Debt Investor Update
Full Year Results 2019/20
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 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. 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.
Responding to COVID
Driving safe and seamless operational delivery

• Maintained excellent levels of reliability across our networks
• Delivered our significant capital programme
  – risk assessed all our projects
  – issued new working guidance to our field force, and
  – collaborated across the industry, sharing best practice
• Continued to deliver strong operational performance
  – rapid restoration of power in Massachusetts
Responding to COVID
Delivering for our customers and communities

• Helping US customers who may be in financial difficulty
  – paused our US collections activities
  – deferred proposed rate increases in New York

• Helping UK suppliers to address the financial impacts of COVID
  – deferral of network charges
  – no additional burdens on consumers

• Supporting local communities
  – financial donations to help the most vulnerable;
  – community volunteering; and
  – helping deliver local field hospitals
COVID-19 impact

Business environment

• Limited medium term economic impact
• £400m operating profit impact in FY21

Revenue deferrals

• Deferred NiMo rate increase
• KEDNY / KEDLI rates flat, awaiting settlement

Other COVID costs

• Sequestering staff, IT costs and lower capitalisation

Bad debts

• Expecting bad debt expense in FY21 to remain elevated

Cash flow and net debt

• Forecast impact up to £1bn
• ~£3bn increase in net debt (excluding impact of FX)
## Financial performance highlights

### A strong 2020

<table>
<thead>
<tr>
<th>Category</th>
<th>FY20</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>£3,454m</td>
<td>£3,451m</td>
</tr>
<tr>
<td>Underlying EPS</td>
<td>58.2p</td>
<td>58.9p</td>
</tr>
<tr>
<td>Return on Equity</td>
<td>11.7%</td>
<td>11.8%</td>
</tr>
<tr>
<td>Capital investment</td>
<td>£5.4bn</td>
<td>£4.5bn</td>
</tr>
<tr>
<td>Asset growth increased</td>
<td>9%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Dividend growth in line with policy</td>
<td>48.57p</td>
<td>47.34p</td>
</tr>
</tbody>
</table>

Underlying results from continuing operations, excluding exceptional items, remeasurements, timing and major storm costs. Exceptional items within operating profit totalled £402m in 2019/20

Operating profit calculated at constant currency
Progress on operational priorities in 19/20
US plans drive growth and value

Strong operational progress

- Achieved an ROE of 9.3%, up 50bps
  - earned 99% of our allowed return
- Strong rate base growth of 12%
  - driven by investment of over $4bn; and
  - transfer of CWIP to rate base
- Agreed new rates for MA electric
- Delivered $30m of savings
  - remain on course to deliver $50m in 20/21
- Progress on NY gas constraints
  - filed options report
  - working on delivering solution with the State
Progress on operational priorities in 19/20
UK delivering growth and value for all stakeholders

Strong operational delivery

• Achieved an ROE of 12.4%
  – within target range of 200-300bp outperformance

• Invested £1.3bn, up 5% on the prior year
  – completed Feeder 9 tunnel under the Humber
  – progressing second phase of our London Power Tunnels project

• Hinkley remains on track
  – we welcome Ofgem’s use of Strategic Wider Works

• Final RIIO-T2 plans submitted in December

• Exceeded £50m cost efficiency target
Progress on operational priorities in 19/20
NGV & Other

**Investment of £815m**
- Higher interconnector spend
  - projects remain on track
- Acquisition of Geronimo Energy
  - start of operations at 200MW windfarm in South Dakota

**Good year for Property**
- Continued to sell sites into the St William joint venture
- JV contributed a net profit for the first time
# Interest, tax and earnings

<table>
<thead>
<tr>
<th>Finance costs</th>
<th>Underlying effective tax rate(^1)</th>
<th>Underlying earnings(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£1,049m</strong></td>
<td>19.9%</td>
<td><strong>£2,014m</strong></td>
</tr>
<tr>
<td>6% higher than FY19</td>
<td>at £(478)m</td>
<td>FY19: £1,995m</td>
</tr>
</tbody>
</table>

- Higher US debt
- Effective interest rate of 4.1%
- Tax rate 30bps higher than 19/20, due to lower value property sales
- 3,461 weighted average shares
- 58.2p/share

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1. Excluding joint ventures and associates
2. Underlying results attributable to equity shareholders

Underlying results, excluding timing, exceptional items, remeasurements and major storm costs
# Cash flow and net debt

<table>
<thead>
<tr>
<th>£m</th>
<th>Year ended 31 March 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying operating profit</td>
<td>3,307</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>1,640</td>
</tr>
<tr>
<td>Exceptional items</td>
<td>(60)</td>
</tr>
<tr>
<td>Working capital, timing &amp; other</td>
<td>27</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>4,914</td>
</tr>
<tr>
<td>Net debt</td>
<td>(28,590)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Net debt (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening net debt</td>
</tr>
<tr>
<td>Cadent proceeds¹</td>
</tr>
<tr>
<td>FX and IFRS 16</td>
</tr>
<tr>
<td>Underlying business</td>
</tr>
<tr>
<td>requirements</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RCF/Net debt</th>
<th>FFO/Net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>9.2%</strong></td>
<td><strong>12.3%</strong></td>
</tr>
</tbody>
</table>

RCF / Net debt based on the Moody’s methodology. FFO / Net debt based on the S&P methodology.

¹ Final Cadent proceeds net of exceptional costs.

Net debt slightly lower than guidance – favourable working capital and scrip uptake.
Capital investment and funding

**Group capital investment includes**
- £4.5bn investment in regulated networks
- ~£500m interconnector investment
- Over £200m investment in Geronimo

**Sustainable growth**
- Network investment to meet mandated safety and reliability targets
- 85% US investment already covered by existing rate plans
- Interconnector investment will decline from FY20 onwards

**Funding**
- Strong internal cash flows combined with scrip utilisation
- Green financing framework and regular bond issuance

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1 Excludes UK Gas Distribution, calculated at constant currency
20/21 Outlook

**Regulated performance**
- Fall in US operating profit from deferred revenue, bad debt and higher COVID costs
- Increase in US depreciation
- UK operating profit expected to reduce in Electricity Transmission and increase in Gas Transmission

**NGV and Other**
- NGV profit fall ~5% from lower interconnector arbitrage and lower St William profits

**Interest and tax**
- Interest charge to reduce from falling RPI and lower rates
- Effective tax rate of around 22%

**Capex**
- ~£5bn leading to group growth of 5-7%
Our pathway to value creation

Strategic priorities

- Enable the energy transition for all
- Deliver for our customers efficiently
- Grow our organisational capabilities
- Empower our people for great performance

Our strategic priorities guide our focus areas over the next 12 months:

**US**
- Ensuring right rate plans post COVID
- Efficient delivery of our investment program

**UK**
- Agreeing the RIIO-T2 regulatory framework
- Driving innovation for our customers

**NGV & Other**
- Delivery of our interconnector program
- Geronimo investment opportunities
US priorities and outlook
Ensuring we have the right rate plans for a post-COVID world

- Focus on new rates in New York and Massachusetts
- Working with regulators to achieve timely recovery of COVID-related costs; and
- Balancing the need for critical investment with affordability

**KEDNY / KEDLI**
- Moving to a multi-year, negotiated settlement
- We expect rates to remain flat for our customers this year
- Working on gas supply constraint issues

**Niagara Mohawk**
- Delayed this spring’s filing
- Will either extend current plan, or file later this summer
- Minimise bill impact

**MA Gas**
- Intention to file for new rates towards the end of the year
- Incentive based formula
US priorities and outlook

Efficient investment

- We expect investment levels in the US to remain significant
- Streamlining processes
  - Gas Business Enablement program
    - modernising our work management
    - integrating planning and customer requirements
- Finding digital solutions
  - ‘On My Way’ in Electric Distribution
    - automated crew dispatch
UK priorities and outlook
RIIO-T2: Agreeing a new regulatory outcome

- Final business plans submitted in December
  - wealth of stakeholder engagement
  - working through points raised by the Challenge Group
- We will look at the whole package:
  - putting customers at the centre of the price control
  - enabling the energy networks of the future
  - allowing a fair return for investors
UK priorities and outlook
Delivering innovation and efficiencies for our customers

• On track to meet our cost reduction target of £100m for FY21
• Improving the customer experience
• Two new digital platforms launched:
  – ‘ConnectNow’: help customers with new transmission connections, and
  – ‘Connect3D’: standardises design for small ET connections, reducing connection costs
• Benefits to flow in to RIIO-T2
NGV & Other priorities and outlook

- Delivering Interconnector projects
  - NSL, IFA2, and Viking
  - over £900m to invest through to 2023
  - EBITDA contribution of £250m from the mid-2020s

- Continue to grow pipeline of renewable energy projects in the US
  - signed PPAs on nearly 500MW of solar projects
    - for projects to commence 2021-23
Maintaining momentum on targeting net zero

- Achieved a significant milestone, with our own emissions now 70% below 1990 levels
- Setting more ambitious interim targets of
  - 80% reduction by 2030, and
  - 90% reduction by 2040
- Our ESG event in October will
  - set out how we plan to achieve our targets, and
  - our wider societal role of decarbonising power, heat and transport

CO₂ reduction targets vs 1990 baseline

- 70% reduction by 2020
- 80% reduction by 2030
- 90% reduction by 2040
- net zero by 2050
Debt funding
Debt funding

2019/20

• c. £2.9bn of senior long-term debt raised in 2019/20, including 13 bonds:
  o Majority raised in UK through GBP public bonds for NGET and NGG, our debut EUR green bond for NGET and a number of EMTN private placements across AUD/EUR/GBP/HKD/USD
  o US issuance lower due to $2.5bn NGNA equity injection with Cadent proceeds
• Fully refinanced €1.25bn hybrid that was callable in June 2020

2020/21

• In early April, we issued a $600m 10-year bond for NECO and a £400m 20-year bond for NGET, taking advantage of an improvement in market tone
• New green Export Credit Agency facilities in support of Viking interconnector
• In the rest of 2020/21 we expect further NGET issuance and issuance from our US OpCos. NGNA may issue in the second half of the fiscal year
• £5.5bn of general liquidity facilities have remained undrawn. The UK Electricity System Operator also maintains £550m of committed facilities
• Strong credit ratings: single A range for UK operating companies and the majority of US operating companies
Summary

• A year of good operational progress
• We are managing the impacts of COVID
  – helping our most vulnerable customers
  – maintaining network reliability
  – higher near term costs, but limited long term economic impact
• Focus on our regulatory filings
  – RIIO-T2 in the UK
  – New York and Massachusetts filings in the US
• Delivering efficiently for our customers
• Creating long term value for our shareholders
Appendices
# UK Electricity Transmission

## Underlying operating profit (£m)

<table>
<thead>
<tr>
<th></th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,092</td>
<td>1,174</td>
</tr>
<tr>
<td>Net</td>
<td>(3)</td>
<td>26</td>
</tr>
<tr>
<td>Controllable costs</td>
<td>26</td>
<td>59</td>
</tr>
<tr>
<td>Other income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>59</td>
<td></td>
</tr>
<tr>
<td>Totex incentive</td>
<td>250 bps</td>
<td></td>
</tr>
<tr>
<td>Other incentives</td>
<td>10 bps</td>
<td></td>
</tr>
<tr>
<td>Additional allowances</td>
<td>70 bps</td>
<td></td>
</tr>
</tbody>
</table>

- Controllable costs benefit from efficiency savings of £54m
- Capital investment up 13%:
  - Phase 2 London power tunnels
  - Hinkley Seabank
- 4.4% RAV growth

## Return on equity

- **10.2%** Base return
- **250 bps** Totex incentive
- **10 bps** Other incentives
- **70 bps** Additional allowances

## Achieved return

- **13.5%**
  - FY19: **13.7%**

## Key Performance Indicators

- **Capital investment**: £1,043m (FY19: £925m)
- **Regulated asset value**: £14.1bn (FY19: £13.5bn)

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

Underlying operating profit (£m)

<table>
<thead>
<tr>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>341</td>
<td>402</td>
</tr>
</tbody>
</table>

- Net revenue increase from
  - non repeat of Avonmouth revenue return
  - 2018 Cyber reopeners

- Controllable costs benefit from efficiency savings of £19m
- 2.3% RAV growth

<table>
<thead>
<tr>
<th>Return on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>10.0% Base return</td>
</tr>
<tr>
<td>(70)bps Totex incentive</td>
</tr>
<tr>
<td>110bps Other incentives</td>
</tr>
<tr>
<td>(60)bps Additional allowances</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Achieved return</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.8%</td>
</tr>
<tr>
<td>FY19: 9.5%</td>
</tr>
</tbody>
</table>

- Capital investment
  - FY19: £249m
  - FY20: £308m

- Regulated asset value
  - FY19: £6.2bn
  - FY20: £6.3bn

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

- Achieved 99% of the allowed return
- Net revenue increase from new rates
- Exceeded efficiency programme goal of $30m savings
- Additional £117m provision for COVID related bad debts
- Rate base growth of 12% including $380m CWIP transfer

**Return on equity**

- 8.7% New York
- 9.0% Massachusetts
- 10.3% Rhode Island
- 11.4% FERC

**Underlying operating profit (£m)**

<table>
<thead>
<tr>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,617</td>
<td>1,636</td>
</tr>
<tr>
<td>257</td>
<td>51</td>
</tr>
<tr>
<td>(145)</td>
<td>(83)</td>
</tr>
<tr>
<td>(61)</td>
<td>Other</td>
</tr>
</tbody>
</table>

**Net revenue increase from new rates**

**Exceeded efficiency programme goal of $30m savings**

**Additional £117m provision for COVID related bad debts**

**Rate base growth of 12% including $380m CWIP transfer**

**Capital investment**

- FY19: $3.5bn
- FY19: $4.2bn

**Rate base**

- FY19: $25.6bn
- FY19: $22.9bn

**Assets outside rate base**

- FY19: $2.7bn
- FY19: $2.5bn

Underlying results, excluding timing, exceptional items, remeasurements and major storm costs at constant currency

1 Excludes working capital
NG Ventures

<table>
<thead>
<tr>
<th>Operating profit (£m)</th>
<th>Year ended 31 March 2020</th>
<th>Year ended 31 March 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metering</td>
<td>158</td>
<td>153</td>
</tr>
<tr>
<td>Grain LNG</td>
<td>78</td>
<td>74</td>
</tr>
<tr>
<td>Interconnectors</td>
<td>61</td>
<td>64</td>
</tr>
<tr>
<td>Other</td>
<td>(28)</td>
<td>(28)</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total NGV (£m)</td>
<td>269</td>
<td>263</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post tax share of JVs (£m)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interconnectors¹</td>
<td>29</td>
<td>29</td>
</tr>
<tr>
<td>Millennium</td>
<td>22</td>
<td>18</td>
</tr>
<tr>
<td>Other</td>
<td>16</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total NGV (£m)</td>
<td>67</td>
<td>53</td>
</tr>
</tbody>
</table>

- Geronimo investment over £200m
- £246m increase in interconnector capital expenditure
- FY20 is peak NGV investment year

Operating profit, share of joint venture profit after tax and investment calculated at constant currency
Underlying results, excluding timing, exceptional items and remeasurements

¹ Includes Britned and Nemo

Capital investment (£m)

<table>
<thead>
<tr>
<th>Capital investment (£m)</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>445</td>
<td>815</td>
</tr>
</tbody>
</table>
Other activities

<table>
<thead>
<tr>
<th>Operating profit (£m)</th>
<th>Year ended 31 March 2020</th>
<th>Year ended 31 March 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>63</td>
<td>181</td>
</tr>
<tr>
<td>Corporate centre &amp; other</td>
<td>(90)</td>
<td>(44)</td>
</tr>
<tr>
<td></td>
<td>(27)</td>
<td>137</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Post tax share of JVs (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>St William</td>
</tr>
<tr>
<td>Other</td>
</tr>
<tr>
<td></td>
</tr>
</tbody>
</table>

| Total Other activities (£m) | (6) | 124 |

- Non recurrence of
  - Fulham transaction
  - US legal settlements

**Total investment**

**£70m**

**FY19: £179m**

- US IT investment now included in Regulated segment (FY19 £87m)
- NG Partners investment £61m

Operating profit, share of joint venture profit after tax and investment calculated at constant currency

Underlying results, excluding timing, exceptional items and remeasurements

1 Excludes investment in St William joint venture