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2017/18 Half Year Results

9 November 2017

Bring Energy to Life

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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 180 to 183 of National Grid's most recent Annual Report and Accounts, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2017 published on 9 November 2017. 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	Andrew Bonfield
Priorities and outlook	John Pettigrew

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Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE

HY 2017/18 financial performance

OPERATING PROFIT[1]
Excluding Timing
£1.4bn
HY17 **£1.3bn**

EARNINGS PER SHARE
Excluding Timing
20.4p
HY17 **22.2p[2]**

DIVIDEND PER SHARE
15.49p
HY17 **15.17p**

CAPITAL INVESTMENT[3]
£2.0bn
HY17 **£1.9bn**

1 Adjusted results, excluding exceptional items and remeasurements
2 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital
3 Capital investment includes investment in JVs, excluding equity contributions to St William property JV

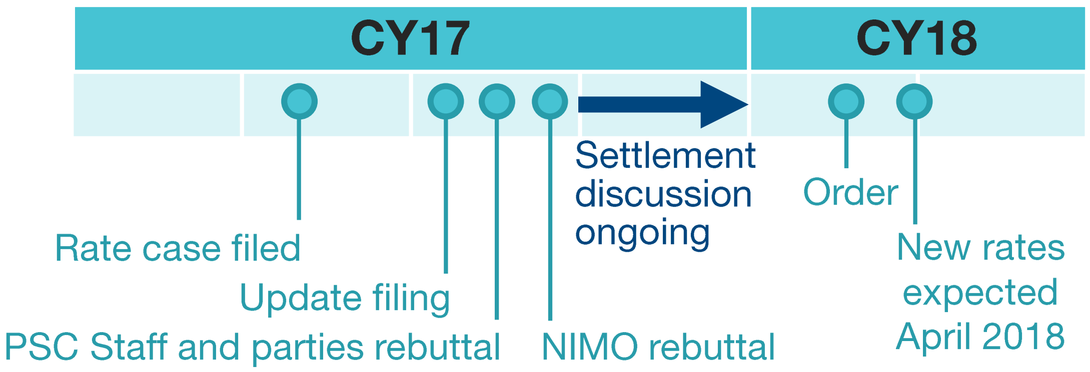
Safety and reliability remain core

- On track to achieve world class performance
- Severe storms in our service areas
  - 400,000 customers affected
  - Strong response provided
- UK System Operator prepared for winter
  - Capacity market auction driving increased winter margins
  - 10.3% de-rated capacity margin forecast

US rate filings support growth and performance

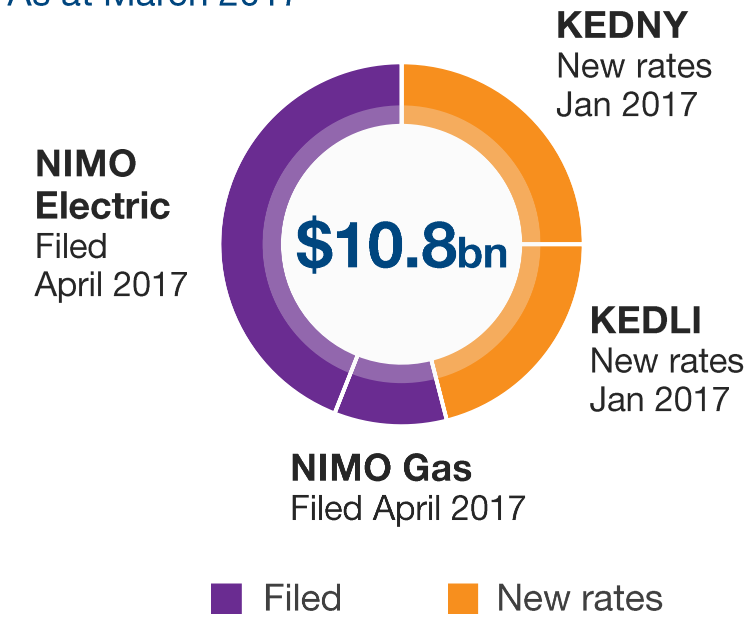
- Niagara Mohawk (NIMO) in rate case settlement discussions
- NIMO represents over 50% of New York rate base
- New rates expected from April 2018
- 70% of US rate base will have new rates
- Rate cases contributing to improving US returns

NIMO rate case progress



New York Rate Base

As at March 2017



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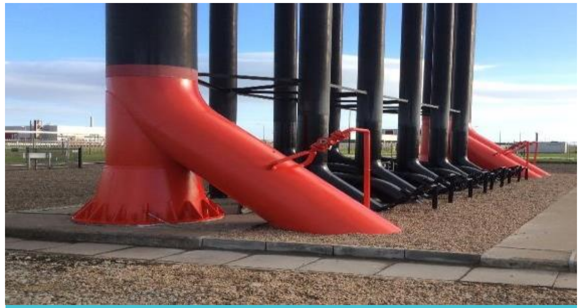
UK focus on efficiency and innovation

- Majority of UK GD sale proceeds returned
  - £3.2bn returned via special dividend
  - 60% of £0.8bn share buyback complete to date
- Innovation and efficiency driving savings for customers
  - £460m of savings generated under RIIO
- System operator separation framework agreed



St Fergus
UK's largest import terminal

- Innovative technique to deal with corrosion of pipework
- Projected savings of ~ £10m

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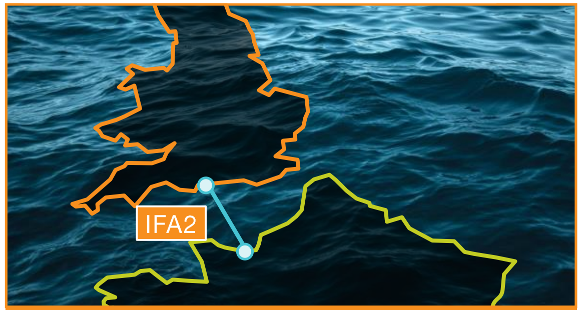
NG Ventures progressing well

Nemo Link
Completed the first cable laying activities

- 1 GW, 140km link to Belgium
- Expect to commission in 2019

North Sea Link
Norwegian civil site works completed

- 1.4GW, 720km link to Norway
- Expect to commission in 2022



IFA 2
Design and permitting stage

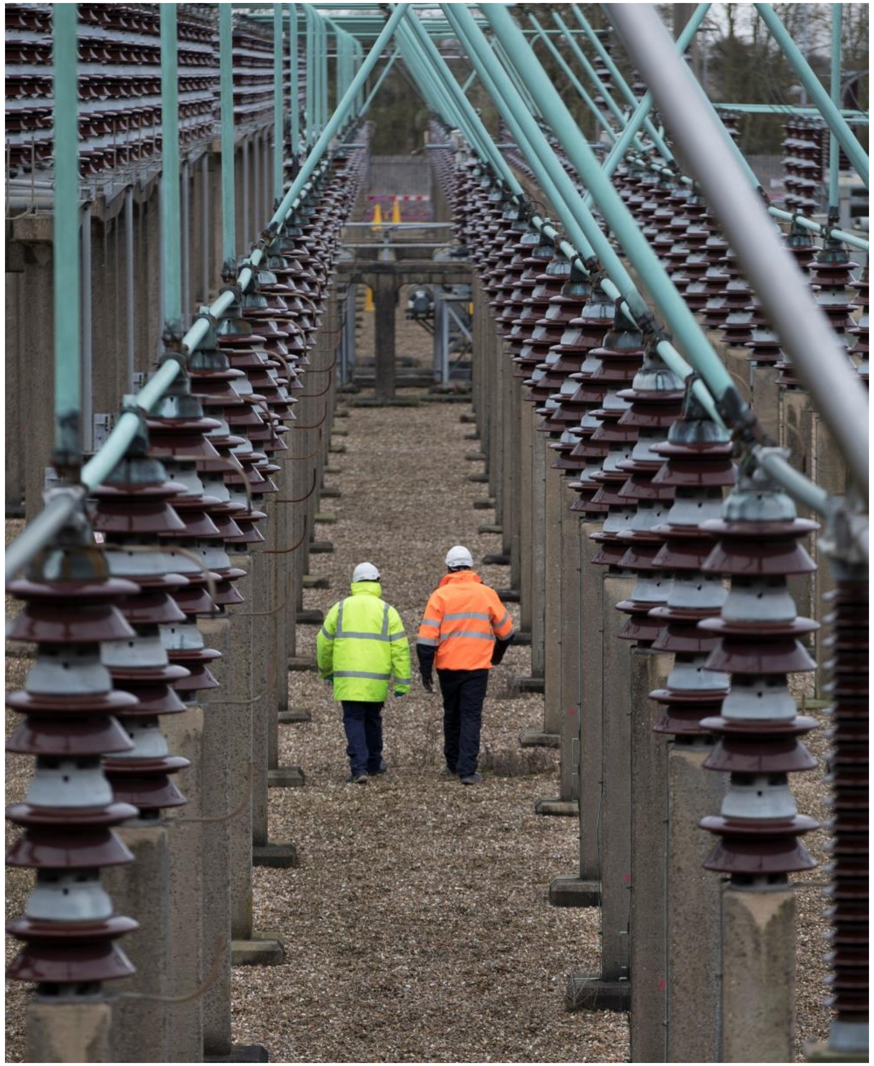
- 1GW, 240km link to France
- Expect to commission in late 2020

Shetland link
Awarded preferred bid status for innovative new solution

- 60MW, 260 km link
- Expect to commission in 2021

Summary

- Good progress on key priorities
  - Continued delivery of US regulatory strategy
  - Efficiency and innovation in the UK
  - Progressing new developments in NG Ventures



Financial performance

ANDREW BONFIELD
FINANCE DIRECTOR

Financial highlights

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OPERATING PROFIT[1] **£1.3bn** HY17 **£1.4bn**	OPERATING PROFIT[1] Excluding Timing **£1.4bn** HY17 **£1.3bn**	CAPITAL INVESTMENT[3] **£2.0bn** HY17 **£1.9bn**
EARNINGS PER SHARE **18.5p** HY17 **25.0p**[2]	EARNINGS PER SHARE Excluding Timing **20.4p** HY17 **22.2p**[2]	DIVIDEND PER SHARE **15.49p** HY17 **15.17p**

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UK Electricity Transmission

OUTLOOK	Totex incentive ▼	Other incentives ▼	Additional allowances ◀▶	▼ RoE
FY17	190bps	70bps	80bps	13.6%

OPERATING PROFIT

£542m -22%

HY17 **£697m**

CAPITAL INVESTMENT

£515m

HY17 **£586m**

OPERATING PROFIT
Excluding Timing

£540m -11%

HY17 **£610m**

- H1 operating profit decrease due to expected price control model adjustments (MOD) and timing
- Reduced other incentive opportunity from BSIS
- Expect continued good level of returns outperformance

Adjusted results, excluding exceptional items and remeasurements

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UK Gas Transmission

OUTLOOK	Totex incentive ◀▶	Other incentives ◀▶	Additional allowances ▼	▼ RoE
FY17	(80)bps	110bps	50bps	10.8%

OPERATING PROFIT

£126m -21%

HY17 **£159m**

CAPITAL INVESTMENT

£157m

HY17 **£116m**

OPERATING PROFIT
Excluding Timing

£144m +25%

HY17 **£115m**

- H1 operating profit decrease due to adverse timing not wholly offset by MOD increases to revenue
- Returns to be around the allowed level as legacy allowances end
- Avonmouth MOD adjustment of £85m expected in FY2018/19
  - no impact on returns and RAV

Adjusted results, excluding exceptional items and remeasurements

US Regulated

OUTLOOK Targeting 90% of allowed ▲ **RoE**

OPERATING PROFIT
£433m
HY17 **£435m**

OPERATING PROFIT
Excluding Timing
£526m +19%
HY17 **£441m**

CAPITAL INVESTMENT
£1.1bn
HY17 **£1.1bn**

- H1 operating profit flat; increased revenue from new rates and favourable currency offset by adverse timing
- IFRS operating profit excluding timing expected to increase 7% per year on average over the medium term from 2016/17
- US profitability significantly weighted to H2

Capital investment calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

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NG Ventures

OPERATING PROFIT	£83m Metering	£37m Grain LNG	£34m IFA	£(22)m Other	**£132m**
HY17	£86m	£35m	£35m	£(18)m	HY17 £138m

POST TAX SHARE of JVs	£18m BritNed	£6m Millenium	**£24m**
HY17	£28m	£6m	HY17 £34m

TOTAL INVESTMENT

£180m

HY17 £87m

- FY2017/18 NGV operating profit is expected to be in line with last year

Operating profit, share of joint venture profit after tax and investment calculated at constant currency, excluding Cadent and St. William

Adjusted results, excluding exceptional items and remeasurements

Other activities

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OPERATING PROFIT	£53m Property	£(27)m Corporate centre and other	**£26m**
HY17	**£44m**	**£(31)m**	HY17 **£13m**
POST TAX SHARE of JVs	£(4)m St. William	£55m Cadent	**£51m**
HY17	**£(3)m**	**£71m**[1]	HY17 **£68m**

TOTAL INVESTMENT[2] **£53m**
HY17 **£42m**

- Lower Cadent contribution due to the expected reduction in base allowed revenues and adverse timing
- £15m shareholder loan interest income recognised through the interest line rather than the JV line

1 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

2 Excludes investment in St. William JV

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

Adjusted results, excluding exceptional items and remeasurements

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Mechanics of changes in inflation and interest

UK

Inflation

- £19bn asset base, partially hedged by £7bn RPI linked debt
- Inflation deferred into RAV to keep consumer cost lower in short term
- Regulatory mechanism creates two year lag in revenue true up
- Inflation economically positive – 100bps RPI increase creates £120m additional value

100bps inflation increase gives:

+£190m

£(70)m

Interest

- 10 year lagging tracker offers protection in rising or falling interest rate environment
- Outperformance through issuing at lower than index spot

US

Inflation

- Nominal regulation allows assumed in-year inflation recovery
- Rate filings key to regular inflation recovery on cost of service and RoE

Interest

- Cost of debt passed through to customers

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Interest, tax and earnings

FINANCE COSTS

£527m

23% higher than HY17[1]

- Higher RPI
- Effective interest rate of 4.7%

EFFECTIVE TAX RATE[2]

20.8%

at £(152)m

- Tax rate 200bps lower than HY17[1]
- Tax charge £79m lower than HY17

EARNINGS

£654m

HY17 £885m[1]

- 3,539m weighted average shares
- 18.5p/share

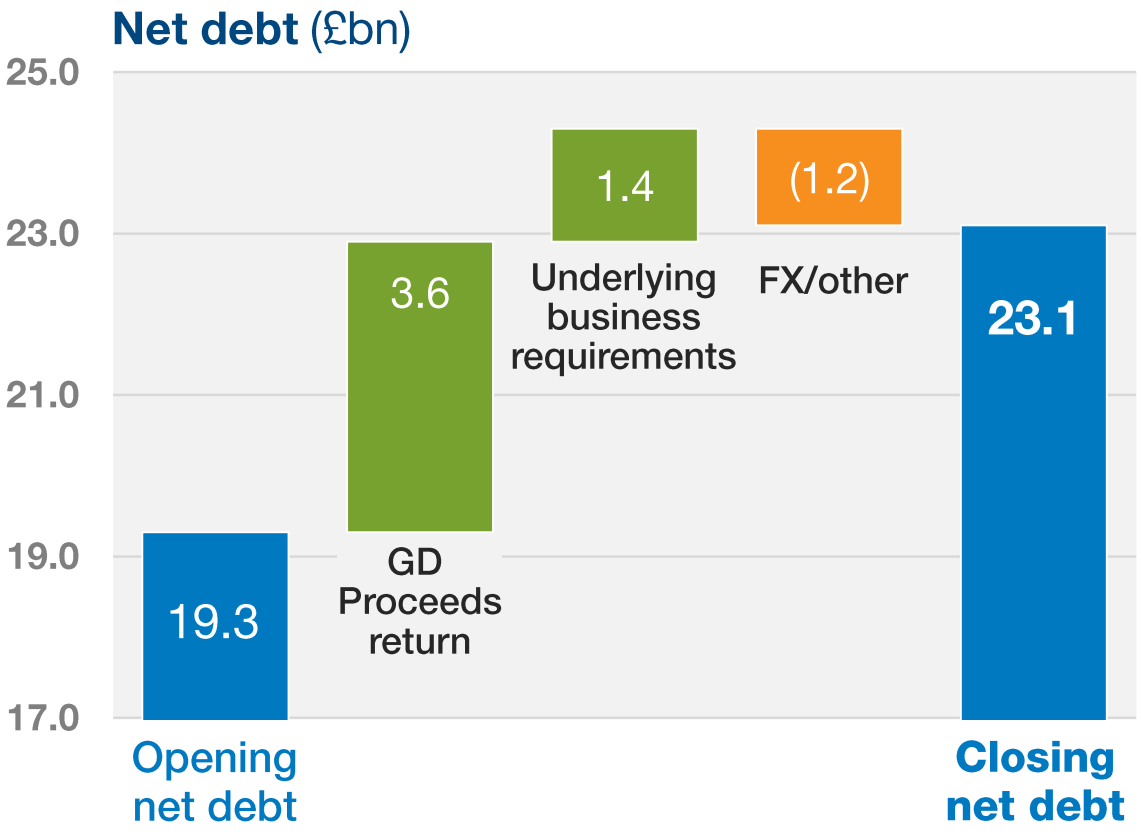
1 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

2 Excluding joint ventures and associates

Adjusted results, excluding exceptional items and remeasurements

Cash flow and Net debt

£m Period ended 30 September 2017	
Operating profit	1,259
Depreciation & amortisation	762
Pensions	(124)
Working capital & other	125
Net operating cash flow	**2,022**
Net debt	(23,075)



Adjusted results for continuing operations, excluding exceptional items and remeasurements

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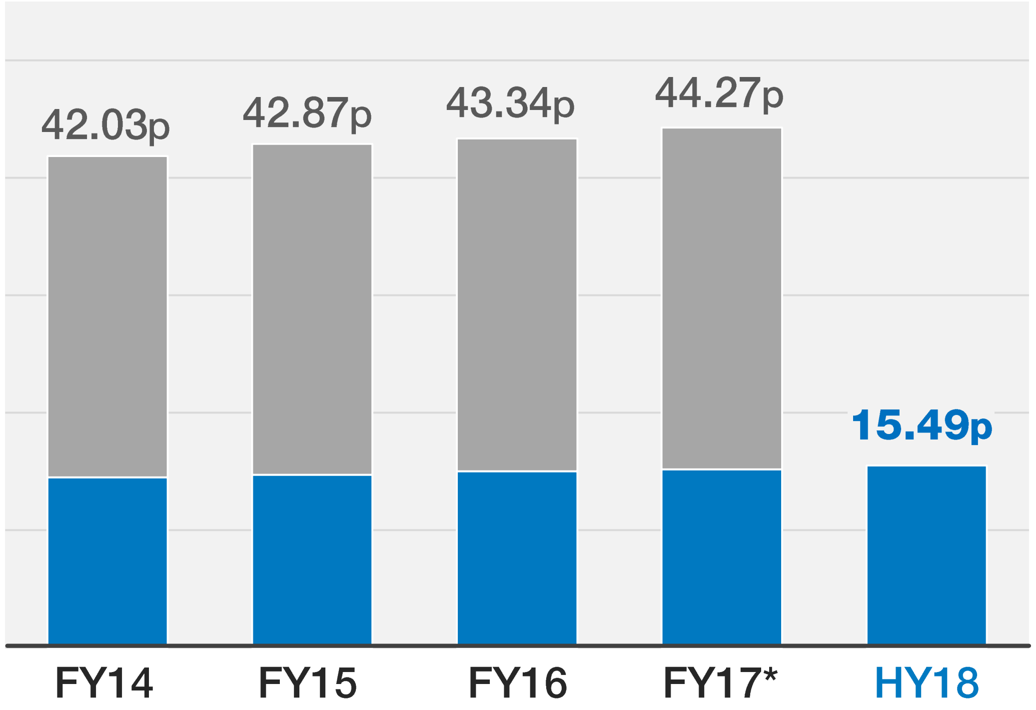
Dividend and scrip

- 15.49p (35% of prior year full year dividend)
- Full year dividend to grow at least in line with UK RPI
- Scrip option to continue
- Remainder of buyback programme expected to be completed by April 2018
- Average share count reduced by ~300m in 2017/18; ~400m impact in 2018/19

Dividend per share



* Excludes special dividend of 84.375p

FY17/18 Technical guidance

2016/17 proforma[1] adjusted EPS excluding timing of 58.6p

UK Regulated

- Lower base allowed revenue and increased MOD adjustments in ET
- Expect to deliver outperformance of 200-300bps
- Timing inflows substantially lower

US Regulated

- Performance expected to improve and targeting 90% of allowed RoE
- NYSERDA timing over collections

NG Ventures and other activities

- Overall contribution expected to be in line with last year[1]
- Additional £22m amortisation of purchase price adjustments for Cadent

Net debt

- Expected to increase as proceeds from Gas Distribution sale are returned

Interest charge

- Expected to increase due to higher RPI

1 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

Summary

- Financial performance in line with expectations
- Significantly stronger H2 expected, driven by US seasonality
- Increased capital investment
- Robust financial position

Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE

Maintaining our strong customer focus in a dynamic UK environment

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- National Grid has delivered value for customers
  - Invested almost £14bn in critical transmission infrastructure over the past 10 years
  - Transmission costs represent just 3% of average household bill
- Affordability has been and continues to be a high priority
- National Grid is a responsible organisation focused on delivering world-class services at lower costs for bill payers

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UK business focused on regulatory outcomes

Hinkley Seabank consultation

- Committed to providing necessary network connections
- Significant project with estimated costs of almost £1bn
- Responded to Ofgem consultation
- Regulatory clarity will enable timely delivery of the connection
- Ofgem decision on 'needs case' expected in December and on preferred delivery model in 2018

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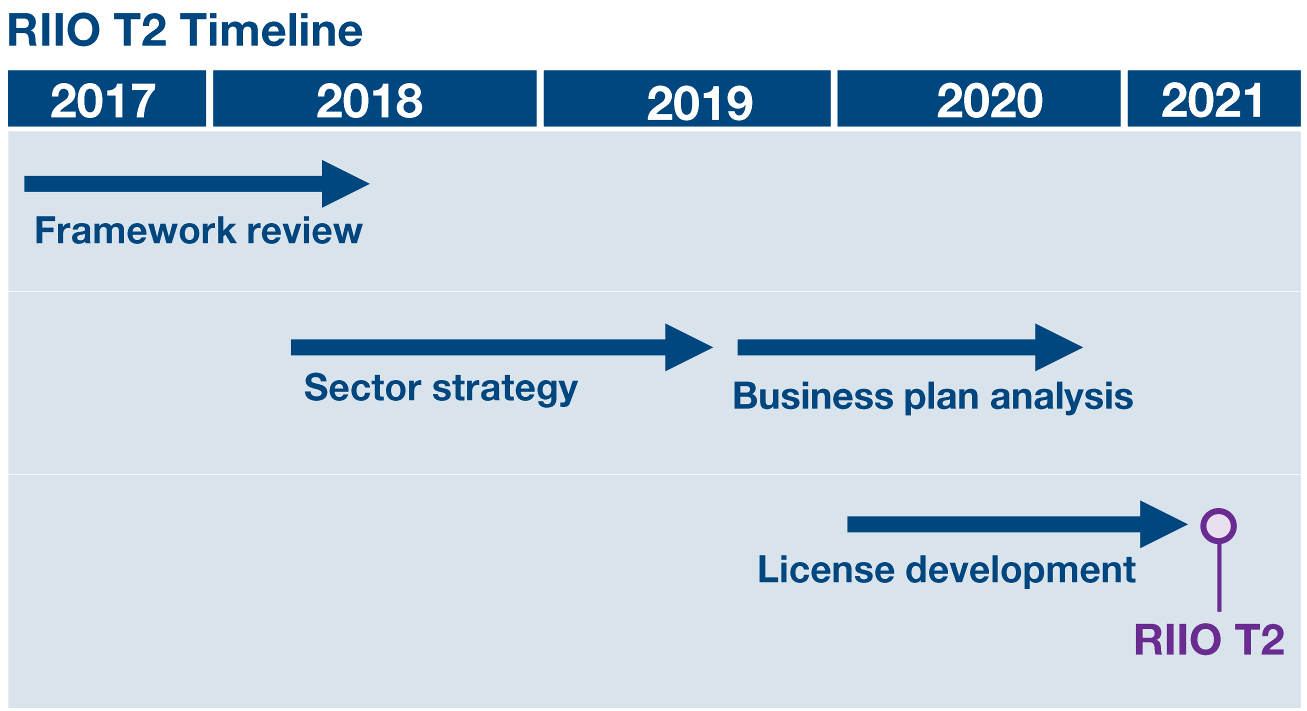
UK business focused on regulatory outcomes

RIIO T2

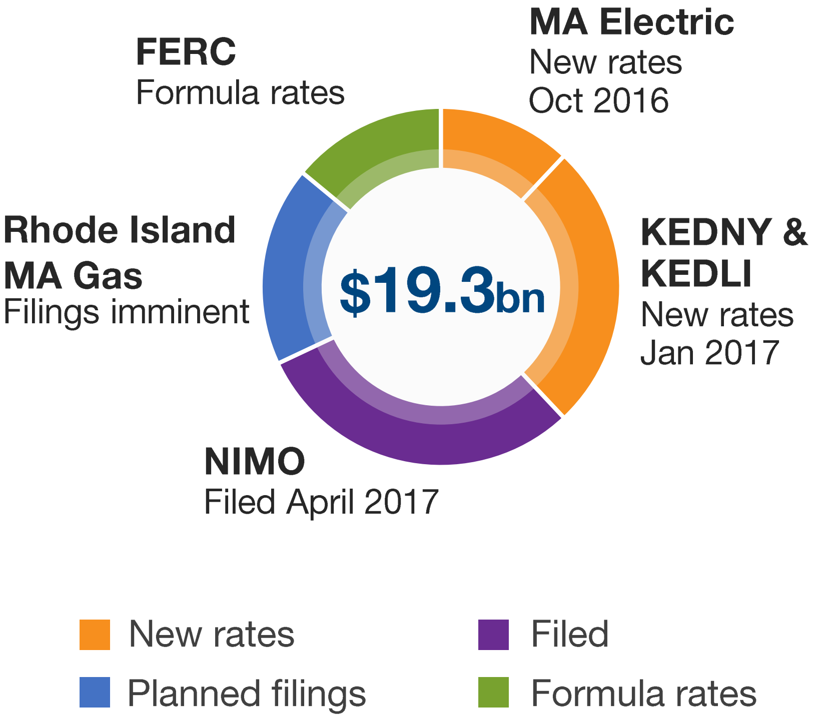
- Ofgem open letter kick started lengthy review to 2021
- We share the principle of putting the customer at the heart of decisions
- Framework decision in 2018
- RIIO T2 framework should ensure efficient delivery of needed investment
- National Grid has a track record of delivering on price controls
  - For customers and shareholders



US rate case programme to continue

- Niagara Mohawk engaged in settlement discussions with new rates expected in April 2018
- MA Gas and Rhode Island to be filed this month
  - 20% of US rate base
  - To be filed after a long period
  - To update revenues to closely reflect current cost of service
  - Will enable us to earn a fair level of return

US Rate Base
As at March 2017



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Efficient delivery of US growth projects

- Focus on delivering significantly increased capex
- Capital Delivery function taking shape

Metropolitan Reliability Infrastructure

$250m

potential investment for five year project to support Brooklyn's long-term system demands

- Installing 7 miles of 30-inch gas main
- Increase operational reliability

Northwest Nassau Gas Transmission Reliability

$280m

potential investment for six year gas reliability project on Long Island

- Installing 11 miles of 24-inch gas main
- Increase operational reliability

Continue to evolve and drive the networks of the future

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Declining renewables and storage costs

UK contracts for difference auction delivered offshore wind at a significantly lower cost

US solar costs have fallen 85% since 2009

Lithium battery costs have fallen 73% since 2010

Driving opportunities across the value chain

- Connected the US's first offshore windfarm in Rhode Island
- Won competitive project to develop 23MW of utility scale solar on Long Island
- Increasing solar and storage capacity in Massachusetts rate base
- Developing our first large scale battery 48MWh storage system on Nantucket
- Opportunities to enable EV adoption

* Source: Bloomberg New Energy Finance

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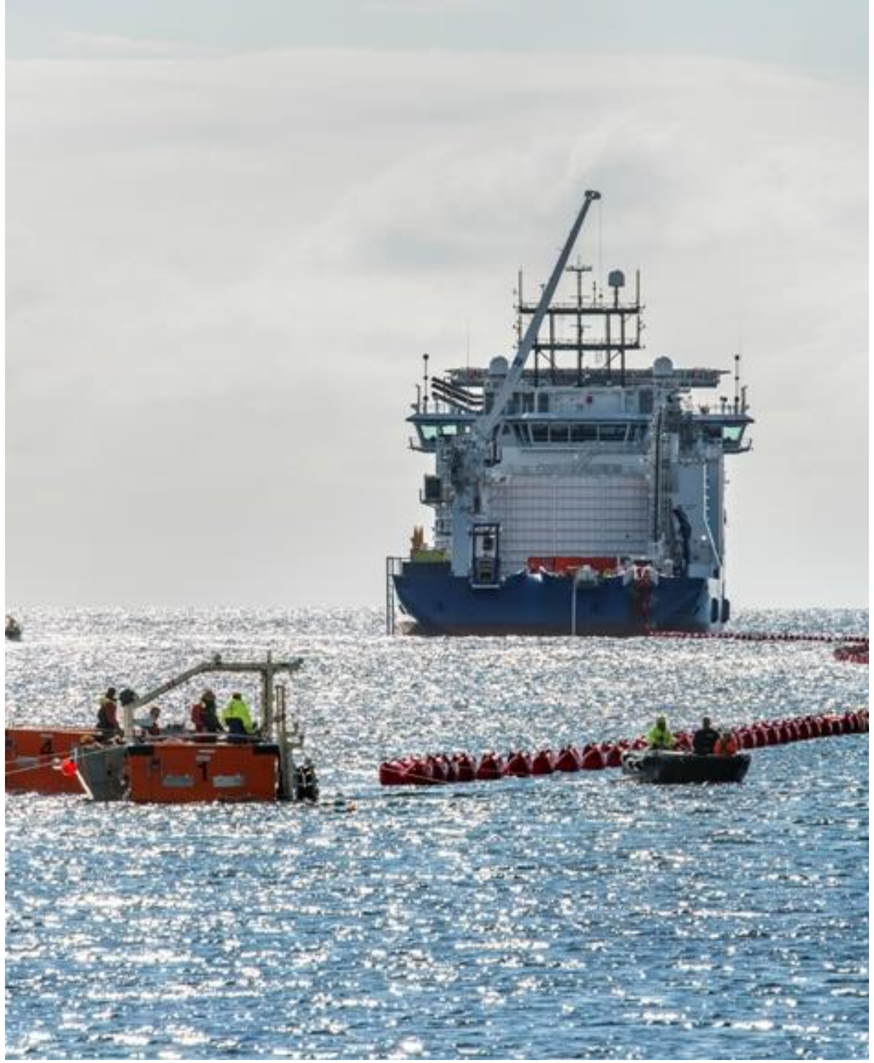
Growing pipeline of projects for NG Ventures

Further UK interconnector opportunities

- 1.4GW Viking Link to Denmark
- Investment decision in 2018

US development opportunities

- Competitive transmission to bring onshore and offshore renewables
  - 1.2GW Granite State interconnector between Canada to New Hampshire
  - 600MW North East Renewable link between New York and Massachusetts
  - Tender results for both in early 2018
- Other opportunities in storage and EVs



Summary

- Good progress across the Group
- Clear priorities moving forward
- Strong fundamentals that underpin long-term value creation
  - High quality asset portfolio
  - Strong balance sheet
  - Access to solid growth opportunities that underpin growth and yield
  - Excellent teams that are motivated to deliver
- Well positioned for attractive growth and returns

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Q&A

JOHN PETTIGREW
CHIEF EXECUTIVE

ANDREW BONFIELD
FINANCE DIRECTOR

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2017/18 Half Year Results
Appendices

Appendix 1

Pensions & other post-retirement benefit obligations (IAS19 data)

	UK		US		
	ESPS	NGUK PS	Pensions	OPEBs[1]	Total
Market value of assets	2,967	12,229	6,271	2,491	**23,958**
Present value of liabilities	(3,114)	(11,591)	(6,874)	(3,511)	**(25,090)**
Net (liability) / asset	(147)	638	(603)	(1,020)	**(1,132)**
Deferred taxation	25	(108)	242	413	**572**
(Liability) / asset net of taxation	**(122)**	**530**	**(361)**	**(607)**	**(560)**
Discount rates	2.7%	2.7%	4.0%	4.0%	

	UK		US		
	ESPS	NGUK PS	Pensions	OPEBs[1]	Total
Market value of assets	2,916	12,573	6,322	2,564	**24,375**
Present value of liabilities	(3,423)	(12,222)	(7,050)	(3,613)	**(26,308)**
Net (liability) / asset	(507)	351	(728)	(1,049)	**(1,933)**
Deferred taxation	86	(60)	290	431	**747**
(Liability) / asset net of taxation	**(421)**	**291**	**(438)**	**(618)**	**(1,186)**
Discount rates	2.4%	2.4%	4.3%	4.3%	

1 OPEBs = other post employment benefits

Appendix 2

Timing impacts

£m	UK Electricity Transmission	UK Gas Transmission	US Regulated	Total
1 April 2017 opening balance	(30)	112	318	**400**
Restatement of opening balance	(9)	(2)	10	**(1)**
Over/(under) recovery	2	(18)	(93)	**(109)**
30 Sept 2017 closing balance to (recover) / return	**(37)**	**92**	**235**	**290**
1 April 2016 opening balance	(171)	38	148	**15**
Restatement of opening balance	-	1	(21)	**(20)**
Over/(under) recovery	87	44	(6)	**125**
30 Sept 2016 closing balance to (recover) / return	**(84)**	**83**	**121**	**120**
Year on year timing variance	(85)	(62)	(87)	(234)

Opening and closing balances restated using the spot exchange rate as at 30 Sept 2017 ($1.34 to £1.00)
Over/under recovery restated using the average rate for the 6 months to 30 Sept 2017 ($1.31 to £1.00)
2016/17 opening balance restatement reflects finalisation of timing balances

Appendix 3

Weighted average number of shares

For the period ended 30 September	**2017**	2016 Continuing	2016 Including GD stake[2]
Number of shares (millions):			
Prior period as reported (weighted average)	-	3,763	3,763
Current period opening shares	3,750	-	-
August 2017 dividend scrip shares	3	-	-
Other share movements (weighted from issuance/repurchase)[1]	(214)	-	(230)
Weighted average number of shares	**3,539**	3,763	3,533
Business performance earnings (£m)	653	802	885
Business performance EPS	**18.5p**	21.3p	25.0p

1 September 2017 figure includes the effect of the Share Consolidation and the Share Buy-back Programme, September 2016 includes the estimated effect of the Share Consolidation and the Share Buy-back Programme.

2 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

Appendix 4

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Income statements from continuing operations adjusted to include 39% of Cadent[1]

Income statement, £m	6 months to September 2017	6 months to September 2016	Year ended March 2017
Adjusted operating profit (excluding timing)	1,368	1,318	3,375
Net financing costs	(527)	(429)	(1,000)
Post tax share of JVs & associates (Cadent)	55	71	144
Post tax share of JVs & associates (Other)	20	31	63
Adjusted profit before tax (excluding timing)	916	991	2,582
Tax	(192)	(207)	(553)
Non-controlling interest	(1)	-	-
Profit after tax for the period (excluding timing)	**723**	**784**	**2,029**
Weighted average number of shares (estimated) (million)	3,539	3,533	3,463
Earnings per share (excluding timing) (pence)	**20.4**	**22.2**	**58.6**
Profit after tax for the period (excluding timing)	723	784	2,029
Timing	(109)	125	398
Taxation on timing	40	(24)	(119)
Profit after tax for the period (including timing)	**654**	**885**	**2,308**
Earnings per share (including timing) (pence)	**18.5**	**25.0**	**66.6**

1 To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital