2017/18 Full Year Results
Debt Investor Update

17 May 2018

Cautionary statement

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Other factors that could cause actual results to differ materially from those described in this presentation include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; inflation or deflation; the delayed timing of recoveries and payments in National Grid's regulated businesses and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, train or retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with the National Grid's employees or the breach of laws or regulations by its employees; and the failure to respond to market developments, including competition for onshore transmission, the threats and opportunities presented by emerging technology, development activities relating to changes in the energy mix and the integration of distributed energy resources, and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity (including acquisitions and disposals) and joint ventures. 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.

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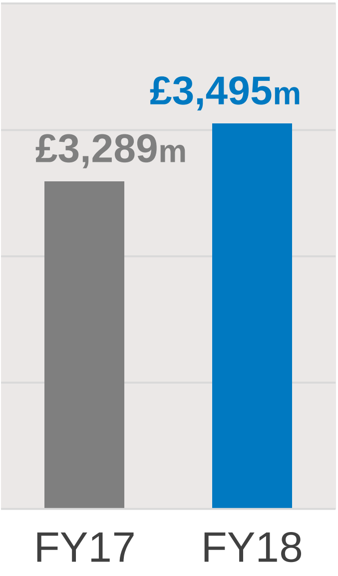
Safety and reliability performance

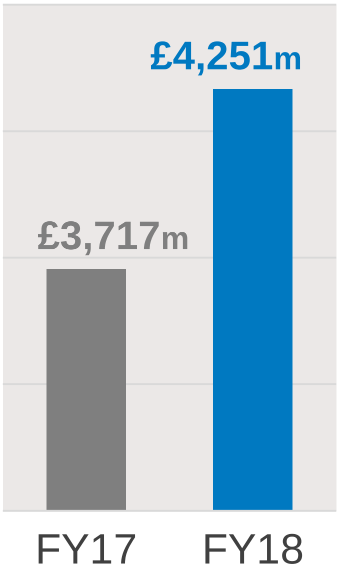
- Safety culture underpins world-class safety performance
- Reliability remains strong across our networks
  - near 100% reliability despite unsettled winter in the UK
  - particularly challenging winter in the US
    - multiple major storms
- Around £140 million storm restoration costs to be recovered in future periods

Strong financial performance

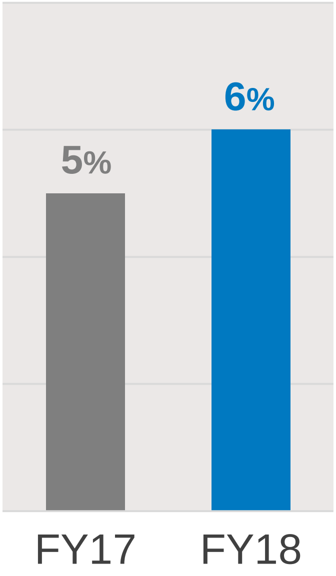
Underlying operating profit
up 6%



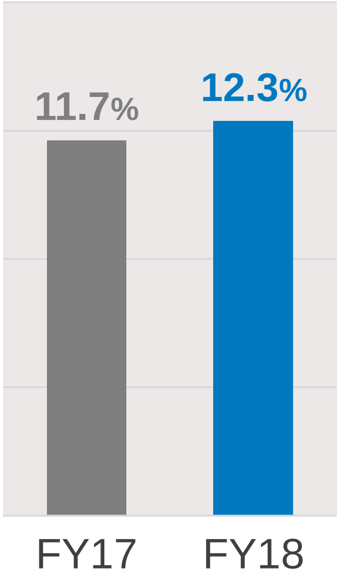
Capital investment
up 14%



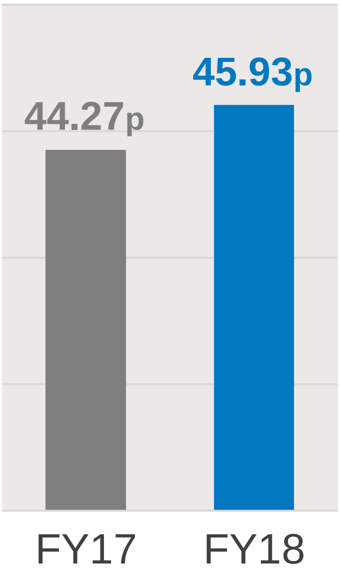
Asset growth increased



Strong RoE achieved



Dividend growth in line with policy



Underlying results, excluding exceptional items, remeasurements, timing and major storms
Comparative numbers adjusted to reflect 39% holding in Cadent for the full year

Capital investment includes investment in JVs (excluding equity contributions to St William property JV)
Operating profit and capital investment calculated at constant currency

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Significant regulatory progress in the US

- Around 80% of distribution rate base now under new rate plans
- NiMo 3-year rate filing completed with positive outcome
  - 9.0% RoE; $2.5bn capex agreed
- Total investment in New York of over $5bn in next three years
- Submitted filings for Massachusetts Gas and Rhode Island
  - updated rates by October

Mass Gas Filing

Summary of request

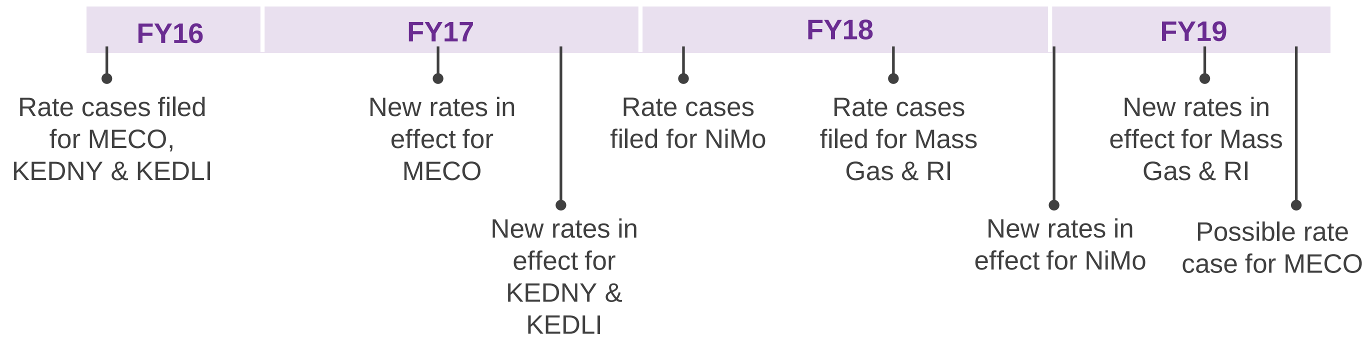
- $46m revenue increase
- RoE of 10.5%
- $550m annual capex allowance

RI Gas and Elec. Filing

Summary of request

- $35m revenue increase
- RoE of 10.1%
- $250m annual capex allowance

Timeline on regulatory filings



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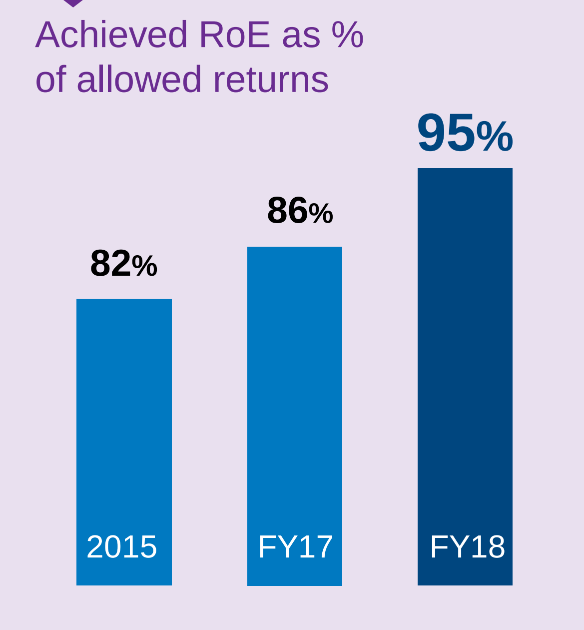
Significant financial and operational progress in the US

- Achieved RoE of 95% of allowed
- Delivered strong asset growth of over 7%
- New Capital Delivery function introduced
  - Metropolitan Reliability Infrastructure
    - five year, $280m project
- US tax reform
  - Rate filing revenue requests quickly reduced by $180m to reflect lower tax charge

Strong financials



US tax reform revenue adjustment includes $50m updated through FERC formula rates

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Solid UK operational and financial performance

Portfolio evolution

- Agreed option on final 25% stake in Cadent
- Expected proceeds of £1.2bn to be reinvested in the business
- Options to complete between March and October 2019

Operational performance

- £540m of savings under RIIO T1
- Achieved 200bps outperformance through efficiency savings
- Completed phase one of the London Power Tunnels project

Progress on NG Ventures and Property

Nemo Link
Initial cable laying complete

- Convertor stations complete by October
- 1GW, 140km link to Belgium
- To be operational in FY19

North Sea Link
Cable laying now underway

- Construction started on converter stations
- 1.4GW, 720km link to Norway
- Expected to be operational in FY22

IFA 2
Construction work commenced

- 1GW, 240km link to France
- Expect to be operational in FY21

Battersea, London

- St William JV – Battersea top floor of phase 1 complete
- Will provide 1,000 new homes when complete

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Interest, tax and earnings

FINANCE COSTS

£974m

PY £955m

- Effective interest rate higher at 4.6%
- Higher RPI offset by financial asset sales

EFFECTIVE TAX RATE

23.7%

at £589m

- Tax rate 50bps lower than the prior year
- Partial impact of US tax reform

UNDERLYING EARNINGS

60.4p/share

PY 58.6p/share

- £2,089m underlying earnings
- 3,461m weighted average shares in 2017/18

Comparative numbers adjusted to reflect 39% holding in Cadent for the full year
Underlying refers to adjusted results, excluding exceptional items, remeasurements, timing and major storms

Finance costs are calculated at constant currency
Effective tax rate excludes JV profits

Cash flow and net debt

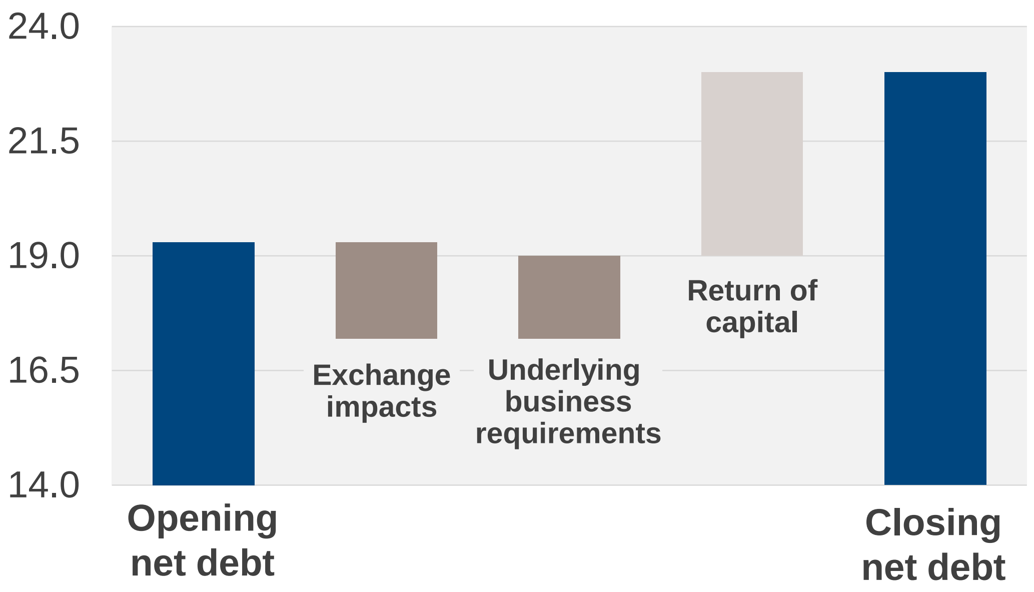
£m	Year ended 31 March 2018
Operating profit	3,457
Depreciation & amortisation	1,530
Pensions	(239)
Working capital & other	(46)
Net operating cash flow	**4,702**
Net debt	(23,002)

RCF / NET DEBT
10.6%

INTEREST COVER
4.4x

FFO / NET DEBT
16.4%

MOVEMENT IN NET DEBT (£bn)



Adjusted results, excluding exceptional items and remeasurements

Credit metrics reported using Moody's methodology, RCF:Debt excludes one-off costs relating to the disposal of UK Gas Distribution in 2016/17

Step change in rate of organic growth

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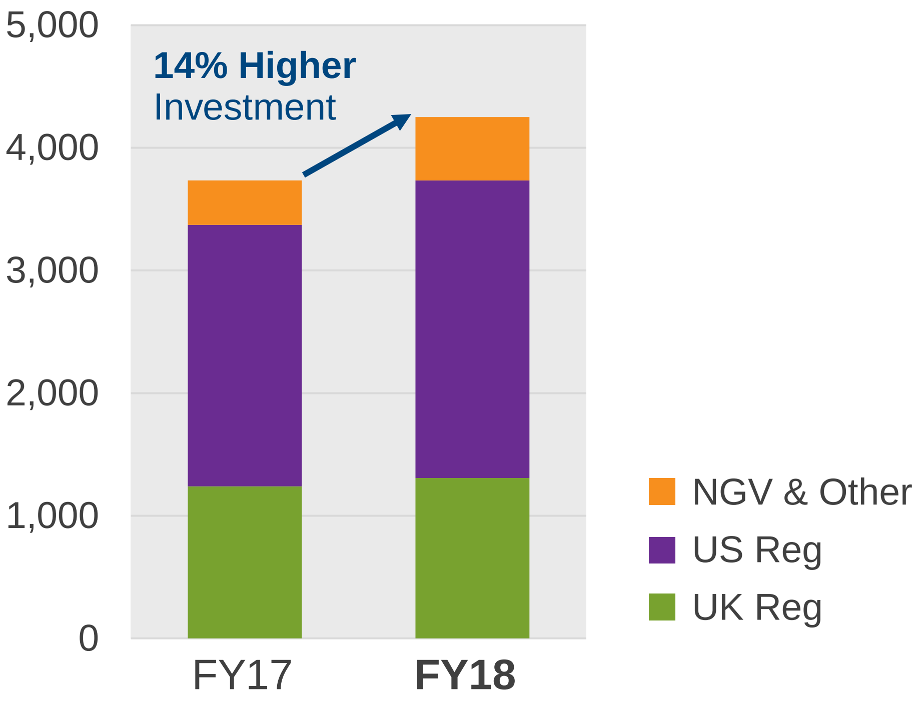
- Sale of GD stake reshaping the portfolio towards higher growth
- Visibility of US growth through successful rate filings
- Increased investment in interconnector projects
- Driving sustained asset growth at the top end of the 5-7% range over the medium term
  - and at least 7% in the near term

GROUP CAPITAL INVESTMENT



Investment calculated at constant currency

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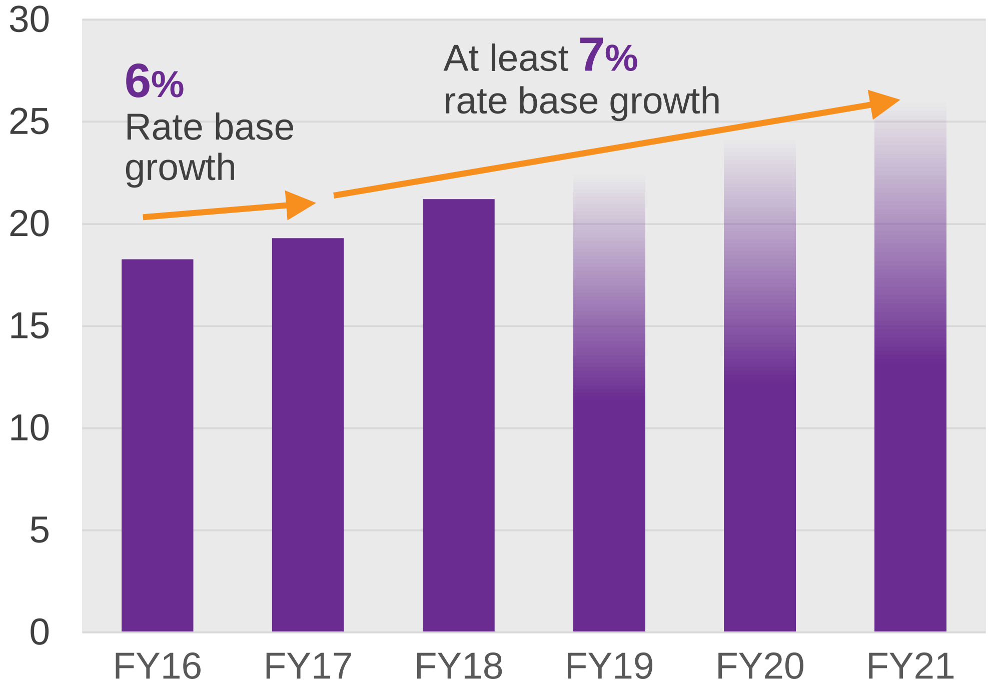
Higher US growth rate

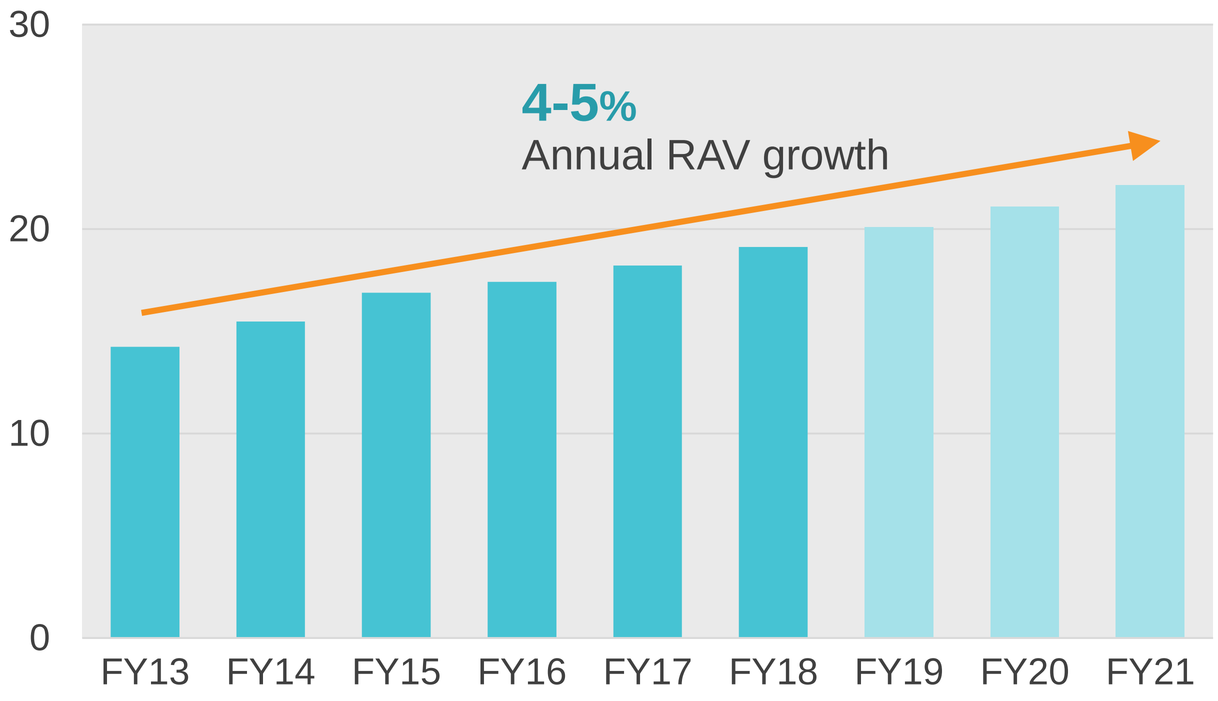
US RATE BASE GROWTH ($bn)



- Approximately $10bn of capex to be invested over the next three years
  - 90% already in rate plans
  - with attractive allowed RoEs
- Rate base growth steps up from FY18 onwards
  - and expected to be at least 7% in the near term

4-5% UK asset growth over RIIO-T1

UK RAV GROWTH (£bn)



- Approximately £1.3bn of annual investment
  - over the remaining 3 years of RIIO-T1
- Targeting returns outperformance
  - of 200-300bps throughout RIIO-T1

Assume 3% RPI inflation in forecast years (FY19 – FY21)

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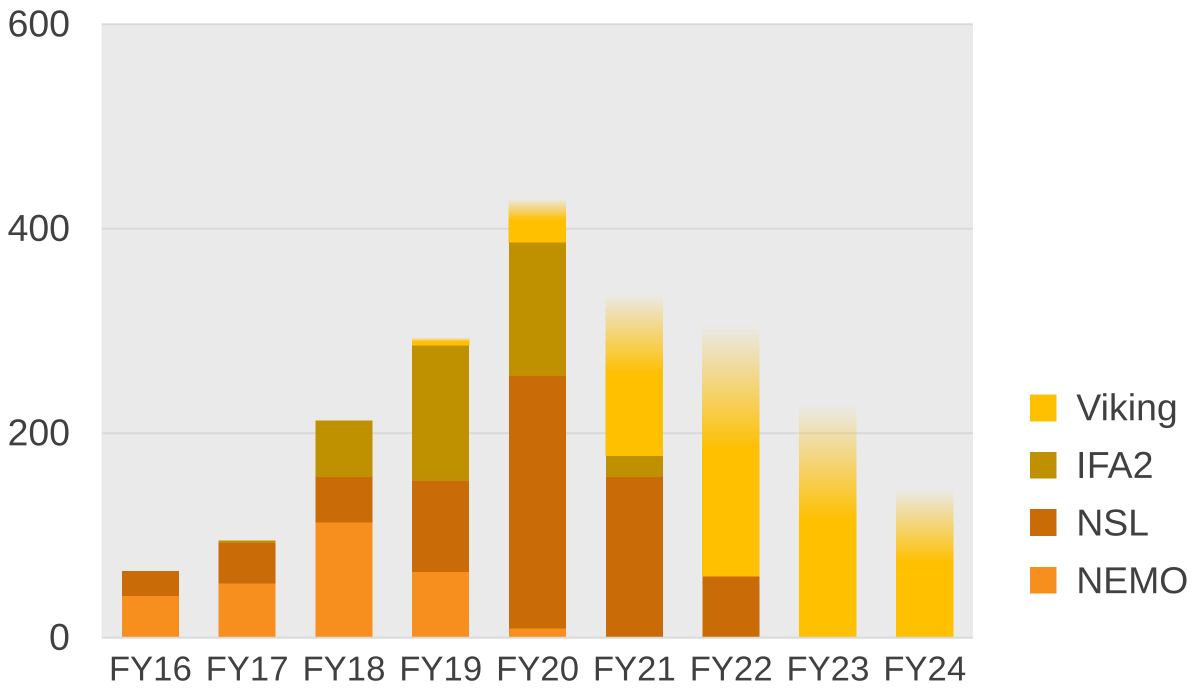
Significant interconnectors capex in NGV

INTERCONNECTOR CAPEX



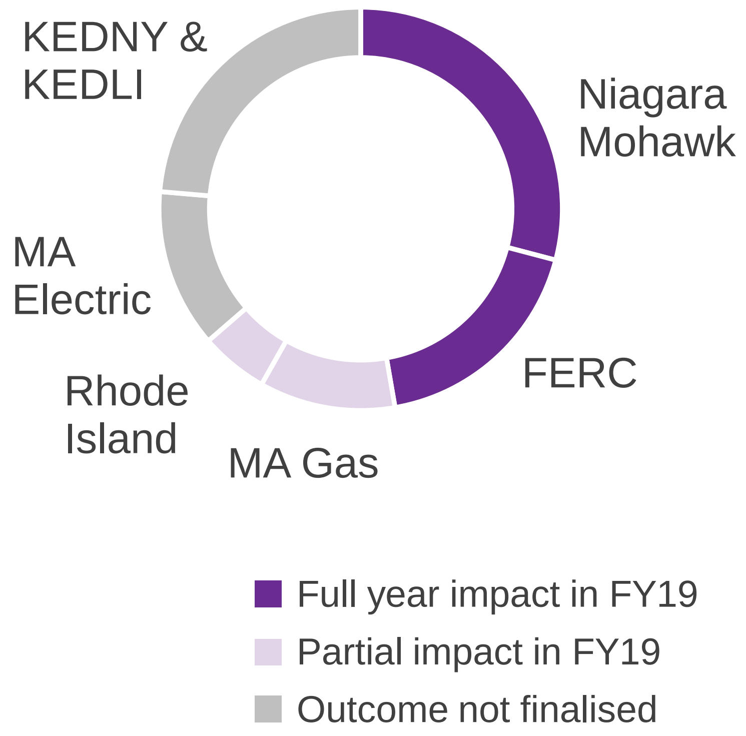
NGV

- Total interconnector investment of approximately £1.3bn, excluding Viking
- NEMO to be operational in FY19, IFA2 FY21 and NSL in FY22
- Generates additional EBITDA, excluding Viking:
  - £100m in FY22
  - over £150m from FY23 onwards

Implications of US tax reform

- US tax costs pass through and economically neutral for utilities
- Balance sheet implications due to current net operating loss position:
  - $180m of revenue adjustments expected for NiMo, RI, MA Gas & FERC
    - discussions ongoing for remaining businesses
  - $2bn deferred tax liability to be returned over 20-30 years
- No impact on RoE, no material impact on IFRS earnings
- Higher rate base growth

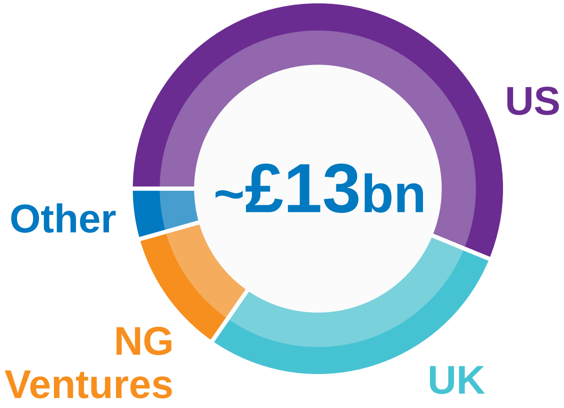
Prospective revenue reduction to be reflected by end of FY19



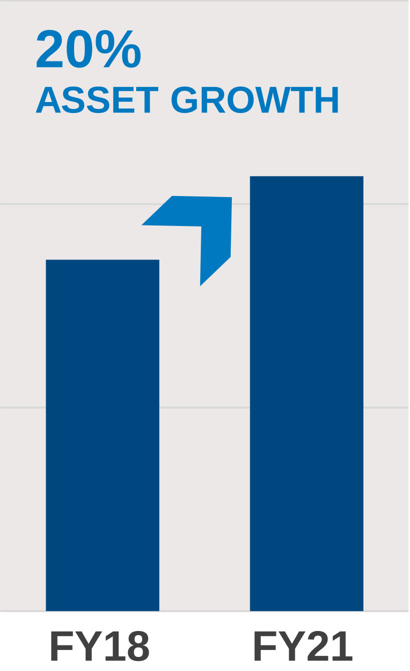
US tax reform revenue adjustment includes $50m updated through FERC formula rates

Strong and efficient capital structure

FY19-21 FORECAST CAPEX BY SEGMENT



ASSETS



- Asset growth at least 7% in the near-term
- Efficient capital structure underpins financing:
  - internally generated capital
  - capital generated from future efficiencies and recovery of regulatory assets
  - reinvesting the proceeds from the disposal of the remaining 39% of Cadent
  - additional capital generated through the scrip dividend in FY19 and FY20 to support higher growth

Well positioned to deliver:

- Medium-term asset growth at the top end of 5% to 7%
- Dividend per share growth at least in line with RPI

Assets include UK Gas Distribution

Priorities & Outlook

Performance optimisation

UK regulatory priorities

- RIIO-2 Framework Consultation
  - early days – RIIO 2 commences in 2021
  - final package needs to:
    - provide appropriate risk/reward balance
    - drive innovation and efficiency through incentivisation
    - ensure financeability of networks
- Hinkley Seabank
  - disappointed with financial parameters in ‘minded-to’ position
  - decision expected in the summer, will consider all options
- Agreeing funding with Ofgem for necessary Gas Transmission investment

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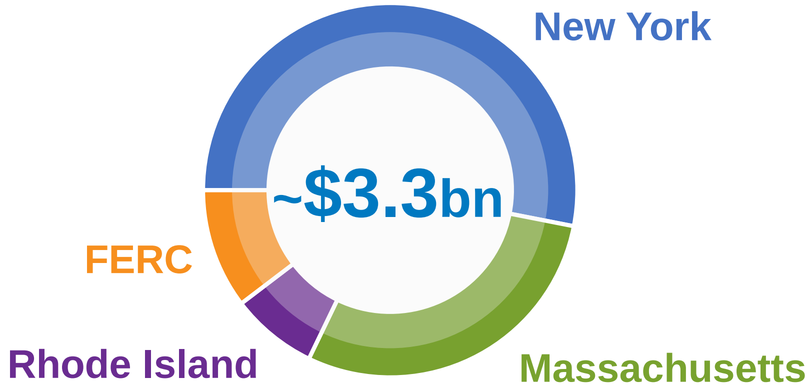
US regulatory and operational priorities

- Strengthened organisation structure for jurisdictions
  - increased gas, electric and transmission support
- ~$10bn forecast capex for the next three years
- Growth driven by mandated spend on gas networks and electric network reliability
- Regulatory strategy to focus on efficiency to deliver on returns and help keep customer bills down
- Expect to file again for Massachusetts Electric later this year

FY19 FORECAST CAPITAL INVESTMENT BY JURISDICTION



Timeline on regulatory filings

FY16
- Rate cases filed for MECO, KEDNY & KEDLI

FY17
- New rates in effect for MECO
- New rates in effect for KEDNY & KEDLI

FY18
- Rate cases filed for NiMo
- Rate cases filed for Mass Gas & RI
- New rates in effect for NiMo

FY19
- New rates in effect for Mass Gas & RI
- Possible rate case for MECO

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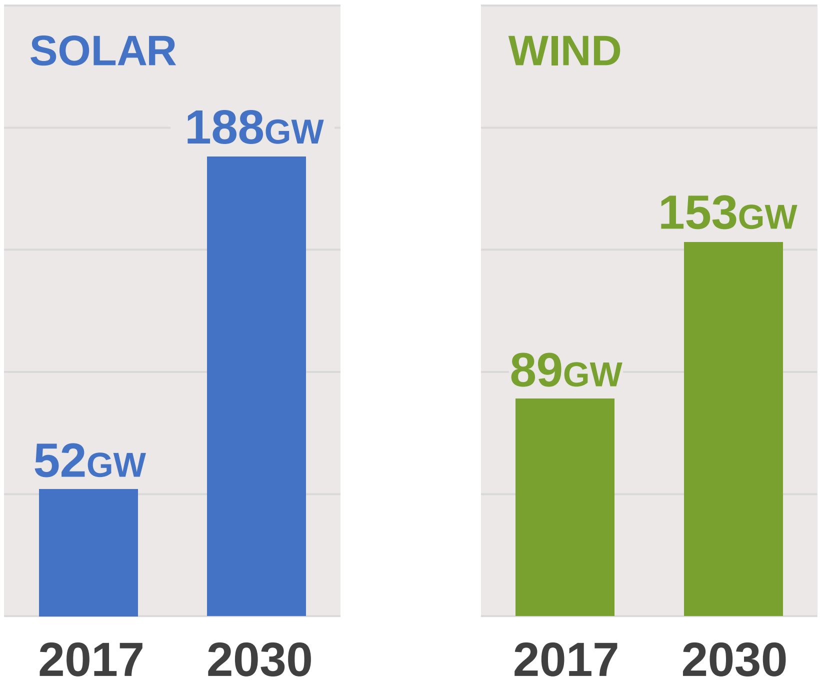
Industry decarbonising at pace

- Both UK and US continue rapid decarbonisation
- 2017 Greenest year ever for the UK
- Many US states remain committed to aggressive CO_2 reduction targets
- Solar, Wind and Storage economics becoming increasingly attractive
- Significant growth in large scale renewables set to continue into the long-term

US RENEWABLES FORECAST GROWTH



Source: Bloomberg New Energy Finance

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Renewable generation creating new opportunities

- Pipeline of UK solar/storage connections at transmission level
- Scale of growth in utility scale renewables offering opportunities
  - Block Island offshore wind
  - Nantucket storage
- Generates further opportunities for incremental investment
  - long-term contracts / regulatory underpin makes them well-suited to our risk/reward profile
  - would leverage many of our core capabilities

Debt Funding

Debt Funding

- Our US companies issued over $2.5bn of new long-term debt in 2017/18, the majority at OpCo level
- We expect to issue new US OpCo and HoldCo debt in 2018/19
- £5.4bn of general liquidity facilities
- Capital generated through the scrip dividend in 2018/19 and 2019/20
- Strong credit ratings: single A for UK and the majority of US operating companies

Summary

- Delivered strong financial and operational performance
  - 95% of allowed US returns
  - 200bps returns outperformance in the UK
- Well positioned to capitalise on significant medium term growth
- Focused on efficient delivery
  - to create long term value for customers and shareholders
  - whilst being a leader in the energy transition

Q&A