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Half Year Results 2021/22

London, 18 November 2021

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Highlights

John Pettigrew

Chief Executive

Key takeaways

Transactions

- WPD acquisition complete
- Rhode Island sale on track
- UK Gas Transmission sales process launched

Our businesses

- Now moved to new operating model
- >£400m pa cost efficiency programme by the end of 3 years
- Targeting
  - At least 95% of US allowed returns
  - 100bp outperformance through RIIO-T2

Financial performance highlights[1]

Solid delivery in first half of 2022

Underlying operating profit

£1,407m ⬆52%

HY21: **£924m**

Underlying EPS

22.8p ⬆66%

HY21: **13.7p**

Capital investment

£2,840m ⬆22%

HY21: **£2,320m**

Dividend growth in line with policy

17.21p ⬆1.2%

HY21: **17p**

[1] Excluding UK Gas Transmission which is classified as a discontinued operation, comparatives have been restated accordingly

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

Capital investment includes investment in JVs (excluding equity contributions to St William property JV)

Operating profit and capital investment for continuing presented at constant currency

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Safety and reliability

- Good safety performance with lost time injury frequency rate maintained at 0.11
- Reliability was excellent
  - 95% of customers restored within 19 hours from Hurricane Elsa and Henri in the US
  - UK managed well through summer periods of low wind generation
- Winter outlook 6.6% electricity capacity margin
- UK gas network peak cold day demand well within capacity
- IFA1 return to full service expected December 2022

UK Electricity Distribution - WPD

Opportunities

- Long term highly visible growth
- Pivots the group towards electricity
- Sharing best practice

Performance

- £315m investment in 3.5 months

RIIO – ED2

- Taken on board stakeholder and customer feedback
- Deliver investment to support electric vehicle, home heating and more renewable generation

UK Electricity Transmission

Performance

- £587m investment
- Higher maintenance spend
- Continued progress on Hinkley and LPT2

Regulation

- Successfully challenged outperformance wedge

Policy

- Critical to have a regulatory framework that meets challenges of net zero

UK Gas Transmission

Majority stake sale

- Sales process launched
- Now reported as discontinued operation

Capital investment

- £131m investment
- Higher spend on asset health

Performance

- Targeting 100bps outperformance in T2

New York

Investment

- £851m, up 10%
- Delivered 171 miles of leak prone pipe replacement
- 2GW New York Energy Solutions project brings renewable energy into the State

Regulation

- Target 95% of allowed returns

Niagara - Mohawk rate cases

- 9% RoE
- $3.3bn capex allowance
- Fund over 300 new positions

New England

Investment

- £700m
- Higher levels in MA - lifting of COVID restrictions
- Delivered 85 miles of leak prone pipe replacement

Regulation

- MA gas new rate case with I-X formula
- 9.7% RoE
- Additional operating expenses of $65m
- Around $3.5bn capex

NG Ventures

Performance

- Investment of £282m focused on delivery of interconnectors
- North Sea Link commissioned early
- Viking Link remains on track for completion in 2024
- Onshore US renewables business completed Prairie Wolf 200MW solar project

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Financial Performance

Andy Agg

Chief Financial Officer

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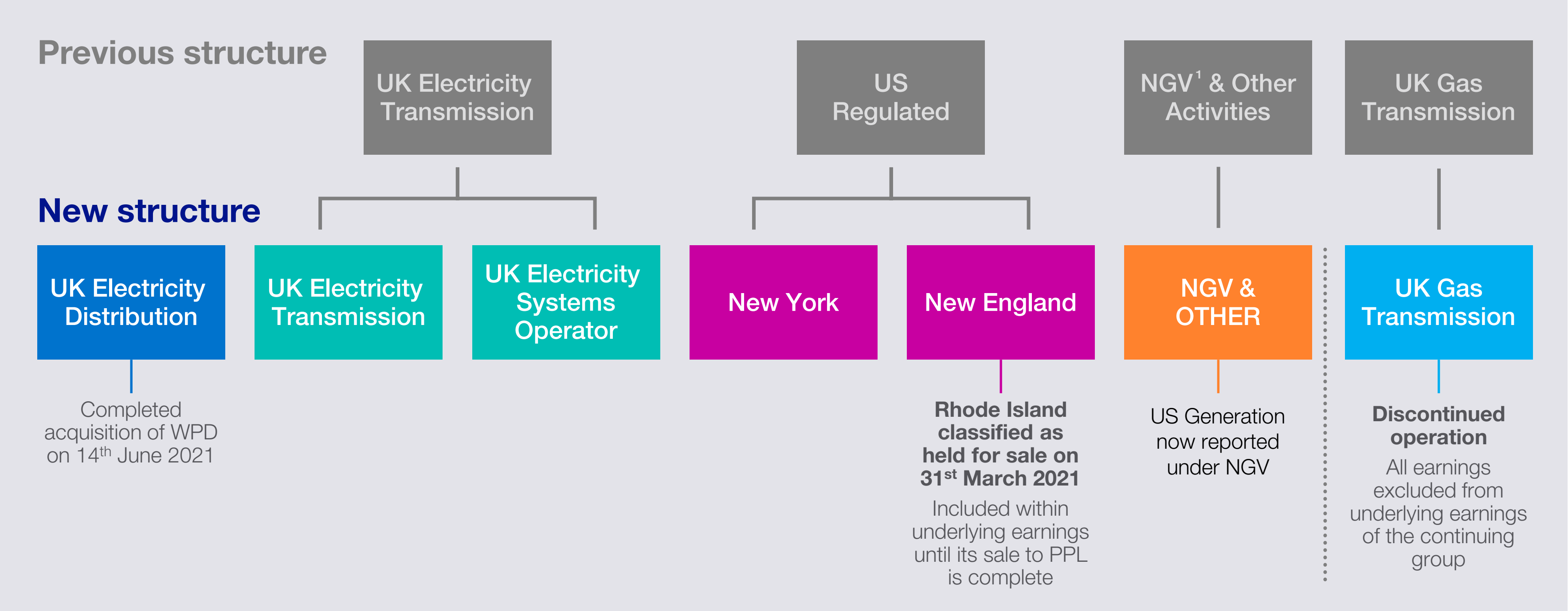
New reporting structure



[1] Legacy gas metering business no longer reported in NGV as we are now reporting our UK Gas Transmission busines as held for sale

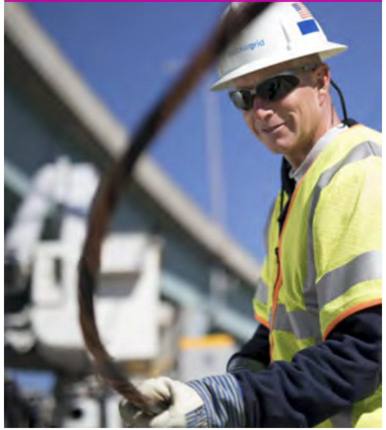
Cost efficiency programme

Cost efficiency target

>£400m p.a.
across the group
by end of 3 years

Growing regulated asset base >20% while holding controllable costs flat

>£300m from New York and New England businesses



c.£100m from UK Electricity Transmission and NG Ventures

Financial performance highlights[1]

Underlying operating profit

£1,407m ⬆ 52%

HY21: **£924m**

Underlying EPS

22.8p ⬆ 66%

HY21: **13.7p**

Capital investment

£2,840m ⬆ 22%

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Dividend growth in line with policy

17.21p

HY21: **17.0p**

[1] Excluding UK Gas Transmission which is classified as a discontinued operation, comparatives have been restated accordingly

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

Capital investment includes investment in JVs (excluding equity contributions to St William property JV)

Operating profit and capital investment for continuing operations presented at constant exchange rates

UK Electricity Distribution

Operating Performance

since acquisition on 14 June 2021

Underlying operating profit

£257m

Capital investment

£315m

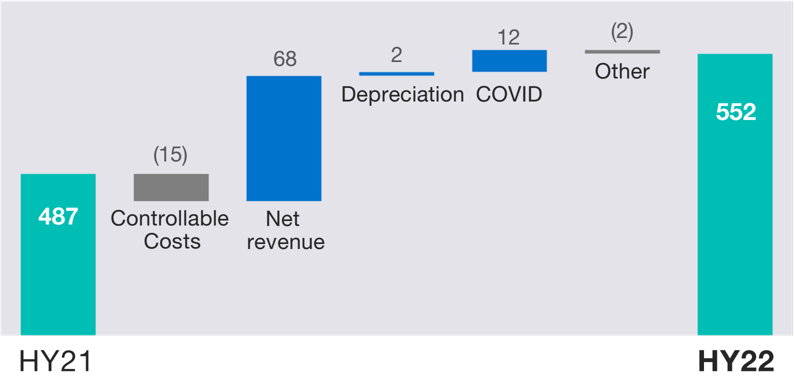
WPD acquisition accounting

- Cash consideration £7.9bn
- PP&E fair valued at £10bn
  - Lower depreciation charge expected going forward
  - Broadly offset by removal of Customer Contributions
- Net debt fair value £8.2bn
  - Lower annual interest charge expected going forward
- License intangible of £1.7bn and goodwill of £4.7bn recognised

Underlying results, excluding timing, exceptional items and remeasurements

UK Electricity Transmission

Underlying operating profit (£m)



- Move to CPIH inflation indexation
- Higher base revenues in first year of RIIO-T2

Capital investment

£587m

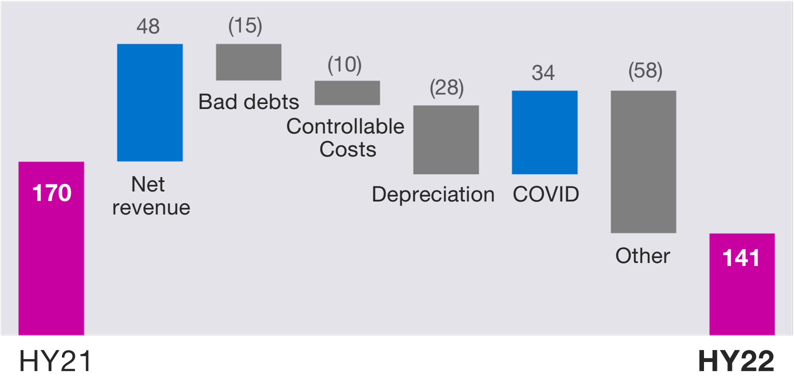
HY21: **£501m**

- Increased capital investment on our large scale projects such as London Power Tunnels 2 and Hinkley-Seabank
- Reduced capital investment in SmartWires as projects near completion

Underlying results, excluding timing, exceptional items and remeasurements

New York

Underlying operating profit (£m)



Capital investment

£851m

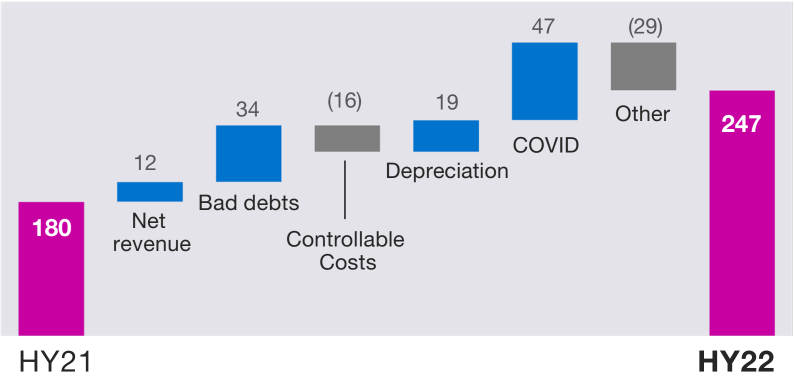
HY21: **£775m**

- Higher revenues through rate case settlements
- Non-recurrence of COVID costs
- Higher storm costs in the period
- Increased depreciation from higher levels of investment
- A reassessment of recoverable environmental reserves, mainly due to inflation.
- Expect full year RoE to improve compared to 2020/2021 which was adversely impacted by COVID

Underlying results, excluding timing, exceptional items and remeasurements
Operating profit and capital investment presented at constant exchange rates

New England

Underlying operating profit (£m)



- Higher rates in Massachusetts Electric business
- Lower bad debts
- Cessation of depreciation following reclassification of Rhode Island as held for sale
- Full year RoE is expected to increase compared to 2020/21, which was adversely affected by storms, and we expect to achieve over 80% of our allowed level

Capital investment

£700m

HY21: **£707m**

Underlying results, excluding timing, exceptional items and remeasurements
Operating profit and capital investment presented at constant exchange rates

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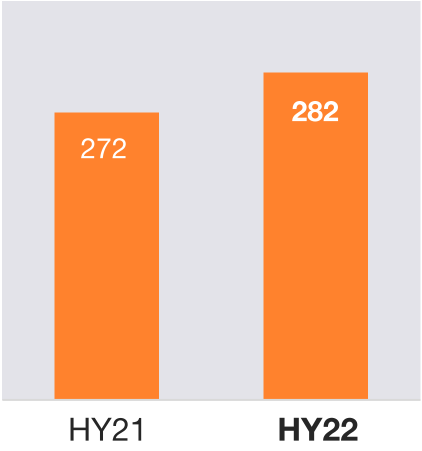
National Grid Ventures

Operating profit (£m)	Six months ended 30 Sep 2021	30 Sep 2020
Grain LNG	58	48
Interconnectors	65	19
Other	21	11
Smart Metering	3	3
	147	81
Post tax share of JVs (£m)		
Interconnectors[1]	30	13
Millennium	11	11
Other	4	8
	45	32
Total NGV		
	192	113

Capital investment (£m)



- Investment in additional capacity at LNG terminal
- Lower capex on interconnector programme

1. Includes Britned and Nemo.

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

Underlying results, excluding timing, exceptional items, and remeasurements

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Other activities

Operating profit (£m)	Six months ended 30 Sep 2021	30 Sep 2020
Property	17	25
Corporate & other	(3)	(56)
	14	**(31)**

Post tax share of JVs (£m)	30 Sep 2021	30 Sep 2020
St William	5	4
Other	8	1
	13	**5**

- Fair value gains on investments held by NG Partners
- Credit from release of unused corporate provisions

Capital investment[1]

£40m

HY21: **£25m**

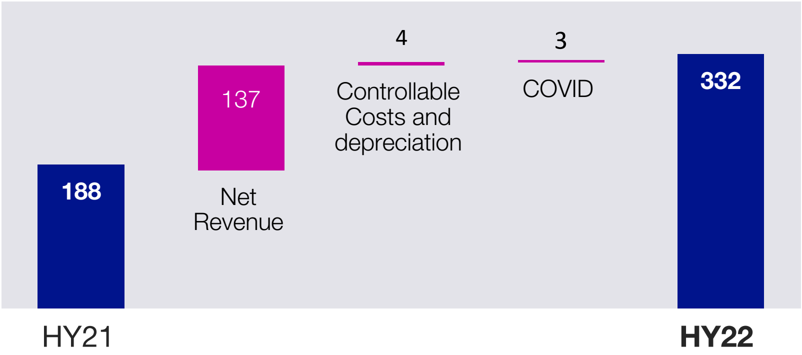
Operating profit, share of joint venture profit after tax and investment presented at actual exchange rates

Underlying results, excluding timing, exceptional items and remeasurements

1. Capital investment includes investment in JVs (excluding equity contributions to St William property JV) and investment in NG Partners

Discontinued operations: UK Gas Transmission

Operating Profit (£m)



- **£144m** higher than prior year
- Change in revenue charging methodology reduces impact of seasonality

Capital investment

£131m

£36m higher than prior year

- Higher spend on asset health and emissions work

Operating profit excluding timing, exceptional items and remeasurements

Interest, tax and earnings

Finance costs

£475m

£73m higher than HY21[3]

- First time inclusion of WPD debt
- Funding of bridge loan facility

Underlying effective tax rate[1]

19.0%

Underlying tax charge: **£177m**

- 330 bps higher than prior year

Underlying earnings[2]

£812m

HY21: **£482m**

- 22.8 p/share
- EPS up 66% on the prior year

1. Excluding joint ventures and associates
2. Underlying results attributable to equity shareholders
3. At constant currency

Underlying results for continuing operations, excluding timing, exceptional items and remeasurements

Cash flow, net debt and ratings

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Cash generated

£2bn

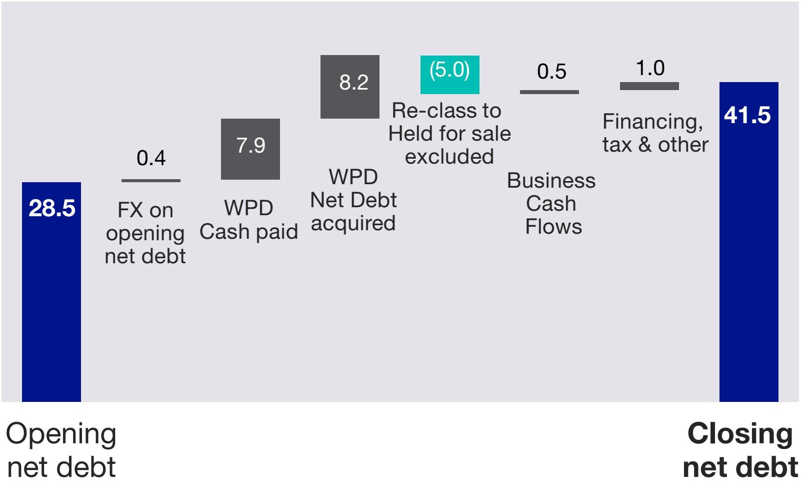
27% higher
compared to prior year

Net debt increase

£12.9bn

44% higher
compared to prior year

Net debt (£bn)

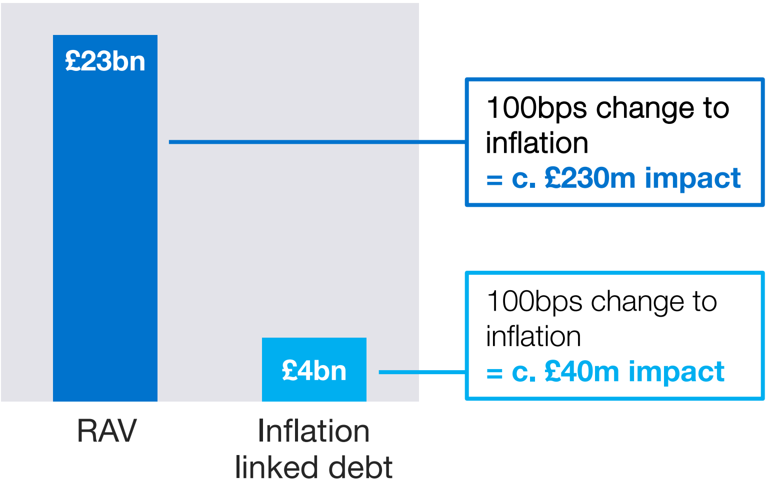


- Net debt increase following WPD acquisition
- For full year, net debt is expected to remain consistent with the level as at 30 September

Impact of inflation

- Moderately higher inflation is a positive over the long-term
- Protection of real returns
- Inflation protection
  - UK revenues and Real Price Effects adjustment for labour and materials
  - Massachusetts and FERC annual increases
  - New York rate plans include forward looking price estimates

Example:
UK – Impact of higher inflation



Impact of interest rates

UK

- Annual update to UK cost of debt allowances
- Revenue allowances over time offset higher interest costs

US

- Fixed rate and long-term debt with pass through of costs

Summary

- Strong operational performance
- FY22 EPS expected to be significantly ahead of 5-7% growth rate
- Higher capital investment level support energy transition
- Balance sheet remains strong
- New operating model and £400m cost efficiency programme

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Summary

John Pettigrew

Chief Executive

First half year achievements

- FY22 EPS expected to be significantly ahead of 5-7% growth range
- WPD acquisition completed early
- Now moved to new operating model
- >£400m cost efficiency programme
- Strong start to RIIO-T2
- Full refresh of new rates across New York and New England
- Interconnector construction programme nearing completion

Appendices

Appendix 1

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

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	UK			US		
At 30 September 2021 (£m)	**ESPS**	**NGUK PS**	**WPD**	**Pensions**	**OPEBs**[1]	**Total**
Fair value of assets	3,571	6,025	7,634	7,508	2,995	**27,733**
Present value of liabilities	(3,090)	(5,634)	(6,969)	(7,301)	(3,190)	**(26,184)**
Net (liability) / asset	481	391	665	207	(195)	**1,549**
Taxation	(120)	(98)	(166)	(54)	51	**(387)**
Net (liability) / asset net of taxation	**361**	**293**	**499**	**153**	**(144)**	**1,162**
Discount rates	2.0%	2.0%	2.0%	3.0%	3.0%	

	UK			US		
At 31 March 2021 (£m)	**ESPS**	**NGUK PS**	**WPD**	**Pensions**	**OPEBs**[1]	**Total**
Fair value of assets	3,370	11,310	-	6,909	2,799	**24,388**
Present value of liabilities	(3,007)	(10,638)	-	(6,931)	(3,097)	**(23,673)**
Net (liability) / asset	363	672	-	(22)	(298)	**715**
Taxation	(69)	(128)	-	14	90	**(93)**
Net (liability) / asset net of taxation	**294**	**544**	**-**	**(8)**	**(208)**	**622**
Discount rates	2.0%	2.0%	-	3.25%	3.25%	

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
1 April 2021 Opening balance	(10)	(60)	-	458	(261)	**127**	(80)	**47**
Opening balance restatement adjustment	10	(2)	-	2	2	**12**	4	**16**
Over / (under) recovery	(2)	14	24	(19)	(121)	**(104)**	58	**(46)**
30 Sept 2021 Closing balance to (recover)/ return	**(2)**	**(48)**	**24**	**441**	**(380)**	**35**	**(18)**	**17**
1 April 2020 Opening balance	(56)	74	-	471	(253)	**236**	16	**252**
Over / (under) recovery	22	(69)	-	(9)	(27)	**(83)**	(13)	**(96)**
30 Sept 2020 Closing balance to (recover)/ return	**(34)**	**5**	-	**462**	**(280)**	**153**	**3**	**156**
Year on year timing variance	**(24)**	**83**	**24**	**(10)**	**(94)**	**21**	**71**	**92**

2020/21 opening balance restatement adjustment reflects finalisation of timing balances
All USD balances stated using the average 2020/21 rate of $1.3873 to £1
2020/21 closing timing balance as at 30 September 2021 at spot rate ($1.3480): £37m
2019/20 closing timing balance as at 30 September 2020 at spot rate ($1.2905): £147m

Appendix 3

Weighted average number of shares

For the half year ended 30 September	2021	2020
Number of shares (millions):		
Current period opening shares	3,549	
Scrip dividend shares (weighted issue)	18	
Other share movements (weighted from issuance/repurchase)	2	
Weighted average number of shares	**3,569**	**3,513**
Underlying earnings (£m)	812	482
Underlying EPS (restated)	22.8p	13.7p

Underlying' represents statutory results from continuing operations, but excluding exceptional items, remeasurements, timing and major storms.