

nationalgrid

Half Year Results

2023/24

London, 9 November 2023



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This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long-term scenarios which are subject to significant uncertainty and change. 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 or targets. 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 presentations from and decisions by governmental bodies or regulators, including those relating to the RII0-T2 and RII0-ED2 price controls and proposals for the future of the electricity system operator in the United Kingdom; 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 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; 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 integration of its UK Electricity Distribution business, the sale of its UK Gas Transmission business, and the separation and transfer of the ESO to the public sector. 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 225 to 228 of National Grid's most recent Annual Report and Accounts, as updated by the principal risks and uncertainties statement on page 60 of this presentation. 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

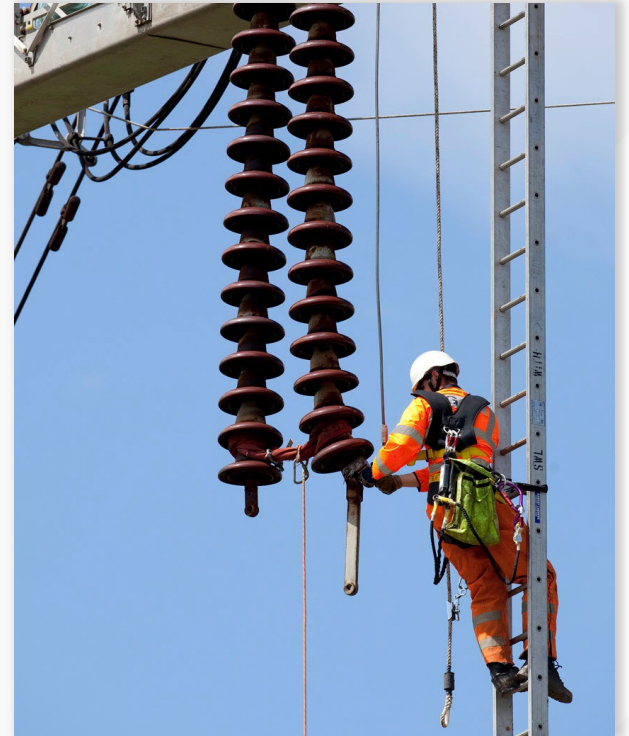
John Pettigrew
Chief Executive



Delivering net zero

UK

- Accelerated Strategic Transmission Investment (ASTI)
 - 17 major projects in our Electricity Transmission licence
- Government endorsement of key policies we're advocating for
 - Strategic Spatial Energy Plan - what needs to be built, where, and when
 - Fast-track planning processes for nationally significant projects
 - “Connect or move” connections reform



Delivering net zero

US

- Electric Sector Modernization Plan submitted in Massachusetts
- Propel NY Energy transmission project approved
- Federal funding for Twin States Clean Energy Link
- New York Community Offshore Wind JV bid success



Updated 5-year financial framework

FY2022 - 2026

Capital investment

One of the FTSE's
biggest investors
in the delivery
of net zero

c.£42bn – c.£32bn green¹

c.£11bn

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 the low **70%** range

Underlying EPS

6-8% CAGR²

Dividend

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

- Modestly enhanced asset growth and underlying EPS, within the existing ranges

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) business and sale of 60% stake in UK Gas Transmission & Metering (UK GT&M). Assumes remaining 40% equity interest of UK GT&M treated as held for sale.

Financial performance highlights

Underlying operating profit

£1,796m ↓ 14%

HY23: **£2,097m**

Underlying EPS

23.8p ↓ 27%

HY23: **32.4p**

Solid underlying performance across the business

Prior year helped by a number of one-offs as we completed transactions

Regulated capital investment

£3,529m ↑ 10%

HY23: **£3,221m**

Capital investment

£3,868m ↑ 2%

HY23: **£3,798m**

DPS in line with policy¹

19.40p ↑ 8.7%

HY23: **17.84p**

Underlying results from continuing operations excluding exceptional items, remeasurements, timing and the contribution from UK Gas Transmission and Metering, which is classified as a discontinued operation for accounting purposes.

Capital investment includes investment in JVs and NG Partners investments.

Operating profit and capital investment calculated at constant currency.

1. Represents 35% of the total dividend per share of 55.44p in respect of the last financial year to 31 March 2023, in line with the Group's dividend policy.

Reliability and safety

Reliability

- Strong performance across UK and US networks

Winter Outlook

- ESO forecasts electricity capacity margin of 7.4%, slightly higher than last year
- Toolkit for periods of tightness
 - System notices
 - Demand Flexibility Service

Safety

- Lost Time Injury Frequency rate 0.09 vs 0.11 in FY23



Progress on operational priorities

Good start to RIIO-ED2

- £608m capital investment, up 4%
- Higher spend on **new customer connections**, including Hinkley Point nuclear station
- **>40,000** domestic connections of low carbon technologies
- Connections reform with plans to release **10GW** grid capacity
 - Accelerating renewable generation connections

RIIO-ED2 Price Control

30%¹ step up in annual investment from ED1

Targeting **100-125bps** of outperformance²

£100m Group synergies³ over 3 years



1. 30% nominal increase vs ED1 annual spend.

2. Targeted Return on Equity operational outperformance through totex efficiency, synergy benefits and incentive performance.

3. 1/3 from UK Electricity Distribution, 2/3 from across the Group.

Progress on operational priorities



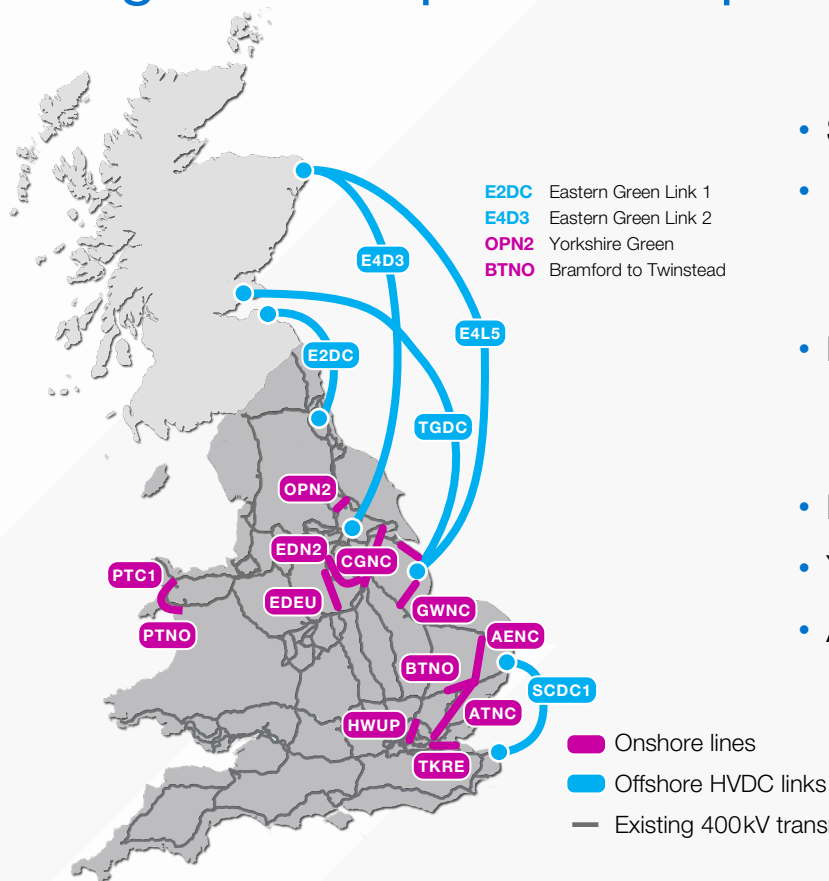
Record capital investment

- £800m capital investment, up 27%
- **3GW** of new **customer connections** including
 - Dogger Bank – world's largest offshore wind farm
 - Lark Green – first transmission connected solar farm

Project milestones

- Tunnel boring completed at London Power Tunnels
- All 116 T-Pylons installed at Hinkley-Seabank Connection Project

Progress on operational priorities



- Standing up Strategic Infrastructure – 320 colleagues
- 17 major ASTI projects within our Ofgem licence
 - 12 onshore
 - 5 offshore
- Eastern Green Link 1 & 2 progress
 - Preferred suppliers for HVDC cable & converter stations
 - English planning consents received
- Enterprise Partnership model tender launched
- Yorkshire Green and Bramford to Twinstead consenting progress
- ASTI investment of c.£3bn included in 5-year outlook

Progress on operational priorities

Underlying operational delivery

- £1.3bn capital investment, up 5% on the prior year¹
 - Smart Path Connect FERC transmission project
 - 148 miles of gas pipeline replaced
- Progressing CLCPA Phase 1 & 2 transmission projects
 - c.\$2.9bn investment enabling renewable generation capacity

Regulatory progress

- KEDNY-KEDLI rate filing progressing well
 - Anticipate Joint Proposal early next year
 - New rates from April 2024



1. At constant currency.

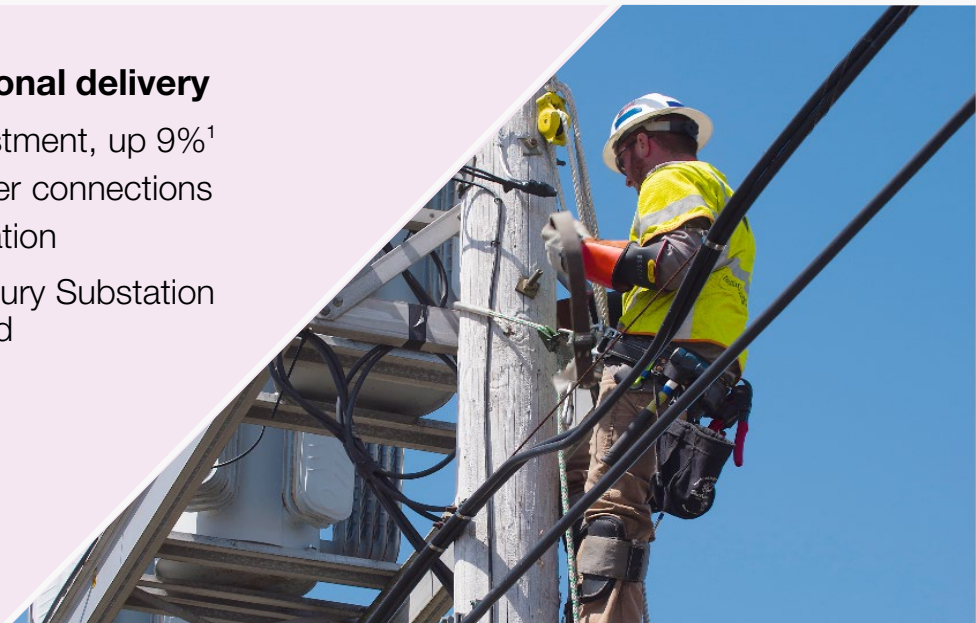
Progress on operational priorities

Regulatory progress

- Electric Sector Modernization Plan
 - \$2bn proposal for investment over 5 years
- Annual Performance Based Rate adjustments approved

Underlying operational delivery

- £789m capital investment, up 9%¹
 - Higher customer connections
 - Grid Modernization
- FERC 1000 Tewksbury Substation upgrades completed



1. At constant currency and excluding the Rhode Island (NECO) business.

Progress on operational priorities

Underlying operational delivery

- £326m capital investment
 - Isle of Grain LNG Phase 4 progress
 - Viking Link interconnector cable laying complete
- £205m lower versus the prior period¹
 - Sellindge converter station rebuild complete

Interconnectors

- Viking Link to Denmark expected to be online by end of December

National Grid Renewables

- Start-up of 274MW Yellowbud solar project



1. At constant currency.

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Financial Performance

Andy Agg

Chief Financial Officer



Financial performance highlights

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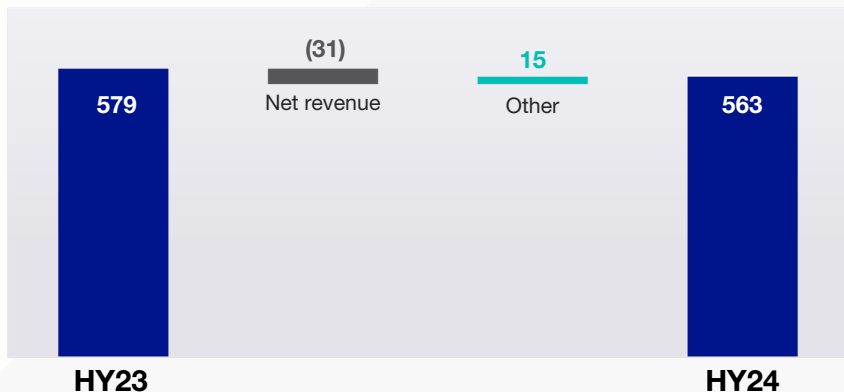
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UK Electricity Distribution

Underlying operating profit (£m)



Underlying operating profit

£563m

HY23: **£579m**

- Higher revenues from RAV indexation
- Lower incentive revenues as expected at the start of RIIO-ED2
- Non-recurrence of prior year gain on sale of Smart Metering business

Capital investment

£608m

HY23: **£584m**

- Asset replacement
- New connections
 - £65m Hinkley Point connection

100-125bps targeted RoE operational outperformance¹

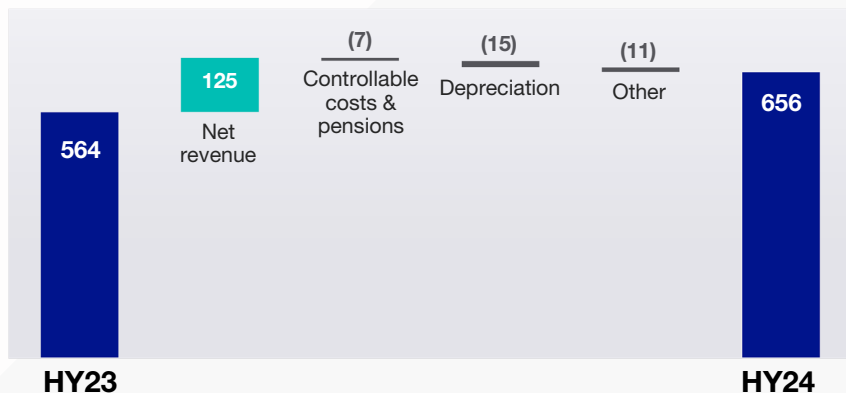
£18m of **£100m** 3-year Group synergy target delivered

Underlying results, excluding timing, exceptional items and remeasurements.

1. Targeted Return on Equity operational outperformance through totex efficiency, synergy benefits and incentive performance.

UK Electricity Transmission

Underlying operating profit (£m)



Underlying operating profit

£656m

HY23: **£564m**

- Higher allowed returns and revenue indexation
- Non-recurrence of £69m Western Link return

Capital investment

£800m

HY23: **£629m**

- System resilience, asset health and new connection
- Completion of tunnel boring at LPT2¹
- 116 T-pylons erected for Hinkley-Seabank Connection Project
- ASTI onshore projects progress

Electricity System Operator

Underlying operating profit

£34m

HY23: **£52m**

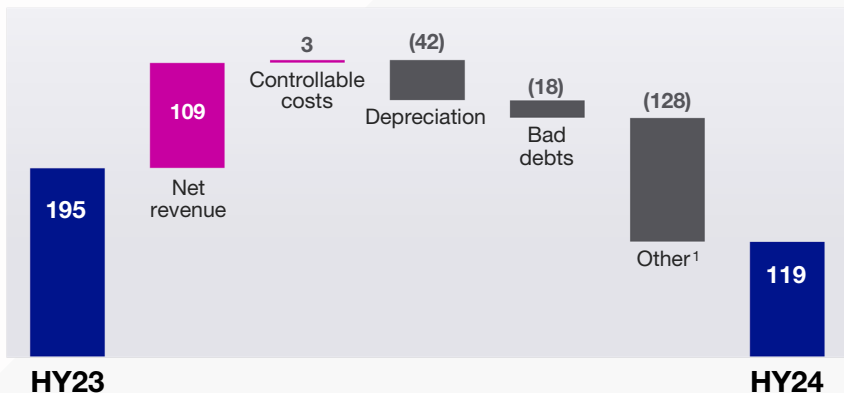
Classified as Held for Sale following passing of the Energy Act 2023

Underlying results, excluding timing, exceptional items and remeasurements.

1. London Power Tunnels 2.

US Regulated – New York

Underlying operating profit (£m)



Underlying operating profit

£119m

HY23: **£195m**

Capital investment

£1,257m

HY23: **£1,195m**

- Higher revenues driven by rate increases
- Continued delivery of cost efficiency programme

Offset by

- Higher depreciation
- Higher recoverable bad debts
- Pension buy-out gain in prior period

- Increased investment on Smart Path Connect project
- Increased investment in gas distribution including leak prone pipe replacement
- Prior period includes higher lease additions

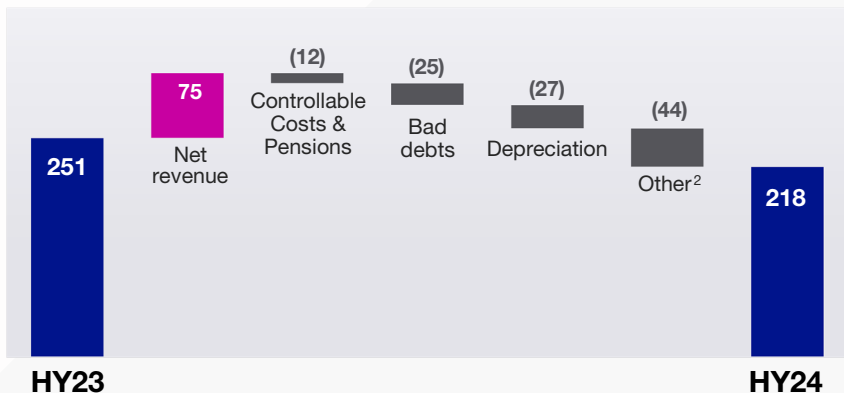
Underlying results from continuing operations excluding exceptional items, remeasurements, and timing.

Operating profit and capital investment presented at constant currency.

1. 'Other' includes increased spend on funded energy efficiency, pension buy-out gain in the prior period, and higher property taxes.

US Regulated – New England

Underlying operating profit¹ (£m)



Underlying operating profit¹

£218m

HY23: **£251m**

- Higher rates
- Offset by
- Higher recoverable storm costs
 - Higher recoverable commodity bad debts

Capital investment¹

£789m

HY23: **£725m**

- Increased Grid Modernization investment
- Higher asset condition work on New England Power transmission assets

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

Operating profit and capital investment presented at constant currency.

1. Excluding Rhode Island (NECO) business sold in FY23.

2. 'Other' includes increased storm costs.

NG Ventures

6 months ended

Operating profit (£m)	30 Sept 2023	30 Sept 2022
Interconnectors	139	166
Grain LNG	79	77
Smart Metering	13	2
US Ventures	(2)	24
Business Development & Other	(10)	(11)
	219	258

Post tax share of JVs (£m)

Interconnectors ¹	38	40
Millennium	-	13
NG Renewables	14	13
Transco	6	3
Other	1	2
	59	71
Total NGV	278	329

1. Includes BritNed and Nemo.

Operating profit, share of joint venture profit after tax and capital investment presented at constant exchange rates. Underlying results, excluding exceptional items and remeasurements.

Operating profit & post tax share of JVs

- North Sea Link interconnector cap adjustment
- Good performance at Isle of Grain LNG

Offset by

- Receipt of IFA1 insurance proceeds in prior year
- Change in onshore renewables project phasing

Capital
investment

£326m

HY23: **£531m**

- Viking Link interconnector nearing completion
- Grain LNG Phase 4 expansion project

Other activities

	6 months ended	
	30 Sept 2023	30 Sept 2022
Operating profit (£m)		
Property	6	227
NG Partners	4	(17)
Corporate & Other	(23)	(65)
	(13)	145
Post tax share of JVs (£m)		
NG Partners	-	(2)
	-	(2)
Total Other	(13)	143

Operating profit

- Decrease driven by St William property sales in prior period

Capital
investment¹

£13m

HY23: **£46m**

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

Underlying results, excluding exceptional items and remeasurements.

1. Capital investment includes investment in NG Partners.

Interest, tax and earnings

Finance costs¹

£711m

£10m lower than HY23

- Lower inflation on index-linked debt and lower bridge financing
- Partly offset by impact of higher interest rates

Underlying effective tax rate²

24.7%

Underlying tax charge: **£268m**

- 500bps higher than prior year
- FY24 expected underlying effective tax rate² of 26%

Underlying earnings³

£875m

HY23: **£1,182m**

- Underlying EPS of 23.8p

1. Net finance costs at constant currency excluding discontinued operations.

2. Underlying effective tax rate excluding joint ventures and associates.

3. Underlying results attributable to equity shareholders at actual currency.

Underlying results, excluding timing, exceptional items and remeasurements.

Cash flow and net debt

Cash generated
from operations¹

£3.1bn

HY23: **£2.4bn**

Net cash outflow²

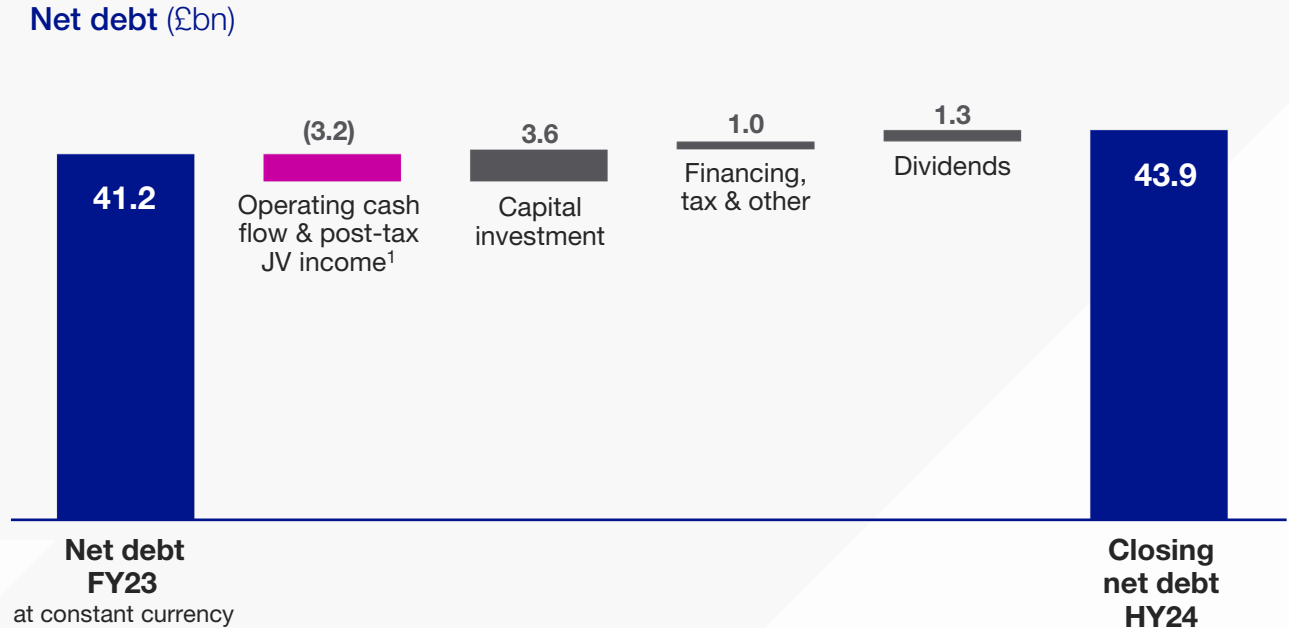
£2.6bn

HY23: **£3.1bn**

Net debt³

£43.9bn

FY23: **£41.0bn**



1. From continuing operations.

2. Net cashflow from continuing operations, excluding NECO proceeds and other investing and financing transactions.

3. Net debt excludes debt classified as 'Held for Sale'.

Updated 5-year financial framework and guidance

FY2022 - 2026

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of net zero

c.£42bn – c.£32bn green¹

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UK Electricity Transmission

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8-10% CAGR²

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Credit metrics maintained within current rating thresholds
Net debt to RAV in the low **70%** range

Underlying EPS

6-8% CAGR²

Dividend

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

- Modestly enhanced asset growth and underlying EPS, within the existing ranges

FY24

- Underlying EPS guidance reconfirmed
- Expected to be modestly lower than FY23

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) business and sale of 60% stake in UK Gas Transmission & Metering (UK GT&M). Assumes remaining 40% equity interest of UK GT&M treated as held for sale.

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Priorities & Outlook

John Pettigrew
Chief Executive



UK priorities

Policy focus

Energy Act 2023

- Independent System Operator & Planner
- Introduce onshore competition
- Net zero duty for Ofgem

Key policy reforms

- National Policy Statements
- Community benefits
- Nationally Significant Infrastructure Projects process
- Electricity Networks Commissioner report
- Strategic Spatial Energy Plan

Connections process reform

- Move from “first come, first served” to “connect or move”
- UK Electricity Transmission to deliver 40GW of capacity for ready to connect projects
- Grid Guide to Connections investor event in early 2024

UK priorities

Operational focus

UK Electricity Transmission

- Ofgem engagement ahead of Sector Specific Methodology consultation for RIIO-T3
- Select enterprise partners for ASTI projects to ensure supply chain is in place

UK Electricity Distribution

- Deliver strong first year under RIIO-ED2



US priorities

Regulatory & policy focus

Regulatory focus

- Progress NY KEDNY-KEDLI settlement
 - New rates from April 2024
- NY Niagara Mohawk rate case – filing next summer
- Massachusetts Electric Sector Modernization Plan
 - Outlines investments to help meet 2050 Clean Energy and Climate Plan targets
 - Filing expected January 2024
- Massachusetts Electric rate filing to be submitted November 2023

Our Clean Energy Vision

- Progress clean heat standard in NY & Massachusetts
 - Enabling more renewable natural gas blending into distribution networks



US priorities

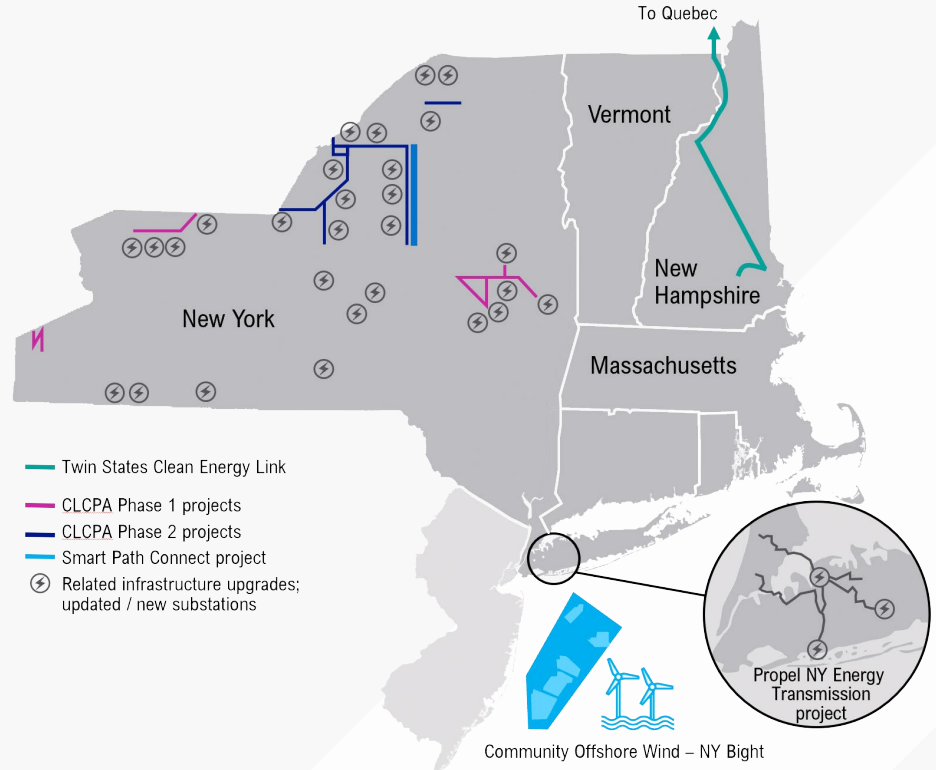
Operational focus

Progressing our large scale transmission projects

- \$550m Smart Path Connect
- \$2.9bn CLCPA Phase 1 & 2 funding
- Further develop 1.2GW Twin States Clean Energy Link

Developing Community Offshore Wind JV

- Progress negotiations with NYSERDA on provisional 1.3GW offtake award
- New Jersey offtake solicitation outcomes expected second half FY24



Illustrative.

A Responsible Business

The heart of a
**clean, fair and
affordable energy future**

Our refreshed **Responsible
Business Charter**

- Group near-term emissions aligned to a 1.5°C pathway, verified by SBTi¹
 - Reduce scope 1 and 2 emissions by 60% by 2030²
 - Reducing scope 3 emissions by 37.5% by 2034²

1. SBTi: Science Based Targets initiative

2. From a 2018/19 baseline

Summary

Exciting new phase of capital delivery

- 6 months of significant progress
- Gaining clarity on opportunities ahead
- Policy reform momentum

Delivering for the **energy transition today**

Ready to meet the **opportunities of tomorrow**



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Rewiring London

Appendices



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

As at 30 September 2023 (£m)	UK			US		Total
	ESPS	NGUK PS	NGED DB	Pensions	OPEBs ¹	
Fair value of plan assets	2,386	4,227	4,822	5,676	2,459	19,570
Present value of liabilities	(1,943)	(3,842)	(4,325)	(5,360)	(2,363)	(17,833)
Net asset	443	385	497	316	96	1,737
Taxation	(111)	(96)	(124)	(82)	(25)	(438)
Net asset net of taxation	332	289	373	234	71	1,299
Discount rates	5.55%	5.55%	5.55%	5.70%	5.70%	

As at 31 March 2023 (£m)	UK			US		Total
	ESPS	NGUK PS	NGED DB	Pensions	OPEBs ¹	
Fair value of plan assets	2,654	4,523	5,401	6,060	2,608	21,246
Present value of obligations	(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%	

1. OPEBs: Other post employment benefits.

Timing impacts

£m	UK Electricity Transmission	UK Electricity System Operator	UK Electricity Distribution	New York	New England	Total continuing operations
31 March 2023 closing balance	(207)	78	(117)	699	(394)	59
Opening balance restatement adjustment	(10)	-	(2)	-	-	(12)
Over / (under) recovery	183	409	(87)	(149)	(250)	106
30 September 2023 closing balance to (recover) / return	(34)	487	(206)	550	(644)	153
1 April 2022 opening balance	(85)	(127)	25	636	(332)	117
Over / (under) recovery	(65)	95	(48)	(212)	(119)	(349)
<i>Rhode island disposal</i>	-	-	-	-	(17)	(17)
30 September 2022 Closing balance to (recover) / return	(150)	(32)	(23)	424	(468)	(249)
Year on year timing variance	248	314	(39)	63	(131)	455

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

All USD balances stated using the average 2022/23 rate of \$1.2544 to £1

2022/23 closing timing balance (continuing) as at 30 September 2023 at spot rate (\$1.21995): £150m.

2021/22 closing timing balance (continuing) as at 30 September 2022 at spot rate (\$1.1170): -£252m.

Weighted average number of shares

For the half year ended 30 September	2023	2022
Number of shares (millions):		
Current period opening shares	3,677	3,645
Scrip dividend shares (weighted issue)	2	2
Other share movements (weighted from issuance / repurchase)	3	4
Weighted average number of shares	3,682	3,651
Underlying earnings (£m)	875	1,182
Underlying EPS	23.8p	32.4p

Accelerated Strategic Transmission Investment

17 projects included in our Electricity Transmission licence

Project code	Name
E2DC	Eastern Green Link 1
E4D3	Eastern Green Link 2
E4L5	Eastern Green Link 3
TGDC	Eastern Green Link 4
SCD1	Sea Link
OPN2	Yorkshire Green
BTNO	Bramford to Twinstead
AENC	Norwich to Tilbury (North)
ATNC	Norwich to Tilbury (South)
CGNC	North Humber to High Marnham
GWNC	Lincolnshire Green
EDN2	Chesterfield to Ratcliffe-on-Soar
EDEU	Brinsworth to High Marnham
HWUP	Hackney, Tottenham to Waltham Cross
TKRE	Grain to Tilbury
PTNO	Pentir to Trawsfynydd (Second Circuit)
PTC1	Pentir to Trawsfynydd (Cable Replacement)

