



Performance Summary 2012/13
National Grid plc

Trusted to connect



“It has been another hugely important year for National Grid – from preparing for the new regulatory framework RIIO in the UK, to responding to Superstorm Sandy in the US.”

Sir Peter Gershon Chairman

“We strive to develop our people to the best of their abilities, so we have the right skills and experience to meet the needs of our business now and in the future.”

Steve Holliday Chief Executive

Chairman & Chief Executive’s welcome

National Grid’s job is to connect people to the energy they use, safely. We are at the heart of one of the greatest challenges facing our society – delivering clean energy to support our world long into the future.

We work with all our stakeholders to promote the development and implementation of sustainable, innovative and affordable energy solutions. We are proud that our work and our people underpin the prosperity and wellbeing of our customers, communities and investors.

Highlights

£14,359m +4%

Revenue 2011/12: £13,832m

£3,644m +4%

Operating profit† 2011/12: £3,495m

11.2%

Group return on equity 2011/12: 10.9%

40.85p +4%

Ordinary dividends 2011/12: 39.28p

26.36p

Final dividend 2011/12: 25.35p

29 July 2013

Annual General Meeting

21 August 2013

Final dividend payment date

Reflection on 2012/13

It has been another hugely important year for National Grid – from preparing for the new regulatory framework RIIO in the UK, to responding to Superstorm Sandy in the US. We have also been bedding down significant organisational change on both sides of the Atlantic. All these efforts will help us meet the needs of our customers, deliver our targeted returns and secure long-term financing for important investments.

Safety

After a challenging 2011/12, we boosted our efforts to improve our safety performance. We also continued our efforts to make sure members of the public are not put at risk by our operations – an area in which we have seen significant progress. Regrettably, in early April 2013 one of our contractors was fatally injured while working on a gas main upgrade near Albany, New York. We have been thoroughly investigating this tragic event in order to learn from it and prevent a recurrence.

Performance

We have delivered solid operational and good financial performance across all our businesses in 2012/13. Group operating profit† has increased by 4% from £3,495m in 2011/12 to £3,644m in 2012/13. Earnings per share† increased by 12% to 56.1p. You can read more about our business highlights on page 4.

Dividend

We announced our new dividend policy in March 2013. This has been a top priority for the Board over the last year and is an important part of the way we create shareholder value. The new policy will aim to grow the ordinary dividend at least in line with the rate of RPI inflation each year for the foreseeable future. It will also support our long-term ambition to target a sustainable dividend in real terms for our shareholders, while helping us maintain the strong balance sheet we need to fund the business.

The Board has recommended an increase in the final dividend to 26.36p per ordinary share (\$2.01 per American Depositary Share), in line with our one year policy of targeting 4% growth in the year 2012/13, bringing the full year dividend to 40.85p per ordinary share (\$3.16 per American Depositary Share).

People

We strive to develop our people to the best of their abilities, so we have the right skills and experience to meet the needs of our business now and in the future. We would like to thank our employees for helping achieve success for our Company through their hard work and commitment. In particular, we appreciate the efforts of everyone who was involved in restoration work following Superstorm Sandy. Our employees also continue to play an important role in supporting the work we are doing with schools, both in the UK and US, to inspire the next generation of engineers and technicians.

Looking ahead

As we enter a new phase for National Grid, we believe we are well positioned for the future. Next year’s priorities include: our safety performance as we seek to achieve a world-class level; continuing with refining our processes to be more customer and community focused – we still have a lot more to do; and building on the regulatory and operational foundations laid recently. We hope you enjoy reading about what the Company achieved in 2012/13.

Sir Peter Gershon
Chairman

Steve Holliday
Chief Executive

† excludes the impact of exceptional items, remeasurements and stranded cost recoveries.



Here are some examples of our community activity over the last year.

City Year



We have supported City Year in the US for over a decade and are currently proud sponsors of schools in Boston, New York and Rhode Island. Our involvement has helped City Year to engage with more than 13,000 students across our US service territories through 'Whole School, Whole Child' support, student interventions, tutoring and after-school programmes. In the UK, our ongoing partnership with City Year London means children at the Whitmore School in Hackney can continue to benefit from the National Grid funded team. City Year is helping us bring children from across London to learn about energy through our education centre built at our London Power Tunnels site.

www.cityyear.com

GetSkilled and the Young Offenders Programme

Last year we started piloting GetSkilled – a UK initiative designed to support young people not in education, employment or training. It includes a tailored, work-related course designed to develop the skills of young people who find it hard to progress, helping them move into employment or further training. GetSkilled is led by the team behind National Grid's Young Offenders Programme.

The approach for GetSkilled, attracting other companies' participation, adopts the same growth strategy.



Preserve natural resources

Our London Power Tunnels project to replace the existing high voltage cables under London continues to make good progress. Last year we extracted 190,000m³ of tunnel spoil, reusing it all on other construction projects in the London area. We aim to use 50% of this material on gasholder remediation projects by the time tunnelling has finished in 2014/15.



Educating young people



School Power forms part of our commitment to UK education. It is a programme designed to inspire the inventors, engineers and scientists of the future by incorporating STEM subjects (science, technology, engineering and mathematics) into everyday learning. Last year, 6,500 young people learnt about energy from National Grid employees and thousands more visited our website. www.nationalgrideducation.co.uk

In the US, we work with Girls Inc. This is an organisation that encourages girls aged 12-16 to take risks and master physical, intellectual and emotional challenges through informal education programmes. Our partnership with Girls Inc supports STEM programming in New York and Massachusetts, helping girls to discover the potential for careers in engineering.

www.girlsinc.org



We are doing our bit..

During 2012, we helped our US customers save around 750 million annual kilowatt hours and 25 million annual therms, which is equivalent to taking more than 136,000 cars off the road each year. We are also helping Ford Motor Company boost energy efficiency at its works in Hamburg, New York. We are contributing a \$1.35m grant towards a project designed to transform the facility's lighting system. The improvements resulting from this \$2.7m project are expected to save 10.7 million kilowatt hours annually.



Showcasing our heritage

In 2012, we celebrated the 200th anniversary of the British gas industry. Our GasMark200 campaign was an opportunity to demonstrate our pride in our employees, as well as the important role gas will continue to play in the UK's future energy mix. The campaign was designed to inform and educate employees about the major milestones and development of the gas industry and its impact on social history. In the US, we created a museum-like exhibit called 'Yesterday, Today, Tomorrow' that toured our sites in the region. It was designed to provide a tribute to the history of our US business, as well as a look toward the future and a focus on our commitment to customers.

www.200yearsofgas.org



Operation Thanksgiving

We knew that many of our customers whose homes were devastated by Superstorm Sandy would not be able to enjoy a traditional Thanksgiving last November. So, with the help of A&P Supermarket, we delivered 2,500 turkeys to community pantries, food banks and advocacy organisations across 16 Metro New York areas. These organisations cooked the meals for local families in need, helping them in at least a small way to preserve this special occasion.



Listening to our stakeholders

Over the last year, we engaged with around 350,000 members of the UK public and shared information on our large transmission projects. We asked them for their thoughts on how we should build our energy future. We call this initiative 'Powering Britain's Future'. It aims to raise awareness about the scale of the energy challenge facing the UK and find common ground with stakeholders and the public, so we can work together to find solutions. www.poweringbritainsfuture.co.uk



Our business

National Grid is one of the largest investor-owned energy companies in the world. We own and manage the grids that connect people to the energy they need, from whatever the source. In Britain and the northeastern states of the US, we run systems that deliver gas and electricity to millions of people, businesses and communities.

UK Transmission

Description

We own and operate the electricity transmission system in England and Wales. Our networks comprise approximately 7,200 kilometres (4,470 miles) of overhead line, 1,400 kilometres (870 miles) of underground cable and 329 substations. We are also the national electricity transmission system operator, responsible for both the England and Wales transmission systems and the two high voltage transmission networks in Scotland, which we do not own. We own and operate the gas national transmission system in Great Britain. The network comprises approximately 7,660 kilometres (4,760 miles) of high pressure pipe and 23 compressor stations.

Highlights for 2012/13

- Strong safety, operational, customer and financial performance.
- Refined our organisation design and appointed managers into their new roles – we are reducing the number of manager roles by 22%.
- Changed our partnering approach for delivering major transmission capital projects.

UK Gas Distribution

Description

We own and operate four of the eight regional gas distribution networks in Great Britain. Our networks comprise approximately 131,000 kilometres (82,000 miles) of gas distribution pipeline and we transport gas from the gas national transmission system to around 10.9 million consumers on behalf of 26 gas shippers. We manage the national gas emergency number (0800 111 999). This service, along with the enquiries lines, appliance repair helpline and meter enquiry service, handled more than 2,480,000 calls during 2012/13.

Highlights for 2012/13

- Strong safety, operational, customer and financial performance.
- Agreed new terms and conditions with our 1,900 directly employed field force employees. The new arrangements support improved productivity and increased flexibility that will help us perform under RIIO.
- Put in place new contracts to deliver £3.5 billion of investment (primarily mains replacement and connections). These Gas Distribution strategic partnerships align our contract partners' incentives with the way we are incentivised under RIIO.

US Regulated

Description

We own and operate electricity distribution networks in upstate New York, Massachusetts and Rhode Island serving approximately 3.4 million electricity consumers. We also maintain and operate the electricity transmission and distribution system on Long Island owned by the Long Island Power Authority. We own and operate an electricity transmission system of approximately 14,000 kilometres (8,800 miles) spanning upstate New York, Massachusetts, Rhode Island, New Hampshire and Vermont. Our US gas distribution networks serve around 3.5 million consumers across the northeastern US, located in upstate New York, New York City, Long Island, Massachusetts and Rhode Island.

Highlights for 2012/13

- Overall reliability improved for our electricity and gas businesses despite the severe weather events experienced.
- Embedded a clear focus on four main principles that guide our business decisions: safety and reliability, stewardship, customer responsiveness and cost competitiveness.
- Filed rate cases for our upstate New York and Rhode Island gas and electricity businesses, each of which was approved by its respective regulatory body, with praise from officials on the Company's plan, supporting data and community outreach.

Other activities

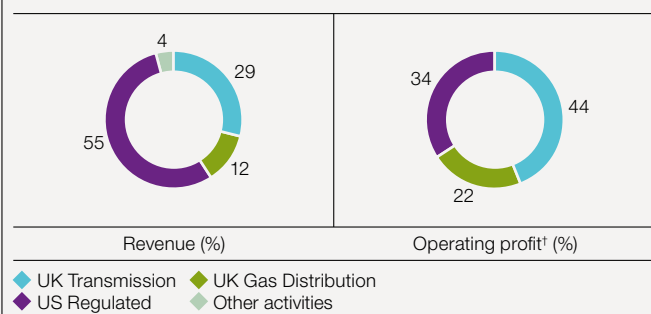
Description

Our other activities in the UK include National Grid Metering, National Grid Property, our LNG importation facility at the Isle of Grain, BritNed and Xoserve. In the US, they include LNG storage and road transportation, and transmission pipelines.

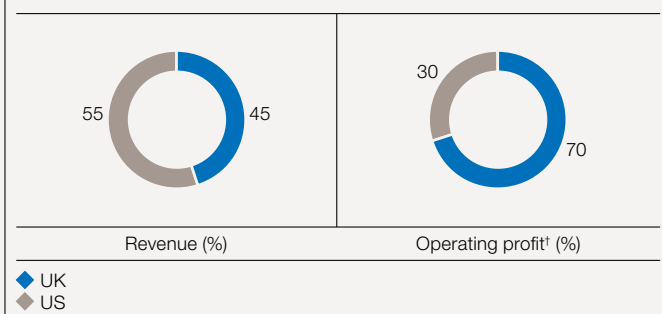
Highlights for 2012/13

- As part of the Review of Metering Arrangements process, National Grid Metering has agreed with Ofgem to take on the National Meter Manager role, facilitating the transition to smart metering.
- National Grid metering achieved its highest performance in the last six years for customer satisfaction for both domestic and industrial & commercial businesses.
- Successfully commissioned the Grain heat pipe linking the LNG importation terminal with the adjacent E.ON power station.

Business Analysis 2012/13



Geographical Analysis 2012/13



† excludes the impact of exceptional items, remeasurements and stranded cost recoveries.

Connecting you to your energy today...

Superstorm Sandy



Superstorm Sandy was the most devastating storm to hit the US eastern seaboard in over 100 years.

Superstorm Sandy was a significant test for our emergency response processes, which we overhauled following the major storms of 2011. Throughout 2012, we focused on employee development and training as well as upgrading our restoration processes and equipment. We improved the way we work on damage assessment, customer communications, securing restoration resources, repairing assets and providing accurate estimated times of restoration.

Before Superstorm Sandy made landfall, we had thousands of employees ready in support roles and a full complement of line and tree crews, as well as hundreds of supplemental crews from across 40 states and five provinces in Canada. More than 250 employees supported the community liaison effort, assigned to the towns expected to be hardest hit by the storm.

Upstate New York, Massachusetts and Rhode Island had about 530,000 electricity outages and around 700 flood related gas outages (mainly in Rhode Island). We completed restoration in these service territories in six days.

In downstate New York, it took over two weeks to restore the LIPA-served Nassau and Suffolk Counties, which saw around 1.1 million wind and flood related electricity outages. These same counties, along with Brooklyn, Queens and Staten Island, experienced more than 140,000 flood related gas outages.

1.6m **141,000**
electricity outages gas outages

Our flying squads



The process instruction books that we used during the London 2012 Olympic Games contained information that would be needed in the event of a gas emergency at any of the venues or on the routes. They were very successful as were the 'flying squads' – teams who provide 24/7 cover using motorbikes to allow faster response.

Delivering new gas infrastructure

From 1 April 2013, we entered into contracts with Balfour Beatty Utility Solutions and a joint venture of Morrison Utility Services and Skanska Construction UK Ltd to replace our previous alliance and coalition arrangements. The contracts will help us continue delivering gas safely and efficiently to homes and businesses. Together with these new partnerships, we will be working to meet new targets set by Ofgem which will cover the same eight year period as RIIO.

Smart grid pilot in Massachusetts



We received approval for our \$43.6 million (£27.8 million) smart grid pilot programme in August 2012.

The pilot will be conducted in the US city of Worcester, Massachusetts. It will test customer acceptance of new technology, ranging from new meters to in-home devices designed to save energy.

In May 2012 we announced that we will participate in the Green Button initiative, a programme inspired by the White House's challenge to the energy industry. It is a joint effort among several utilities, technology companies and the federal government to help consumers save energy and money by providing access to easy to understand data about energy usage. We plan to offer Green Button to the 15,000 customers who will be included in our smart grid pilot in Worcester.

...trusted to help you meet your energy needs tomorrow

Power supply agreement with LIPA



We have a new power supply agreement (PSA) with LIPA.

When effective, the new agreement with the Long Island Power Authority (LIPA) that we filed with the Federal Energy Regulatory Commission (FERC), will give Long Island better options for updating and modernising our power plants through repowering existing facilities while reducing energy costs, further improving environmental performance and removing uneconomic generation. This is an important part of the effort to enhance the overall efficiency of Long Island's power supply resources.

3,700 megawatts

The agreement covers the purchase of up to 3,700 MW of generation produced by our generating facilities, on improved terms and conditions.

New facility will help boost skills



A new £3.2 million training facility has opened at our state-of-the-art Learning Centre in Eakring, Nottinghamshire.

The site will provide hundreds of people with specialist training and modern energy skills each year. The building forms part of a multi-million pound expansion to the centre as we recognise the importance of developing our people and providing exciting and rewarding career opportunities.

RIIO – a brief overview

Our UK regulator, Ofgem, has introduced a new performance-based regulatory framework called 'RIIO' (Revenue = Incentives + Innovation + Outputs).

RIIO is an eight year price control period, designed to drive real benefits for consumers. It provides network companies with incentives to meet the challenges of delivering a low carbon, sustainable energy sector at lower cost and is designed to make sure we engage with our stakeholders and take their views into account.

We will be measured on the outputs we deliver so we provide what our stakeholders need from us. Innovation has an important role to play in helping deliver these outputs, particularly given the changes in the UK energy sector, involving new sources of energy located in new parts of the country.

RIIO has six main areas of delivery:

- Safety: provision of a safe energy network
- Reliability (and availability): promoting networks capable of delivering long-term reliability, as well as minimising the number and duration of interruptions, and adapting to climate change
- Environmental impact: encouraging companies to play their role in achieving broader environmental objectives – specifically taking measures to reduce carbon emissions and minimising their own carbon footprint
- Customer and stakeholder satisfaction: maintaining high levels of customer and stakeholder satisfaction, and improving service levels
- Customer connections: encouraging networks to connect customers quickly and efficiently
- Social obligations (UK Gas Distribution only): extending the gas network to communities that are fuel poor where it is efficient to do so, and introducing measures to address carbon monoxide poisoning incidents

You can find out more about RIIO on Ofgem's website.

www.ofgem.gov.uk

Underwater reliability



The Western Link is a joint project with SP Transmission.

It will bring renewable energy from Scotland to homes and businesses in England and Wales, via a pair of high voltage direct current (HVDC) cables, approximately 422 kilometres long. Connecting Hunterston in Scotland and Deeside in North Wales, the cable will travel for 385 kilometres under the Irish Sea before coming ashore on the Wirral and travelling underground to Deeside.

At present, the Scotland and England power transmission networks are connected by two overhead power lines and some smaller 132 kV circuits across the boundary which have limited capacity.

The Western Link will provide a further connection, easing pressure on the existing bottlenecks and helping to bring more renewable energy through the system.

The project is expected to become operational in 2016.

422 km of cable

Energy is often created many kilometres from where it's required. We're innovating to make connections.

Clean Line investment

In November 2012 we announced a \$40 million equity investment, of which \$12.5 million was invested in 2012/13, in Clean Line, a developer of long distance, HVDC transmission projects to move renewable energy to market. This investment provides an avenue into a potential growth market for us.

Clean Line will use the proceeds from National Grid to advance the development of its series of HVDC transmission projects (see below). These will connect onshore wind energy resources in the US to communities and cities with demand for low cost, clean power. You can read more about these projects on their website. www.cleanlineenergy.com



Robot in the sky gets ready to roll



A remotely operated overhead lines inspection and maintenance robot will make it easier and safer to maintain the high voltage overhead line network in the UK.

We have been working with Canadian company HydroQuebec on the battery powered LineScout™, which works by rolling along the conductors on two wheels and employs four movable 360 degree cameras to inspect power lines.

The robot transmits live images so detailed inspections can be carried out while the operator remains safely on the ground.

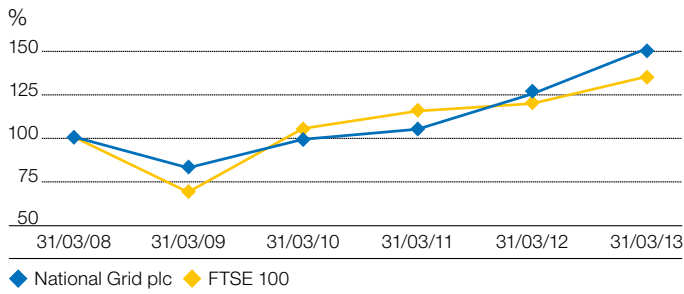
It can be used on live power lines, which means we do not have to switch off circuits and affect customers. It will be particularly useful for difficult to access locations including motorway crossings, rivers and housing estates. The near silent robot will complement existing overhead line inspection and has the potential to revolutionise overhead line maintenance. It's expected to be fully operational by 2014.

Your shares

Performance graph

The graph represents the comparative total shareholder return (TSR) performance of the Company from 31 March 2008 to 31 March 2013.

Total shareholder return

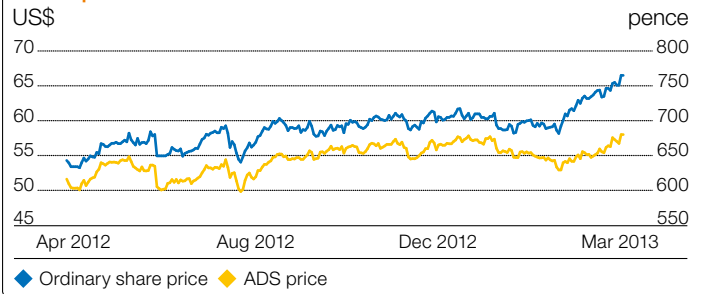


Source: Datastream

Share price

The following graph represents the movement of National Grid's share price during 2012/13.

Share price



Source: Datastream

Financial calendar

5 June 2013

Ordinary shares go ex-dividend

7 June 2013

Record date for 2012/13 final dividend

12 June 2013

Script reference price announced

24 July 2013

Script election date

29 July 2013

2013 AGM and interim management statement

21 August 2013

2012/13 final dividend paid to qualifying shareholders

21 November 2013

2013/14 half year results

4 December 2013

Ordinary shares go ex-dividend

6 December 2013

Record date for 2013/14 interim dividend

22 January 2014

2013/14 interim dividend paid to qualifying shareholders

January/February 2014

Interim management statement

May 2014

2013/14 full year results

Want more information?

Join 50,000 other shareholders and get your information electronically.

Our full Annual Report and Accounts 2012/13 (ARA), including the Remuneration Report, and Notice of Meeting for the 2013 AGM are available online at www.nationalgrid.com or you can request a copy from Capita Registrars.

The Notice of Meeting for the 2013 AGM sets out in full the resolutions for consideration by shareholders, together with explanatory notes and further information on the Directors standing for election and re-election.

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National Grid Share Register,
Capita Registrars, The Registry,
34 Beckenham Road,
Beckenham, Kent BR3 4TU

Shareholder networking

The shareholder networking programme normally takes place twice a year and includes visits to UK operational sites and presentations by senior managers and employees over two days. The costs of the programme (including shareholder travel to and from the event) are paid for by the Company. If you are a UK resident shareholder and would like to take part please apply online at www.nationalgrid.com/corporate/Investor+Relations/ShareholderServices/ShareholderNetworking. You can also apply in person at the AGM. We will only contact those successful in the selection ballot and will give priority to those who have not recently attended.

Shareholder information

This Performance Summary is provided for information only, contains forward-looking statements, and is not intended to be a substitute for reading the full ARA. In particular, this Performance Summary does not constitute summary financial statements and does not contain sufficient information to allow for the same level of understanding of the results and state of affairs of the Company, including the principal risks and uncertainties facing National Grid, as would be provided by the full ARA.

The Bank of New York Mellon

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