Half Year Results
2021/22

London, 18 November 2021
Cautionary statement

This presentation 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 (the Company) 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. 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. 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 United Kingdom’s exit from the European Union, announcements from and decisions by governmental bodies or regulators, including the implementation of the RIIO-2 price controls; 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 including those caused by the COVID-19 pandemic; 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, including as a result of the COVID-19 pandemic, 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 skills, 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 WPD, the sale of the Company’s Rhode Island gas and electricity business and the proposed sale of a majority stake in its UK gas transmission business. 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 236 to 239 of National Grid’s most recent Annual Report and Accounts, as updated by the Principal risks and uncertainties statement on page 65 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.
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 highlights¹

### Solid delivery in first half of 2022

<table>
<thead>
<tr>
<th>Metric</th>
<th>HY21</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Underlying operating profit</strong></td>
<td>£924m</td>
<td>↑52%</td>
</tr>
<tr>
<td><strong>Underlying EPS</strong></td>
<td>13.7p</td>
<td>↑66%</td>
</tr>
<tr>
<td><strong>Capital investment</strong></td>
<td>£2,320m</td>
<td>↑22%</td>
</tr>
<tr>
<td><strong>Dividend growth in line with policy</strong></td>
<td>17p</td>
<td>↑1.2%</td>
</tr>
</tbody>
</table>

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
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
New reporting structure

Previous structure

- UK Electricity Transmission
- US Regulated
- NGV & Other Activities
- UK Gas Transmission

New structure

- UK Electricity Distribution
- UK Electricity Transmission
- UK Electricity Systems Operator
- New York
- New England
- NGV & OTHER
- UK Gas Transmission

- Completed acquisition of WPD on 14th June 2021
- Rhode Island classified as held for sale on 31st March 2021
- US Generation now reported under NGV
- Discontinued operation

¹ Legacy gas metering business no longer reported in NGV as we are now reporting our UK Gas Transmission business 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**
   - Previous Year: £924m
   - Current Year: £1,407m
   - Increase: 52%

2. **Underlying EPS**
   - Previous Year: 13.7p
   - Current Year: 22.8p
   - Increase: 66%

3. **Capital investment**
   - Previous Year: £2,320m
   - Current Year: £2,840m
   - Increase: 22%

4. **Dividend growth in line with policy**
   - Previous Year: 17.0p
   - Current Year: 17.21p

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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
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
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
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
### National Grid Ventures

#### Six months ended 30 Sep 2021

<table>
<thead>
<tr>
<th>Operating profit (£m)</th>
<th>30 Sep 2021</th>
<th>30 Sep 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grain LNG</td>
<td>58</td>
<td>48</td>
</tr>
<tr>
<td>Interconnectors</td>
<td>65</td>
<td>19</td>
</tr>
<tr>
<td>Other</td>
<td>21</td>
<td>11</td>
</tr>
<tr>
<td>Smart Metering</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>147</strong></td>
<td><strong>81</strong></td>
</tr>
</tbody>
</table>

#### Post tax share of JVs (£m)

| Interconnectors¹     | 30          | 13          |
| Millennium           | 11          | 11          |
| Other                | 4           | 8           |
| **Total**            | **45**      | **32**      |

### Capital investment (£m)

- **HY21**: 272
- **HY22**: 282

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

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

Six months ended

<table>
<thead>
<tr>
<th></th>
<th>30 Sep 2021</th>
<th>30 Sep 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (£m)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property</td>
<td>17</td>
<td>25</td>
</tr>
<tr>
<td>Corporate &amp; other</td>
<td>(3)</td>
<td>(56)</td>
</tr>
<tr>
<td></td>
<td>14</td>
<td>(31)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post tax share of JVs (£m)</th>
<th>30 Sep 2021</th>
<th>30 Sep 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>St William</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Other</td>
<td>8</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>5</td>
</tr>
</tbody>
</table>

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

Capital investment\(^1\)

£40m

HY21: £25m

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

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

Underlying results, excluding timing, exceptional items and remeasurements
Discontinued operations: UK Gas Transmission

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

Operating Profit (£m)

<table>
<thead>
<tr>
<th>HY21</th>
<th>HY22</th>
</tr>
</thead>
<tbody>
<tr>
<td>188</td>
<td>332</td>
</tr>
</tbody>
</table>

- £131m
  - £36m higher than prior year
  - Higher spend on asset health and emissions work

Capital investment

Operating profit excluding timing, exceptional items and remeasurements
Interest, tax and earnings

Finance costs

£475m

£73m higher than HY21³

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

Underlying effective tax rate¹

19.0%

Underlying tax charge: £177m

Underlying earnings²

£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

Cash generated

£2bn

27% higher compared to prior year

Net debt increase

£12.9bn

44% higher compared to prior year

- 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

100bps change to inflation = c. £230m impact

100bps change to inflation = c. £40m impact
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
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)

<table>
<thead>
<tr>
<th></th>
<th>UK At 30 September 2021 (£m)</th>
<th>US</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ESPS</td>
<td>NGUK PS</td>
<td>WPD</td>
</tr>
<tr>
<td>Fair value of assets</td>
<td>3,571</td>
<td>6,025</td>
<td>7,634</td>
</tr>
<tr>
<td>Present value of liabilities</td>
<td>(3,090)</td>
<td>(5,634)</td>
<td>(6,969)</td>
</tr>
<tr>
<td>Net (liability) / asset</td>
<td>481</td>
<td>391</td>
<td>665</td>
</tr>
<tr>
<td>Taxation</td>
<td>(120)</td>
<td>(98)</td>
<td>(166)</td>
</tr>
<tr>
<td>Net (liability) / asset net of taxation</td>
<td>361</td>
<td>293</td>
<td>499</td>
</tr>
<tr>
<td>Discount rates</td>
<td>2.0%</td>
<td>2.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>UK At 31 March 2021 (£m)</th>
<th>US</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>ESPS</td>
<td>NGUK PS</td>
<td>WPD</td>
</tr>
<tr>
<td>Fair value of assets</td>
<td>3,370</td>
<td>11,310</td>
<td>-</td>
</tr>
<tr>
<td>Present value of liabilities</td>
<td>(3,007)</td>
<td>(10,638)</td>
<td>-</td>
</tr>
<tr>
<td>Net (liability) / asset</td>
<td>363</td>
<td>672</td>
<td>-</td>
</tr>
<tr>
<td>Taxation</td>
<td>(69)</td>
<td>(128)</td>
<td>-</td>
</tr>
<tr>
<td>Net (liability) / asset net of taxation</td>
<td>294</td>
<td>544</td>
<td>-</td>
</tr>
<tr>
<td>Discount rates</td>
<td>2.0%</td>
<td>2.0%</td>
<td>-</td>
</tr>
</tbody>
</table>

1. OPEBs = Other post employment benefits
## Appendix 2
### Timing impacts

<table>
<thead>
<tr>
<th>£m</th>
<th>UK Electricity Transmission</th>
<th>UK Electricity System Operator</th>
<th>UK Electricity Distribution</th>
<th>New York</th>
<th>New England</th>
<th>Continuing operations</th>
<th>Discontinued: UK Gas Transmission</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 April 2021 Opening balance</td>
<td>(10)</td>
<td>(60)</td>
<td>-</td>
<td>458</td>
<td>(261)</td>
<td>127</td>
<td>(80)</td>
<td>47</td>
</tr>
<tr>
<td>Opening balance restatement adjustment</td>
<td>10</td>
<td>(2)</td>
<td>-</td>
<td>2</td>
<td>2</td>
<td>12</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Over / (under) recovery</td>
<td>(2)</td>
<td>14</td>
<td>24</td>
<td>(19)</td>
<td>(121)</td>
<td>(104)</td>
<td>58</td>
<td>(46)</td>
</tr>
<tr>
<td>30 Sept 2021 Closing balance to (recover)/ return</td>
<td>(2)</td>
<td>(48)</td>
<td>24</td>
<td>441</td>
<td>(380)</td>
<td>35</td>
<td>(18)</td>
<td>17</td>
</tr>
<tr>
<td>1 April 2020 Opening balance</td>
<td>(56)</td>
<td>74</td>
<td>-</td>
<td>471</td>
<td>(253)</td>
<td>236</td>
<td>16</td>
<td>252</td>
</tr>
<tr>
<td>Over / (under) recovery</td>
<td>22</td>
<td>(69)</td>
<td>-</td>
<td>(9)</td>
<td>(27)</td>
<td>(83)</td>
<td>(13)</td>
<td>(96)</td>
</tr>
<tr>
<td>30 Sept 2020 Closing balance to (recover)/ return</td>
<td>(34)</td>
<td>5</td>
<td>-</td>
<td>462</td>
<td>(280)</td>
<td>153</td>
<td>3</td>
<td>156</td>
</tr>
<tr>
<td>Year on year timing variance</td>
<td>(24)</td>
<td>83</td>
<td>24</td>
<td>(10)</td>
<td>(94)</td>
<td>21</td>
<td>71</td>
<td>92</td>
</tr>
</tbody>
</table>

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.
## Weighted average number of shares

For the half year ended 30 September

<table>
<thead>
<tr>
<th></th>
<th>2021</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of shares (millions):</td>
<td>3,569</td>
<td>3,513</td>
</tr>
<tr>
<td>Current period opening shares</td>
<td>3,549</td>
<td></td>
</tr>
<tr>
<td>Scrip dividend shares (weighted issue)</td>
<td>18</td>
<td></td>
</tr>
<tr>
<td>Other share movements (weighted from issuance/repurchase)</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Weighted average number of shares</td>
<td>3,569</td>
<td>3,513</td>
</tr>
<tr>
<td>Underlying earnings (£m)</td>
<td>812</td>
<td>482</td>
</tr>
<tr>
<td>Underlying EPS (restated)</td>
<td>22.8p</td>
<td>13.7p</td>
</tr>
</tbody>
</table>

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