

## Balanced portfolio provides asset growth and dividend security

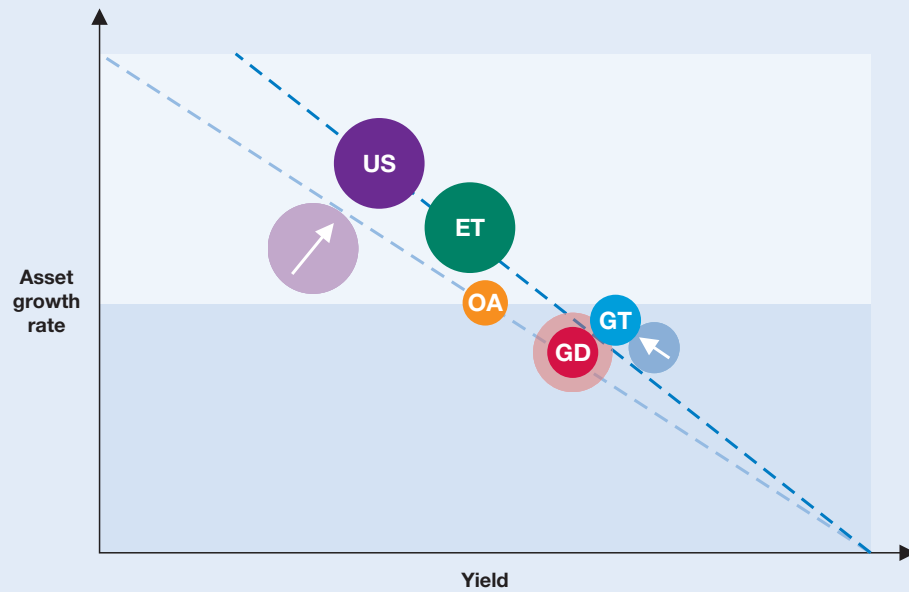
### Portfolio evolution

National Grid's investment proposition centres around owning a portfolio of businesses to:

- deliver appropriate balance of yield and growth
- maintain strong balance sheet with minimal scrip financing
- support growing dividend

Commencing a process for the potential sale of a majority stake in UK Gas Distribution

- rebalance portfolio to deliver higher asset growth profile
- return substantially all net proceeds to shareholders
- maintain dividend policy

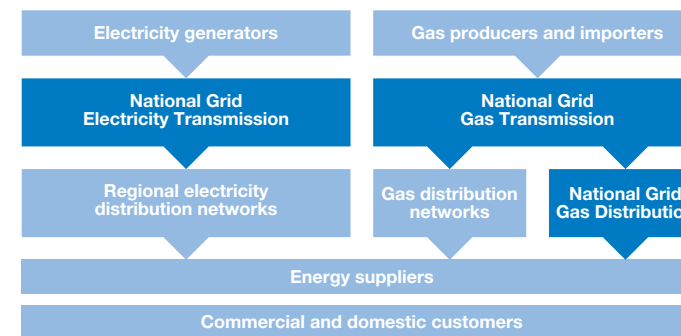


One of the world's largest publicly listed utilities focused on transmission and distribution activities in electricity and gas in both the United Kingdom and the United States.

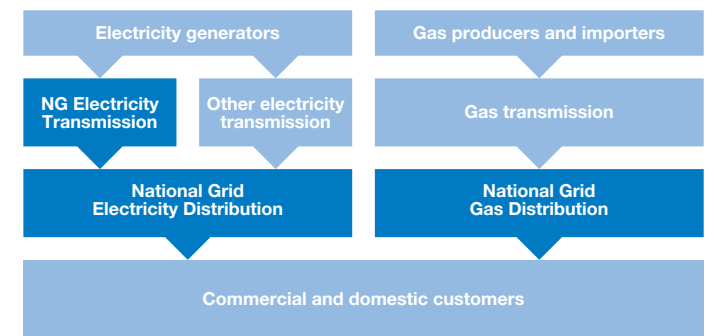
We play a vital role in connecting millions of people to the energy they use, safely, reliably and efficiently.



### National Grid's role in the UK



### National Grid's role in the US



## On track to deliver sustainable future performance

### 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



### Our priorities

- US**
  - Efficiency and process excellence
  - Updated cost allowances
- UK**
  - Deliver outperformance within RIIO framework
- Group**
  - Priority remains delivery of attractive total returns for shareholders
  - Commence process for the potential sale of majority stake in UK Gas Distribution

## Regulated assets £37.0bn (Total Group assets £40.6bn)

UK				US			
69%				31%			
Electricity	31%	Gas	15%	Gas	23%	Gas	14%
				Electricity	13%		

31 March 2015

■ Transmission (and other US FERC assets) ■ Distribution

### Investment proposition

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

### Attractions of being a regulated network utility

- Dividend consistency underpinned by regulatory protection
- Protection from generation and supply exposures and margins
- Macro-economic protection through bad debt trackers, credit protection, inflation linked revenues and price control 're-openers'
- Increasing use of revenue decoupling

### Strengths of National Grid

- Balance of activities between the UK and US, Electricity and Gas, Transmission and Distribution
- Stable regulatory environments, 95%+ regulated revenues
- Local expertise and global scale
- 5%+ growth profile with strong transmission exposure
- Central role in UK energy market

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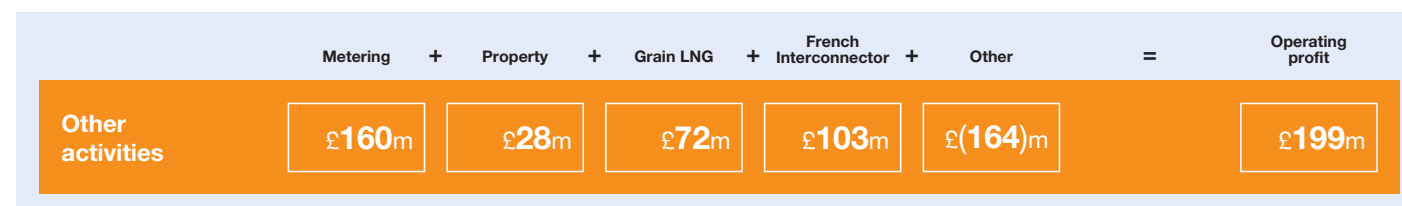
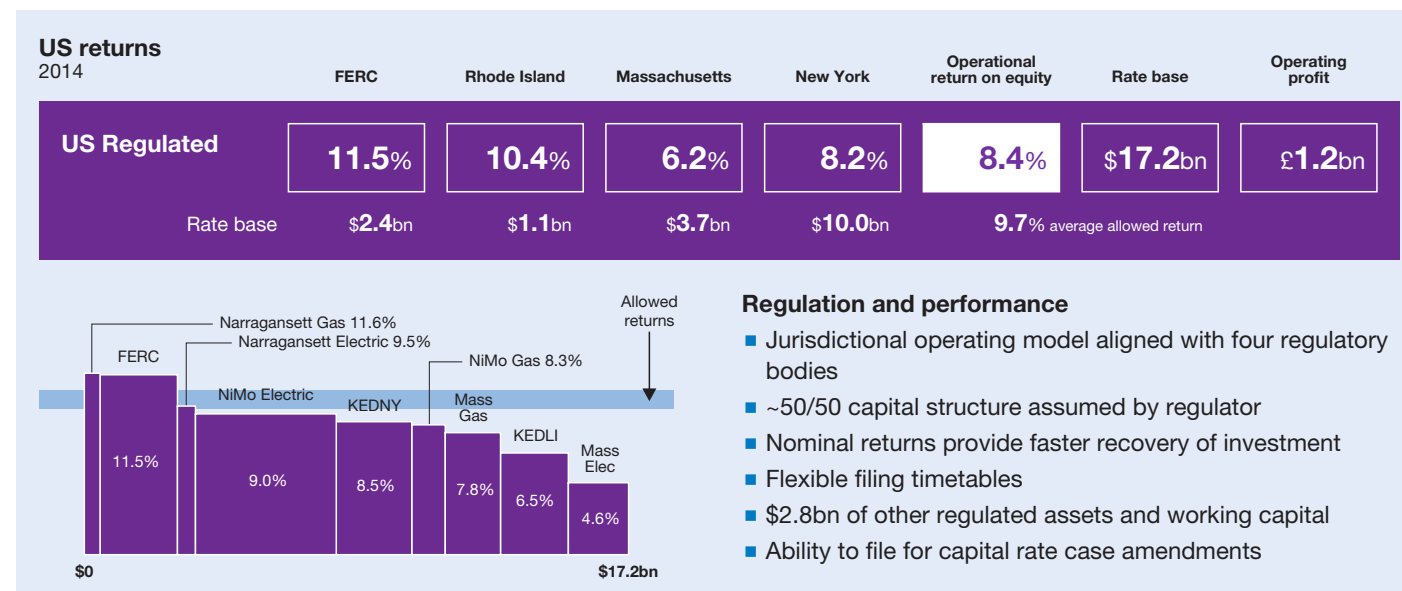
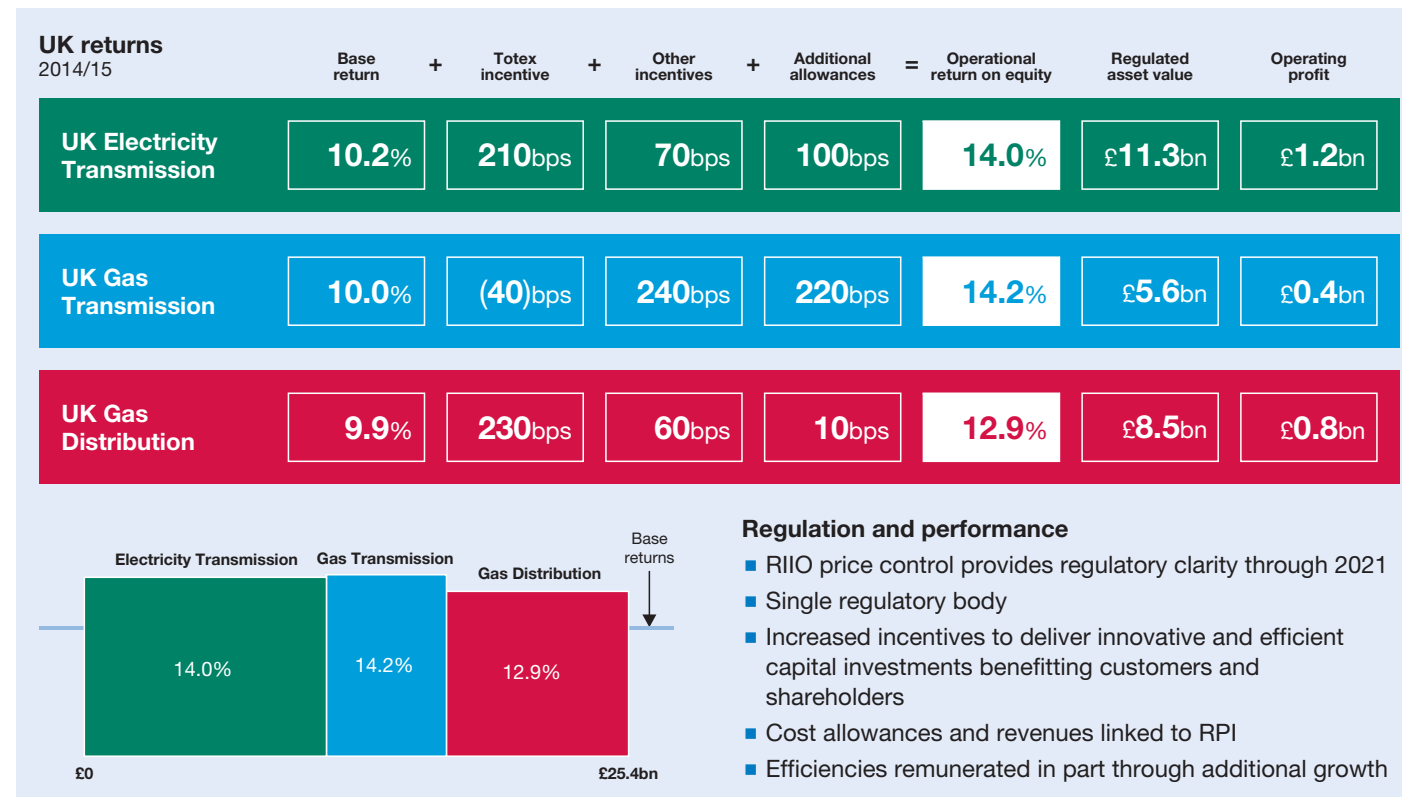
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London Stock Exchange

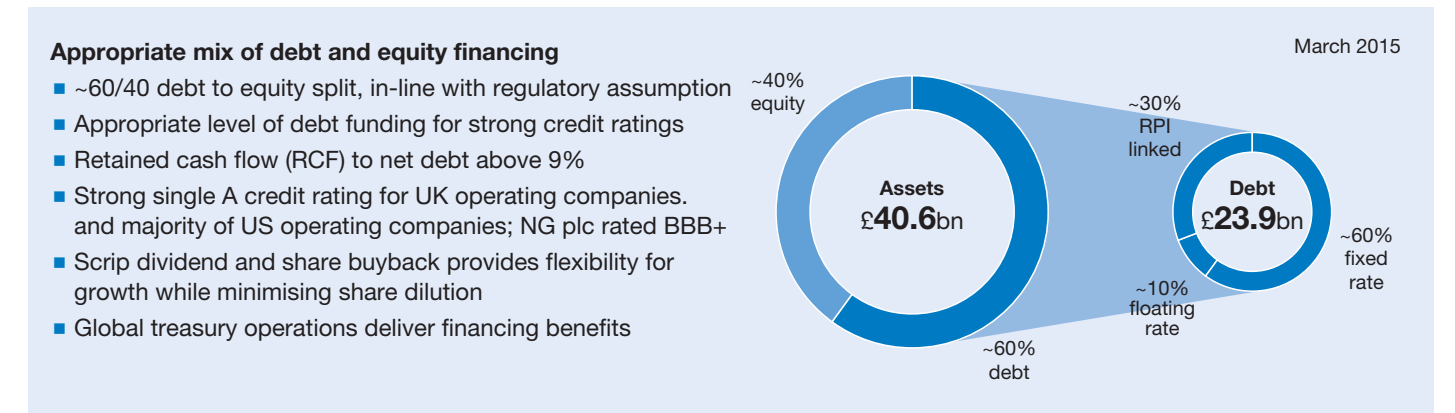
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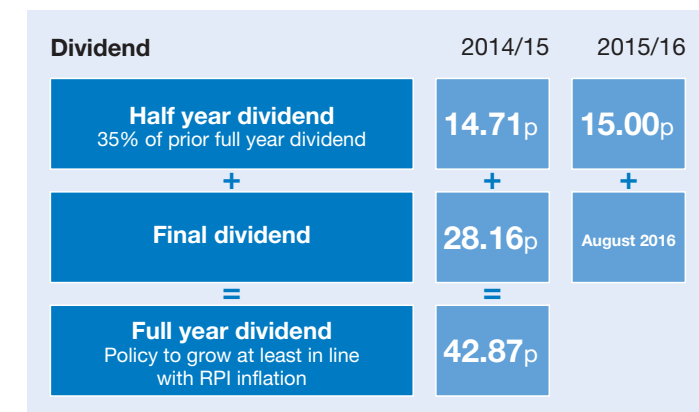
## Strong business unit performance underlies group performance



## Strong balance sheet enables growth and a secure dividend



## Asset and dividend growth drive shareholder value

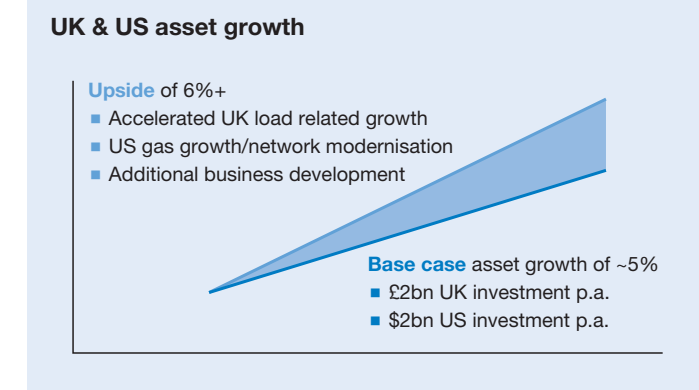


## Total shareholder return (TSR)

Core regulated asset growth, dividend and A- credit ratings represent priorities for allocation of capital

Capital allocation decisions enhance TSR through:

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



## Dividend per share



## Key performance indicators focus management on efficient investment and profitability

