

nationalgrid

US Business | March 2021

We are one of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas in the United Kingdom and the United States. We play a vital role in connecting millions of people to the energy they use safely, reliably and efficiently.

Investment proposition

We aim to be a **low risk** business, focused on generating shareholder value through both **dividends** and **asset growth** by investing in essential assets under primarily **regulated** market conditions, to service **long-term sustainable** consumer-led demands

London Stock Exchange **NG.**

New York Stock Exchange **NGG**

Bloomberg Debt Ticker **NGGLN**

Key group credit strengths (financial year 2020/21)

Group Performance¹, Size and Scale	Operating Profit £3.3bn / \$4.4bn² (-5%)	Total Assets £45.4bn	Group RoE 10.6%	Expected Asset Growth 6-8% 5-year CAGR
Diverse, Stable Business with Ample Liquidity	Business Composition ³ 45% US / 48% UK 7% NGV	% Regulated Assets 90%	Net Operating Cash Flow £4.6bn	Committed Facilities ⁴ £6bn
Credit Ratios	Gearing (RAV/rate base) 65%⁵	RCF/Adj. Net Debt 6.6%	FFO Interest Cover 4.5x	FFO/Adjusted Debt 11.7%

1: Underlying results excluding exceptional items, remeasurements, timing and major storm costs
4: Available for liquidity purposes

2: Using weighted average £/\$ exchange rate of 1.341
5: Calculated before reclassification of NECO debt. 63% including the benefit of hybrid debt

3: Based on underlying operating profit

Good regulatory progress in 2020/21

US returns

Return on equity

6.7%

New York

5.5%

Massachusetts

8.4%

Rhode Island

11.2%

FERC

Achieved return

7.2% / 8.6%¹ (~92% of allowed)

FY20: 9.3%

Capital investment

\$4.3bn

FY20: \$4.2bn

Rate base

\$27.6bn

FY20: \$25.6bn

Assets outside rate base

\$3.2bn

FY20: \$2.7bn

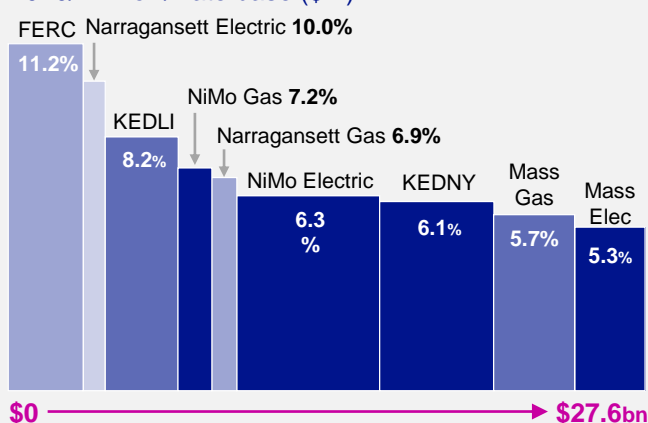
Underlying operating profit

£1.5bn

FY20: £1.6bn*

* At actual currency

2020/21 RoE/Rate base (\$m)



Highlights

- Rate base growth of 8% in FY21
- Excellent response to increased storm activity
- Selected as partners in the NY Priority Transmission Project
- Consulting with regulators on the future of heat

US investment drivers

- mandated gas pipe replacement programs
- electric investments for network resiliency, storm hardening and grid modernization
- decarbonization of energy

Regulation

- ~50/50 debt:equity regulatory capital structure
- Nominal returns provide a faster cash return
- Reached agreement on a Joint Proposal for KEDNY/KEDLI
- Filed for new rates for Niagara Mohawk and Massachusetts Gas

National Grid's New York Companies

Niagara Mohawk Power (NIMO) (A3⁺ / BBB+ / -)

Debt / Equity Allowance

Rate base

Financing authority

Start of current plan: Apr. 2018

New rate case proposal: July 2020

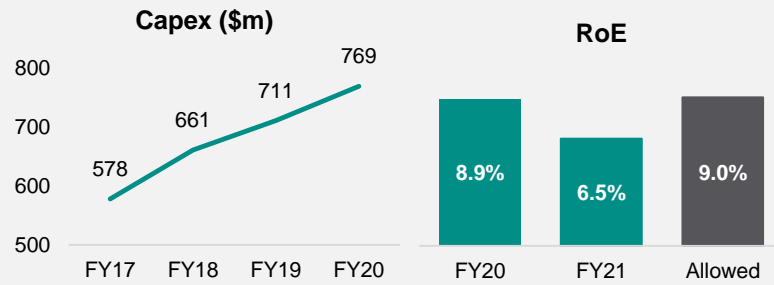
52% / 48%

\$7.7bn

New financing order filed

Key Credit Strengths of proposed rate plan:

- \$3.6bn of capital investment to 2023/24.
- Maintains tracker and true-up mechanisms for property taxes, commodity related bad debt, Pension/OPEB's, and environmental remediation.
- Proposal to adopt additional innovative rate design elements, including performance based rates, incentive and new earnings adjustment mechanisms.



Brooklyn Union Gas Company (KEDNY) (Baa1⁺ / BBB+ / A-)

Keyspan Gas East Corporation (KEDLI) (A3⁺ / BBB+ / A-)

Debt / Equity Allowance

Rate base

Financing authority

Start of current plan: Jan. 2017

New rate case Joint Proposal: May 2021

KEDNY

52% / 48%

\$5bn

\$400m New Debt to March 2022

KEDLI

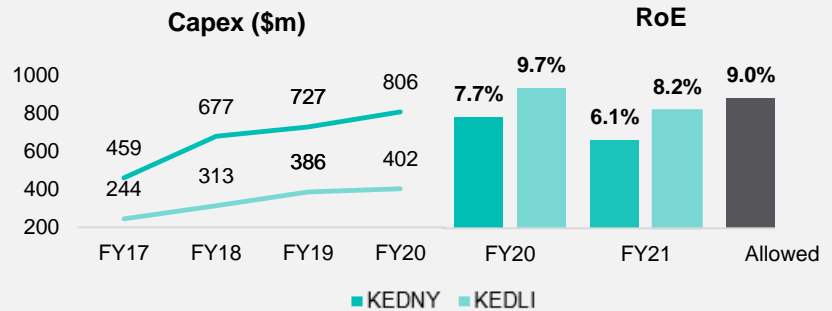
52% / 48%

\$3.2bn

\$400m New Debt to March 2022

Key Credit Strengths of proposed rate plan:

- \$3.3bn capex across the rate plan to March 2023 (FY21 \$583m KEDNY & \$369m KEDLI)
- Maintains tracker and true-up mechanisms for property taxes, commodity related bad debt, Pension/OPEB's, and environmental remediation.
- New Earnings Adjustments Mechanisms and incentives



¹ Moody's negative outlook

National Grid's Massachusetts Companies

Massachusetts Electric Company (MECO) (Baa1 / BBB+ / -)

Debt / Equity Allowance

Rate base

Financing authority

Start of current plan: Oct. 2019

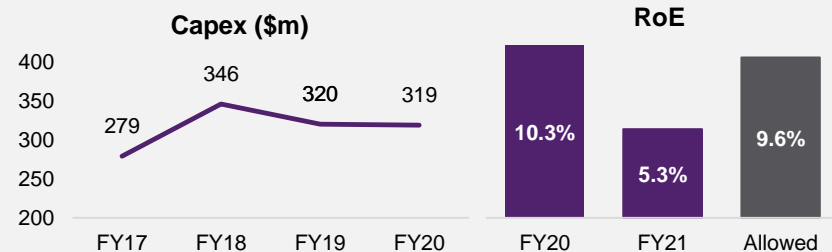
46.5% / 53.5%

\$3bn

\$600m New Debt to August 2023

Key Credit Strengths of current rate plan:

- New 5-year rate plan, supporting capital investment of ~\$300m annually and with a \$38m revenue increase
- Performance Based Rate Mechanism (PBRM), with an I-x formula (where I = inflation, x = productivity factor) to fund Capex and Opex, ensuring inflation is factored into the cost base



Massachusetts Gas / Boston Gas Company (BOS)

(Baa1 / BBB+ / -)

Debt / Equity Allowance

Rate base

Financing authority

Start of current plan: Oct. 2018

New rate case filing: Nov. 2020

BOS

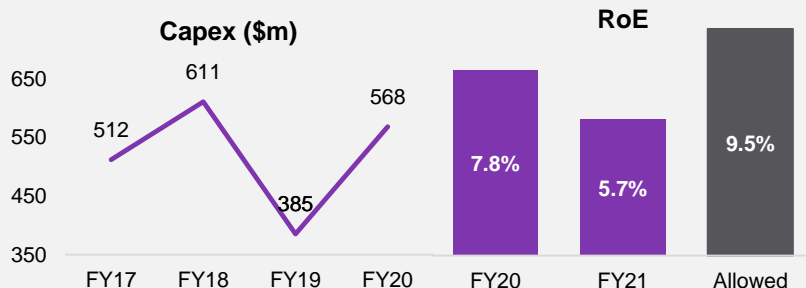
47% / 53%

\$3.5bn

\$250m New Debt to June 2021

Key Credit Strengths of proposed rate plan:

- Filing supports capital investment of approximately \$285m annually
- Includes a Performance Based Rate Mechanism (PBRM)
- Proposing \$50m dollars of innovative investments focused on decarbonizing our gas network



Note: All capex figures are excluding cost of removal

National Grid's Rhode Island Company*

Narragansett Electric Company (NECO) (Baa1¹ / BBB+² / -)

Distribution Debt / Equity Allowance

Rate base*

Financing authority*

Start of current distribution rate plan: Sept. 2018

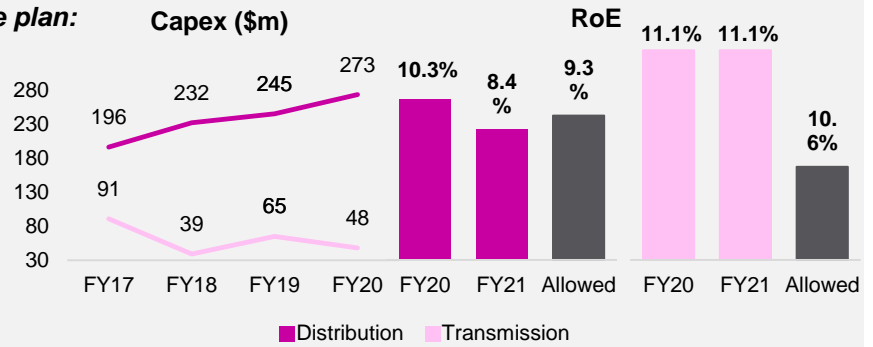
49% / 51%

\$2.8bn

\$250m New Debt to March 2023

Key Credit Strengths of current distribution rate plan:

- Allowed RoE of 9.275% for Electric and Gas distribution with 49/51 Debt/Equity allowance, from 51/49 in prior rate plan
- \$240m distribution capital program fully funded annually via the Infrastructure, Safety and Reliability plans
- New upside-only Performance Incentive Mechanisms for System Efficiency



* Includes FERC-regulated Narragansett Electric Transmission business
¹ Moody's "review for upgrade" | ² S&P's positive outlook

The Federal Energy Regulatory Commission (FERC)**

New England Power Company (NEP) (A3 / BBB+ / -)

Debt / Equity Allowance

Rate base

Financing authority

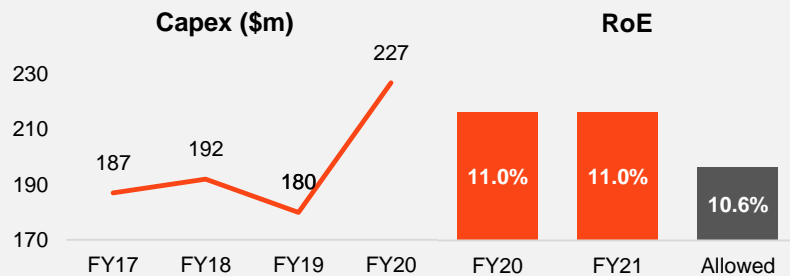
34% / 66%

\$2bn

\$700 New Debt to August 2023

Key Credit Strengths:

- Automatic annual true up for operating and capital costs, pension/OPEB true-up
- Formula rates allow reimbursement for all prudently incurred operating and maintenance expenditure, tax, depreciation and amortization and financial return on incremental rate base additions during the year



National Grid Generation LLC (Baa2 / BBB / -)

Debt / Equity Allowance

Rate base

Financing authority

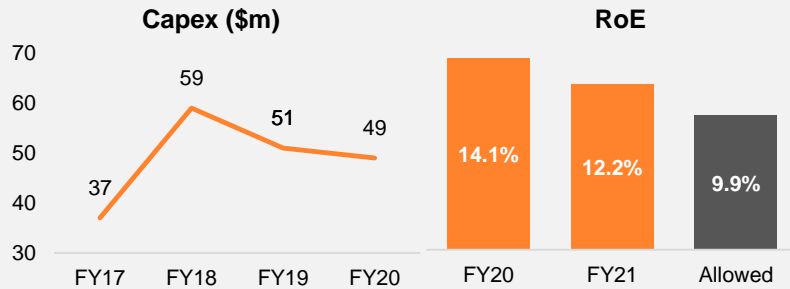
53% / 47%

\$440m

n/a

Key Credit Strengths:

- Owns and operates electric generation units in Long Island
- Power supply agreements with the Long Island Power Authority are usually for 15 or 25 years
- Agreements are for capacity, 99% of revenues are fixed with 1% variable on level of generation achieved



**FERC regulated entity Canadian Interconnector (\$79m rate base as of 31 March 2019) not shown

Recent OpCo bond issuance

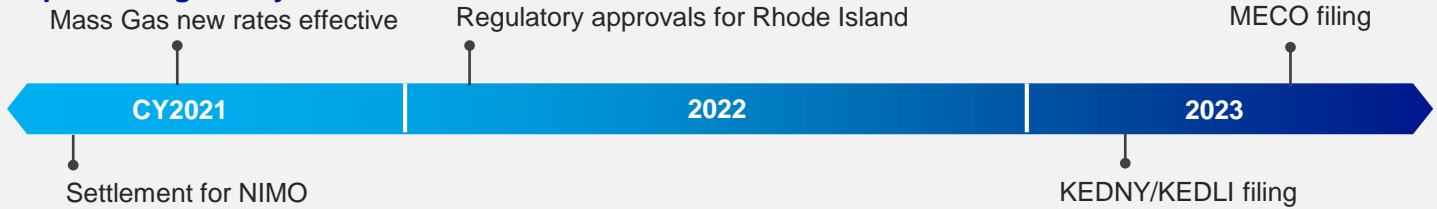
Date	Issuer	Format	Size	Tenor
Jul-18	NECO	144A/RegS	\$350m	10yr
Dec-18	NIMO	144A/RegS	\$500m	10yr
Feb-19	KEDNY	144A/RegS	\$550m	10yr
Feb-19	KEDNY	144A/RegS	\$450m	30yr
Jul-19	BOS	144A/RegS	\$500m	10yr
Apr-20	NECO	144A/RegS	\$600m	10yr
Jun-20	NIMO	144A/RegS	\$600m	10yr
Jun-20	NIMO	144A/RegS	\$500m	30yr
Oct-20	NEP	144A/RegS	\$400m	30yr
Nov-20	MECO	144A/RegS	\$500m	10yr

green format

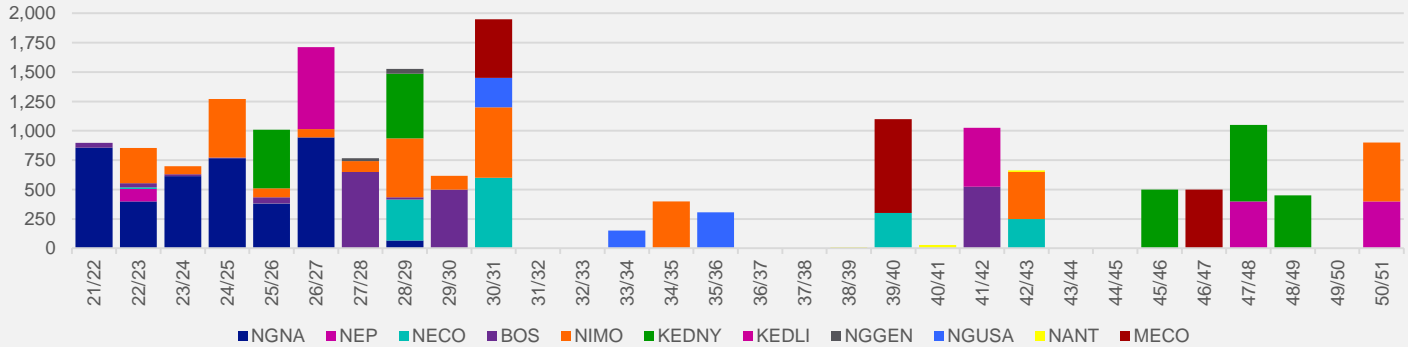
Recent NG North America bond issuance

Date	Format	Ccy	Size	Tenor
May-17	RegS	HKD	HK\$861m	8yr
Jun-17	RegS	USD	\$50m	7yr
Jun-17	RegS	USD	\$150m	7yr
Jul-17	RegS	EUR	€500m	7yr
May-18	RegS	HKD	HK\$1,070m	8yr
May-18	RegS	USD	\$30m	5.5yr
Jun-18	RegS	AUD	A\$85m	10yr
Jun-18	RegS	NOK	Kr1,000m	8yr
Jul-18	RegS	USD	\$100m	7yr
Aug-18	RegS	EUR	€500m	5yr

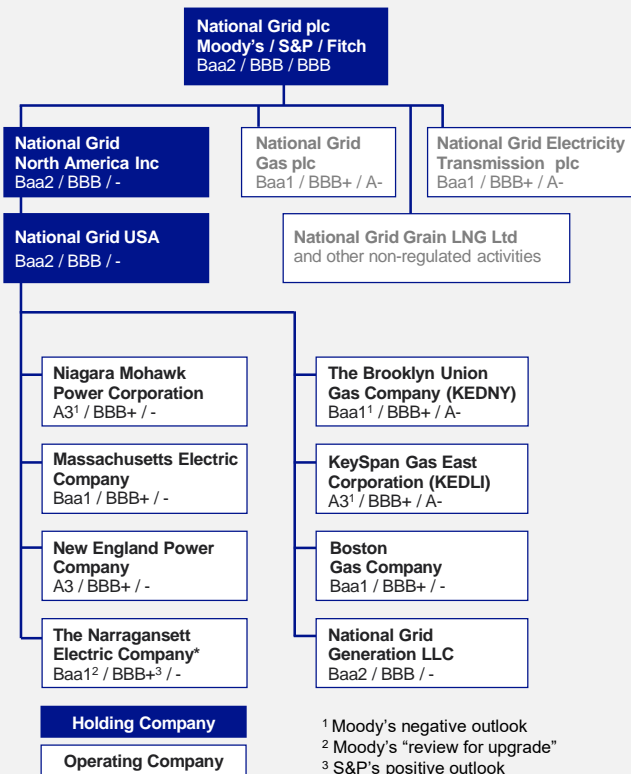
Expected regulatory timetable



National Grid US business long term debt maturity profile



Group debt issuing companies credit ratings



- National Grid's US companies have several rated issuing entities. The large number is for regulatory transparency
- The majority of US operating companies issue in 144A/RegS format
- National Grid North America currently issues RegS bonds from its EMTN program

National Grid's US management

- The National Grid USA Board of Directors is responsible for the overall leadership of NG's US operations
- NG's US operating companies are headed by regional presidents, creating a more locally focused organization and allowing strong relations with state regulators and the federal regulator

Green Financing



- NG published a group-wide green financing framework in November 2019 that is aligned with the ICMA Green Bond Principles
- DNV-GL provided a Second Party Opinion
- NIMO issued the first green bond of our US Operating Companies, a \$600m 10-year bond due June 2030
- We published our first green financing report on December 2020. The report covers the allocation and impact of NIMO's green bond

Important notice

This document 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 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. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' section on pages 227 to 230 of National Grid's most recent Annual Report and Accounts for the year ended 31 March 2020 as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2021, published on 12 November 2020. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Equiniti Limited. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

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Business highlights in 2020/21

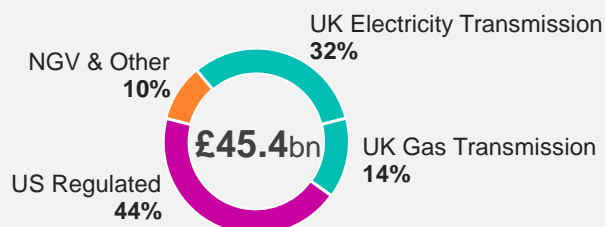
- WPD acquisition approved by shareholders - completion expected by July 2021; approval for sale of NECO expected by end of FY22.
- Regulatory milestones reached with the RIIO-2 Final Determination and Joint Proposal for KEDNY-KEDLI.
- Covid costs – operating profit impact of £296m and cash impact of £600m – expect to recover the majority of costs via regulatory frameworks
- COP26 principal partner and new Scope 3 targets set for the Group.
- £5.0 billion of capex across the Group, including continued investment in UK and US critical infrastructure and the commissioning of IFA2 between the UK and France.
 - **FY21 capex:** US Regulated (65%), UK Electricity (22%), UK Gas Transmission (4%), NGV and others (9%)

Total Group 20/21 performance

5.6%	54.2p	10.6%
Asset growth	EPS ¹	Group return on equity

Growing portfolio of high quality assets

Assets by segment as at 31 March 2021



Asset base post-transactions*, geographical split



- Expecting annual asset growth of 6-8%* 5-year CAGR

Strong and efficient balance sheet

- Strong overall investment grade rating for the Group is supported by expected cash flow metrics consistent with rating agency targets.
- BBB+ credit rating for UK operating companies and majority of US operating companies; NG plc rated BBB
- Scrip dividend option provides flexibility for growth

High-quality growth

- In 2020/21, the Group achieved asset growth of 5.6% driven by a £5.0 billion capital investment programme.
- US regulated driven by mandated gas pipe replacement programmes; electric network resiliency, storm hardening and grid modernization; and decarbonization of energy
- UK regulated driven by asset health and network resilience
- NG Ventures driven by interconnector program and US renewable generation

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

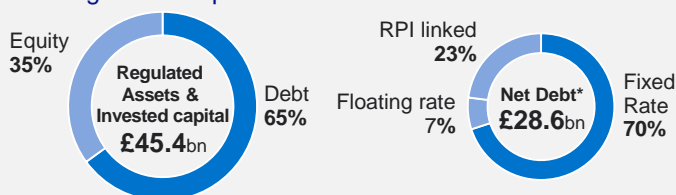
COP26



Principal partner at UN COP26

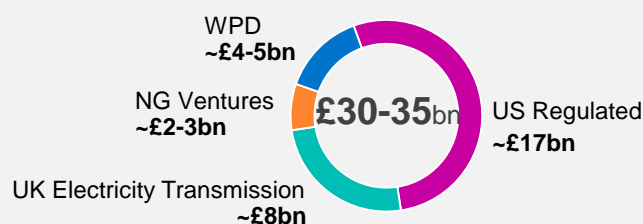
- Ambition to enable the energy transition for all
- Using our voice to influence climate change action

Gearing and debt profile as at 31 March 2021



Net debt includes borrowings, associated derivatives and cash and current financial investments. This figure excludes NECO net debt that has been reclassified to "held for sale"

Forecast 5-year capital investment by segment



FTSE4Good



National Grid Ventures & Other

Capital investment¹
£495m

FY20: **£728m**

Operating profit
£237m

FY20: **£242m**

Total contribution
£303m

FY20: **£330m**

Post-tax share
£66m

FY20: **£88m**

NG Ventures & Other

Operating profit/loss

£154m

Metering

£104m

Grain LNG

£60m

Interconnectors

£22m

Property

£(103)m

Other

Joint Ventures

Post-tax share

£26m

Interconnectors

£22m

Millennium

£5m

St. William

£5m

NG Partners

£8m

Other

1: Excluding investments in joint ventures and associates

- NGV includes long term assets with a low risk profile and stable cash flows
- Own and operate 5GW of electricity interconnection between UK and Europe, with a further 2.8GW under construction
- National Grid Renewables to provide US renewable generation opportunities
- St. William joint venture with Berkeley Group to unlock land value

Highlights

- Commissioned IFA2, our second interconnector to France in January 2021
- Construction of North Sea Link & Viking Link remain on target for 2021 and 2024 respectively
- 25-year agreement signed with Qatar Petroleum at Isle of Grain LNG facility
- Growing portfolio of renewable generation in the US
 - >400MW operational
 - 600MW under construction

Continued solid performance in the UK in 2020/21

UK RoE Combined

12.6%

FY20: **12.4%**

Electricity Transmission

Return on equity

10.2%

Base return

240bps

Totex incentive

30bps

Other incentives

100bps

Additional allowances

Achieved return

13.9%

FY20: **13.5%**

Other key financial metrics

Capital investment

£1.1bn

FY20: **£1.0bn**

Regulated asset value

£14.6bn

FY20: **£14.1bn**

Underlying operating profit

£1.1bn

FY20: **£1.2bn**

Gas Transmission

Return on equity

10.0%

Base return

(90)bps

Totex incentive

90bps

Other incentives

(40)bps

Additional allowances

Achieved return

9.6%

FY20: **9.8%**

Other key financial metrics

Capital investment

£0.2bn

FY20: **£0.2bn**

Regulated asset value

£6.3bn

FY20: **£6.3bn**

Adjusted operating profit

£0.4bn

FY20: **£0.4bn**

Regulation

- Single regulatory body - Ofgem
- 5-year RIIO-T2 price control through to 2026
- Cost allowances and revenues linked to CPIH
- Remunerated in part through CPIH asset indexation

Highlights

- Strong end to RIIO-1
 - 12.6% achieved ROE in FY21, within target range of 200-300bp outperformance
 - Invested £1.2bn in FY21, including on the Hinkley-Seabank connection and London Power Tunnels 2
 - >£12.5bn invested over 8 years¹
- RIIO-T2 broad acceptance of final determination, and CMA appeal on cost of equity and outperformance wedge
- Announced our intention to sell a majority stake in Gas Transmission

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

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