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 £37bn as at 31 March 2018**

**Assets by segment**

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
<th>Total</th>
<th>Amount (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NG Ventures &amp; Other</td>
<td>5%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>US Regulated</td>
<td>45%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Electricity Transmission</td>
<td>34%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>UK Gas Transmission</td>
<td>16%</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td>£37</td>
<td><strong>£37bn</strong></td>
</tr>
</tbody>
</table>

- 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 DPS 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>13/14</td>
<td>42.87</td>
</tr>
<tr>
<td>14/15</td>
<td>43.34</td>
</tr>
<tr>
<td>15/16</td>
<td>44.27*</td>
</tr>
<tr>
<td>16/17</td>
<td>45.93</td>
</tr>
<tr>
<td>17/18</td>
<td>44.27</td>
</tr>
</tbody>
</table>

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

**Strong and efficient balance sheet**

- **Appropriate mix of debt and equity financing**
- Appropriate level of debt funding for strong credit ratings
- Target 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 provides flexibility for growth
- Access to global debt markets delivering financial benefits

**Gearing and debt profile**

- **Net Debt £23bn**
- **RPI linked ~30%**
- **Floating rate ~7%**

**Notes:** Currency profile includes associated derivatives and excludes cash and investments.
Currency and interest rate profiles shown post derivative financial instruments and excluding assets

**Strong track record of delivering growth and yield**

Dividend policy is to grow DPS at least in line with RPI Inflation (p/share)

<table>
<thead>
<tr>
<th>Year</th>
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</thead>
<tbody>
<tr>
<td>13/14</td>
<td>42.03</td>
</tr>
<tr>
<td>14/15</td>
<td>42.87</td>
</tr>
<tr>
<td>15/16</td>
<td>43.34</td>
</tr>
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</tr>
<tr>
<td>17/18</td>
<td>45.93</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Assets (£bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>13/14</td>
<td>£34.7bn</td>
</tr>
<tr>
<td>14/15</td>
<td>£36.6bn</td>
</tr>
<tr>
<td>15/16</td>
<td>£38.7bn</td>
</tr>
<tr>
<td>16/17</td>
<td>£37.0bn</td>
</tr>
</tbody>
</table>

*At constant currency*  
At actual currency
Restated for 39% share of NGGD net assets
Continued strong UK operational and financial performance in 2017/18

UK combined returns
2017/18

<table>
<thead>
<tr>
<th></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>Adjusted operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK Electricity Transmission</td>
<td>10.2%</td>
<td>180bps</td>
<td>40bps</td>
<td>70bps</td>
<td>13.1%</td>
<td>£13.0bn + 4.5%</td>
<td>£1.0bn</td>
</tr>
<tr>
<td>UK Gas Transmission</td>
<td>10.0%</td>
<td>(80)bps</td>
<td>120bps</td>
<td>(40)bps</td>
<td>10.0%</td>
<td>£6.0bn + 4.5%</td>
<td>£0.5bn</td>
</tr>
<tr>
<td>UK RoE Combined</td>
<td>12.1% FY17</td>
<td>12.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Strong performance in the UK
- Achieved outperformance of 200bps through innovation and efficiency
- Focus on customer savings; around £540m generated to date under RIIO
- Continued investment in maintaining the network

Regulation
- Single regulatory body - Ofgem
- 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
- Remunerated in part through RPI asset indexation

National Grid Ventures & Other

<table>
<thead>
<tr>
<th>NG Ventures &amp; Other</th>
<th>Metering</th>
<th>Grain LNG</th>
<th>French Interconnector</th>
<th>Property</th>
<th>Adjusted operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£155m</td>
<td>£76m</td>
<td>£65m</td>
<td>£84m</td>
<td>£231m</td>
</tr>
<tr>
<td>Joint ventures</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Post tax share</td>
<td>£36m</td>
<td>£13m</td>
<td>£123m</td>
<td>£(5)m</td>
<td>£167m</td>
</tr>
</tbody>
</table>

Capital Investment

£518m*  
*Excludes £19m equity contribution of St William property joint venture

National Grid Ventures
- Long term assets with a low risk profile and stable cash flows
- 3GW of electricity interconnection between UK and Europe, with a further 3.4GW under construction

Other activities
- 295 sites of varying sizes and values owned by National Grid Property
- St. William joint venture partnership with Berkley Group to unlock land value and provide access to downstream profits
- Following the sale of a 61% stake in UK Gas Distribution, National Grid now owns a 39% share of Cadent
  - Option agreements in place for the sale of remaining 39%
Improved US financial performance in 2017/18

**US returns**  
Fiscal year 2017/18

<table>
<thead>
<tr>
<th>Jurisdiction</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>Adjusted operating profit</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>US Regulated</strong></td>
<td></td>
<td>9.0%</td>
<td>7.8%</td>
<td>6.9%</td>
<td>11.5%</td>
<td>8.9%</td>
<td>£1.7bn</td>
</tr>
</tbody>
</table>

**2017/18 RoE/Rate base ($m)**

- **FERC**
  - Narragansett Gas 8.4%
  - NiMo Gas 7.9%
  - Narragansett Electric 5.6%
  - New York 11.5%
  - Rhode Island 10.1%
  - Massachusetts 9.0%
  - Mass Elec 9.0%
  - NiMo Electric 8.8%

**Timeline on regulatory filings**

<table>
<thead>
<tr>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate cases filed for MECO, KEDNY &amp; KEDLI</td>
<td>New rates in effect for MECO</td>
<td>New rates in effect for KEDNY &amp; KEDLI</td>
<td>Rate cases filed for NiMo</td>
</tr>
<tr>
<td>New rates in effect for MECO</td>
<td>New rates in effect for KEDNY &amp; KEDLI</td>
<td>Rate cases filed for NiMo</td>
<td>New rates in effect for Mass Gas &amp; RI</td>
</tr>
<tr>
<td>New rates in effect for NiMo</td>
<td>New rates in effect for Mass Gas &amp; RI</td>
<td>Possible rate case for MECO</td>
<td></td>
</tr>
</tbody>
</table>

**Regulation**

Jurisdictional operating model aligned with regulatory bodies

- 80% of distribution rate base operating under updated rates
- ~50/50 debt/equity capital structure assumed by regulator
- Nominal returns provide a faster cash return
- $2.7bn of assets outside of rate base, including capital work in progress

**US investment drivers**

- Electric investments for network resiliency and storm hardening and grid modernisation
- Mandated leak prone gas pipe replacement programmes
- Decarbonisation of energy

**Environmental performance and priorities**

**Climate change**
- 70% reduction in GHG emissions by 2030
- 80% reduction by 2050

**Responsible resource use**
- Divert 100% of construction waste from landfill and send zero office waste to landfill by 2020

**Caring for our environment**
- Recognise and enhance the value of our natural assets on at least 50 sites by 2020

** Jurisdictional split**

<table>
<thead>
<tr>
<th>Jurisdiction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rhode Island</td>
</tr>
<tr>
<td>Massachusetts</td>
</tr>
<tr>
<td>New York</td>
</tr>
</tbody>
</table>

**Timeline on regulatory filings**

- FY16: Rate cases filed for MECO, KEDNY & KEDLI
- FY17: New rates in effect for MECO
- FY18: New rates in effect for KEDNY & KEDLI, Rate cases filed for NiMo
- FY19: Rate cases filed for Mass Gas & RI, Possible rate case for MECO

**FY18 US Regulated Capital Investment**

- $3.3bn

**FY17 US Regulated Capital Investment**

- $2.9bn
High-quality organic growth drives shareholder value

FY19-FY21 forecast capital investment by segment

- **US Regulated**
  - Increased capital investment funded through rate agreements, forecast over $3bn p.a. to 2021
  - Expect over 7% organic growth rate in the near term

- **UK Regulated**
  - £1.3bn forecast per annum to 2021
  - ET spend driven by non-load related investments
  - GT investment in support of asset health work

>£12bn of investment over the next 3 years

**Key measures to deliver shareholder value**

<table>
<thead>
<tr>
<th>Total Group</th>
<th>Operating Profit</th>
<th>£3.5bn</th>
<th>EPS</th>
<th>60.4p</th>
<th>Group Return on equity</th>
<th>12.3%</th>
</tr>
</thead>
</table>

Value added (at constant currency)
Covers total return per share created on an operational basis

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Asset growth</td>
<td>£2,330m</td>
<td>+</td>
<td>£2,200m</td>
<td>+</td>
</tr>
<tr>
<td>Dividend</td>
<td>£1,494m</td>
<td>-</td>
<td>£1,820m</td>
<td>-</td>
</tr>
<tr>
<td>Change in net debt and goodwill</td>
<td>=</td>
<td>=</td>
<td>=</td>
<td>=</td>
</tr>
</tbody>
</table>

Group return on equity (RoE)

<table>
<thead>
<tr>
<th>13/14</th>
<th>14/15</th>
<th>15/16</th>
<th>16/17</th>
<th>17/18</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.4%</td>
<td>11.8%</td>
<td>12.3%</td>
<td>11.7%</td>
<td>12.3%</td>
</tr>
</tbody>
</table>

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 193 to 196 of National Grid’s most recent Annual Report and Accounts for the year ended 31 March 2018 as updated by National Grid’s unaudited half-year financial information for the six months ended 30 September 2018, published on 8 November 2018. Copies of the most recent Annual Report and Accounts are available online at www.nationalgrid.com or from Link Asset Services. 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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