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. 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Other factors that could cause actual results to differ materially from those described in this announcement 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 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, development activities relating to changes in the energy mix and 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 assumptions in connection with the Company’s sale of the remaining Cadent stake. 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 193 to 196 of National Grid’s most recent Annual Report and Accounts. 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.
Solid financial performance

Underlying operating profit

**down 6%**

<table>
<thead>
<tr>
<th>HY18</th>
<th>HY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1,364m</td>
<td>£1,285m</td>
</tr>
</tbody>
</table>

Underlying earnings per share

**up 6%**

<table>
<thead>
<tr>
<th>HY18</th>
<th>HY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>18.5p</td>
<td>19.7p</td>
</tr>
</tbody>
</table>

Capital investment

**up 7%**

<table>
<thead>
<tr>
<th>HY18</th>
<th>HY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>£1,994m</td>
<td>£2,130m</td>
</tr>
</tbody>
</table>

Dividend growth in line with policy

**up 3.8%**

<table>
<thead>
<tr>
<th>HY18</th>
<th>HY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>15.49p</td>
<td>16.08p</td>
</tr>
</tbody>
</table>

Underlying results from continuing operations, excluding exceptional items, remeasurements, timing and major storms

Operating profit and capital investment calculated at constant currency

Capital investment includes investment in JVs (excluding equity contributions to St William property JV)
Strong strategic progress

• Decision to exercise the options on our remaining 39% stake in Cadent
• Completed full refresh of rates for US distribution companies
• Started significant cost efficiency programme in the UK
• Taken final investment decision on Viking interconnector to Denmark
Delivering strong US organic growth

- $1.5bn capital invested in H1
- Mix of multiple small and large projects drive rate base growth
- e.g. South Street substation, Providence RI, $80m project
  - to build a new substation and secure reliability for downtown Providence
  - increases reliability and supports economic development
Massachusetts Gas union negotiation update

- Ongoing negotiations with two unions
  - 16 other unions accepted deals on similar terms
- Contingency workforce plan implemented from end of June
- Incremental costs of £97m incurred to 30 September
- Negotiations ongoing to achieve fair settlement that minimises future cost increases for customers
Good UK performance continues

• Strong operational performance
• Consistent levels of investment
• Delivery of forecast ET Network Output Measures for FY19 well ahead of schedule
  – forecast to outperform over RIIO-T1
• Feeder 9 project progressing well
  – 1.7km tunnelling complete
  – on track for completion in Autumn 2020
UK regulatory update

• RIIO-T1 reopeners
  – allowances agreed for enhanced physical and cyber security spend
  – funding disallowed for compressor works
    – reviewing our approach to meeting emissions standards
  – asset health spend for Feeder 9 gas pipeline to continue project

• Approval for Visual Impact Provision for undergrounding transmission lines in Dorset
Progress on NG Ventures and Property

**North Sea Link**
260km subsea cable laid so far
- 1.4GW, 720km link to Norway
- Expected to be operational in FY22

**IFA 2**
Cable duct drilling complete on UK end
- 1GW, 240km link to France
- Expected to be operational in FY21

**Nemo Link**
Energisation & station testing underway
- 1GW, 140km link to Belgium
- Commissioning before the end of March 2019

**Fulham, London**
Preliminary planning approval granted
- 17 acre site in central London
- 1,800 residential units, 35% affordable homes
UK cost efficiency programme

• Creating a leaner, more agile organisation
• £127m exceptional charge recognised in H1 of FY19
• Will generate opex savings of ~£50m in FY20 and ~£100m per annum from FY21 onwards – net cash positive from FY20 onwards
• Continue to expect 200-300bps of out-performance over the remainder of RIIO-T1
Update on US tax reform impact

• Tax reform is economically neutral for utilities
  – lower cashflows in the near term
• Clarity on bill reductions for all operating companies
• $2.2bn deferred tax credit to be returned over up to 50 years
• Higher rate base growth

Overall impact on income statement

<table>
<thead>
<tr>
<th>FY19</th>
<th></th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Impact on operating profit of $210m</td>
<td>• Additional impact to operating profit of around $110m</td>
<td></td>
</tr>
<tr>
<td>• More than offset by the lower tax charge</td>
<td>• Offset by the lower tax rate</td>
<td></td>
</tr>
<tr>
<td>• Small benefit to earnings</td>
<td>• No significant in year impact on earnings</td>
<td></td>
</tr>
</tbody>
</table>
Interest, tax and earnings

**Finance Costs**
- £494m
- 9% lower than HY18
- One-off benefits offset higher net debt
- Effective interest rate of 4.4%

**Underlying Effective Tax Rate**
- 19.3%
- at £(153)m
- Tax rate 360bps lower than HY18
- Tax charge £36m lower than HY18

**Underlying Earnings**
- £662m
- HY18 £656m
- 3,367m weighted average shares
- 19.7p/share

---

1 Excluding joint ventures and associates

Underlying results, excluding timing, exceptional items, remeasurements and major storms
## Cash flow and net debt

<table>
<thead>
<tr>
<th>£m</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Period ended 30 September 2018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>1,202</td>
<td></td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>791</td>
<td></td>
</tr>
<tr>
<td>Pensions</td>
<td>(128)</td>
<td></td>
</tr>
<tr>
<td>Working capital &amp; other</td>
<td>76</td>
<td></td>
</tr>
<tr>
<td><strong>Net operating cash flow</strong></td>
<td>1,941</td>
<td></td>
</tr>
<tr>
<td><strong>Net debt</strong></td>
<td>(25,631)</td>
<td></td>
</tr>
</tbody>
</table>

### Net debt (£bn)

- **Opening net debt**: 23.0
- **Underlying business requirements**: 1.2
- **FX**: 1.4
- **Closing net debt**: 25.6

*Underlying results, excluding timing, exceptional items, remeasurements and major storms*
Efficiently funding growth

• Current strong organic growth being funded through
  – mix of debt at attractive rates
  – internally generated cash flows
  – scrip utilisation
  – Cadent proceeds in June 2019

• Forecast to maintain gearing at around 65% over the medium-term
  – higher gearing at 31 March 2019, ahead of Cadent proceeds
  – consistent with a strong credit rating

• Benefit of additional EBITDA from 2022 onwards
Priorities & Outlook
Regulatory frameworks that enable performance optimisation - UK

- Regulatory frameworks major area of focus
- RIIO-2 Framework decision in July
  - key RIIO principles reaffirmed
  - will work towards a fair return, reflecting level of risk borne by transmission
- Sector specific consultations in December
  - stakeholder led process
Regulatory frameworks that enable performance optimisation - UK

- SPV consultation on onshore competition underway
- Will work with Ofgem to develop a framework that delivers value for both customers and shareholders
- Complex model that doesn’t present a clear customer benefit case
- Long-term track record of efficient delivery puts us in a strong position to win in a competitive environment
  - competitively tender around 90% of our costs
Regulatory frameworks that enable performance optimisation - US

• Trend of higher investment to continue across all jurisdictions

• Rate filing for new rates for Massachusetts Electric in November
  – will propose five year, forward-looking incentive based framework

• Changing customer needs driving investment across all jurisdictions
  – electric vehicle filings made
  – advanced metering infrastructure implementation filing in New York

• Reviewing next steps on KEDNY and KEDLI rates
  – current three-year plan concludes in December 2019
Interconnectors provide attractive long term cash flows

• Final investment decision taken on Viking interconnector
  – £850m investment
  – 760km, 1.4GW JV with the Danish transmission owner
  – go live in 2023

• All four new interconnectors provide
  – combined investment of £2.1bn
  – expected annual EBITDA contribution of £250m when fully operational in mid 2020s
Efficient delivery of growth

- Wide range of future growth drivers
  - asset health for safety and reliability in our core networks
  - new opportunities to meet changing customer needs
- Significant capex visibility to 2021
- Driving asset growth of at least 7% for the next two years
- Portfolio of businesses with high quality future growth prospects
Evolving for the future

- Small but growing portfolio of US renewables
  - almost 30MW solar and storage in operation and more under construction
- Wind and solar opportunities that match our capabilities and risk/reward profile
- Offshore wind agreements with Deepwater Wind
  - advising on subsea cable construction
  - options to purchase subsea links when commissioned
Debt Funding

• Since 31-March, our US companies have issued over $1.3bn of new long-term debt, including:
  – NGNA: €500m 0.75% 5yr due 2023
  – Narragansett Electric: $350m 3.919% 10yr due 2028

• Over the remainder of FY 2018/19, we expect to issue new debt for the US, predominantly for our OpCos and possibly in NGNA

• We may also issue in the UK from National Grid Electricity Transmission plc

• £5.5bn of general liquidity facilities

• Strong credit ratings: Single A for UK OpCos and majority of US OpCos
Summary

- Delivered solid financial performance and strong strategic progress
- Influencing the evolution of regulatory frameworks in UK and US
- Significant activity to be a more agile organisation
- Disciplined delivery on growth opportunities in the medium term
  - to create long term value for customers and shareholders
<table>
<thead>
<tr>
<th>OUTLOOK</th>
<th>Totex incentive</th>
<th>Other incentives</th>
<th>Additional allowances</th>
<th>RoE</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>180bps</td>
<td>40bps</td>
<td>70bps</td>
<td>13.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UNDERLYING OPERATING PROFIT</th>
<th>CAPITAL INVESTMENT</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>£556m</strong></td>
<td><strong>£462m</strong></td>
</tr>
<tr>
<td>HY18 £540m</td>
<td>HY18 £515m</td>
</tr>
</tbody>
</table>

- Capital investment lower due to completion of non-load investments
  - FY20 will include cable undergrounding in Dorset and higher NOM’s delivery
- Totex incentive expected to benefit from higher allowances in the re-opener filings

Underlying results, excluding timing, exceptional items, remeasurements and major storms
UK Gas Transmission

H1 operating profit decrease due to expected return of Avonmouth revenues received in prior years

Totex incentive expected to reduce due to lower allowances in the re-opener filings
  - FY20 MOD expected to be approx. -£80m

<table>
<thead>
<tr>
<th>OUTLOOK</th>
<th>FY18</th>
<th>Other incentives</th>
<th>Additional allowances</th>
<th>RoE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>(80)bps</td>
<td>120bps</td>
<td>(40)bps</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

**UNDERLYING OPERATING PROFIT**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY18</td>
<td>£91m</td>
</tr>
<tr>
<td>HY18</td>
<td>£144m</td>
</tr>
<tr>
<td>HY18 (%)</td>
<td>-37%</td>
</tr>
</tbody>
</table>
US Regulated

OUTLOOK  Targeting ROE in line with prior year  ➖  RoE

UNDERLYING OPERATING PROFIT

<table>
<thead>
<tr>
<th>HY18</th>
<th>HY18 $522m</th>
</tr>
</thead>
<tbody>
<tr>
<td>£431m</td>
<td>-17%</td>
</tr>
</tbody>
</table>

CAPITAL INVESTMENT

<table>
<thead>
<tr>
<th>HY18</th>
<th>HY18 $1.4bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1.5bn</td>
<td></td>
</tr>
</tbody>
</table>

- Underlying operating profit reflects
  - benefit of new rate case outcomes
  - £56m higher storm costs and impact of US tax reform
- US profitability more weighted to H2 this year
- Massachusetts work contingency plan costs classified as an exceptional item
  - lower capex in Massachusetts Gas

Operating profit and capital investment calculated at constant currency
Underlying results, excluding timing, exceptional items, remeasurements and major storms
NG Ventures

<table>
<thead>
<tr>
<th>OPERATING PROFIT</th>
<th>£78m</th>
<th>£37m</th>
<th>£34m</th>
<th>£(18)m</th>
<th>£131m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metering</td>
<td>£83m</td>
<td>£37m</td>
<td>£34m</td>
<td>£(22)m</td>
<td>HY18 £132m</td>
</tr>
<tr>
<td>Grain LNG</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>IFA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>POST TAX SHARE of JVs</td>
<td>£13m</td>
<td>£8m</td>
<td>£10m</td>
<td>£nil</td>
<td>£31m</td>
</tr>
<tr>
<td>BritNed</td>
<td>£18m</td>
<td>£6m</td>
<td>£nil</td>
<td>HY18 £24m</td>
<td></td>
</tr>
<tr>
<td>Millennium</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL INVESTMENT</td>
<td>£212m</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>HY18 £180m</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Interconnector projects driving higher investment in NGV

Operating profit, share of joint venture profit after tax and investment calculated at constant currency
Underlying results, excluding timing, exceptional items, remeasurements and major storms
### Other activities

#### OPERATING PROFIT

<table>
<thead>
<tr>
<th></th>
<th>HY18</th>
<th>HY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property</td>
<td>£53m</td>
<td>£26m</td>
</tr>
<tr>
<td>Corporate centre and other</td>
<td>£(27)m</td>
<td>(£4)m</td>
</tr>
</tbody>
</table>

#### POST TAX SHARE of JVs

<table>
<thead>
<tr>
<th></th>
<th>HY18</th>
</tr>
</thead>
<tbody>
<tr>
<td>St. William</td>
<td>(£4)m</td>
</tr>
</tbody>
</table>

#### TOTAL INVESTMENT

<table>
<thead>
<tr>
<th></th>
<th>HY18</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£53m</td>
</tr>
</tbody>
</table>

- Fulham transaction expected in H2, subject to finalisation of site works and planning consents
- Legal settlements of £94m

---

1 Excludes investment in St. William joint venture

Operating profit, share of joint venture profit after tax and investment calculated at constant currency

Underlying results, excluding timing, exceptional items, remeasurements and major storms