective from October 2019	Effective from October 2021

1. Includes Nantucket Electric. The rate base includes transmission assets

2. Massachusetts Gas currently comprises two separate entities: Boston Gas and Colonial Gas. Base allowed and achieved RoEs are weighted averages (using rate base)

FERC jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity

as at 31 March 2023

*Returns are those for the fiscal year ended
31 March 2023¹*

	New England Power	Canadian Interconnector & other
Regulator	FERC	FERC
Rate base	\$2,420m	\$59m ²
Base allowed return	10.6% (RoE)	11.1% (RoE)
Achieved return	11.1%	11.1%
Equity / debt (assumed)	61 / 39	65 / 35
Sharing factors (shareholder retention at RoE)	100%	100%
Last rate case filing	Annual filing with over/under adjustment	Annual filing with over/under adjustment

1. Returns exclude Providence LNG liquefier as not currently operational

2. The \$59m includes Providence LNG liquefier

Appendix 17

Value Added

For the year ended 31 March (£m)	2023	Disposal of NECO and UK Gas	2022 ¹ (constant currency)	change
UK RAV	28,205	(6,989)	31,577	3,617
US rate base	23,038	(2,476)	23,628	1,886
NGV and other business assets	6,604	(143)	5,374	1,373
Other balances	3,079	848	2,059	172
Total group regulated assets and other balances	60,926	(8,760)	62,638	7,048
Adjusted net debt movement	(40,973)	12,263	(49,388)	(3,848)
Dividend paid during the year				1,607
Value Added				4,807
Value Added per share (pence)				131.4p

1. 2022 figures include the acquisition of NG ED

Group Return on Equity

For the year ended 31 March (£m)	2023	2022
Regulated financial performance	3,952	3,684
IFRS operating profit for non-regulated companies	708	480
Share of post tax results of joint ventures ¹	202	148
Non-controlling interest	-	(1)
Adjusted Group interest charge ²	(1,546)	(1,191)
Adjusted Group tax charge	(727)	(718)
Adjusted Group profit after tax for RoE	2,589	2,402
Opening rate base/RAV	55,558	41,043
Opening other	5,410	4,864
Opening goodwill	12,253	5,266
Opening capital employed	73,221	51,173
Opening net debt	(49,691)	(30,072)
Opening Equity	23,530	21,101
Group RoE – nominal (adjusted group profit after tax / group equity value)	11.0%	11.4%

1. Includes £12m related to 40% stake in National Gas Transmission

2. Group RoE methodology amended in 2021/22 to calculate accretion charge on inflation-linked debt at long-run inflation rates.

Weighted average number of shares

For the year ended 31 March	2023	2022
Number of shares (millions):		
Current period opening shares	3,645	3,549
Scrip dividend shares (weighted issue)	9	43
Other share movements (weighted from issuance/repurchase)	5	7
Weighted average number of shares	3,659	3,599
Underlying earnings (£m)	2,549	2,350
Underlying EPS	69.7p	65.3p

Interest cover

For the year ended 31 March (£m)	2023	2022
Interest expense (income statement)	1,680	1,146
Exclude P&L pension charge	85	-
Hybrid interest reclassified as dividend	(39)	(38)
Capitalised interest	249	152
Pensions interest adjustment	11	11
Unwinding of discounts on provisions	(88)	(73)
Interest in discontinued operations	-	218
Adjusted interest expense	1,898	1,416
Net cash inflow from operating activities	6,343	5,490
Interest income on financial instruments	65	40
Interest paid on financial instruments	(1,430)	(1,053)
Dividends received	190	166
Working capital adjustment	(286)	(361)
<i>add back</i> excess employer pension contributions	116	99
<i>add back</i> Hybrid interest reclassified as dividend	39	38
<i>add back</i> Accretions	483	241
Difference in net interest expense in income statement to cash flow	(395)	(177)
Difference in current tax in income statement to cash flow	(281)	72
<i>add back</i> current tax related to prior years	-	(35)
Net cash inflow from discontinued operations	555	668
Funds from operations (FFO)	5,399	5,188
Interest cover:		
(Funds from operations + adjusted interest expense) / adjusted interest expense	3.8x	4.7x

Appendix 21

RCF:Debt

For the year ended 31 March (£m)	2023	2022
Funds from operations (FFO)	5,399	5,188
Hybrid interest reclassified as dividend	(39)	(38)
Ordinary dividends paid to shareholders	(1,607)	(922)
Retained cash flow (RCF)	3,753	4,228
Borrowings	42,985	45,465
Less		
50% hybrid debt	(1,049)	(1,027)
Cash & cash equivalents	(126)	(190)
Financial and other investments	(1,764)	(2,292)
Underfunded pension obligations	292	326
Adjusted net debt (discontinued operations)	-	5,234
Adjusted Net Debt	40,338	47,516
RCF / adjusted net debt	9.3%	8.9%

UK Electricity Transmission net revenue

For the year ended 31 March (£m)	2023
Revenue	1,987
Net timing adjustment	112
Pass through costs	(217)
Net revenue adjusted for timing	1,882

Incentives (excluding totex), Annual & Interim Pricing and pass-through costs	£m
Deferred for future recovery/(return):	
Incentives	4
Annual & Interim Pricing	104
Pass Through Costs	104
(Collection)/return of prior year deferrals	(100)
Net timing adjustment	112

UK Electricity Transmission operating profit

For the year ended 31 March (£m)	2023
Net Revenue adjusted for timing	1,882
Depreciation & Amortisation	(484)
Regulated Controllable costs, pensions and other costs	(291)
Total UK Electricity Transmission operating profit adjusted for timing	1,107
Timing adjustment – over/(under) recoveries	(112)
Total UK Electricity Transmission operating profit: headline	995

	£m
Ofgem annual iteration revenue	1,674
+ inflate to forecast pcfm inflation	199
Ofgem model net revenue	1,873
- Model non controllable costs	(129)
+ Uplift to actual inflation	98
+ Excluded service income and T1 MOD	(1)
Ofgem net revenue	1,841
+ Incentives	5
+ Other	36
Underlying Revenue	1,882

UK Electricity System Operator net revenue

For the year ended 31 March (£m)	2023
Revenue	4,690
Net timing adjustment	(207)
Pass through costs	(4,152)
Net revenue adjusted for timing	331

Incentives, Annual & Interim Pricing, totex ADJ and pass-through costs	£m
Deferred for future recovery/(return):	
Incentives	(4)
Annual & Interim Pricing	1
Totex ADJ	(22)
Pass Through Costs	(9)
(Collection)/return of prior year deferrals	(173)
Net timing adjustment	(207)

UK ESO operating profit

For the year ended 31 March (£m)	2023
Net Revenue adjusted for timing	331
Depreciation & Amortisation	(101)
Regulated Controllable costs, pensions and other costs	(199)
Total UK ESO operating profit adjusted for timing	31
Timing adjustment – over/(under) recoveries	207
Total UK Electricity Transmission operating profit: headline	238

	£m
Ofgem annual iteration revenue	303
+ inflate to forecast pcfm inflation	36
Ofgem model net revenue	339
- Model non controllable costs and bad debt	(4)
+ Uplift to actual inflation	18
+ legacy MOD and ADJ	(23)
SO net revenue excluding timing and incentives	330
+ Incentives	1
- Other	-
Underlying Revenue	331

UK Electricity Distribution net revenue

For the year ended 31 March (£m)	2023
Revenue	2,045
Net timing adjustment	139
Pass through costs	(418)
<u>Net revenue adjusted for timing</u>	<u>1,766</u>

Incentives (excluding totex), Annual & Interim Pricing and pass-through costs	£m
Deferred for future recovery/(return):	
Incentives	83
Annual & Interim Pricing	(7)
Pass Through Costs	39
(Collection)/return of prior year deferrals	24
<u>Net timing adjustment</u>	<u>139</u>

Reconciliation of adjusted EPS to statutory EPS

(including and excluding timing and major storm costs)

For the year ended 31 March (pence)	2023
Underlying EPS from continuing operations	69.7
Timing and major storm costs	(5.9)
Adjusted EPS from continuing operations	63.8
Exceptional items after tax from continuing operations	16.9
Remeasurements after tax from continuing operations	(6.5)
EPS from continuing operations	74.2
Statutory EPS from discontinuing operations	138.9
Statutory EPS	213.1

Adjusted US NE GAAP earnings

Earnings are lower year on year due to

- Disposal of Rhode Island business after 2 months of FY23.
- Offset by Rate base growth of 6.3%² and an increase in our achieved return on equity to 8.3%² (FY22: 8.0%²) in remaining business.

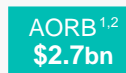
FY23



RoE
at 8.3%²

→

For the year ended 31 March (\$m)	2023 ²	2022 ³
EBIT	782	919
Pension adjustment	(17)	7
Interest	(176)	(227)
Tax	(159)	(179)
Earnings	430	520



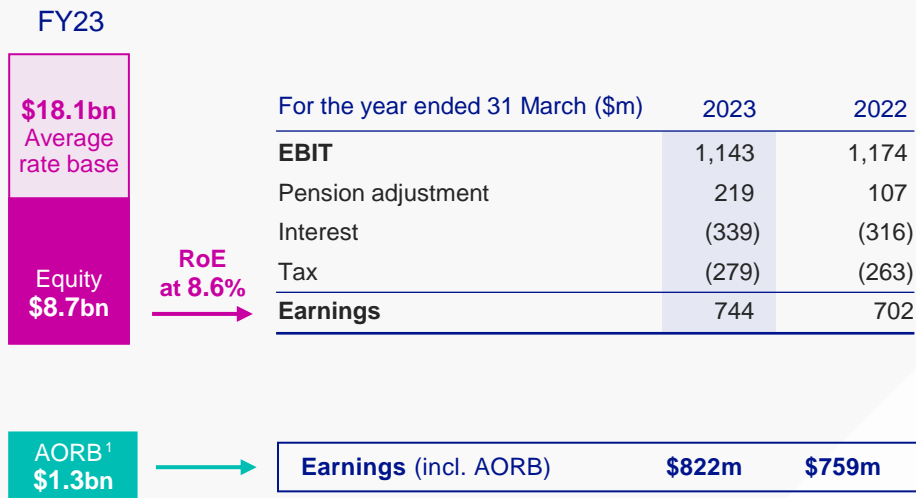
Earnings (incl. AORB)	\$511m	\$585m
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1. Assets outside rate base
 2. Excludes Rhode Island following disposal in year
 3. Includes Rhode Island

Adjusted US NY GAAP earnings

Growth in earnings driven by

- Rate base growth of 9.9%
- Partially offset by a decrease in our achieved return on equity to 8.6% (FY22: 8.8%)



1. Assets outside rate base