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**

- **UK Electricity Transmission** 30%
- **UK Gas Transmission** 14%
- **US Regulated** 42%
- **NG Ventures & Other** 5%
- **NGGD Retained stake** 9%

**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)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Dividend (p/share)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>42.87p</td>
</tr>
<tr>
<td>2015/16</td>
<td>43.34p</td>
</tr>
<tr>
<td>2016/17</td>
<td>44.27p*</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Assets (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014/15</td>
<td>£35.3bn</td>
</tr>
<tr>
<td>2015/16</td>
<td>£36.8bn</td>
</tr>
<tr>
<td>2016/17</td>
<td>£38.9bn</td>
</tr>
</tbody>
</table>

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

**March 2017**

- **Equity** ~35%
- **Regulated Assets & invested capital** £36.0bn
- **RPI linked Debt** ~25%
- **Net Debt** £19.3bn*
- **Floating rate** ~20%
- **Fixed rate** ~55%

* 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

<table>
<thead>
<tr>
<th>Total Group 16/17 performance*</th>
<th>Operating Profit</th>
<th>EPS</th>
<th>Group Return on equity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£4.7bn</td>
<td>73.0p</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

Value added*
Captures total return per share created on an operational basis

- **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

Group return on equity (RoE)*

<table>
<thead>
<tr>
<th>Year</th>
<th>2012/13</th>
<th>2013/14</th>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>RoE (%)</td>
<td>11.7%</td>
<td>11.4%</td>
<td>11.8%</td>
<td>12.3%</td>
<td>11.7%</td>
</tr>
</tbody>
</table>

Continued strong UK operational and financial performance in 2016/17

**UK combined returns**

<table>
<thead>
<tr>
<th>2016/17</th>
<th>Base return</th>
<th>Totex incentive</th>
<th>Other incentives</th>
<th>Additional allowance</th>
<th>Operational return on equity</th>
<th>Regulated asset value</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>UK Electricity Transmission</strong></td>
<td>10.2%</td>
<td>190bps</td>
<td>70bps</td>
<td>80bps</td>
<td>13.6%</td>
<td>£12.5bn</td>
<td>£1.4bn</td>
</tr>
<tr>
<td><strong>UK Gas Transmission</strong></td>
<td>10.0%</td>
<td>(80)bps</td>
<td>110bps</td>
<td>50bps</td>
<td>10.8%</td>
<td>£5.8bn</td>
<td>£0.5bn</td>
</tr>
<tr>
<td><strong>UK Gas Distribution (NGGD)</strong></td>
<td>9.9%</td>
<td>280bps</td>
<td>120bps</td>
<td>10bps</td>
<td>14.0%</td>
<td>£9bn</td>
<td>£0.9bn</td>
</tr>
</tbody>
</table>

**UK RoE Combined**

| FY16 | 13.1%* |

*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**

| FY16 | £1.2bn* |

* Excluding UK Gas Distribution

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* Excludes UK Gas Distribution
High-quality organic growth drives shareholder value

Capital investment – Continuing basis
2016/17

<table>
<thead>
<tr>
<th>Ventures &amp; Other</th>
<th>£374m</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Regulated</td>
<td>£2,247m</td>
</tr>
</tbody>
</table>

UK Electricity Transmission £1,027m
UK Gas Transmission £214m

£3.9bn Investment

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

Improved US financial performance in 2016/17

US returns
Fiscal year 2016/17

<table>
<thead>
<tr>
<th>US Regulated</th>
<th>Rate base</th>
<th>New York</th>
<th>Massachusetts</th>
<th>Rhode Island</th>
<th>FERC</th>
<th>Operational return on equity</th>
<th>Operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>8.4%</td>
<td>6.0%</td>
<td>7.7%</td>
<td>11.3%</td>
<td>8.2%</td>
<td>£1.7bn</td>
</tr>
<tr>
<td></td>
<td>$11.5bn</td>
<td>$5.5bn</td>
<td>$1.5bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>US Capital Investment</th>
<th>$2.9bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY16</td>
<td>£2.7bn</td>
</tr>
</tbody>
</table>

Growing investment levels

<table>
<thead>
<tr>
<th>2014/15</th>
<th>2015/16</th>
<th>2016/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>£3.3bn</td>
<td>£3.7bn</td>
<td>£3.9bn</td>
</tr>
</tbody>
</table>

Investment over the medium term ~£4bn per annum

Jurisdictional split

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

Regulatory split

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

Improved US rate filings to support improved performance

- Filings planned in 2017/2018
- MA Gas Rhode Island
- Niagara Mohawk

- FERC Formula Rates
- MA Electric New rates Oct 2016
- KEDNY/KEDLI New rates Jan 2017
- FERC

- Rhode Island
- Massachusetts

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

Further information

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