Proposed acquisition of Western Power Distribution and Strategic Portfolio Repositioning

London, 18 March 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 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. 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Transforming our business, leading the energy transition

Our priorities

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

A strategic transformation

- Significantly improves strategic positioning and long term growth
- Puts National Grid at the heart of delivering net zero
- Attractive financial returns for shareholders

to be at the heart of a clean, fair and affordable energy future
Transformative strategic fit

- Combined transaction agreed with PPL Corporation:
  - Acquisition of **Western Power Distribution (WPD)** for equity value of £7.8bn
    - UK’s largest electricity distribution network operator
  - Sale of our **Rhode Island business** for equity value of $3.8bn (£2.7bn)

- Announcing an intention to sell a majority stake in our **UK Gas Transmission** business

- Two complementary businesses – a compelling combination
  - **WPD**
    - Low cost and local delivery strength
    - Customer focus and strong operational performance
  - **National Grid**
    - Engineering expertise
    - Experience in modernising electricity distribution networks

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1. Assumed GBP/USD FX rate of 1.39.
Accretive earnings and stable credit metrics

Attractive financial returns for shareholders
• Strong growth profile of WPD and potential for outperformance
• Expected strong cash flow and returns greater than cost of capital
• Valuation of WPD based on conservative assumptions for future regulatory returns
• Achieved premium valuation for Rhode Island business
• Confidence in value of UK Gas Transmission business

Following completion of three deals

Superior growth opportunity - enabling 5-7% range for longer
Improves earnings growth and dividend cover
Further underpins recently updated dividend policy
Earnings accretive
Expect metrics to remain consistent with current ratings
**WPD business summary**

One-off opportunity to gain a scale position in UK electricity distribution

**UK’s largest electricity distribution network operator (DNO)**

- **WPD East Midlands**
  - RAV FY20: £2,524m
  - Customers: 2.7m
  - Area: 16,000km²

- **WPD West Midlands**
  - RAV FY20: £2,530m
  - Customers: 2.5m
  - Area: 13,300km²

- **WPD South Wales**
  - RAV FY20: £1,186m
  - Customers: 1.6m
  - Area: 11,800km²

- **WPD South West**
  - RAV FY20: £1,760m
  - Customers: 1.6m
  - Area: 14,400km²

**Network comprises**

- ~90,000 km of overhead lines
- ~135,000 km of underground cable
- 188,000 transformers

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**Key highlights**

- **£8.8bn**
  - Estimated RAV FY2022

- **5%**
  - Annual RAV CAGR delivered for ED1 period

- **6,500**
  - Employees

- **7.9 million**
  - Customers

**Key financials (£m)**

<table>
<thead>
<tr>
<th></th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>1,621</td>
<td>1,686</td>
<td>1,724</td>
</tr>
<tr>
<td>EBITDA</td>
<td>1,168</td>
<td>1,193</td>
<td>1,241</td>
</tr>
<tr>
<td>Net Income</td>
<td>586</td>
<td>605</td>
<td>549</td>
</tr>
<tr>
<td>RAV</td>
<td>7,355</td>
<td>7,698</td>
<td>8,000</td>
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</tbody>
</table>

1. Regulated asset base compound annual growth rate based on Ofgem publication.
WPD a leading Distribution Network Operator

Strong regulatory track record with Ofgem fast tracked during RIIO-ED1

Leading

Highly experienced

customer satisfaction

management team

9.9% RoRE operational performance over ED1 to date

Customer satisfaction
Average RIIO-ED1 weighted score by DNO group

1. Cumulative Return on Regulatory Equity for the RIIO ED1 regulatory years up to and including 2019/20, using 65% notional gearing; before debt and tax performance
2. Ofgem RIIO-ED1 Network Performance Summary 2019-20

WPD

9.2

8.0
A strong strategic fit

- Strong electricity demand growth
- Improved growth outlook
- Net zero delivery
- Benefits of diversity maintained
Increases electricity footprint

• A changing energy landscape
  – Increased renewable generation
  – Growth in electric vehicle penetration
  – Electric heating solutions for homes, offices and buildings
• Electricity demand potentially doubles by 2050
• National Grid positioned to play a pivotal role in enable growing role of electricity

1. Source: Committee on Climate Change, Net Zero Technical Report, May 2019
An improved growth outlook

WPD brings high quality assets with attractive growth

- 5% RAV CAGR\(^1\) over 6 years

Delivering a cleaner, smarter energy system

- Investment expected to rise
- 20% from ED1 to ED2

5-7% Group asset growth underpinned

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1. Regulated asset base compound annual growth rate
2. FY25 illustrative only. Assumes illustrative 51% disposal of UK Gas Transmission and divestment of Rhode Island
Delivering net zero

A holistic approach

- Faster more efficient delivery across transmission and distribution
- Smarter networks to deliver more renewable energy connections
- Electric vehicle charging infrastructure
  - National: £950m Rapid Charging Fund
  - Local: Enable up to 3m electric vehicles by 2030
- Sharing best practice
  - Engineering solutions
  - Customer solutions

A shared vision to reduce own emissions

**National Grid**

- 80% reduction in own emissions by 2030
- 90% by 2040
- Net zero by 2050
- 25% CO₂ emissions reduction
  - FY15/16 to FY19/20¹

**WPD**

- Net zero aims in ED2 business plan
- 20% emissions reduction in ED1 to date

¹. National Grid ESG Virtual Seminar, October 2020
Electricity-oriented portfolio with regulatory diversity

National Grid remains geographically balanced with the US regulatory assets c.40% of the Group

Step-change in electricity’s portfolio contribution to be c.70% of the Group

<table>
<thead>
<tr>
<th>National Grid today¹</th>
<th>Post-transactions National Grid²</th>
</tr>
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<tbody>
<tr>
<td>45% UK</td>
<td>53%</td>
</tr>
<tr>
<td>46% US</td>
<td>39%</td>
</tr>
<tr>
<td>9% NGV</td>
<td>8%</td>
</tr>
<tr>
<td>58% Electricity</td>
<td>69%</td>
</tr>
<tr>
<td>39% Gas</td>
<td>28%</td>
</tr>
<tr>
<td>3% Other¹</td>
<td>3%</td>
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</tbody>
</table>

1. Proportion of FY2020 asset base
2. Calculated as proportion of FY20 asset base basis, assuming illustrative 51% disposal of UK Gas Transmission
3. National Grid Ventures and Other
4. Includes US Service Co, NG Partners, Property and UK Other Assets (Corporate).
Rhode Island business summary

Divestment does not materially change National Grid US asset mix or growth

Key highlights

- Largest electricity transmission & distribution service provider as well as a natural gas distribution company in Rhode Island
- Electric and gas distribution business regulated by Rhode Island Public Utilities Commission; electric transmission business regulated by the FERC
- $2.6bn rate base ($1.8bn distribution, $788m transmission) as at March 2020
- Net debt of $1.4bn (£1.0bn) as at 31 March 2020

Key financials

<table>
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<tr>
<th>£m</th>
<th>FY18</th>
<th>FY19</th>
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</tr>
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<tbody>
<tr>
<td>Revenue</td>
<td>1,063</td>
<td>1,188</td>
<td>1,207</td>
</tr>
<tr>
<td>Net Income</td>
<td>91</td>
<td>84</td>
<td>95</td>
</tr>
<tr>
<td>Rate Base</td>
<td>1,576</td>
<td>1,854</td>
<td>2,119</td>
</tr>
</tbody>
</table>

1. Company Information, US GAAP, £m at an average FX rate of $1.36/1.31/1.29 for FY18/FY19/FY20 Revenue and Net Income and $1.40/1.30/1.24 for Rate Base
Andy Agg
Chief Financial Officer
**Transaction details**

**WPD**
- **£7.8bn** equity value\(^1\)
- **£6.4bn** assumed net debt
- **£8.8bn** March 2022 RAVe\(^2\)
- Attractive growth profile
- **£750m** FY20 profit before tax
- **£1bn** average annual capex over RIIO-ED1

**Rhode Island**
- **£2.7bn** consideration\(^1\)
- **£1bn (£1.4bn)** assumed net debt\(^3\)
- Partially repays cost of acquiring WPD
- Attractive valuation
- FY20
  - **$206m** operating profit\(^3\)
  - **$122m** net profit\(^3\)

**UK Gas Transmission**
- **£6.4bn** March 2022 RAVe\(^2\)
- Intention to sell majority interest, including gas metering
- **£356m** FY20 profit before tax\(^4\)
- Plan to launch a sale in 2H 2021

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1. Assumed GBP/USD FX rate of 1.39 and subject to customary closing adjustments
2. RAVe: estimated regulated asset value
3. US GAAP basis
4. National Grid Gas plc
Financial impact

Financing
- Bridge facility in place to fully cover WPD purchase
- Proceeds from Rhode Island and UK Gas Transmission businesses to repay bridge facility¹
- UK Gas Transmission sale process expected to be launched in second half 2021

Portfolio
- Earnings accretive
- Expect to maintain current credit rating

Dividend
- Dividend cover metrics enhanced
- Further underpins updated CPIH-linked dividend policy

Funding overview (equity basis)

National Grid Contribution

<table>
<thead>
<tr>
<th>WPD equity value²</th>
<th>National Grid net investment³</th>
</tr>
</thead>
<tbody>
<tr>
<td>£7.8bn</td>
<td>£2.7bn</td>
</tr>
</tbody>
</table>

| less divestment of Rhode Island | £5.1bn |

¹. Any remainder to be refinanced with new debt
². Subject to customary closing adjustments
³. Rhode Island is conditional upon WPD completing, but WPD is not conditional on Rhode Island completing
Delivering further value for shareholders

Further significant upside potential

Valuation of WPD reflects
• Conservative assumptions on baseline returns

Further upside potential
• Opportunities to drive outperformance on totex
  – Strong track record of delivery
• Opportunities on incentives

Sharing best practice to drive performance
• Digital innovation
  – Streamline connection process
  – Improve asset reliability
• Leading customer satisfaction
Timetable and regulatory considerations

Overall timeline summary

Transaction announcement
National Grid shareholder vote
Regulatory approvals for WPD
Indicative closing
Regulatory approvals for Rhode Island
Indicative closing

Timing of key steps

WPD
- Shareholder meeting to approve acquisition of WPD expected by the end of April 2021
- Technical filings to be submitted with FCA and Guernsey equivalent
- Voluntary CMA filing
- Expected to complete within the next four months

Rhode Island
- Relevant regulatory approvals required
- Expected to complete in Q1 2022

UK Gas Transmission
- Intention to launch process for sale of a majority stake in Q3 2021
- Expect process to completion will take c.12 months
Conclusion

Transforms National Grid’s strategic position
- Increased focus on electricity
- One-off opportunity to establish scale UK Electricity Distribution
- Enhances 5-7% growth for longer

Foundation for growth and shareholder returns
- Earnings accretive
- Expect to maintain current credit rating
- Further underpins dividend policy and long-term sustainability

Geographic and regulatory diversity maintained

Puts National Grid at the heart of a clean, fair and affordable energy future
Q&A

To ask a question, please dial in as below

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