

2015/16

Half Year Results

London | Tuesday 10 November 2015



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 financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as '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 or estimate precisely, such as changes in laws or regulations, announcements from and decisions by governmental bodies or regulators (including the timeliness of consents for construction projects); 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; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; 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; inflation or deflation; 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, train or retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with the National Grid's employees or the breach of laws or regulations by its employees; and the failure to respond to market developments, including competition for onshore transmission, and 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 assumptions in connection with joint ventures. 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 173 to 176 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 2015 published on 10 November 2015. 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.

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Business Review

Financial headlines



Electricity Transmission

Incentives			
Totex	Other	Add'l	Overall

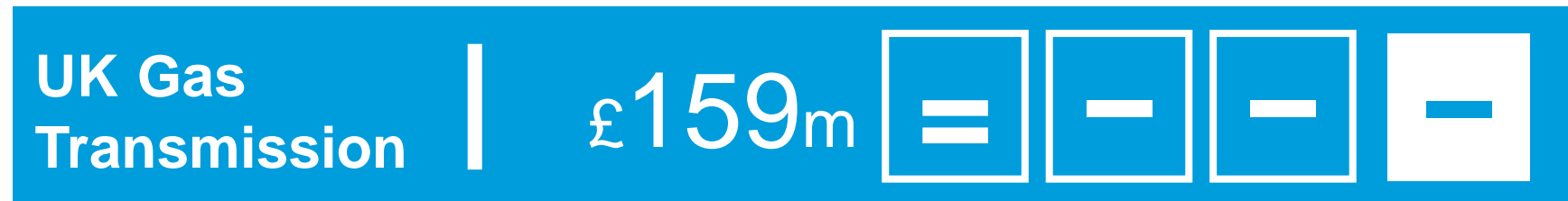


Expected year on year movement in returns

- ◆ Totex performance driven by capital efficiencies
- ◆ New balancing services incentive scheme
- ◆ On track for similar overall returns

Gas Transmission

Incentives			
Totex	Other	Add'l	Overall



Expected year on year movement in returns

- ◆ Totex spend in line with allowances
- ◆ Expiry of permit income; overall good other incentive performance expected
- ◆ Additional (legacy) allowances ramping down from 2015/16 onward

Gas Distribution

Incentives			
Totex	Other	Add'l	Overall



Expected year on year movement in returns

- ◆ Similar level of totex efficiencies
- ◆ Similar level of other incentive performance
- ◆ Overall performance in line with 2014/15

US Regulated

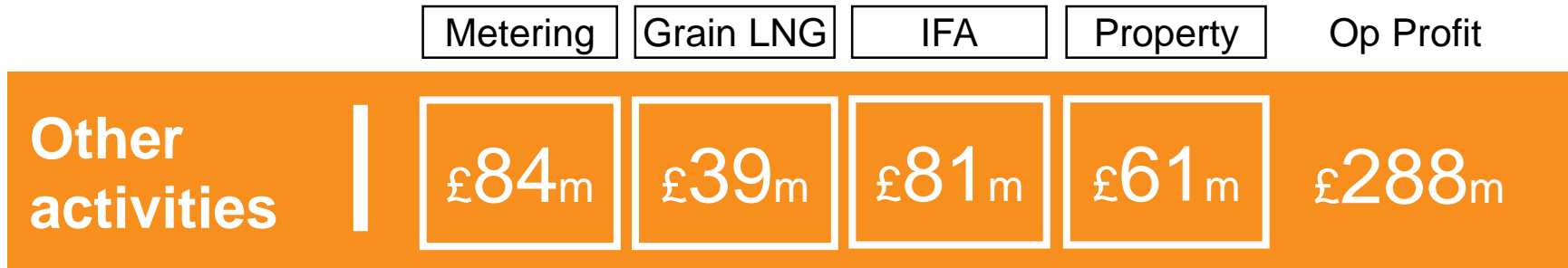
US Regulated

£351m

around 8%
projected 2015 returns

- ◆ Operations performing well
- ◆ Controllable operating costs reduced
- ◆ Step up in growth of regulated assets
- ◆ Regulatory filings underway

Other activities



- ◆ Metering and Grain to sustain steady performance
- ◆ IFA strong performance; H2 to be slightly less than last year
- ◆ Property sale of two properties; likely to remain flat through H2
- ◆ Elimination of US systems costs as of FY 2014/15
- ◆ Benefit from exchange of Iroquois Pipeline interest

Interest, tax and earnings

Finance costs

£**493**m

consistent with 2014

- ◆ Effective interest rate 3.7%
- ◆ Refinancing debt at prevailing rates

Effective tax rate

22.0%

at £(302)m

- ◆ Tax rate 70bp lower than 2014
- ◆ Reflects lower UK corporation tax rate

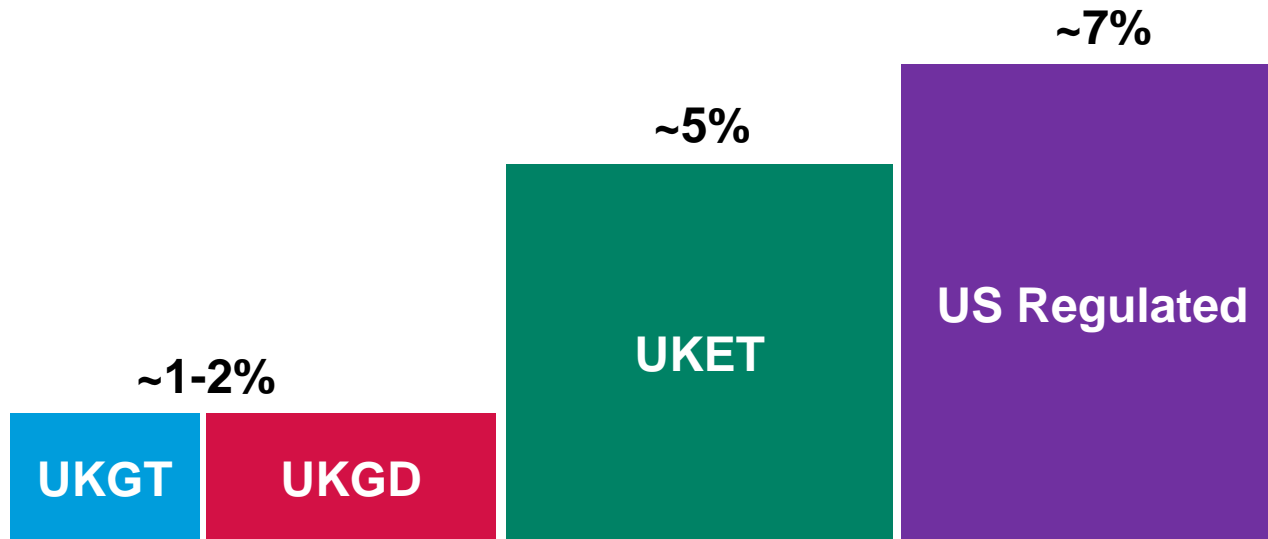
Earnings per share

28.4p

- ◆ £1.1bn earnings
- ◆ 3,761m weighted avg. shares

2015/16 asset growth

~£3.7bn total Group investment for FY15/16



4-5% Group growth rate expected

Cash flows and net debt

Period ended 30 September 2015	£m
Operating profit	1,836
Depreciation & amortisation	796
Provisions, incl. pensions	(284)
Working capital & other	333
Net operating cash flow	2,681
Net debt	24,592

Net operating cash flow

£2.7bn

Net debt

£24.6bn

Debt financing

- ◆ Cash-settled convertible bond
 - Non-dilutive
 - 5 years, low cost funding
- ◆ Commenced drawing the £1.5bn EIB loan at attractive rates and extended drawdown period

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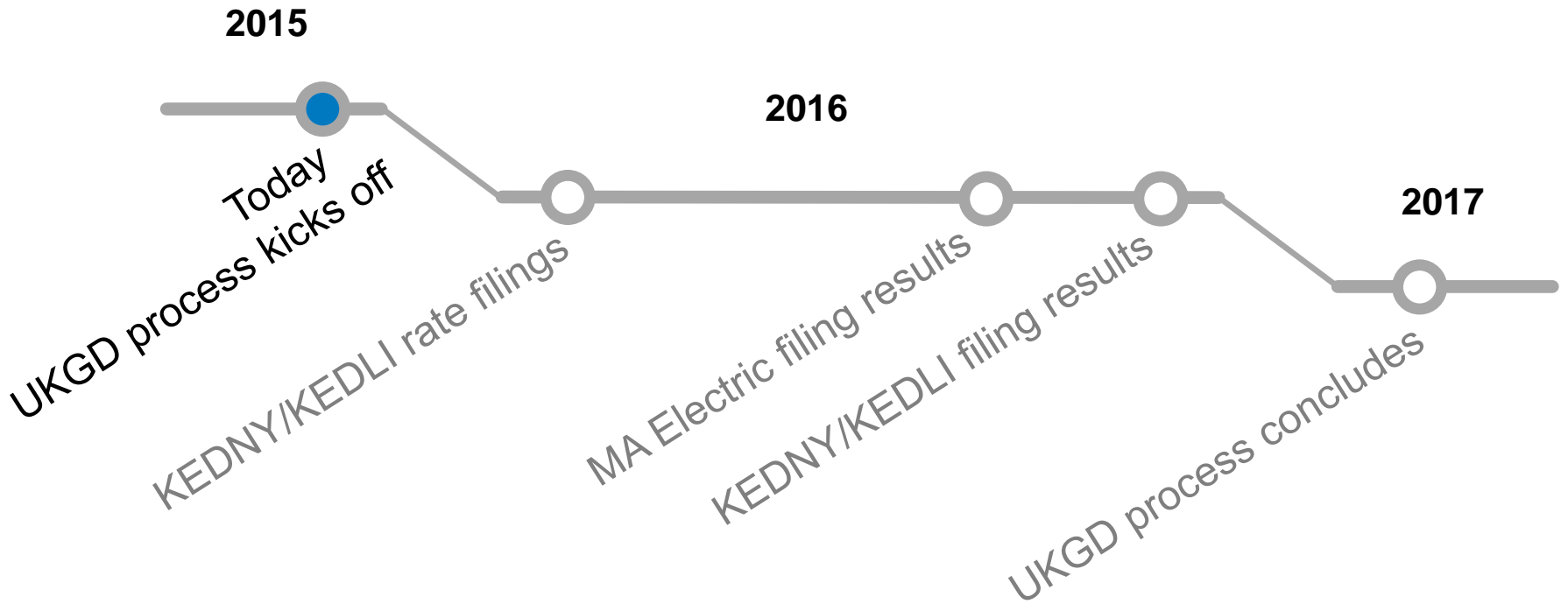
Portfolio Update

Portfolio update

- ◆ Potential sale of a majority stake in UK Gas Distribution
- ◆ Rebalance the portfolio to deliver higher growth
- ◆ Beginning of the process
- ◆ Return substantially all net proceeds to shareholders
- ◆ Maintain the dividend policy



Timeline of milestones



Summary

Solid first half; on track for another year of asset growth and good returns

The image shows a close-up of the National Grid logo on a building facade. The logo is rendered in large, metallic, three-dimensional letters. The letters are dark on the outside and have a reflective surface that captures the scene of a sunset or sunrise, with a bright sun low on the horizon and silhouettes of trees and buildings. The background of the image is a clear blue sky with some light clouds. The building's structure, including a window frame and a pipe, is visible in the foreground.

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Q & A

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