Cautionary statement

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2015/16

Half Year Results

Business Review
Financial headlines

£1.8bn operating profit
£1.4bn profit before tax
£1.1bn earnings

Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations
All numbers include impacts of timing
Electricity Transmission

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Totex</th>
<th>Other</th>
<th>Add’l</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
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<td></td>
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</tbody>
</table>

UK Electricity Transmission | £610m | = | = | = | = |

Expected year on year movement in returns

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

Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations. All numbers include impacts of timing.
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

Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations
All numbers include impacts of timing
Gas Distribution

UK Gas Distribution £428m

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

Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations
All numbers include impacts of timing
US Regulated

£351 m
around 8%
projected 2015 returns

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

Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations. All numbers include impacts of timing.
### Other activities

<table>
<thead>
<tr>
<th>Other activities</th>
<th>Metering</th>
<th>Grain LNG</th>
<th>IFA</th>
<th>Property</th>
<th>Op Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£84m</td>
<td>£39m</td>
<td>£81m</td>
<td>£61m</td>
<td>£288m</td>
</tr>
</tbody>
</table>

- 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

Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations
Interest, tax and earnings

Finance costs

£493m
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

<table>
<thead>
<tr>
<th>Period ended 30 September 2015</th>
<th>£m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>1,836</td>
</tr>
<tr>
<td>Depreciation &amp; amortisation</td>
<td>796</td>
</tr>
<tr>
<td>Provisions, incl. pensions</td>
<td>(284)</td>
</tr>
<tr>
<td>Working capital &amp; other</td>
<td>333</td>
</tr>
<tr>
<td><strong>Net operating cash flow</strong></td>
<td>2,681</td>
</tr>
<tr>
<td>Net debt</td>
<td>24,592</td>
</tr>
</tbody>
</table>

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
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

2015
UKGD process kicks off
KEDNY/KEDLI rate filings

Today

2016
MA Electric filing results
KEDNY/KEDLI filing results

2017
UKGD process concludes
Solid first half; on track for another year of asset growth and good returns