

NG.Focus

Investor Relations | November 2016

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

London Stock Exchange

NG.

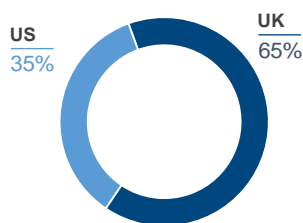
New York Stock Exchange (ADR)

NGG

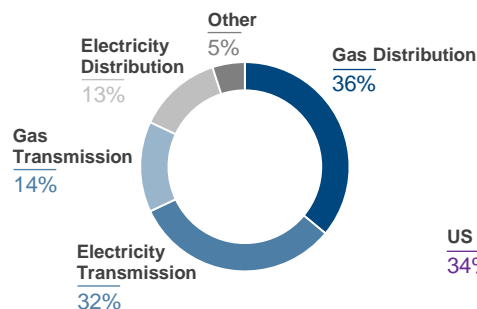
High quality regulated asset portfolio

Total Group assets £42.0bn (as at 31 Mar 2016)

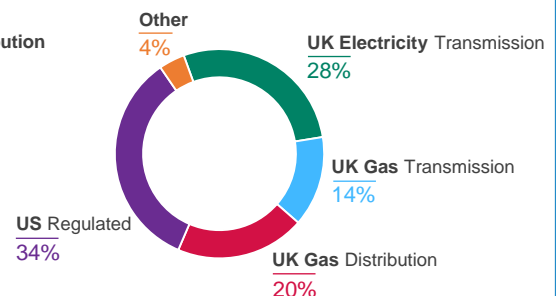
Assets by geography



Assets by type

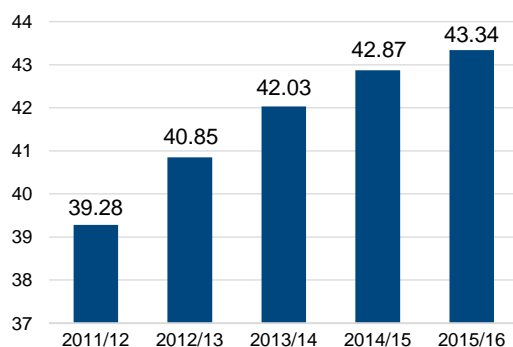


Assets by segment

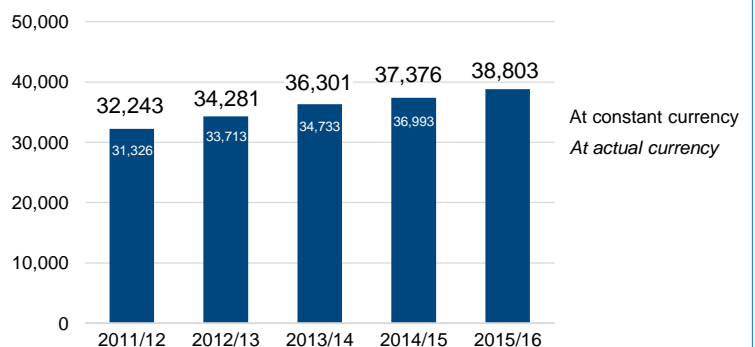


Strong track record of delivering growth and yield

5 year dividend growth (p/share)



RAV/Rate base growth (£m)



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

Key measures to deliver shareholder value

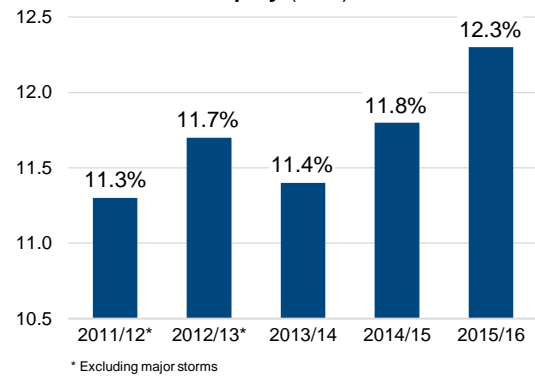
Value added

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
=	=
Value added	£1,787m 47.6p/share

Growth return on equity (RoE)



Asset and dividend growth drive shareholder value

Dividend

2015/16

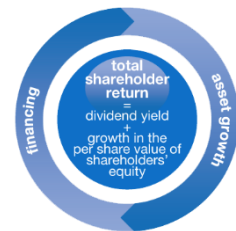
2016/17

Half year dividend 35% of full year dividend	15.00p	15.17p
+	+	+
Final dividend	28.34p	August 2017
+	=	
Full year dividend Policy to grow at least in line with RPI inflation	43.34p	

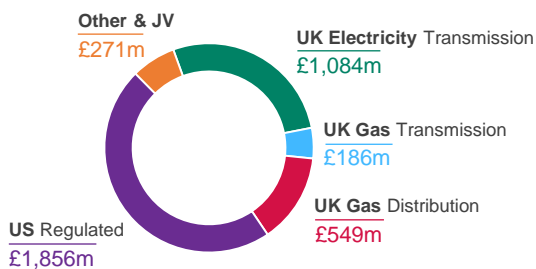
Total shareholder return (TSR)

Core regulated asset growth, dividend and A- credit ratings
Decisions to enhance TSR through:

- Investment in additional growth opportunities
- Scrip dividend
- Share repurchase
- Hybrid debt
- Portfolio evolution



Capital investment 2015/16



Dividend

2014/15

2015/16

UK RAV	£25.4bn	£26.1bn
+	+	+
US Rate base	£12.0bn*	£12.7bn
=	=	=
Total RAV/Rate base	£37.4bn	£38.8bn

* At constant currency

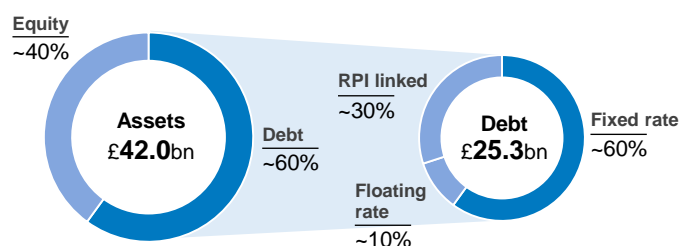
Other assets and invested capital **£3.2bn**

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

March 2016

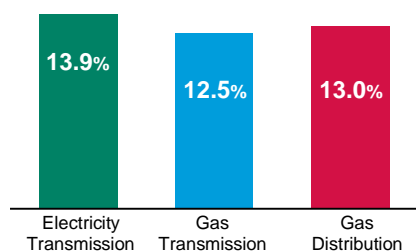


Strong operational and financial performance in 2015/16

UK returns

2015/16

	Base return	+	Totex incentive	+	Other incentives	+	Additional allowance	=	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



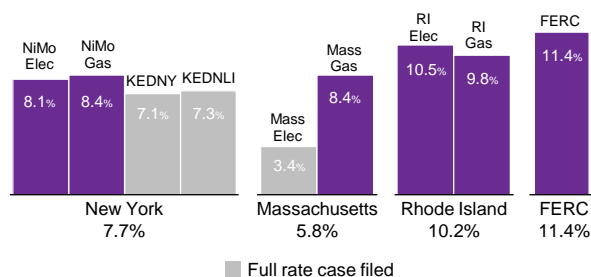
Regulation and performance

- RIIO 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			



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

BritNed	£50m	Millenium	£11m	Other	£(2)m	Post Tax Share	£59m
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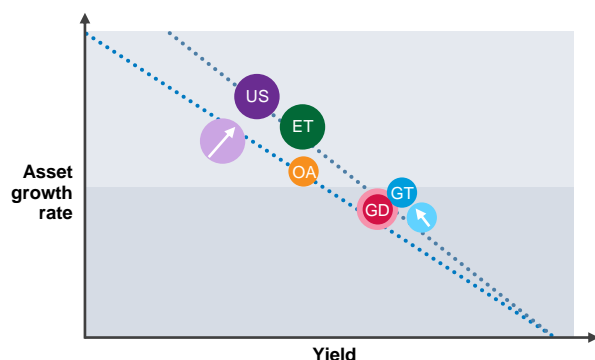
Group performance

Operating profit	£4.1bn	EPS	63.5p	Return on equity	12.3%	Total Group assets	£42.0bn
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Evolving portfolio to deliver yield and higher growth

Sale of a majority stake in UK Gas Distribution

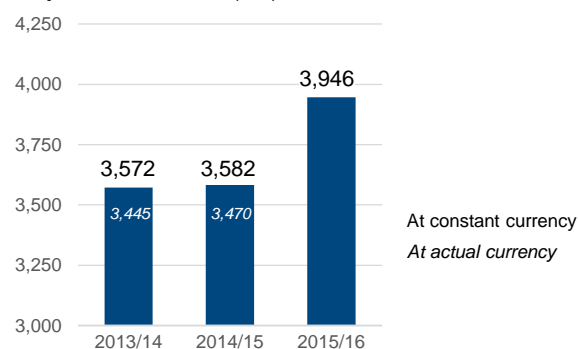
- Rebalance the portfolio towards higher growth
- Maintain dividend policy and strong balance sheet



Significant growth opportunities

- Expect to sustain current level of investment
- Investment in asset health and connecting new sources of energy in the UK
- Organic growth in the US to reinforce, replace and extend infrastructure, particularly for gas distribution
- Interconnector development opportunities
- Opportunities to deliver electricity transmission projects and other FERC regulated assets in the US

Capital investment (£m)



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



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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