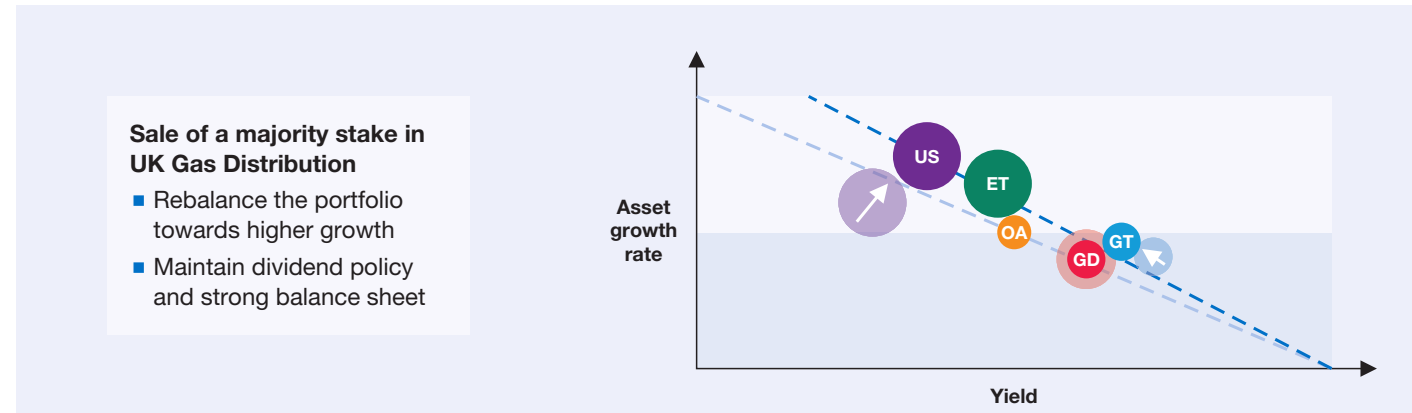
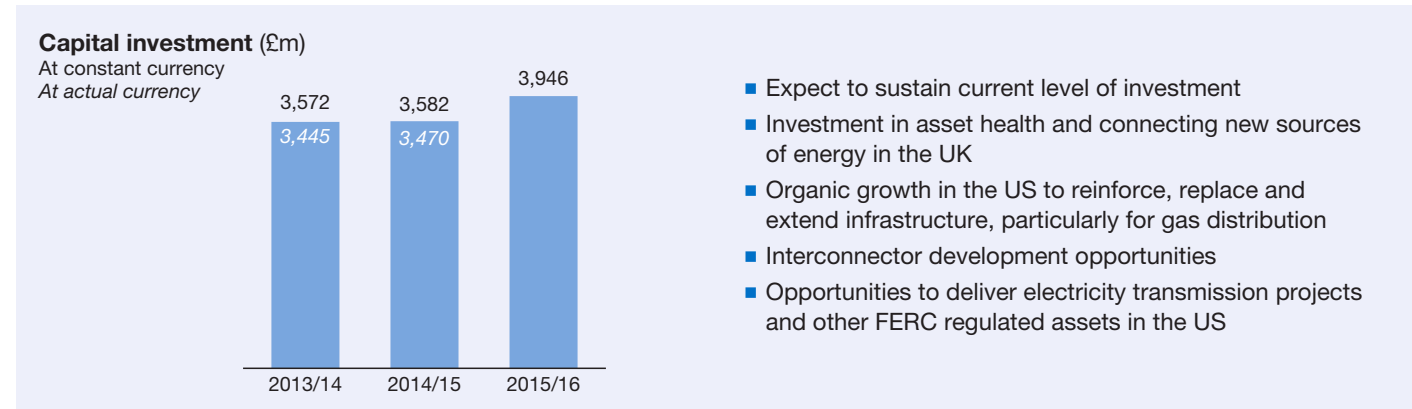


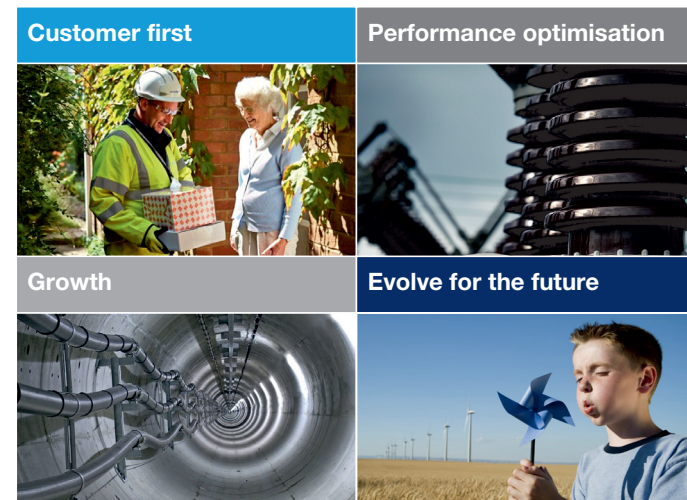
## Evolving portfolio to deliver yield and higher growth



## Significant growth opportunities



## Drivers for long-term success



## Investment case 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 from 2016:

- Community engagement
- Education, skills and capabilities

Reviewed non-material areas:

- Water usage

**RESponsible Business of the Year 2014**  
BUSINESS IN THE COMMUNITY

FTSE4Good

EURONEXT vigeo

**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 'Risk Factors' section of National Grid's most recent Annual Report and Accounts for the 12 months ended 31 March 2015 as updated by National Grid's unaudited half-year financial information published on 10 November 2015. Copies of the most recent Annual Report and Accounts are available online at [www.nationalgrid.com](http://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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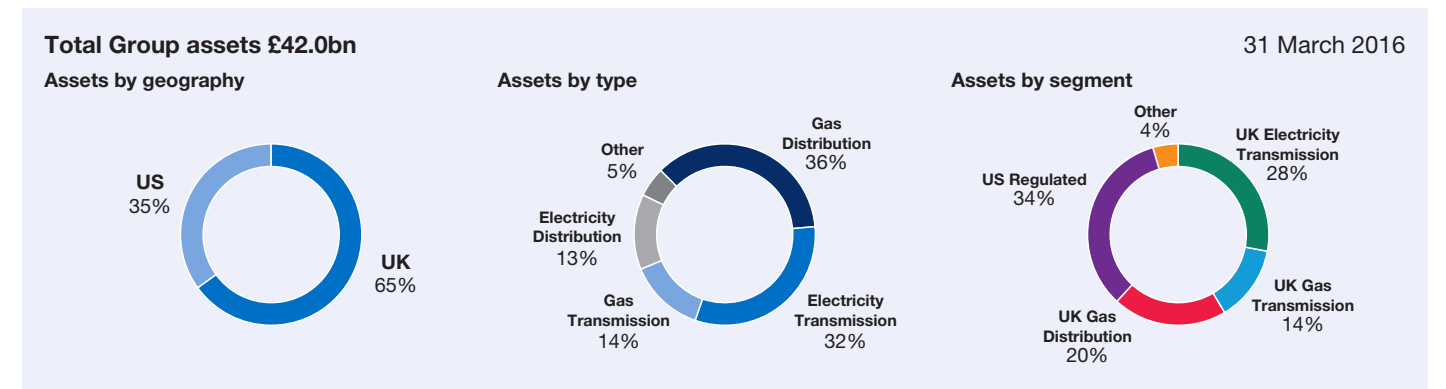
One of the world's largest publicly listed utilities focused on transmission and distribution of electricity and gas in the United Kingdom and the United States.

We play a vital role in connecting millions of people to the energy they use safely, reliably and efficiently.

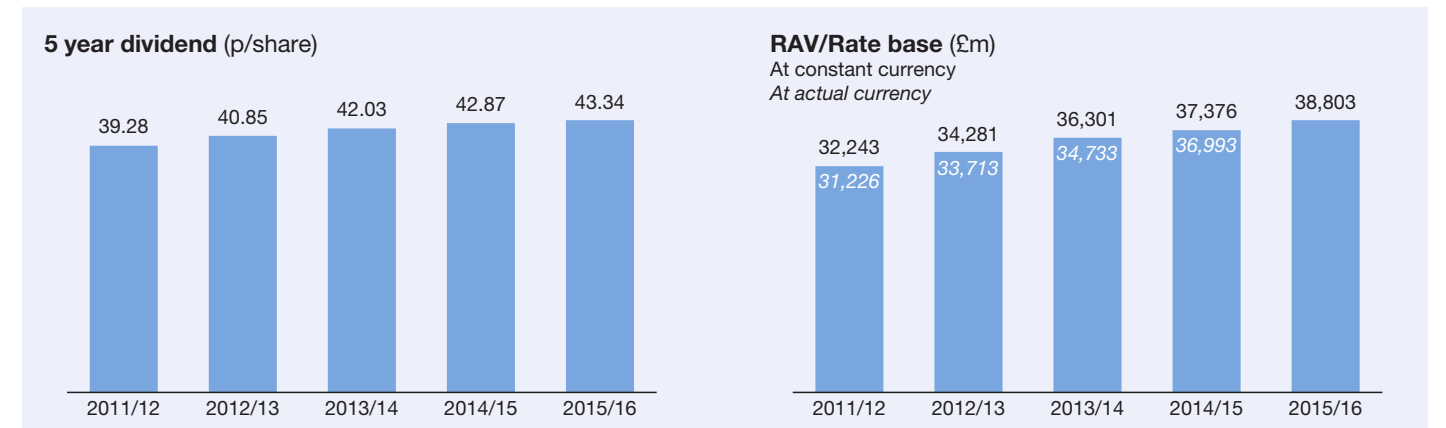
## Investment proposition

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 asset portfolio



## Strong track record of delivering growth and yield



## Balanced business with stable regulation

### Attractions of being a regulated network utility

- Dividend consistency underpinned by regulatory framework
- Protection from generation and supply exposures and margins
- Macro-economic protection through bad debt trackers, credit protection, inflation linked revenues

### Strengths of National Grid

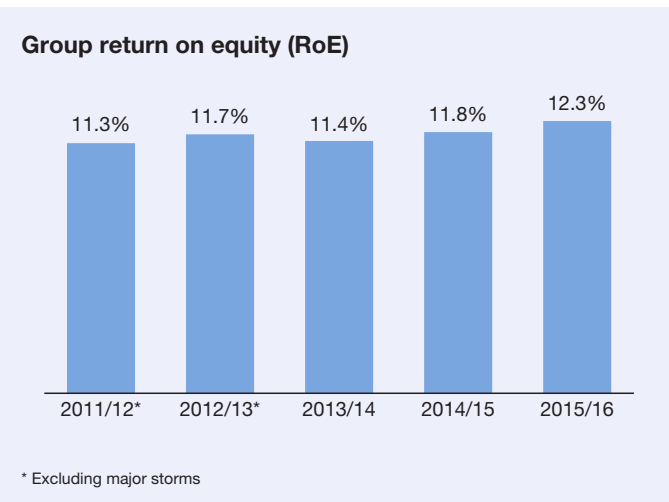
- Balance of activities between the UK and US; Electricity and Gas; Transmission and Distribution
- Stable regulatory environment, 95%+ regulated revenues
- Targeting 5-7% asset growth assuming 3% UK RPI inflation

London Stock Exchange **NG.**

New York Stock Exchange (ADR) **NGG**

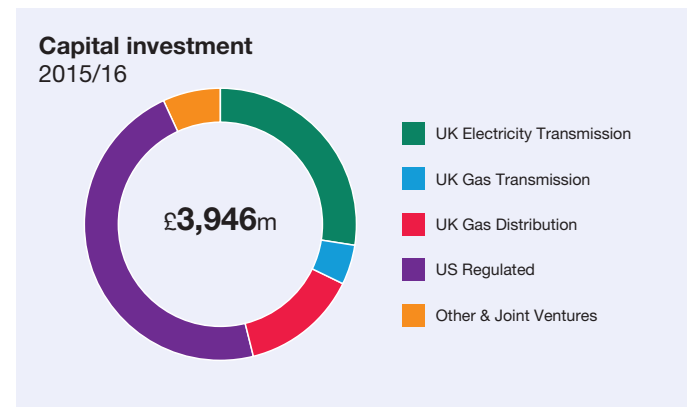
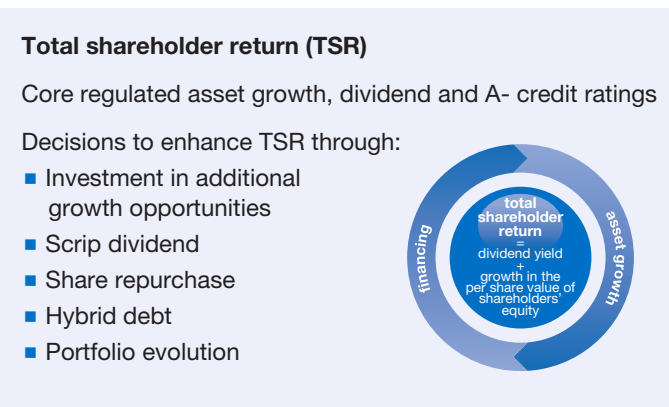
## Key measures to deliver shareholder value

Value added		2015/16
Captures total return per share created on an operational basis		
Asset growth	+	£1,092m
Dividend cash cost net of scrip and share buybacks	+	£1,604m
Change in net debt and goodwill excluding FX impact	-	£909m
<b>Value added</b>	=	<b>£1,787m</b> 47.6p/share



## Asset and dividend growth drive shareholder value

Dividend		2014/15	2015/16
Half year dividend 35% of prior full year dividend	+	14.71p	15.00p
Final dividend	+	28.16p	28.34p
<b>Full year dividend</b> Policy to grow at least in line with RPI inflation	=	<b>42.87p</b>	<b>43.34p</b>



### RAV/Rate base

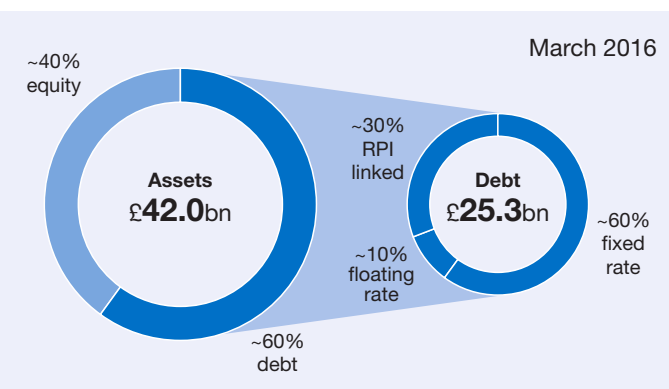
	2014/15	2015/16
UK RAV	£25.4bn	£26.1bn
US Rate base	£12.0bn*	£12.7bn
<b>Total RAV/Rate base</b>	<b>£37.4bn</b>	<b>£38.8bn</b>

Other assets and invested capital £3.2bn

\* At constant currency

## Strong balance sheet enables growth and a secure dividend

- ### Appropriate mix of debt and equity financing
- ~60/40 debt to equity split, in-line with regulatory assumption
  - 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
  - Global treasury operations deliver financing benefits



## Strong operational and financial performance in 2015/16

### UK returns 2015/16

	Base return	+ Totex incentive	+ Other incentives	+ Additional allowances	= Operational return on equity	Regulated asset value	Operating profit
UK Electricity Transmission	10.2%	210bps	80bps	80bps	13.9%	£11.8bn	£1.2bn
UK Gas Transmission	10.0%	(20)bps	120bps	150bps	12.5%	£5.6bn	£0.5bn
UK Gas Distribution	9.9%	200bps	100bps	10bps	13.0%	£8.7bn	£0.9bn

### Regulation and performance

- RIO price control provides regulatory clarity through 2021
- Single regulatory body
- Increased incentives to deliver innovative and efficient capital investments benefitting customers and shareholders
- Cost allowances and revenues linked to RPI
- Efficiencies remunerated in part through additional growth

### US returns 2015

	New York	Massachusetts	Rhode Island	FERC	Operational return on equity	Rate base	Operating profit
US Regulated	7.7%	5.8%	10.2%	11.4%	8.0%	\$18.3bn	£1.2bn
Rate base	\$10.5bn	\$4.1bn	\$1.2bn	\$2.5bn			

9.7% average allowed return

### Regulation and performance

- Jurisdictional operating model aligned with four regulatory bodies
- ~50/50 capital structure assumed by regulator
- Nominal returns provide faster recovery of investment
- \$2.1bn of other regulated assets and working capital

	Metering	+ Property	+ Grain LNG	+ French Interconnector	+ Other	= Operating profit
Other activities	£162m	£56m	£72m	£123m	£(39)m	£374m

### Joint ventures Post tax share

Company	Share (£m)
BritNed	£50m
Millennium	£11m
Other	£(2)m
Post Tax Share	£59m

### Group performance

Operating profit	£4.1bn
EPS	63.5p
Return on equity	12.3%
Total Group assets	£42.0bn