

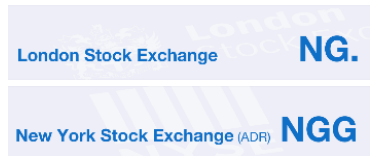
NG.Focus

Investor Relations | May 2017

One of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas in the United Kingdom and the United States. We play a vital role in connecting millions of people to the energy they use safely, reliably and efficiently.

Investment proposition

We aim to be a **low risk** business, focused on generating shareholder value through both **dividends** and **asset growth** by investing in essential assets under primarily **regulated** market conditions, to service **long-term sustainable** consumer-led demands

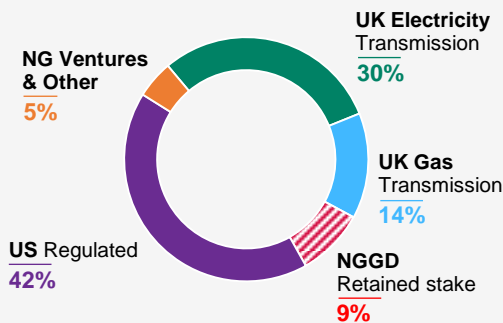


High quality regulated assets

Total assets £40.5bn as at 31 March 2017

Includes 39% share of UK Gas Distribution (NGGD) assets

Assets by segment



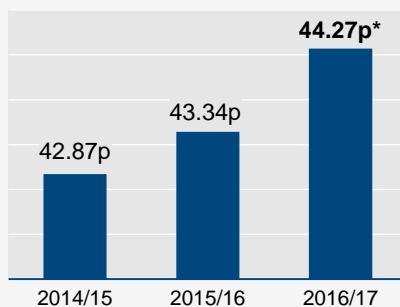
Balanced portfolio to deliver attractive TSR

- A portfolio of high quality long-term assets at the heart of the energy system
- Targeting annual asset growth of 5-7%*
- Dividend policy underpinned by regulatory agreements
- Balance of activities with stable regulation and macro-economic protection
- Underpinned by a robust balance sheet and strong financial discipline
- Protection from generation and supply exposure/margins

*Including assumed long run UK RPI Inflation of 3%

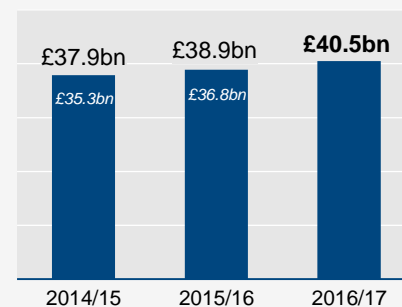
Strong track record of delivering growth and yield

Dividend policy is to grow at least in line with RPI Inflation (p/share)



* Note: Excludes 84.375p special interim dividend related to sale of UK Gas Distribution (NGGD)

Targeting asset growth of 5-7% per annum assuming 3% inflation

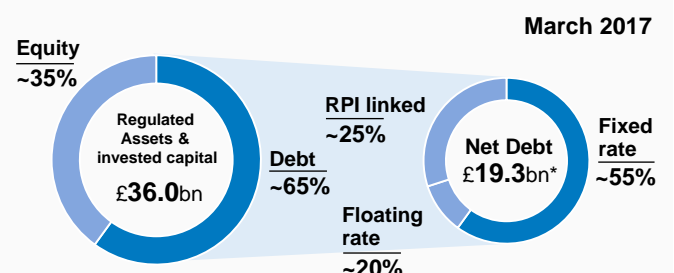


At constant currency
At actual currency
Restated for 39% share of NGGD assets

Strong balance sheet

Appropriate mix of debt and equity financing

- ~65/35 debt to equity split, in-line with regulatory assumptions
- Appropriate level of debt funding for strong credit ratings
- Retained cash flow (RCF) to net debt above 9%
- Strong single A credit rating for UK operating companies and majority of US operating companies; NG plc rated BBB+
- Scrip dividend and share buyback provides flexibility for growth while minimising share dilution
- Access to global debt markets delivering financial benefits



* Expected to increase in the near-term reflecting the return of £4bn related to the 61% sale of NGGD

Key measures to deliver shareholder value

Total Group 16/17 performance*

Operating Profit
£4.7bn

EPS
73.0p

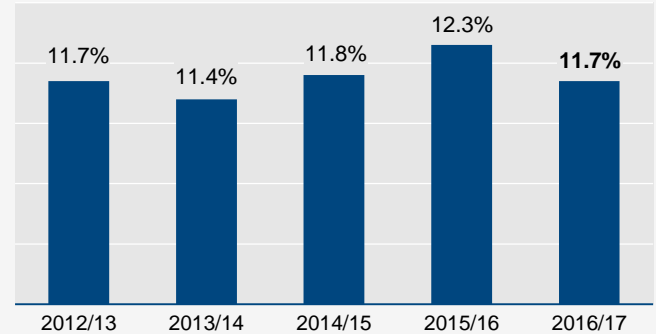
Group Return on equity
11.7%

Value added*

Captures total return per share created on an operational basis

	2016/17
Asset growth	£1,749m
+	+
Dividend cash cost net of scrip and share buybacks	£1,652m
-	-
Change in net debt and goodwill excluding FX impact	£1,460m
=	=
Value added	£1,941m 51.6p/share

Group return on equity (RoE)*



* Total adjusted includes the results of UK Gas Distribution business (NGGD) and Xoserve Limited and includes the benefit of £96 million to operating profit related to the cessation of depreciation and amortisation from 8 December 2016, the point at which these businesses were classified as held for sale.

Continued strong UK operational and financial performance in 2016/17

UK combined returns

2016/17

	Base return	+	Totex incentive	+	Other incentives	+	Additional allowance	=	Operational return on equity	Regulated asset value	Operating profit
UK Electricity Transmission	10.2%		190bps		70bps		80bps		13.6%	£12.5bn	£1.4bn
UK Gas Transmission	10.0%		(80)bps		110bps		50bps		10.8%	£5.8bn	£0.5bn
UK Gas Distribution (NGGD)	9.9%		280bps		120bps		10bps		14.0%	£9bn	£0.9bn

UK RoE Combined **13.1%*** FY16 13.3%

*Includes 100% of NGGD performance - Classified as a discontinued operation on 31 March 2017 and excludes any gain on the sale of NGGD.

Strong performance in the UK

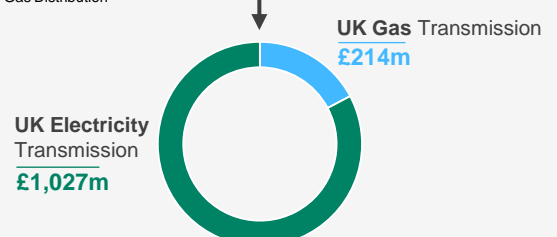
- Achieved outperformance of 300bps through innovation and efficiency
- A focus on customer savings; £460m generated to date under RIIO
- Strong Electricity System Operator (SO) performance in a changing energy system
- Early preparation for RIIO T2

Regulation

- Single regulatory body
- RIIO price control provides regulatory clarity through to 2021
- Incentives to promote innovative and efficient capital investments benefitting customers and shareholders
- Cost allowances and revenues linked to RPI
- Efficiencies remunerated in part through asset indexation

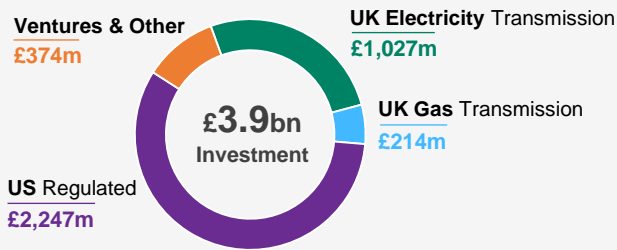
UK Regulated Continuing Investment **£1.2bn*** FY16 £1.3bn

* Excluding UK Gas Distribution



High-quality organic growth drives shareholder value

Capital investment – Continuing basis 2016/17



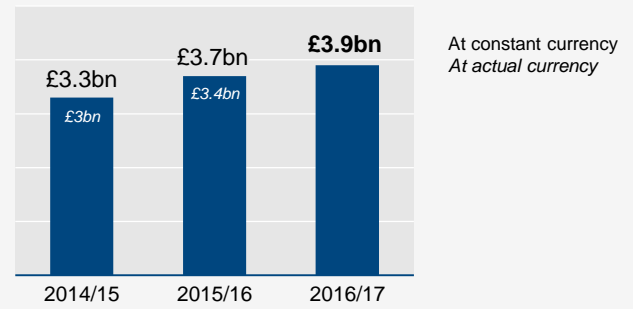
US Regulated

- Increased capital investment funded through rate agreements
- Expect 7% organic growth rate in the medium term

UK Regulated

- ET spend driven by non-load related investments
- GT investment expected increase in support of asset health work

Growing investment levels



Investment over the medium term

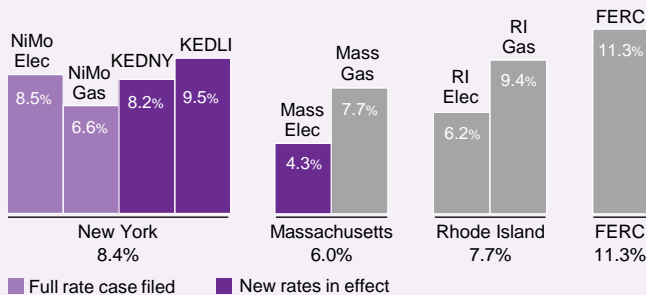
~£4bn per annum

Improved US financial performance in 2016/17

US returns

Fiscal year 2016/17

	New York	Massachusetts	Rhode Island	FERC	Operational return on equity	Operating profit
US Regulated	8.4%	6.0%	7.7%	11.3%	8.2%	£1.7bn
Rate base	\$11.5bn	\$5.5bn	\$1.5bn	\$2.9bn		



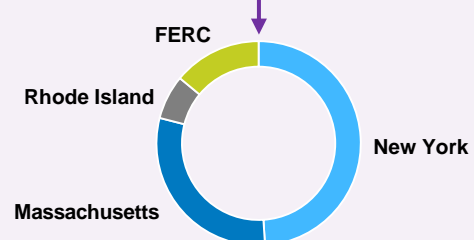
Regulation

Jurisdictional operating model aligned with regulatory bodies

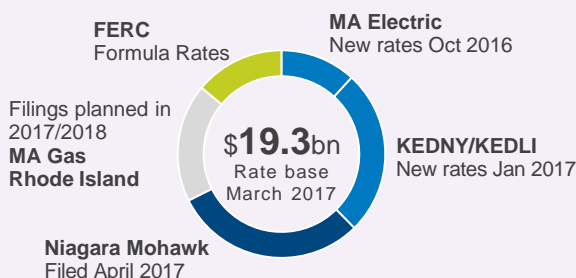
- ~50/50 capital structure assumed by regulator
- Nominal returns provide a faster cash return
- \$2.1bn of assets outside of rate base including CWIP

US Capital Investment **\$2.9bn** FY16 \$2.7bn

Jurisdictional split



Regular US rate filings to support improved performance



- ~70% of US Rate base to be operating under new rates by April 2018
- Targeting 90% of allowed returns in 2017/18

- Increased levels of funded investment drive strong US growth
- Gas distribution 20 year gas pipeline replacement programme and customer growth

National Grid Ventures & Other

	Metering	+	Property	+	Grain LNG	+	French Interconnector	=	Continuing Operating profit
Other activities	£168m		£65m		£74m		£72m		£177m
Joint ventures									
Post tax share	BritNed £53m		Millennium £15m		Other £(5)m		Post Tax Share £63m		

CONTINUING INVESTMENT

£374m*

Note: Other Activities Continuing Operating profit & Investment excludes Xoserve - classified as a discontinued operation on 31 March 2017. Other costs around £100m increase YoY included within continuing operating profit.
*excludes £10m (2015/16: £63m) equity contribution to St William property joint venture

National Grid Ventures

- New division to enhance value through investing in adjacent businesses
- Attractive IRR's supported by regulatory frameworks
- Interconnectors under construction progressing well
 - NSL; NEMO
- Final investment decision on IFA2
- Partnership with Sunrun



Utility scale opportunities



New and evolving technologies



Distributed Generation opportunities

A clear strategic focus to deliver value over the long term



Our investment case is underpinned by the responsible way we do business

Focus on areas of material impact

- Safety including suppliers
- Network reliability
- Customer satisfaction
- Employee engagement
- Greenhouse gas emissions
- Workforce diversity

Additional measures

- Community engagement
- Education, skills and capabilities

Reviewed non-material areas

- Water usage



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', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', '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 as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' section on pages 183 to 186 of National Grid's most recent Annual Report and Accounts. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Capita Registrars. Except as may be required by law or regulation, 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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