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Half Year Results

2018/19

8 November 2018

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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.

Agenda

Highlights
John Pettigrew

Financial review
Andy Agg

Priorities and outlook
John Pettigrew

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Highlights

John Pettigrew
Chief Executive

Solid financial performance

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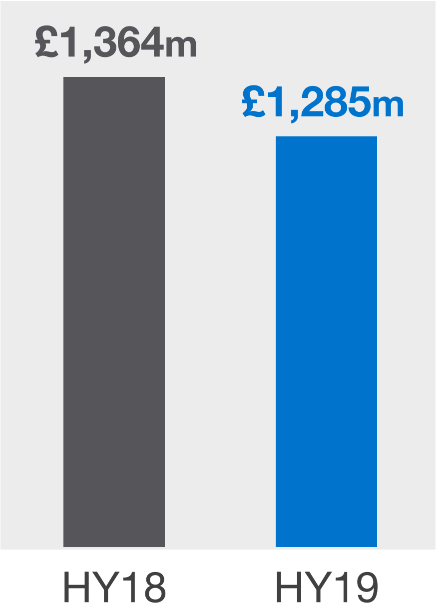
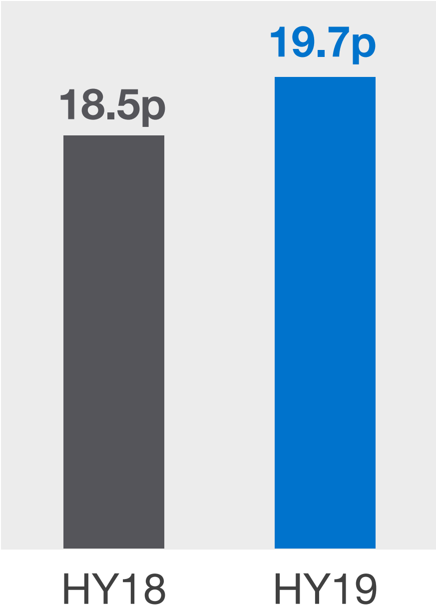
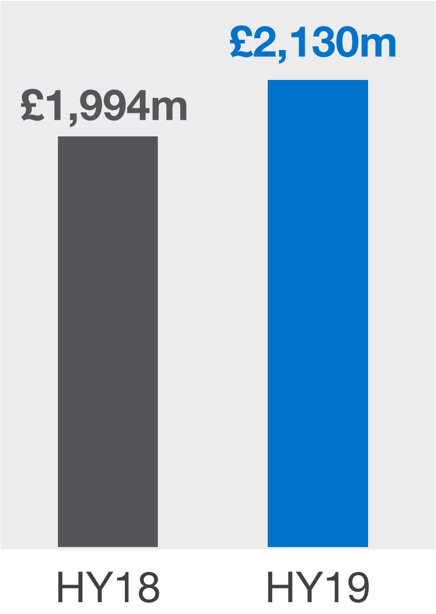
Underlying operating profit **down 6%**



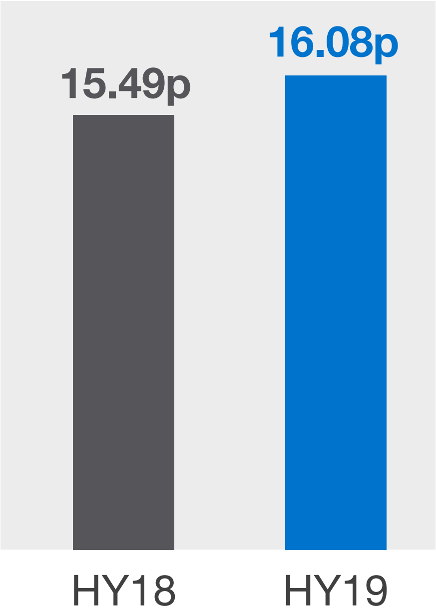
Underlying earnings per share **up 6%**



Capital investment **up 7%**



Dividend growth in line with policy **up 3.8%**



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)

Safety and reliability performance

- Continued strong safety performance
  - employee IFR of under 0.1*
- Strong reliability across our networks in H1
- Good response to US storms in April and May
- Well prepared for the winter

* Employee IFR is the number of injuries per 100,000 hours worked in a 12 month period for employees

Strong strategic progress

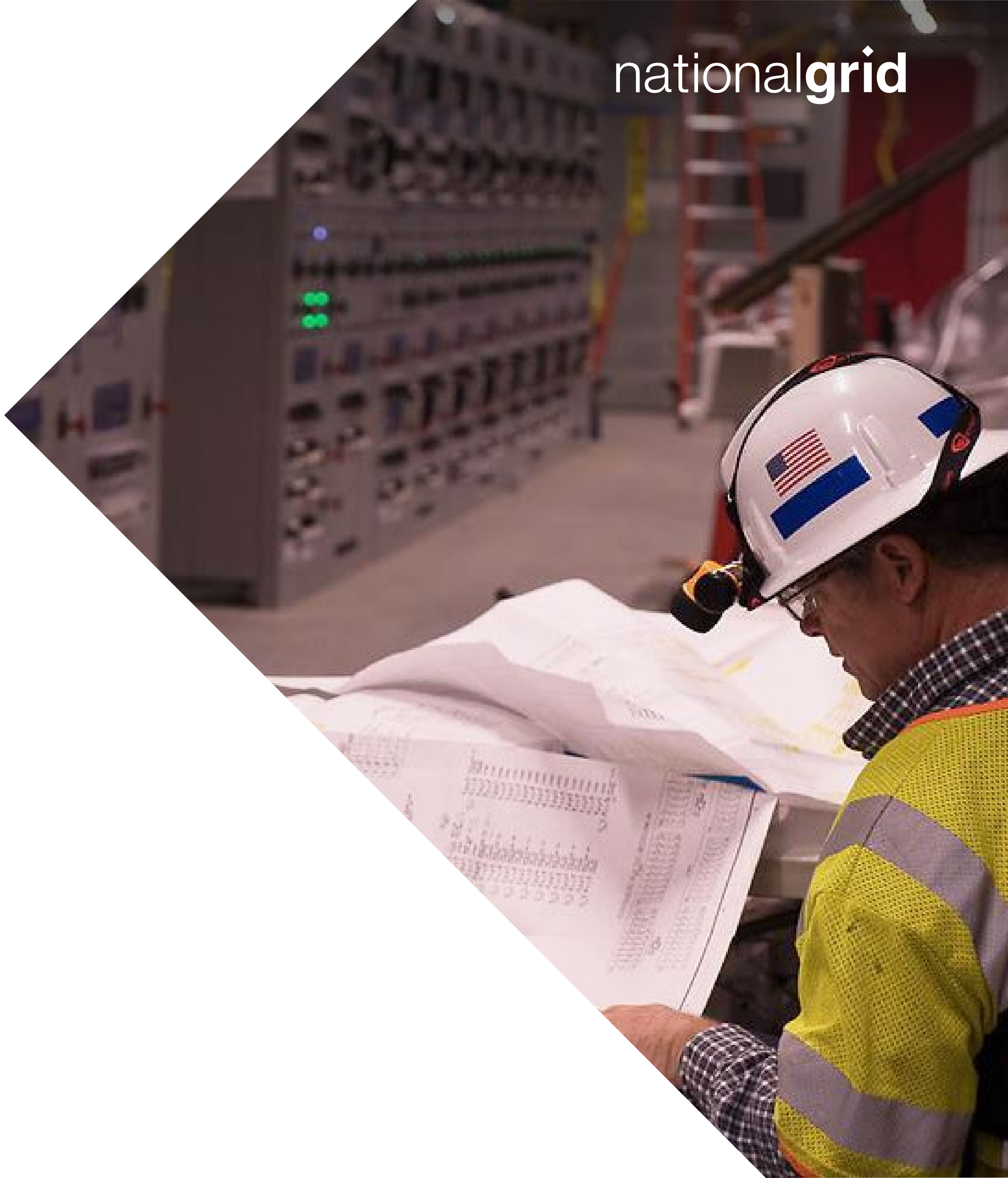
- Decision to exercise the options on our remaining 39% stake in Cadent
- Completed full refresh of rates for US distribution companies
- Started significant cost efficiency programme in the UK
- Taken final investment decision on Viking interconnector to Denmark

Cadent – sale of remaining share

- Sale completion in June 2019
- Will complete exit of UK gas distribution
- Created significant value for shareholders
  - £4bn returned to shareholders last year
- Cash proceeds of £2bn to be reinvested in the business

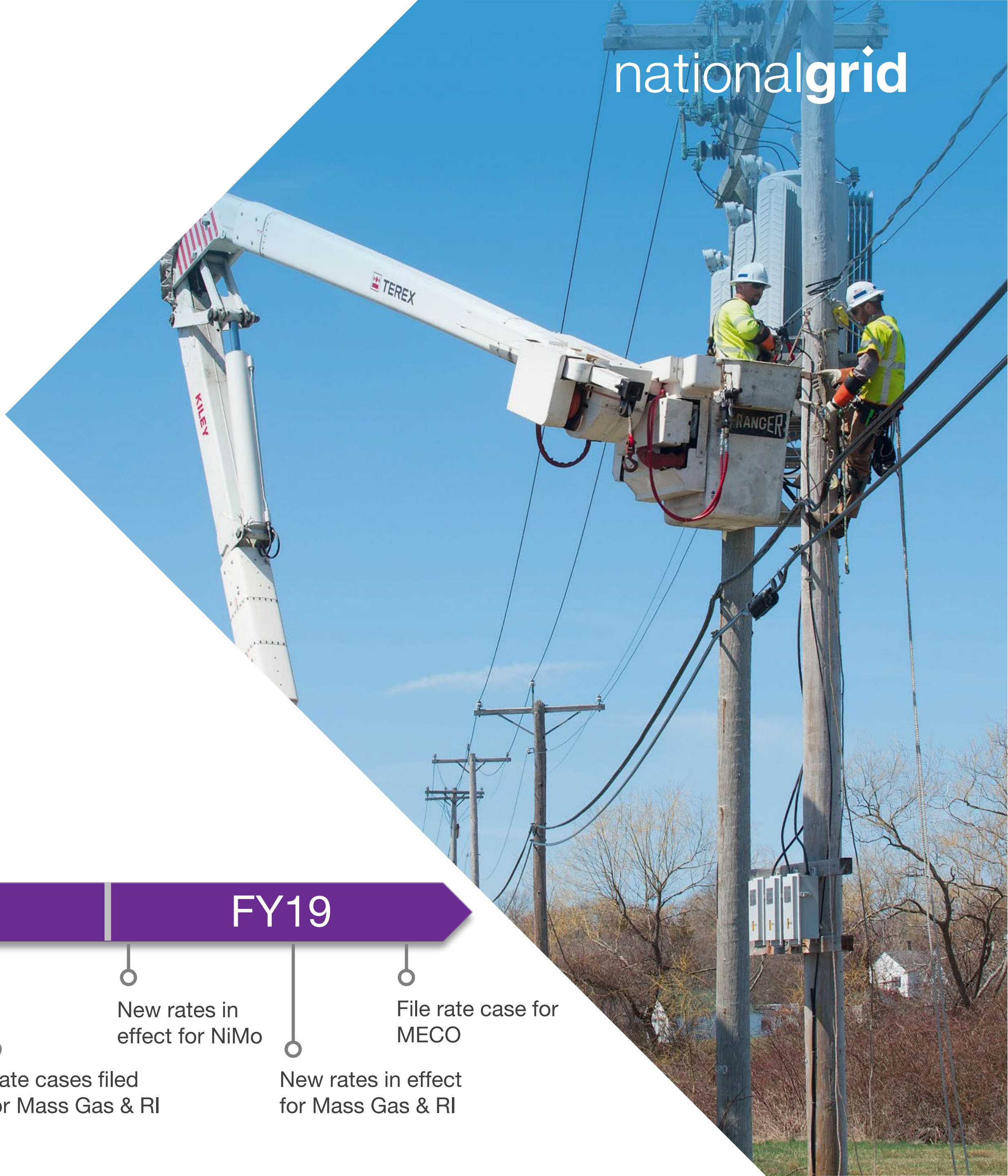
Delivering strong US organic growth

- $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



Good regulatory progress in the US

- All distribution businesses now under refreshed rate plans
  - RI and Mass. Gas agreed most recently
  - full refresh provides solid foundation to deliver capex and strong returns
- Clarity on tax reform impact



Progress on regulatory filings

FY16 | FY17 | FY18 | FY19

- FY16: Rate cases filed for MECO, KEDNY & KEDLI
- FY17: New rates in effect for MECO
- FY17: New rates in effect for KEDNY & KEDLI
- FY18: Rate cases filed for NiMo
- FY18: Rate cases filed for Mass Gas & RI
- FY19: New rates in effect for NiMo
- FY19: New rates in effect for Mass Gas & RI
- FY19: File rate case for MECO

New rates agreed in Rhode Island and Massachusetts Gas

Rhode Island
Gas and Electric rates

Summary of outcome

- 3 year rate plan from September 2018
- RoE of 9.3%
- $240m annual capex allowance
- Upside only incentives of 7-20 bps

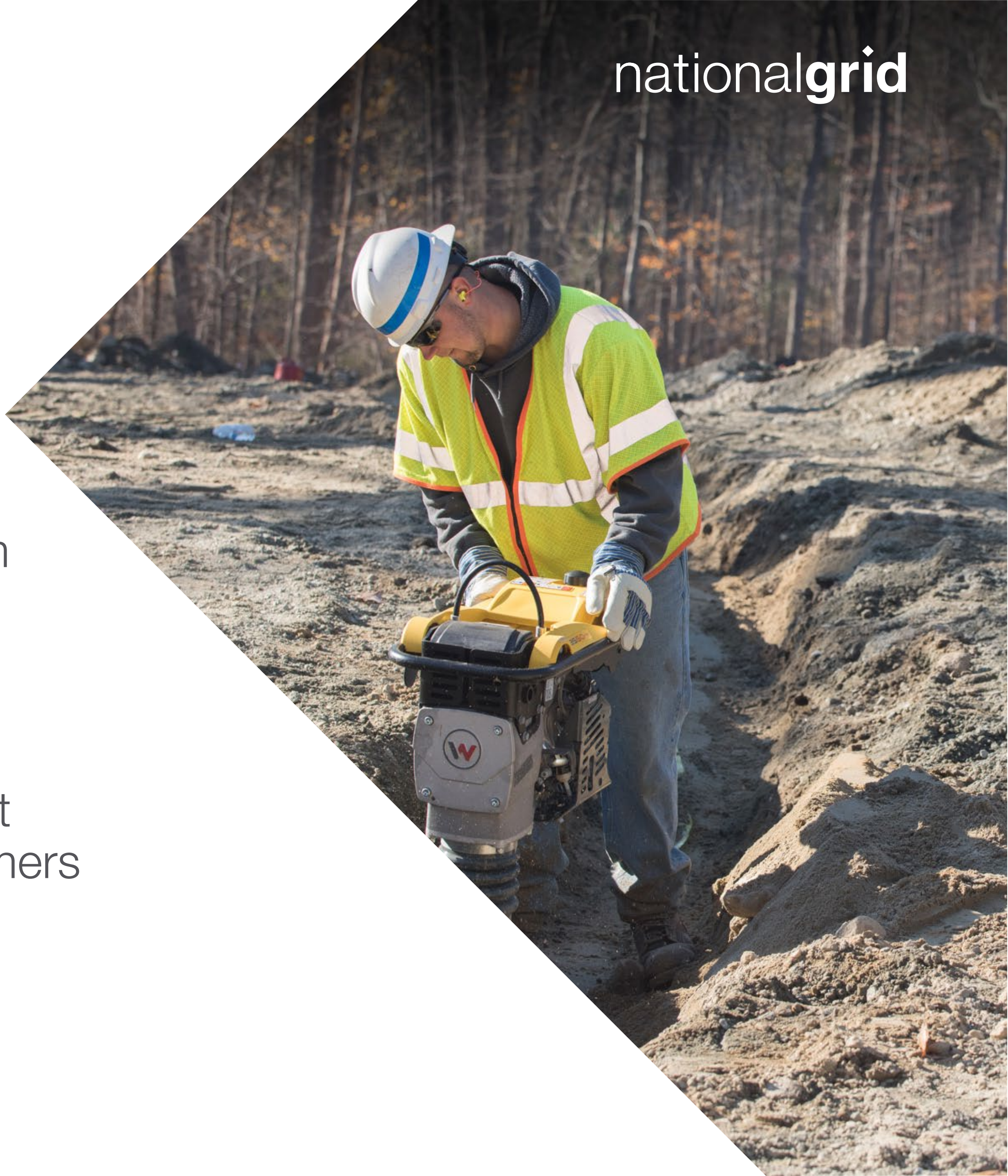
Massachusetts
Gas rates

Summary of outcome

- RoE of 9.5%
- $413m annual capex allowance
- New rates effective from October 2018

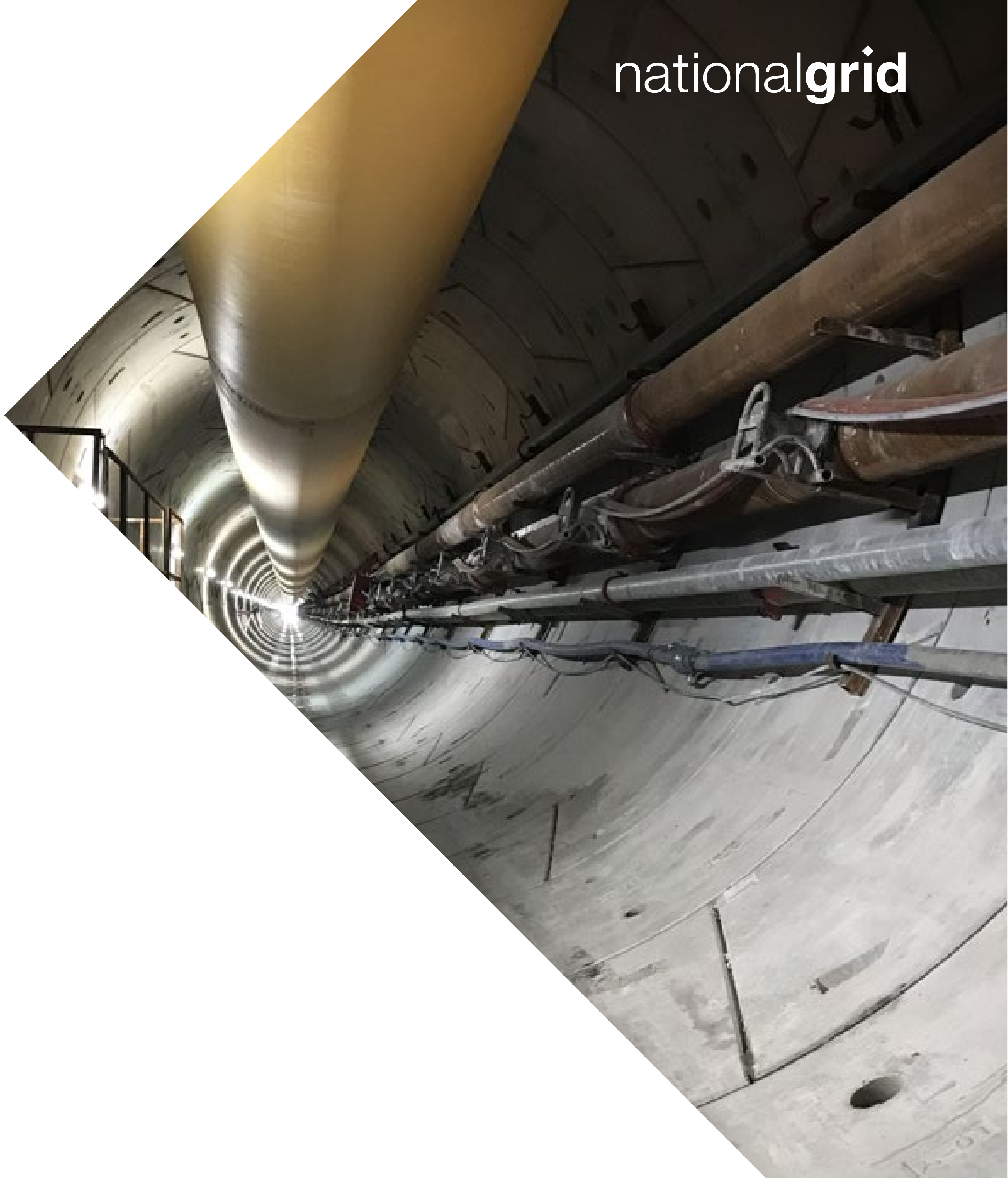
Massachusetts Gas union negotiation update

- 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



Creating a more agile UK organisation

- Comprehensive review of UK cost base to ensure we are:
  - well positioned for the future
  - a more agile organisation
  - even more responsive to customers
- Expect to deliver at least £100m of opex savings from FY21

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

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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

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Financial Performance

Andy Agg

Interim CFO

Solid financial performance

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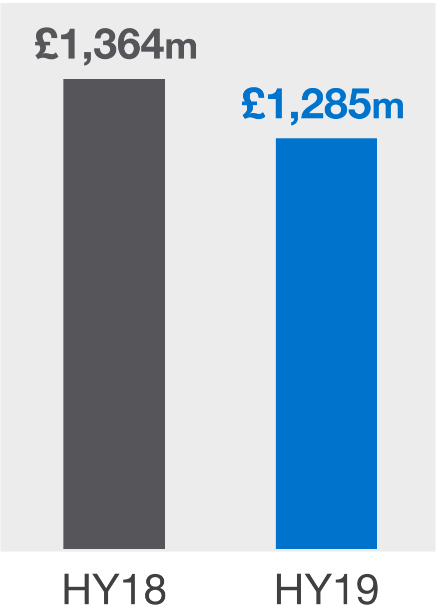
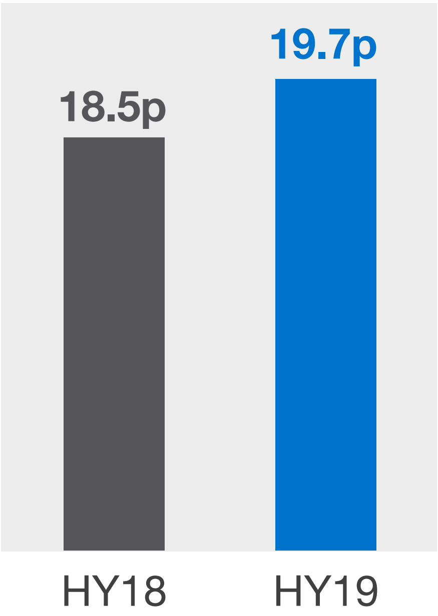
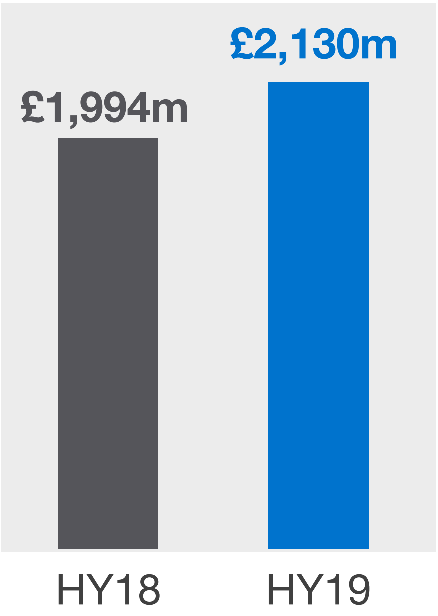
Underlying operating profit
down 6%



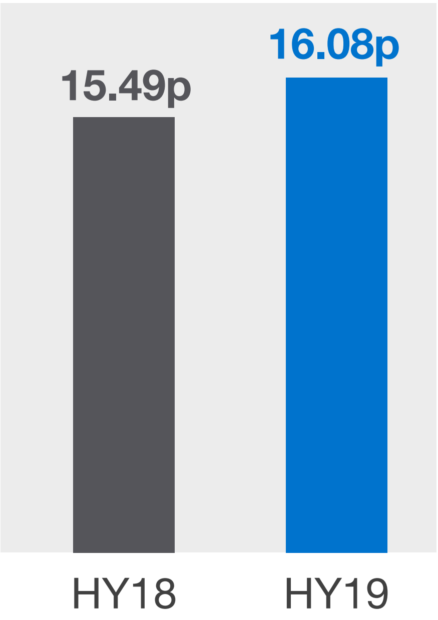
Underlying earnings per share
up 6%



Capital investment
up 7%



Dividend growth in line with policy
up 3.8%



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)

UK Electricity Transmission

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OUTLOOK	Totex incentive ▲	Other incentives ◀▶	Additional allowances ◀▶	▲ RoE
FY18	180bps	40bps	70bps	13.1%

UNDERLYING OPERATING PROFIT

£556m +3%

HY18 **£540m**

CAPITAL INVESTMENT

£462m

HY18 **£515m**

- 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

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OUTLOOK	Totex incentive ▼	Other incentives ▼	Additional allowances ◀▶	▼ RoE
FY18	(80)bps	120bps	(40)bps	10.0%

UNDERLYING OPERATING PROFIT

£91m -37%

HY18 **£144m**

CAPITAL INVESTMENT

£153m

HY18 **£157m**

- 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

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

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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

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US Regulated

OUTLOOK Targeting ROE in line with prior year ◀▶ **RoE**

UNDERLYING OPERATING PROFIT	CAPITAL INVESTMENT
£431m -17%	**$1.5bn**
HY18 **£522m**	HY18 **$1.4bn**

- 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

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	
FY19	• Impact on operating profit of $210m • More than offset by the lower tax charge • Small benefit to earnings
FY20	• Additional impact to operating profit of around $110m • Offset by the lower tax rate • No significant in year impact on earnings

NG Ventures

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					Total
OPERATING PROFIT	£78m Metering	£37m Grain LNG	£34m IFA	£(18)m Other	**£131m**
HY18	**£83m**	**£37m**	**£34m**	**£(22)m**	HY18 **£132m**

				Total
POST TAX SHARE of JVs	£13m BritNed	£8m Millennium	£10m Other	**£31m**
HY18	**£18m**	**£6m**	**£nil**	HY18 **£24m**

TOTAL INVESTMENT **£212m**

HY18 **£180m**

- 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

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Other activities

OPERATING PROFIT	£38m Property	£38m Corporate centre and other	**£76m**
HY18	**£53m**	**£(27)m**	HY18 **£26m**
POST TAX SHARE of JVs	£(6)m St. William		**£(6)m**
HY18	**£(4)m**		HY18 **£(4)m**

TOTAL INVESTMENT[1]

£126m

HY18 **£53m**

- 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

Interest, tax and earnings

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FINANCE COSTS

£494m

9% lower than HY18

- One-off benefits offset higher net debt
- Effective interest rate of 4.4%

UNDERLYING EFFECTIVE TAX RATE[1]

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

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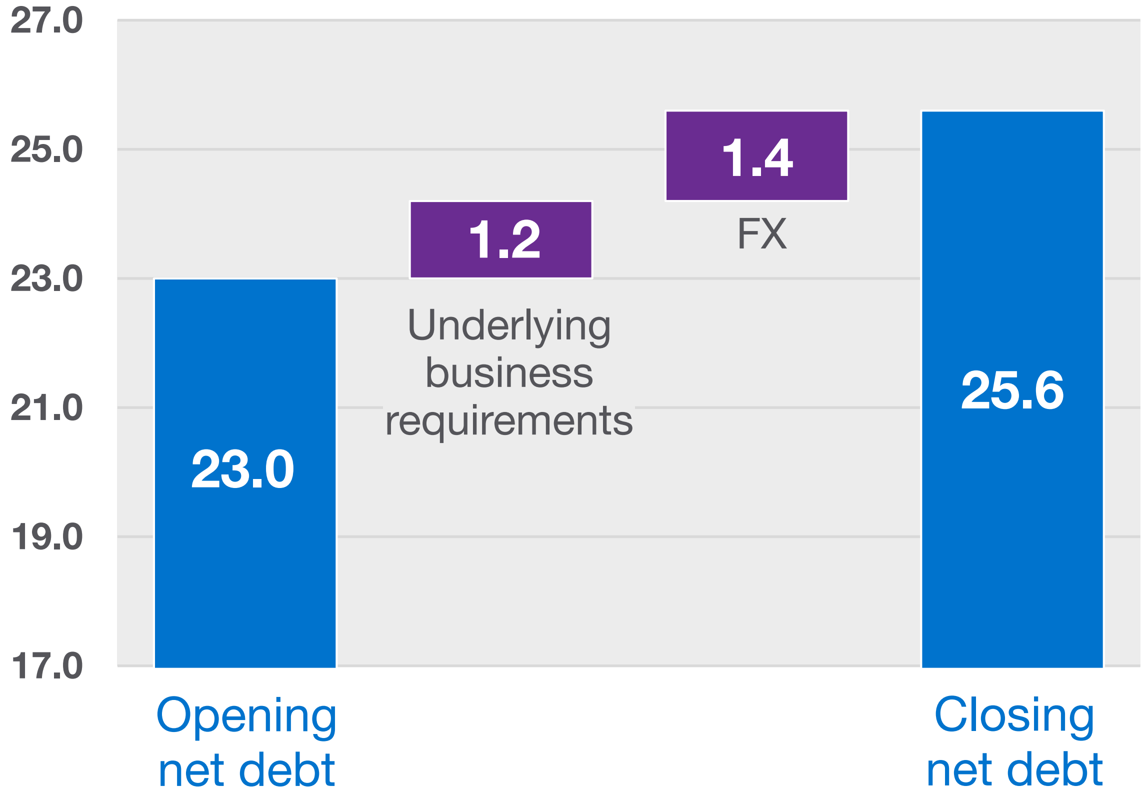
£m Period ended 30 September 2018	
Operating profit	1,202
Depreciation & amortisation	791
Pensions	(128)
Working capital & other	76
Net operating cash flow	**1,941**
Net debt	(25,631)

Net debt (£bn)

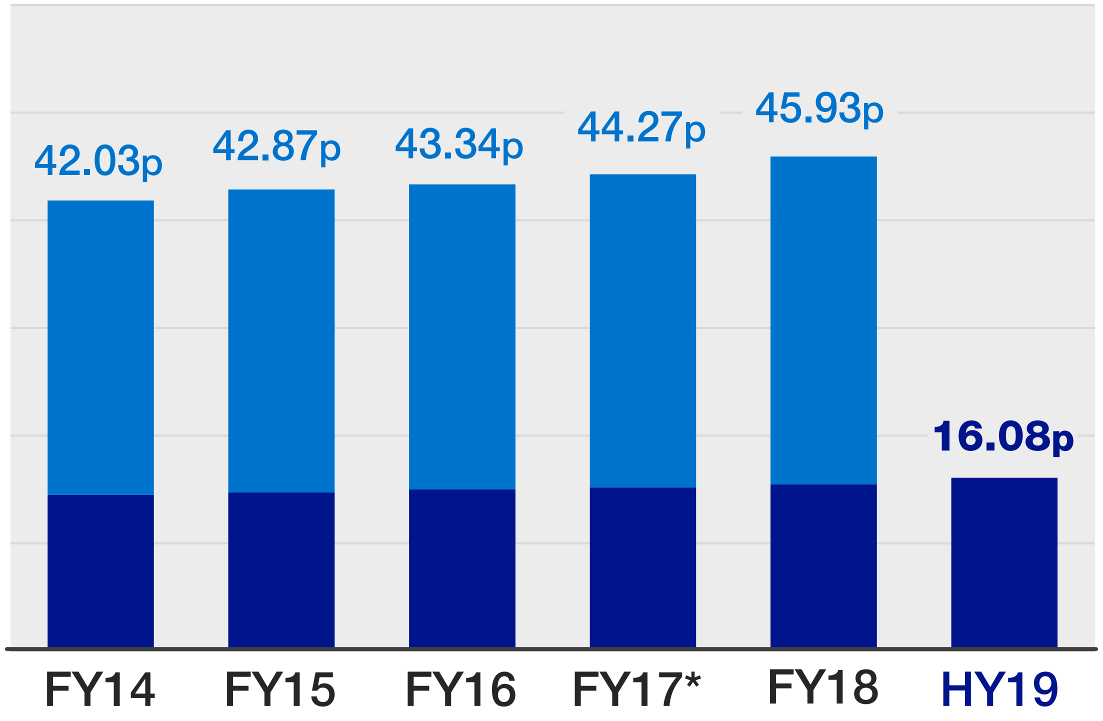


Underlying results, excluding timing, exceptional items, remeasurements and major storms

Dividend and scrip

- 16.08p, 35% of prior year full-year dividend
- Scrip option to be offered
- Policy to aim to grow dividend at least in line with UK RPI inflation

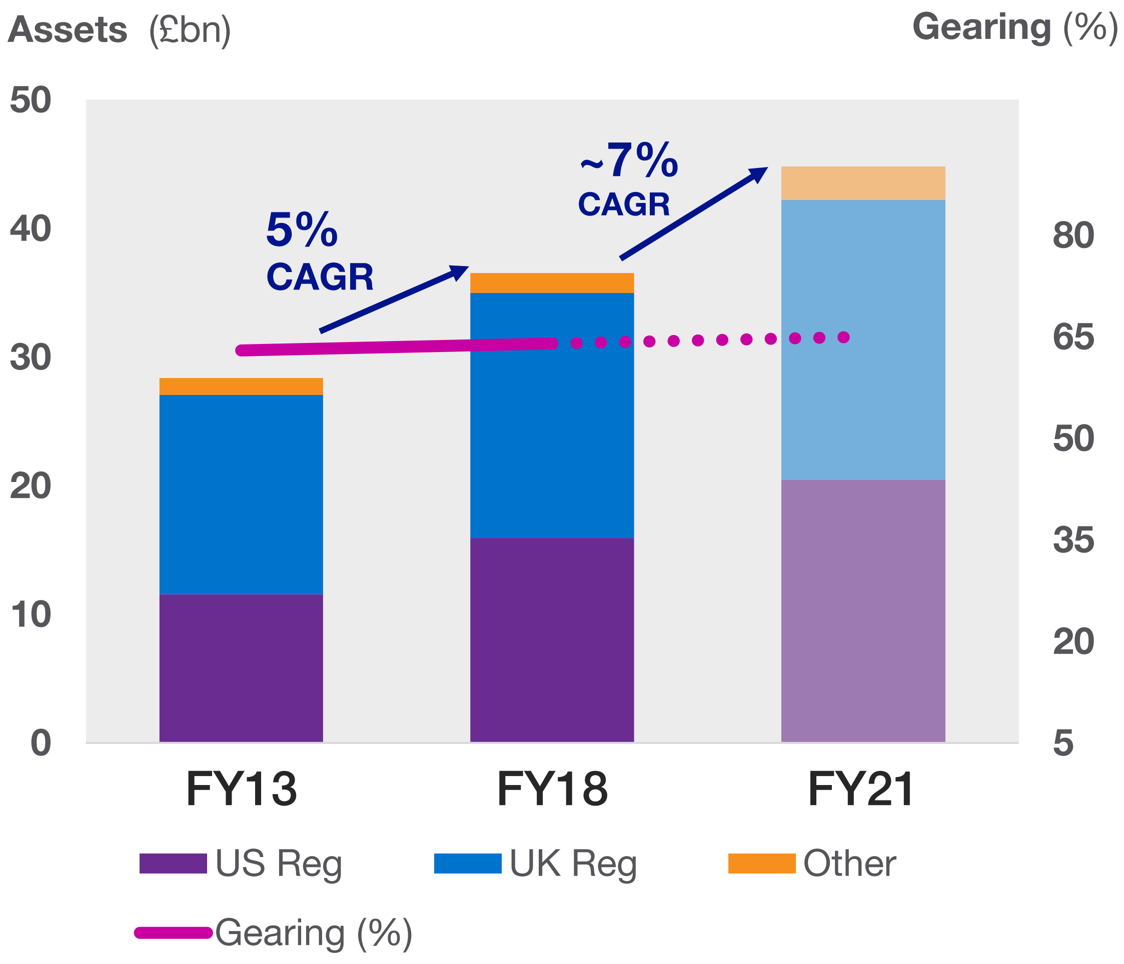
Dividend per share



* Excludes special dividend of 84.375p

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



Update to FY18/19 technical guidance

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2017/18 underlying EPS excluding discontinued operations of 56.2p

- Key updates compared to year end technical guidance:
  - higher than anticipated storm costs in the first half, no impact on US RoE
  - legal settlements of £94m in Other activities segment to benefit full year
  - interest charge for the second half to be higher, as benefits in the first half are not repeated
- Performance remains on track

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Priorities & Outlook

John Pettigrew
Chief Executive

Long-term drivers of success

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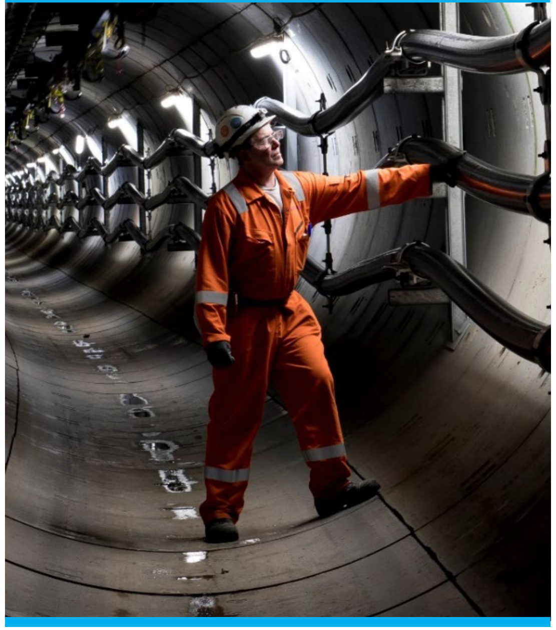
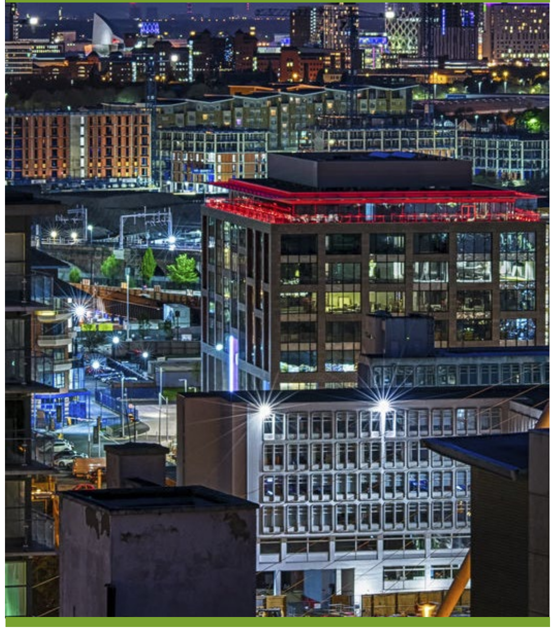
Customer first

Performance optimisation



Growth



Evolve for the future

Customer first

- Energy transition and technological advancements enable more cost-effective customer service
- Performance optimisation central to meeting changing customer needs
- Stable and predictable regulatory frameworks are key

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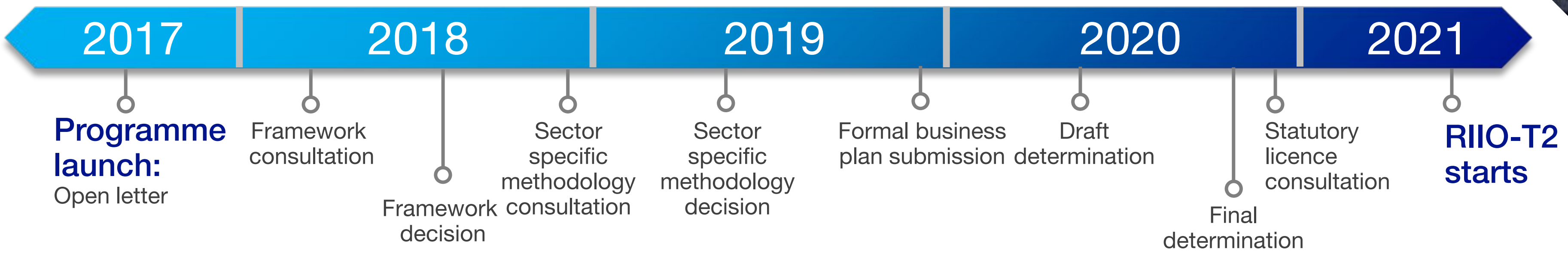
Regulatory frameworks that enable performance optimisation - UK

- 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

RIIO-T2 timeline



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

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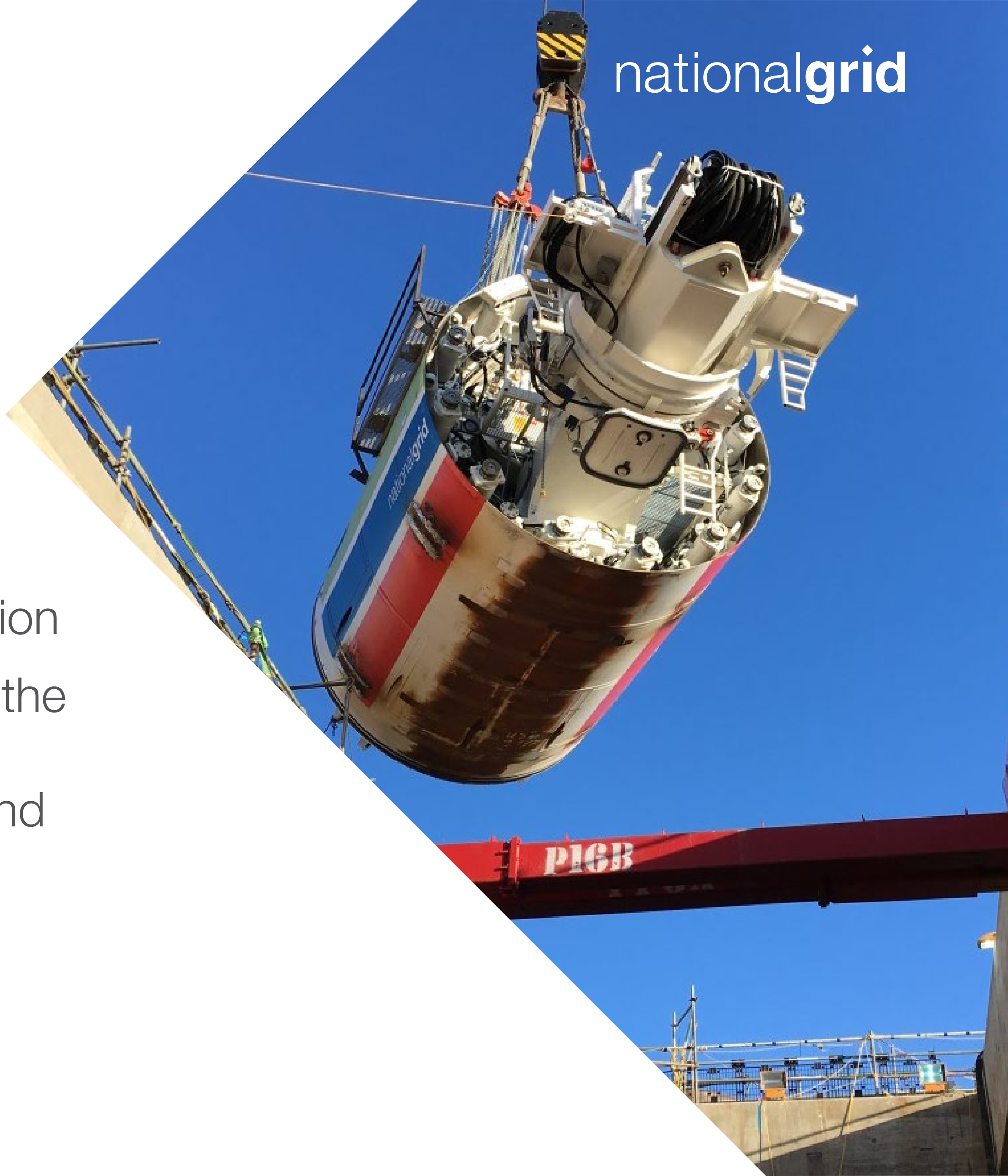
Evolving for the future

- 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

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



Q&A

John Pettigrew
Chief Executive

Andy Agg
Interim CFO

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Appendices

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Appendix 1

Pensions & other post-retirement benefit obligations (IAS 19 data)

	UK		US		
At 30 September 2018 (£m)	ESPS	NGUK PS	Pensions	OPEBs[1]	Total
Market value of assets	3,070	11,970	6,552	2,715	**24,307**
Present value of liabilities	(2,905)	(10,721)	(6,925)	(3,426)	**(23,977)**
Net asset / (liability)	165	1,249	(373)	(711)	**330**
Taxation	(28)	(212)	106	193	**59**
Asset / (liability) net of taxation	**137**	**1,037**	**(267)**	**(518)**	**389**
Discount rates	2.9%	2.9%	4.3%	4.3%	

	UK		US		
At 31 March 2018 (£m)	ESPS	NGUK PS	Pensions	OPEBs[1]	Total
Market value of assets	3,052	12,278	6,030	2,498	**23,858**
Present value of liabilities	(3,025)	(11,201)	(6,582)	(3,313)	**(24,121)**
Net asset / (liability)	27	1,077	(552)	(815)	**(263)**
Taxation	(5)	(183)	158	233	**203**
Asset / (liability) net of taxation	**22**	**894**	**(394)**	**(582)**	**(60)**
Discount rates	2.6%	2.6%	4.0%	4.0%	

1 OPEBs = other post employment benefits

Appendix 2
Timing impacts

£m	UK Electricity Transmission	UK Gas Transmission	US Regulated[1]	Total
1 April 2018 opening balance	(44)	93	246	**295**
Restatement of opening balance	(6)	9	(6)	**(3)**
(Under) / over recovery	(25)	(12)	(46)	**(83)**
30 Sept 2018 closing balance to (recover) / return	**(75)**	**90**	**194**	**209**
1 April 2017 adjusted opening balance	(39)	110	332	**403**
(Under) / over recovery	2	(18)	(92)	**(108)**
30 Sept 2017 closing balance to (recover) / return	(37)	92	240	**295**
Year on year timing variance	(27)	6	46	**25**

1. Constant currency, presented using the average exchange rate for the 6 months to 30 September 2018 ($1.31 to £1.00)
Closing timing balances at actual closing exchange rates for September 2018 and September 2017 were £211m and £290m respectively

Appendix 3
Weighted average number of shares

For period ended 30 September	2018	2017
Number of shares (millions):		
Current period opening shares	3,355	
Scrip dividend shares (weighted issue)	10	
Other share movements (weighted from issuance/repurchase)	2	
Weighted average number of shares	3,367	3,539
Underlying earnings (£m) - continuing operations	662	656
Underlying EPS (re-presented) - continuing operations	19.7p	18.5p

Underlying earnings represent statutory results excluding exceptional items, remeasurements, timing and major storms

Appendix 4

Prior year income statement from continuing operations adjusted to exclude 39% of Cadent

	6 months to September 2017			12 months to March 2018		
	As reported	Cadent	Continuing	As reported	Cadent	Continuing
Underlying operating profit	1,368	-	1,368	3,495	-	3,495
Net financing costs	(527)	(15)	(542)	(974)	(27)	(1,001)
Post tax share of JVs & associates (Cadent)	55	(55)	-	123	(123)	-
Post tax share of JVs & associates (Other)	20	-	20	44	-	44
Underlying profit before tax	916	(70)	846	2,688	(150)	2,538
Tax	(192)	3	(189)	(598)	5	(593)
Non-controlling interest	(1)	-	(1)	(1)	-	(1)
Underlying profit after tax for the period	723	(67)	656	2,089	(145)	1,944
Weighted average number of shares (million)	3,539	3,539	3,539	3,461	3,461	3,461
Underlying earnings per share (pence)	20.4	(1.9)	18.5	60.4	(4.2)	56.2
Underlying profit after tax for the period	723	(67)	656	2,089	(145)	1,944
Timing	(109)	-	(109)	104	-	104
Major storms	-	-	-	(142)	-	(142)
Taxation on timing and major storms	40	-	40	9	-	9
Headline profit after tax for the period	654	(67)	587	2,060	(145)	1,915
Headline earnings per share (pence)	18.5	(1.9)	16.6	59.5	(4.2)	55.3