Half Year Results 2015/16

“Our business has delivered a strong performance in the first half of the year while maintaining high standards of safety and reliability for our customers and increasing our level of investment. Headline profits have benefited from an excellent performance from our interconnectors and property activities, which are strongly weighted towards the first half.”

Highlights

Strong first half performance
- Adjusted earnings per share of 28.4p, up 22%, principally driven by other activities
- Investment of £1.9bn up 17% at constant currency
- UK Regulated: progress towards another year of good performance
- US Regulated:
  - increased investment to over $1.4bn
  - agreed increased capex and extended tracker in downstate New York
  - full rate case filed for Massachusetts Electric
- Other activities: very strong first half UK interconnector and property performance
- Strong balance sheet maintained
  - interim dividend of 15.00p per share in line with policy

Portfolio development
- Commencing a process for the potential sale of a majority stake in UK Gas Distribution

Group financial summary

(£m at actual exchange rate) Half year ended 30 September

<table>
<thead>
<tr>
<th>Adjusted Results (unaudited)</th>
<th>2015</th>
<th>2014</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>1,836</td>
<td>1,611</td>
<td>14</td>
</tr>
<tr>
<td>Profit before tax</td>
<td>1,371</td>
<td>1,137</td>
<td>21</td>
</tr>
<tr>
<td>Earnings</td>
<td>1,067</td>
<td>883</td>
<td>16</td>
</tr>
<tr>
<td>Earnings per share</td>
<td>28.4p</td>
<td>23.2p</td>
<td>22</td>
</tr>
</tbody>
</table>

Notes

1. Adjusted results and a number of other terms and performance measures used in this document are not defined within accounting standards or may be applied differently by other organisations. Prior year EPS has been adjusted to reflect the addition of shares issued as scrip dividends.

Outlook

- On track to deliver another year of good overall returns and dividend growth
- Full year investment of around £3.7bn expected, driving asset growth of between 4% and 5%

“Our UK Regulated businesses and other activities remain on track to deliver good performance this year. In the US, we have made significant progress, managing our cost base through a time of increased activity and we expect to maintain profits in line with last year.

In the second half of 2015/16 we will begin a process to rebalance our portfolio through the potential sale of a majority stake in our UK Gas Distribution business. Following a sale National Grid’s portfolio of businesses will have a higher asset growth profile and will remain well positioned to deliver strong returns and a sustainable, growing dividend. The UK Gas Distribution business has been an important part of National Grid and the sale of a majority stake will realise some of the value we have created for our shareholders.”

Steve Holliday, Chief Executive
Half Year Results 2015/16

Business performance in detail

Incentives

<table>
<thead>
<tr>
<th>Totex</th>
<th>Other</th>
<th>Additional</th>
<th>Overall</th>
</tr>
</thead>
</table>

UK Electricity Transmission

**Operating profit** £610m

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

UK Gas Transmission

**Operating profit** £159m

- 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

UK Gas Distribution

**Operating profit** £428m

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

US Regulated

**Operating profit** £351m

- 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
- Sale of two properties; likely to remain flat through H2
- End of US systems stabilisation costs in H1 2014/15
- Benefit from exchange of Iroquois Pipeline interest

Note: Adjusted performance, excluding exceptional items and remeasurements. All numbers include impact of timing.

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’, ‘potential’, ‘expects’, ‘forecasts’, ‘may’, ‘will’, ‘continues’, ‘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 an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid. The results may differ from such statements as a result of factors affecting National Grid’s performance, including, but not limited to, energy market trends, changes in the regulatory environment, and factors relating to the financial performance of National Grid’s assets. The information contained in this document reflects management’s assessment as of the date hereof, and 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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