Debt Investor Update
Half Year Results 2020/21
12 November 2020
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 the impact of COVID-19 on our operations, our employees, our counterparties, our funding and our regulatory and legal obligations, but also, more widely, 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 proposals relating to the RIIO-2 price controls as well as increased economic uncertainty resulting from COVID-19; 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, 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; 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 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 technologies; 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. 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 212 to 215 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 2019 published on 14 November 2019. 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.
COVID: Proud of our response

• Continue to deliver safe, reliable networks despite new COVID regulations and restrictions
• Delivering on our substantial investment program
• Outstanding response to a greater number of US storms
• Maintained cost discipline
  – mitigating some COVID cost pressures
• Progress on regulation
  – across our UK and downstate NY businesses
A strong performance in the first half

- COVID HY21 cost impact of £117m in line with expectations
  - full year c.£400m impact remains unchanged
- Capital investment of £2.6bn in critical infrastructure
  - large capital programs in UK Electricity Transmission
  - continued high levels of US capex
  - increased interconnector investment in NG Ventures
- Expect overall investment to be around £5bn for FY21
  - driving asset growth towards the top half of our 5-7% range.

<table>
<thead>
<tr>
<th>Category</th>
<th>HY21 (m£)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>£1,147</td>
<td>↓ 11%</td>
</tr>
<tr>
<td>Underlying EPS</td>
<td>17.2p</td>
<td>↓ 14%</td>
</tr>
<tr>
<td>Capital investment</td>
<td>£2,560</td>
<td>↓ 5%</td>
</tr>
<tr>
<td>Dividend growth in line with policy</td>
<td>17.00p</td>
<td></td>
</tr>
</tbody>
</table>

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 presented at constant exchange rates.
Strong safety performance

Continued to deliver good performance, despite unique safety challenges faced in 20/21

- Overall safety performance remains strong, with lost time frequency rates trending down
- Safety challenges required us to adapt our processes
- COVID-19 Health and Safety Plan allowed us to deliver our critical investment with limited disruption
Maintained reliability

Successfully managed:

- Low levels of demand
  - new flexibility tool developed by UK Electricity System Operator

- US Storms
  - 18 major storms in HY21 versus 8 in HY20
  - one of our biggest ever in October 2020

- Well prepared for winter in both the UK and US
Delivering US operational performance

Capital investment
- £1.6bn in the period, majority on safety and reliability
- Gas; pipe replacement expected to reach full year target of 300 miles
- Electricity; limited disruption as a result of work prioritisation

Regulation
- New York progress:
  - KEDNY and KEDLI discussions ongoing
  - NIMO new rates filed
- Progressing way forward with our Downstate NY solutions
  - enhancing existing CNG and LNG infrastructure
  - significant increases in energy efficiency and demand side response

New Rates
- Niagara Mohawk filing proposes:
  - capital investment of $3.6bn
  - new incentives and earnings adjustment mechanisms
- Mass Gas filing 13th November 2020
UK operational performance

• Capital investment remains robust
• London Power Tunnels 2 and Hinkley Point progressing well
• Feeder 9 pipeline nearing commissioning
• RIIO-2 Draft determination response;
  – provided detailed evidence to support investment levels
  – proposed modifications to the regulatory framework to support UK’s 2050 net zero ambition
  – highlights the need to balance customer bills and much needed UK infrastructure investment
NG Ventures & Other

Continuing investment in our interconnector projects

- IFA2 go-live by the end of this year
- North Sea Link and Viking expected completion in FY22 and FY24 respectively

Developing clean energy projects

- TenneT agreement – connecting Dutch and British wind farms to energy systems of both countries
- 200MW Prairie Wolf solar project in Illinois: Cargill PPA signed, with project delivery expected by end of 2021
COVID-19 update

- £117m impact to year on year underlying operating profit from
  - £56m bad debt provision increase
  - revenue shortfall of £41m
  - net COVID-19 costs of £20m
- Delay to updating rates in KEDNY and KEDLI of net £24m
- Maintain full year guidance
  - £400m impact to expected operating profit
  - up to £1bn of cash flow impact
- Expect to recover majority of costs over time
- Regulatory submissions already commenced
# Interest, tax and earnings

<table>
<thead>
<tr>
<th>Finance costs</th>
<th>Underlying effective tax rate</th>
<th>Underlying earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>£468m</td>
<td>16.5%</td>
<td>£604m</td>
</tr>
<tr>
<td>15% lower than HY20</td>
<td></td>
<td>HY20: £685m</td>
</tr>
</tbody>
</table>

- Lower rates and RPI
- Lower hybrid costs
- Effective interest rate of 3.3%

- 330 bps higher than prior year
- Reduced value of US tax settlements

- 3,513m weighted average shares
- 17.2p/share

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1 Excluding joint ventures and associates.
2 Underlying results attributable to equity shareholders.
Underlying results, excluding timing, exceptional items and remeasurements.
Cash flow and net debt

- Outlook on Group’s credit rating from Moody’s and S&P moved to negative after Ofgem’s draft determination published
- First green financing report to be issued within the next couple of months

<table>
<thead>
<tr>
<th>Net debt (£bn)</th>
<th>Opening net debt</th>
<th>Net cash outflow</th>
<th>Closing net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>28.6</td>
<td>(0.5)</td>
<td>2.0</td>
<td>30.1</td>
</tr>
</tbody>
</table>

FX and non-cash movements
Priorities & Outlook
Responsible Business

01 Environment
- Net Zero for scope 1 and 2 by 2050
- 20% reduction in scope 3 by 2030

02 Communities
- Skills development for 45,000 people by 2030
- 500,000 volunteering hours by 2030

03 People
- Safety and wellbeing is our top priority
- Meeting diversity challenge head-on, with new commitments

04 Economy
- Commit $250m in smarter energy technology
- Cascade our values through our supply chain

05 Governance
- Achieve 50% diversity in our Group Exec
- Ensure voices of our people and all stakeholders are heard
Priorities & Outlook

Clean Infrastructure
Enabling networks to support decarbonised electricity

Future of Gas
Enabling cleaner gas, and decarbonisation of heat

RIIO-2 & Efficiencies
Getting the right RIIO-2 framework and identifying efficiency opportunities
Clean Infrastructure

Energy Transition

Smart Metering
- $650m funding request in NY
- $200m RI filing

Offshore Wind
- Infrastructure policies to support 40GW UK offshore wind by 2030
  - Exploring concept of fully connected North Sea Grid

EV Infrastructure
- NIMO: 850,000 EVs by 2025
- MA: $150m filing in 2021
- UK: £500m EV infrastructure fund

Interconnectors
- IFA2 by end of year
- North Sea Link by FY22
- Viking by FY24

Targets

UK
- net zero by 2050

New York
- net zero by 2050

Massachusetts
- net zero by 2050

Rhode Island
- 100% renewables by 2030

1. Country and State level targets
Future of Gas

Decarbonisation of heating

• Exploring ways to use hydrogen in existing infrastructure
  – US: hydrogen blending project
  – UK: hydrogen transmission test facility
• Zero Carbon Renewable Natural Gas (RNG), Newtown Creek

Gas has a key role in the future of energy transition

• Isle of Grain: Qatar Petroleum Agreement
• Net Carbon Humber: Carbon Capture and Storage project

“Grid Guide to…” on Future of Gas, 21st January 2021

Newtown Creek will generate energy to heat
5,000 homes using RNG
Renewable Natural Gas

Newtown Creek facility

>22 million homes in the UK

Gas used for heating in

in the UK

5,000 homes
RIIO-2 Framework and Efficiencies

Need a RIIO-2 final settlement that has:
• Incentives to drive innovative solutions
• The right framework to deliver required investment
• A fair base level of return

Efficiencies:
• Streamlining our maintenance operating procedures,
• Further digital innovations to increase productivity,
  – new digital tool to transform work management and scheduling
• And making improvements to our back-office processes
Debt Funding
Debt funding

2020/21 half-year to 30 September

• c. £3.5bn of senior long-term debt raised, including 10 bonds:
  o c. £1.6bn raised at NGET: EUR/GBP public bonds and three private placements
  o NG plc’s first senior bond since 2011: a €500m 9yr
  o $1.7bn raised by our US OpCos: Narragansett Electric ($600m 10yr) and Niagara Mohawk ($600m 10yr green, $500m 30yr)

• Additional $400m 30yr issued from New England Power in October
• $2bn equity investment by NG plc in National Grid North America

Expectations for the rest of the financial year

• In the rest of 2020/21 we expect further issuance from our US OpCos
• We will publish our Green Financing report for the NGET and NIMO green bonds within the next two months

• £5.5bn of general liquidity facilities; the UK Electricity System Operator also maintains £550m of committed facilities. All facilities are currently undrawn.
• Strong credit ratings: single A range for UK OpCos and the majority of US OpCos. Most entities on negative outlook with S&P and Moody’s
  – KEDNY downgraded by Moody’s to Baa1 stable on 10 November
Summary

• Strong first half operational performance
• Overcome COVID challenges
  – well prepared for any further challenges
• Well placed as an enabler for the energy transition, whether it be:
  – Decarbonisation of power
  – Decarbonisation of transport
  – Decarbonisation of heat
Q&A
Appendix
UK Electricity Transmission

Underlying operating profit (£m)

- Adverse MOD adjustments
- Capital investment higher than FY20
- Expect RoE outperformance to be slightly above 200-300 bps range

OUTLOOK

FY20 FY21

250bps Totex incentive

10bps Other incentives

70bps Additional allowances

Achieved return 13.5%

Capital investment

£548m

HY20: £471m

Underlying results, excluding timing, exceptional items and remeasurements.
UK Gas Transmission

Underlying operating profit (£m)

- Higher net revenue and favourable MOD adjustments
- Lower capex reflects lower asset health work and completion of Feeder 9
- RoE forecast to be lower than the allowed level for the full year

Capital investment

£85m

HY20: £167m

Underlying results, excluding timing, exceptional items and remeasurements.
US Regulated

Underlying operating profit (£m)

- Higher net revenues from new rate cases
- Higher controllable costs
- Higher bad debts and depreciation
- $61m recoverable storm costs
- Expect RoE to fall

Capital investment
£1,641m

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

<table>
<thead>
<tr>
<th>Operating profit (£m)</th>
<th>30 Sep 2020</th>
<th>30 Sep 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metering</td>
<td>79</td>
<td>81</td>
</tr>
<tr>
<td>Grain LNG</td>
<td>48</td>
<td>39</td>
</tr>
<tr>
<td>Interconnectors</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Other</td>
<td>(4)</td>
<td>(13)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>142</strong></td>
<td><strong>128</strong></td>
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<table>
<thead>
<tr>
<th>Post tax share of JVs (£m)</th>
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</thead>
<tbody>
<tr>
<td>Interconnectors¹</td>
</tr>
<tr>
<td>Millennium</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td><strong>Total NGV</strong></td>
</tr>
</tbody>
</table>

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.

- Excluding Geronimo acquisition of £206m, investment increased year on year
- Higher Viking expenditure

Capital investment (£m)

<table>
<thead>
<tr>
<th>Capital investment (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>HY20</td>
</tr>
<tr>
<td>223</td>
</tr>
<tr>
<td>HY21</td>
</tr>
<tr>
<td>261</td>
</tr>
</tbody>
</table>

1 206 Geronimo acquisition
Other activities

Operating profit lower than prior year due to lower land sales

Lower St William contribution reflecting timing of sales from development sites

US IT investment now included in regulated segment (HY20: £41m)