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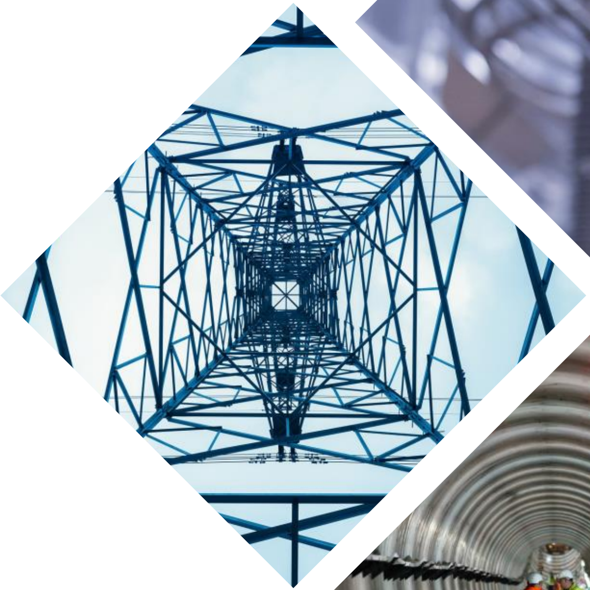
Debt Investor Update

Full Year Results 2020/21

Alexandra Lewis, Group Treasurer



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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 the implementation of the RIIO-2 price controls as well as increased economic uncertainty following the COVID-19 pandemic; 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, including the acquisition 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 227 to 230 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 2020 published on 12 November 2020. 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.

Financial performance highlights

Solid delivery in 2021

Underlying operating profit

£3,283m ⬇3%

FY20: **£3,389m**

Underlying EPS

54.2p ⬇7%

FY20: **58.2p**

Return on Equity

10.6% ⬇140bps

FY20: **12.0%**

Capital investment

£5,047m ⬇4%

FY20: **£5,257m**

Asset growth

5.6% ⬇340bps

FY20: **9.0%**

Dividend growth in line with policy

49.16p ⬆1.2%

FY20: **48.57p**

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than $100m) and timing
Capital investment includes investment in JVs (excluding equity contributions to St William property JV in FY20)
Operating profit and capital investment calculated at constant currency

COVID update

- Continuing to deliver the service customers expect
- £355m adverse impact compared to guidance of £400m
  - Now recognised recoverability of £59m bad debt costs
- Net impact of £296m on operating profit
  - £120m residual bad debts
  - £78m revenue shortfall
  - £28m net direct costs
  - £70m delay in new rates for KEDNY and KEDLI
- Cash impact of £600m
- Expect to recover majority of costs over time

Safety and reliability

Safety

- Reduction in lost time injury frequency rates
- UK best ever year of safety performance
- NG Ventures small rise in minor incidents

Reliability

- Excellent reliability across UK regulated networks
- ESO adapted to meet resilience challenges from low demand and high renewables generation
- Highest gas demand in a decade managed without incident or disruption
- Excellent US reliability, despite significant increase in storms

Progress on operational priorities

Underlying operational delivery

- Achieved ROE 7.2%
- ROE 8.6% adjusting for impact of COVID, non-deferrable storm costs and impact of rate case delays
  - 92% of allowed return
- Investment increased to $4.3bn
  - 350 miles gas pipeline replacement
  - Over half way through 20,000 mile replacement programme

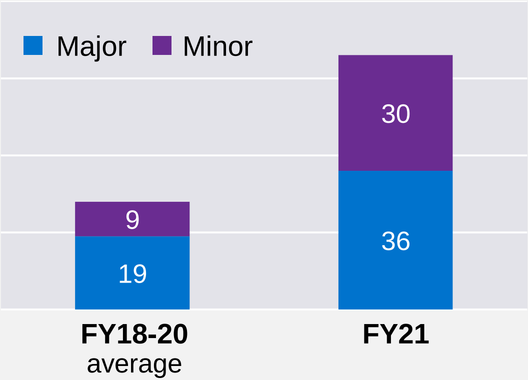
Regulatory progress

- KEDNY / KEDLI joint proposal reached
- Niagara Mohawk rate filing outcome expected in summer
- Filed for new rates in Massachusetts Gas
- Selected as partner for Northern New York Priority Transmission Project

Working to minimise storm impacts

- Upgrading infrastructure
- New technology improving resilience
- Cost recovery mechanisms and incentives for future rate cases

Number of Storms



Progress on operational priorities

Successful end to RIIO-1

- >£12.5bn invested over 8 years[1]
- 12.6% achieved ROE
  - Within target range of 200-300bp outperformance
- Invested £1.2bn in FY21
  - Hinkley-Seabank connection
  - London Power Tunnels 2

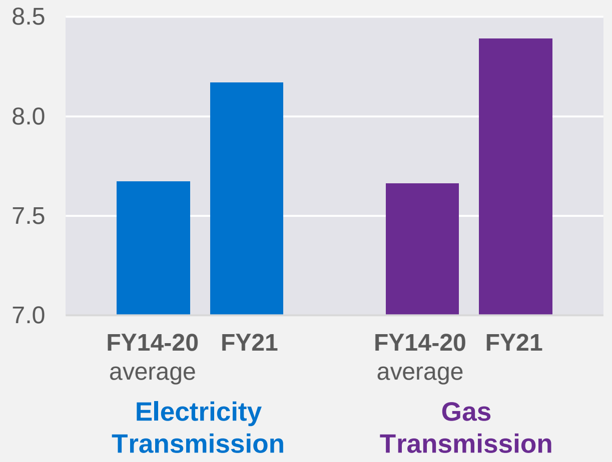
Delivering innovative solutions

- Smart Wires supporting renewable generation connections
- FutureGrid project to test repurposing gas transmission network for hydrogen

RIIO-T2 broad acceptance of final determination

- CMA appeal on cost of equity and outperformance wedge

Highest customer satisfaction scores in T1



over **£850m**
in savings for customers over RIIO-1[1]

1 Electricity transmission, gas transmission and gas distribution up until point of sale.

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Progress on operational priorities

Interconnector progress

- IFA2 commissioned
- North Sea Link & Viking Link on track

Multi-purpose interconnectors

- Collaboration with Elia and TenneT

Growth in US onshore renewables

- >400MW operational
- 600MW under construction

Other

- Lower profitability from fewer land development sales

Interest, tax and earnings

Finance costs

£942m

8% lower than FY20[3]

- Lower RPI and borrowing rates
- Effective interest rate of 3.2%

Underlying effective tax rate[1]

21.2%

Underlying tax charge**: £(496)m**

- 130 bps higher than prior year
- Smaller impact from tax credits relating to prior years

Underlying earnings[2]

£1,910m

FY20: **£2,014m**

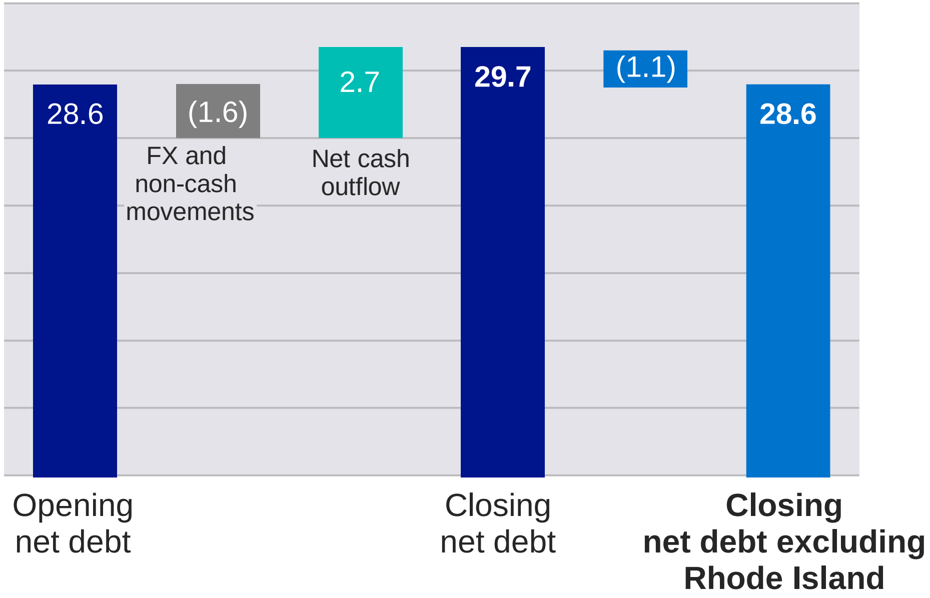
- 3,523m weighted average shares
- 54.2p/share

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

Underlying results, excluding timing, exceptional items and remeasurements.

Cash flow and net debt

Net debt (£bn)



- £4.6bn operating cash flow
  - – Increased storm costs, lower US collections and reduced UK revenues
- Raised over £5.6bn of senior debt during the year
- COVID impact on FY21 rating metrics
- Comfortably positioned within rating band going forward

RCF / Net debt
6.6%

FFO / Net debt
11.7%

FY22 guidance

FY22 guidance
based on current business

Segmental guidance set out in results statement

EPS growth towards or above top end of
5-7% range

Transaction timing impacts to earnings outlook	
WPD acquisition	• Earnings included from point of deal completion • Guidance with HY22 results
Gas Transmission majority stake divestment	• Expect to launch sales process second half FY22 • Full contribution removed from underlying earnings once classified as discontinued operation
Rhode Island divestment	• Earnings included up to point of sale completion

Taken together, still expect FY22 EPS growth towards or above top end of **5-7% range**

Longer term guidance

5 year outlook		
Capital investment	**£30-35bn**	
	c.£8bn UK Electricity Transmission	**c.£4-5bn** Western Power Distribution
	c.£17bn US Regulated Businesses	**c.£2-3bn** NG Ventures
Group asset growth	**6-8% CAGR**[1]	
Gearing	Peaks in FY22, settles above 70% Credit metrics comfortably within current rating band	
EPS	**5-7% CAGR**[1] at or above top end in early years	
Dividend	Growth in line with CPIH	

1 Compound annual growth rate FY21-26

Outlook assumes purchase of Western Power Distribution; sale of Rhode Island business and majority stake in UK Gas Transmission; 2% p.a. inflation rate; GBP/USD FX rate of 1.3; and scrip uptake of 25%

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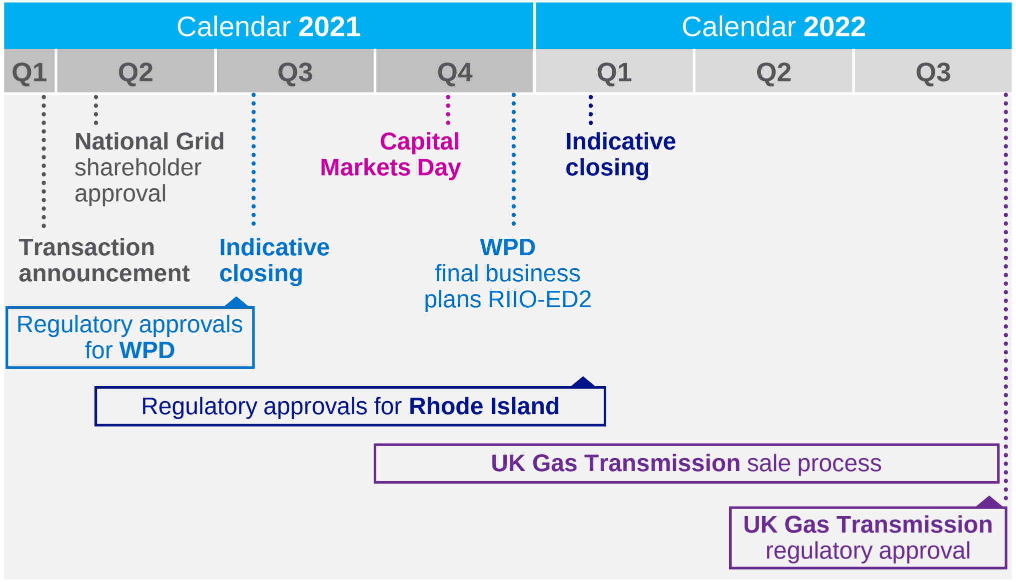
Priorities & Outlook

Strategic repositioning

Overall timeline summary



Timing of key steps

WPD

- Shareholders approved acquisition of WPD last month
- Notification to the CMA accepted
- Expected completion by July

Rhode Island

- Regulatory clearances by the end of the CY

UK Gas Transmission

- Expect to launch process for sale of a majority stake in second half of 2021

Maintaining regulatory progress

UK Networks

- RIIO-T2: appeal to the CMA on cost of equity and outperformance wedge
- RIIO-ED2: we look to submit a business plan that
  - Supports innovation
  - Delivers efficiently for our customers
  - Delivers fair returns for our investors

US Networks

- Multi-year settlement filed for upstate New York Niagara Mohawk (NIMO)
  - Investment to support affordable decarbonised heating
  - Maintain customer affordability
- 5-year rate plan filed for Massachusetts Gas
  - Performance Based Rate Mechanism linking revenue increases to inflation
  - Innovative proposals to decarbonise our natural gas networks

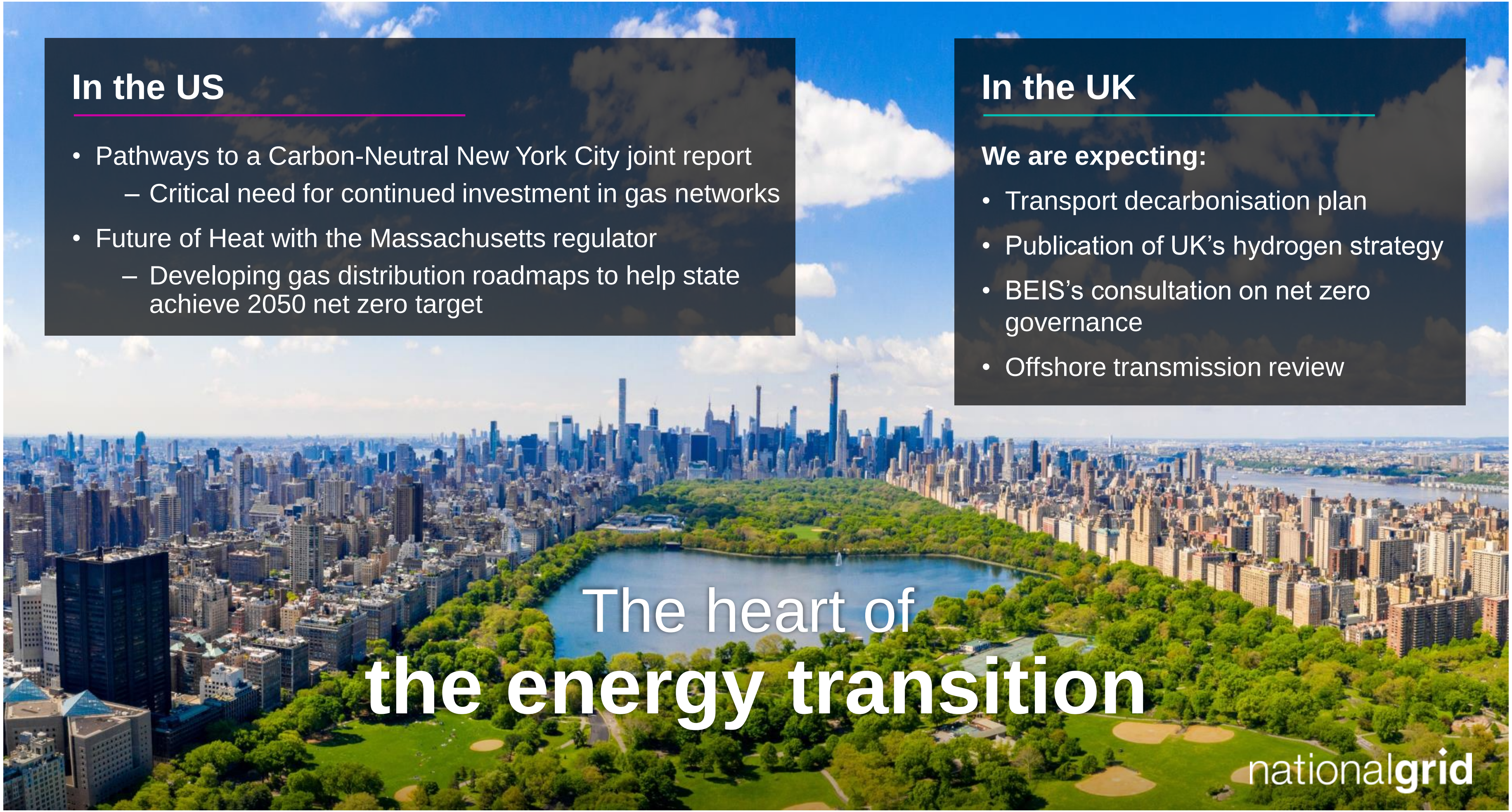
Expected regulatory timeline

END OF SUMMER 2021
Settlement for NIMO

OCTOBER 2021
Mass Gas new rates effective

END OF OCTOBER 2021
Final determination on appeal to CMA

DECEMBER 2021
Final business plans submitted for WPD



In the US

- Pathways to a Carbon-Neutral New York City joint report
  - Critical need for continued investment in gas networks
- Future of Heat with the Massachusetts regulator
  - Developing gas distribution roadmaps to help state achieve 2050 net zero target

In the UK

We are expecting:

- Transport decarbonisation plan
- Publication of UK’s hydrogen strategy
- BEIS’s consultation on net zero governance
- Offshore transmission review

The heart of **the energy transition**

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PRINCIPAL PARTNER
UN CLIMATE CHANGE CONFERENCE UK 2021
IN PARTNERSHIP WITH ITALY

Principal partner at UN COP26

- Ambition to enable the energy transition for all
- Using our voice to influence climate change action

Green Light Signal Smart Bulb

Strengthening our **Responsible Business commitments**

Responsible Business Charter
launched in 2020

Publication of our first
Responsible Business Report
this summer, tracking our progress to the goals we set out

- Environment
- Communities
- People
- Economy
- Governance

New Scope 3 Emissions Target

aligned to the
Science Based Target initiative

reduce Scope 3 carbon emissions
37.5%
by 2034 from a 2019 baseline

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Debt Funding

Green Financing

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November 2019

- **Publication of our Green Financing Framework, the first step in our green financing journey**

January / February 2020

- **Issuance of 4 green bonds for National Grid Electricity Transmission plc**
  - A €500m 5-year public bond issued in January 2020, shortly followed by 3 smaller bonds privately placed with individual investors.
  - Fund indirectly a vast array of projects, such as the connection of renewables to the grid, grid improvements for greater energy efficiency, the electrification of railways, and the Dorset VIP project.

April 2020

- **Execution of the first ever multi export credit agency covered green loan**
  - A US$743 million financing package, made up of US$488 million covered by SACE Export Credit and US$255 million covered by Euler Hermes Export Credit
  - Once completed in 2023/24, the interconnector will enable more effective use of renewable energy, access to sustainable electricity generation and improved security of electricity supply.

June 2020

- **Issuance of a green bond for Niagara Mohawk Power Corporation, the first green bond from our US business**
  - A $600m 10-year bond was issued in June 2020
  - The bond was used to fund investments to integrate and maintain renewable energy on our networks, as well as many other projects such as a clean transportation programme, a LED conversion project and an osprey protection programme.

December 2020

- **Publication of our first Green Financing Report, fulfilling our commitments of transparency to our investors.**

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Debt funding

2020/21

- c. £5.6bn of senior long-term debt raised in 2020/21, including 17 bonds:
    - Slightly under two thirds of it was raised in the UK through GBP and EUR public bonds for NGET, NGG and NG plc, and a number of EMTN private placements across AUD/EUR/GBP for NGET
    - The remaining third was raised in the US market, including the first ever green bond issued by one of our US Opcos, NIMO
    - We utilised c.£300m of our various Export Credit Agency facilities
- In April 2020 we implemented a new green Export Credit Agency facility in support of Viking interconnector

2021/22

- We expect to issue around £3-4bn in total from NG plc, NGET and from our US OpCos over the next year.
- £6.0bn of general liquidity facilities have remained undrawn. The UK Electricity System Operator also maintains £550m of committed facilities

Summary

- A defining year ahead
  - Strategic pivot towards electricity
  - Continued regulatory progress
  - Furthering net zero roadmaps
  - Calling for further climate change action at COP26
- Geographic and regulatory diversity - stability and a platform for growth
- Attractive asset growth driving sustainable long-term earnings growth
- Maintaining and underpinning our dividend policy

Q&A

Appendix

UK Electricity Transmission

Return on equity

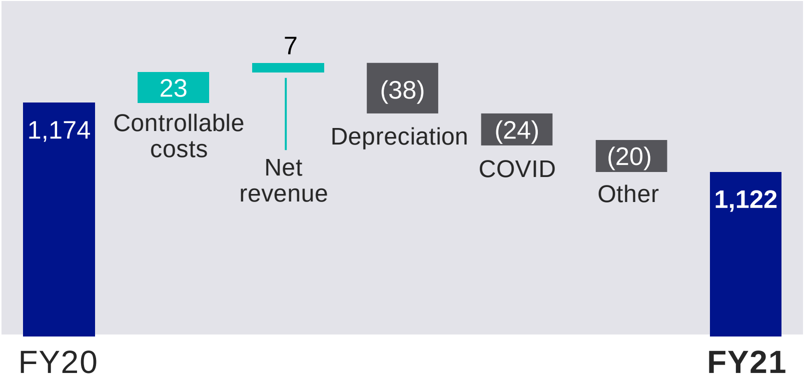
240bps Totex incentive

30bps Other incentives

100bps Additional allowances

Achieved return on equity **13.9%**

Underlying operating profit (£m)



Capital investment
£1,072m
FY20: **£1,043m**

Regulated asset value
£14.6bn
FY20: **£14.1bn**

- Exceeded £100m efficiency savings target
- Capital investment higher than FY20
- RAV growth of 3.1%

Underlying results, excluding timing, exceptional items and remeasurements.

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UK Gas Transmission

Return on equity

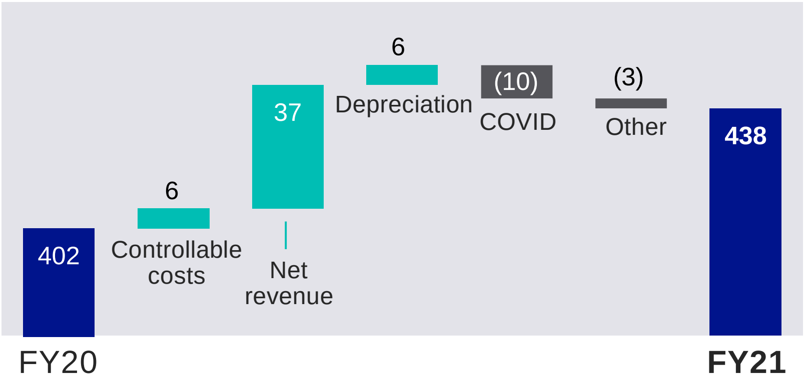
(90)bps
Totex incentive

90bps
Other incentives

(40)bps
Additional allowances

Achieved return on equity
9.6%

Underlying operating profit (£m)



Capital investment
£176m
FY20: **£249m**

Regulated asset value
£6.3bn
FY20: **£6.3bn**

- Higher revenues and further efficiency savings
- Lower capex reflecting several large projects reaching completion

Underlying results, excluding timing, exceptional items and remeasurements.

US Regulated

FY21

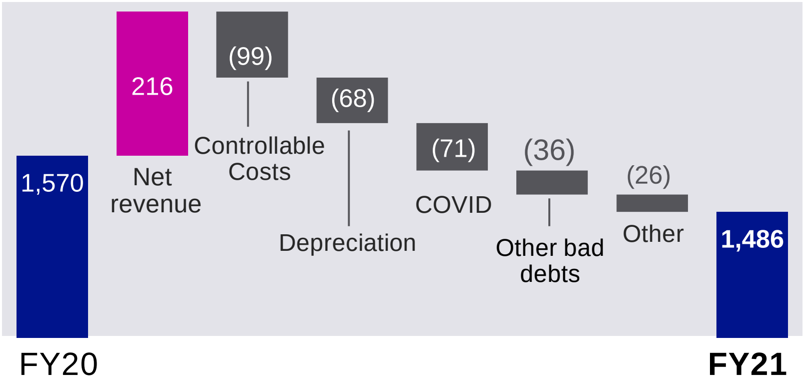
Return on equity excluding COVID, non-deferrable storm costs and impact of rate case delays

8.6%

Achieved return on equity

7.2%

Underlying operating profit (£m)



Capital investment
$4.3bn
FY20: **$4.2bn**

Rate base
$27.6bn
FY20: **$25.6bn**

Assets outside rate base
$3.2bn
FY20: **$2.7bn**

- Higher net revenues from new rate cases
- Higher controllable costs
- Higher depreciation
- COVID impact

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than $100m) and timing
Operating profit and capital investment presented at constant currency

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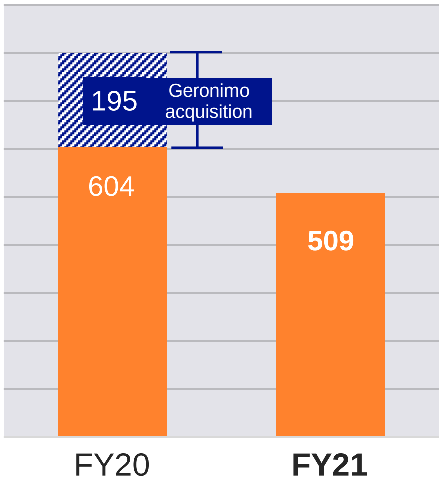
NG Ventures

Operating profit (£m)	Year ended 31 March 2021	Year ended 31 March 2020
Metering	154	158
Grain LNG	104	78
Interconnectors	60	61
Other	(20)	(28)
	298	269

Post tax share of JVs (£m)		
Interconnectors[1]	26	29
Millennium	22	22
Other	8	16
	56	67
Total NGV	354	336

Capital investment (£m)



- Lower investment as interconnector projects near completion

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)	Year ended 31 March 2021	Year ended 31 March 2020
Property	22	63
Corporate & other	(83)	(90)
	(61)	(27)

Post tax share of JVs (£m)	31 March 2021	31 March 2020
St William	5	18
Other	5	3
	10	21

- Operating profit lower, reflecting fewer property sales
- Total capex includes NG Partners, property and corporate

Capital investment[1]

£67m

FY20: **£70m**

- NG Partners investment of £38m

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.