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22 February 2017

**BRITISH TRANSCO INTERNATIONAL FINANCE B.V.
LAUNCHES CASH TENDER OFFER**

British Transco International Finance B.V. (**BTIF**) announces that it is inviting holders of its outstanding U.S.\$1,500,000,000 Zero Coupon Guaranteed Bonds due 2021 (ISIN: XS0034394709) (the **Bonds**), guaranteed by National Grid Gas plc (**NGG**), to tender up to U.S.\$500,000,000 (the **Maximum Tender Amount**) (subject to increase by BTIF as described below) of such Bonds for purchase by BTIF for cash (such invitation the **Offer**).

The Offer is made on the terms and conditions contained in the tender offer memorandum dated 22 February 2017 (the **Tender Offer Memorandum**) prepared by BTIF in connection with the Offer, and is subject to the offer and distribution restrictions set out below and as more fully described in the Tender Offer Memorandum. Capitalised terms used but not otherwise defined in this announcement shall have the meanings given to them in the Tender Offer Memorandum.

Bondholders are advised to read carefully the Tender Offer Memorandum for full details of, and information on the procedures for participating in, the Offer.

Summary of the Offer

A summary of certain key terms relevant to the Offer appears below:

Description of the Bonds	ISIN / Common Code	Outstanding Nominal Amount	Reference Treasury Security ⁽¹⁾	Bloomberg Reference Page	Fixed Spread (basis points)	Late Purchase Price ⁽²⁾	Early Tender Payment (per U.S.\$10,000 in nominal amount)
U.S.\$1,500,000,000 Zero Coupon Guaranteed Bonds due 2021	XS0034394709 / 003439470	U.S.\$1,474,000,000	1.875% due 1/31/2022	FIT1	40	Early Purchase Price less Early Tender Payment	U.S.\$300

- (1) The Early Purchase Price will be determined in the manner described herein by reference to the sum of the yield to maturity of the Reference Treasury Security and the Fixed Spread referred to above, and be payable to any Bondholder who submits a valid Tender Instruction (which is not subsequently withdrawn) at or prior to the Early Tender Deadline and whose Bonds are accepted for purchase pursuant to the Offer.
- (2) The Late Purchase Price (being the Early Purchase Price less the Early Tender Payment) will be payable to any Bondholder who submits a valid Tender Instruction after the Early Tender Deadline (but at or prior to the Expiration Deadline) and whose Bonds are accepted for purchase pursuant to the Offer.

Rationale for the Offer

National Grid plc (**NG**) is in the process of disposing of a majority stake in its UK gas distribution business, which was first publicly announced in November 2015. The Offer is made to aid the establishment of an appropriate capital structure in NGG and across the NG group following the disposal, with an appropriate amount of gross debt at NGG relative to its remaining gas transmission business.

Purchase Prices

Early Purchase Price

BTIF will pay for any Bonds validly tendered at or prior to 5.00 p.m. (New York City time) on 7 March 2017 (such time and date, as the same may be extended, the **Early Tender Deadline**) and accepted by it for purchase pursuant to the Offer, a cash purchase price (the **Early Purchase Price**) to be determined at or around 11.00 a.m. (New York City time) on 8 March 2017 (such time and date, as the same may be extended, the **Pricing**

Time) in the manner described in the Tender Offer Memorandum by reference to the sum (such sum, the **Purchase Yield**) of:

- (i) a fixed spread of 40 basis points (the **Fixed Spread**); and
- (ii) a yield to maturity (the **Reference Yield**) of the Reference Treasury Security specified in the table above based on the bid-side price of the Reference Treasury Security as reported on Bloomberg Reference Page (FIT1) at the Pricing Time.

The Early Purchase Price (expressed as an amount per U.S.\$10,000 in nominal amount) will be calculated so as to result in a price as of the Early Settlement Date that equates to a yield to the stated maturity date for the Bonds equal to the Purchase Yield. Specifically, the Early Purchase Price will equal the present value of the scheduled payment of principal on the Bonds on their scheduled maturity date, discounted to the Early Settlement Date in accordance with the formula set out in the Tender Offer Memorandum, at a discount rate equal to the Purchase Yield. The stated maturity date of the Bonds is 4 November 2021.

Because the Early Purchase Price is based on a fixed spread pricing formula linked to the yield on the Reference Treasury Security, the actual amount of cash that may be received by a Bondholder that tenders Bonds pursuant to the Offer will be affected by changes in such yield during the term of the Offer before the Pricing Time. After the Pricing Time, when the Early Purchase Price is no longer linked to the yield on the Reference Treasury Security, the actual amount of cash that may be received by a tendering Bondholder pursuant to the Offer will be known and Bondholders will be able to ascertain the Early Purchase Price and the Late Purchase Price in the manner described above and (in the case of the Late Purchase Price) below.

Late Purchase Price

For any Bonds validly tendered after the Early Tender Deadline (but at or prior to 11.59 p.m. (New York City time) on 21 March 2017 (such time and date, as the same may be extended, the **Expiration Deadline**)) and accepted for purchase pursuant to the Offer, BTIF will pay a cash purchase price (the **Late Purchase Price**), expressed as an amount per U.S.\$10,000 in nominal amount of the relevant Bonds, equal to (i) the Early Purchase Price less (ii) the early tender payment of U.S.\$300 for each U.S.\$10,000 in nominal amount of the Bonds so accepted.

No Accrued Interest

The Bonds are zero coupon instruments and, accordingly, no additional cash amounts will be payable to Bondholders in respect of accrued interest for any Bonds accepted for purchase by BTIF pursuant to the Offer.

Settlement of the Offer

The Early Purchase Price for any Bonds validly tendered at or prior to the Early Tender Deadline and accepted for purchase pursuant to the Offer will be paid to Bondholders on the Early Settlement Date, which will be promptly after the Early Tender Deadline and is expected to be 10 March 2017.

The Late Purchase Price for any Bonds validly tendered after the Early Tender Deadline (but at or prior to the Expiration Deadline) and accepted for purchase pursuant to the Offer will be paid to Bondholders on the Final Settlement Date, which will be promptly after the Expiration Deadline and is expected to be 23 March 2017.

Maximum Tender Amount and Scaling

BTIF proposes to accept for purchase pursuant to the Offer up to U.S.\$500,000,000 in aggregate nominal amount of Bonds (the **Maximum Tender Amount**) on the terms and subject to the conditions set out in the Tender Offer Memorandum, although it reserves the right, in its sole discretion, to increase such amount if the aggregate nominal amount of Bonds validly tendered at or prior to the Early Tender Deadline (and not withdrawn) exceeds such amount.

If the aggregate nominal amount of Bonds validly tendered for purchase at or prior to the Early Tender Deadline (and not withdrawn) is greater than the Maximum Tender Amount, BTIF intends to accept such Bonds for purchase on the Early Settlement Date on a *pro rata* basis such that the aggregate nominal amount of Bonds accepted for purchase on the Early Settlement Date pursuant to the Offer is no greater than the Maximum Tender Amount, as more fully described in the Tender Offer Memorandum.

If the aggregate nominal amount of Bonds validly tendered at or prior to the Early Tender Deadline (and not withdrawn) equals or exceeds the Maximum Tender Amount, BTIF will not accept any Bonds tendered for purchase after the Early Tender Deadline.

If (i) the aggregate nominal amount of Bonds validly tendered at or prior to the Early Tender Deadline (and not withdrawn) does not equal or exceed the Maximum Tender Amount (the difference between such tendered amount and the Maximum Tender Amount being the **Remaining Tender Amount**), but (ii) the aggregate nominal amount of all Bonds validly tendered for purchase pursuant to the Offer (and not withdrawn), whether at, prior to or after the Early Tender Deadline (but at or prior to the Expiration Deadline), exceeds the Maximum Tender Amount, BTIF intends to accept for purchase, on the Final Settlement Date, Bonds validly tendered for purchase pursuant to the Offer (and not withdrawn) after the Early Tender Deadline (but at or prior to the Expiration Deadline) on a *pro rata* basis, such that the aggregate nominal amount of Bonds accepted for purchase on the Final Settlement Date is no greater than the Remaining Tender Amount, as more fully described in the Tender Offer Memorandum.

Tender Instructions

In order to participate in the Offer, Bondholders must validly tender their Bonds by delivering, or arranging to have delivered on their behalf, a valid Tender Instruction that is received by the Tender Agent by the Expiration Deadline. In order for any Bondholder to be eligible to receive the Early Purchase Price pursuant to the Offer, such Tender Instruction must be received by the Tender Agent at or prior to the Early Tender Deadline.

Tender Instructions may be withdrawn at any time from the time of their submission until 5.00 p.m. (New York City time) on 7 March 2017 (such time and date, as the same may be extended, the **Withdrawal Deadline**). Tender Instructions will be irrevocable following the Withdrawal Deadline (and Tender Instructions submitted after the Withdrawal Deadline will be irrevocable from the time of their submission), except in the limited circumstances described in the Tender Offer Memorandum.

Tender Instructions must be submitted in respect of a minimum nominal amount of Bonds of no less than U.S.\$10,000, being the minimum denomination of the Bonds, and may be submitted in integral multiples of U.S.\$10,000 thereafter. Tender Instructions which relate to a nominal amount of Bonds of less than U.S.\$10,000 will be rejected. A separate Tender Instruction must be completed on behalf of each beneficial owner.

Indicative Timetable for the Offer

<i>Events</i>	<i>Times and Dates</i>
	(All times are New York City time)
<i>Commencement of the Offer</i>	22 February 2017
<i>Early Tender Deadline</i>	5.00 p.m. on 7 March 2017
<i>Withdrawal Deadline</i>	5.00 p.m. on 7 March 2017
<i>Announcement of Indicative Early Participation Results</i>	Prior to the Pricing Time on 8 March 2017
<i>Pricing Time</i>	11.00 a.m. on 8 March 2017
<i>Announcement of Pricing and Early Participation Results</i>	As soon as reasonably practicable on 8 March 2017
<i>Early Settlement Date</i>	Promptly after the Early Tender Deadline (currently expected to be 10 March 2017)
<i>Expiration Deadline</i>	11.59 p.m. on 21 March 2017
<i>Announcement of Final Results</i>	As soon as reasonably practicable on 22 March 2017
<i>Final Settlement Date</i>	Promptly after the Expiration Deadline (currently expected to be 23 March 2017)

The above times and dates are subject to the right of BTIF to extend, re-open, amend and/or terminate the Offer (subject to applicable law and as provided in the Tender Offer Memorandum) as described in the Tender Offer Memorandum.

*Bondholders are advised to check with any bank, securities broker or other intermediary through which they hold Bonds when such intermediary would need to receive instructions from a Bondholder in order for that Bondholder to be able to participate in, or (in the circumstances in which revocation is permitted) revoke their instruction to participate in, the Offer before the deadlines set out above. **The deadlines set by any such intermediary and each Clearing System for the submission and revocation of Tender Instructions will be earlier than the relevant deadlines set out above and in the Tender Offer Memorandum.***

Unless stated otherwise, announcements in connection with the Offer will be made (i) by publication through RNS and (ii) by the delivery of notices to the Clearing Systems for communication to Direct Participants. Such announcements may also be made on the relevant Reuters Insider Screen and/or by the issue of a press release to a Notifying News Service. Copies of all such announcements, press releases and notices can also be obtained from the Tender Agent, the contact details for which are below. Significant delays may be experienced where notices are delivered to the Clearing Systems and Bondholders are urged to contact the Tender Agent for the relevant announcements during the course of the Offer. In addition, Bondholders may contact the Dealer Manager for information using the contact details below.

RBC Capital Markets is acting as Dealer Manager for the Offer. Lucid Issuer Services Limited is acting as Tender Agent. For detailed terms of the Offer please refer to the Tender Offer Memorandum which (subject to distribution restrictions) can be obtained from the Tender Agent referred to below.

DEALER MANAGER

RBC Capital Markets

Riverbank House
London EC4R 3BF
United Kingdom

Brookfield Place
200 Vesey Street, 8th Floor
New York, NY 10281
United States of America

Telephone: +44 20 7029 7063
Attention: Liability Management Group

Telephone: +1 212 618 7822
Toll-free (USA and Canada): +1 877 381 2099
Attention: Liability Management Group

Email: liability.management@rbccm.com

TENDER AGENT

Lucid Issuer Services Limited

Tankerton Works
12 Argyle Walk
London WC1H 8HA
United Kingdom

Telephone: +44 20 7704 0880
Fax: +44 20 3004 1590
Attention: Arlind Bytyqi / David Shilson
Email: ngrid@lucid-is.com

Further details relating to the contents of this announcement can be obtained from:

National Grid Gas plc

1-3 Strand
London WC2N 5EH
United Kingdom

Attention (treasury matters): Kwok Liu (Deputy Treasurer, +44 20 7004 3367)

DISCLAIMER

This announcement must be read in conjunction with the Tender Offer Memorandum. This announcement and the Tender Offer Memorandum contain important information which should be read carefully before any decision is made with respect to the Offer. If any Bondholder is in any doubt as to the action it should take, it is recommended to seek its own financial and legal advice, including in respect of any tax consequences, immediately from its broker, bank manager, solicitor, accountant or other independent financial, tax or legal adviser. Any individual or company whose Bonds are held on its behalf by a broker, dealer, bank, custodian, trust company or other nominee must contact such entity if it wishes to tender such Bonds pursuant to the Offer. None of BTIF, NGG, the Dealer Manager or the Tender Agent makes any recommendation as to whether Bondholders should tender Bonds pursuant to the Offer. None of BTIF, NGG, the Dealer Manager or the Tender Agent (or any of their respective directors, employees or affiliates) is providing Bondholders with any legal, business, tax or other advice in this announcement. Bondholders should consult with their own advisers as needed to assist them in making an investment decision and to advise them whether they are legally permitted to tender Bonds for cash.

OFFER AND DISTRIBUTION RESTRICTIONS

Neither this announcement nor the Tender Offer Memorandum constitutes an invitation to participate in the Offer in any jurisdiction in which, or to any person to or from whom, it is unlawful to make such invitation or for there to be such participation under applicable securities or blue sky laws. The distribution of this announcement and the Tender Offer Memorandum in certain jurisdictions may be restricted by law. Persons into whose possession this announcement and/or the Tender Offer Memorandum comes are required by each of BTIF, NGG, the Dealer Manager and the Tender Agent to inform themselves about, and to observe, any such restrictions.

United Kingdom

The communication of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offer is not being made and such documents and/or materials have not been approved by an authorised person for the purposes of section 21 of the Financial Services and Markets Act 2000. Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. The communication of such documents and/or materials as a financial promotion is only being made to those persons in the United Kingdom falling within the definition of investment professionals (as defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the **Financial Promotion Order**)) or persons who are within Article 43 of the Financial Promotion Order or any other persons to whom it may otherwise lawfully be made under the Financial Promotion Order.

Insofar as the communication of this announcement, the Tender Offer Memorandum and any other documents or materials relating to the Offer is made to or directed at investment professionals (as defined in Article 19(5) of the Financial Promotion Order), it is made to or directed at persons having professional experience in matters relating to investments, and any investment or investment activity to which it relates is available only to such persons or will be engaged in only with such persons, and persons who do not have professional experience in matters relating to investments should not rely upon it.

Italy

None of the Offer, this announcement, the Tender Offer Memorandum or any other document or materials relating to the Offer have been submitted to the clearance procedures of the *Commissione Nazionale per le Società e la Borsa* (**CONSOB**) pursuant to Italian laws and regulations. The Offer is being carried out in Italy as an exempted offer pursuant to article 101-bis, paragraph 3-bis of the Legislative Decree No. 58 of 24 February 1998, as amended (the **Financial Services Act**) and article 35-bis, paragraph 4 of CONSOB Regulation No. 11971 of 14 May 1999, as amended. Accordingly, Bondholders or beneficial owners of the Bonds that are located in Italy can tender Bonds for purchase pursuant to the Offer through authorised persons (such as investment firms, banks or financial intermediaries permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 16190 of 29 October 2007, as amended

from time to time, and Legislative Decree No. 385 of 1 September 1993, as amended) and in compliance with applicable laws and regulations or with requirements imposed by CONSOB or any other Italian authority.

Each intermediary must comply with the applicable laws and regulations concerning information duties *vis-à-vis* its clients in connection with the Bonds and/or the Offer.

France

The Offer is not being made, directly or indirectly, to the public in the Republic of France (**France**). None of this announcement, the Tender Offer Memorandum or any other document or material relating to the Offer has been or shall be distributed to the public in France and only (i) providers of investment services relating to portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*) and/or (ii) qualified investors (*investisseurs qualifiés*) acting for their own account, in each case other than individuals, all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 of the French *Code monétaire et financier*, are eligible to participate in the Offer. Neither this announcement nor the Tender Offer Memorandum have been or will be submitted for clearance to or approved by the *Autorité des Marchés Financiers*.

Belgium

None of this announcement, the Tender Offer Memorandum or any other document or material relating to the Offer has been submitted to or will be submitted for approval or recognition to the Belgian Financial Services and Markets Authority (*Autoriteit voor Financiële Diensten en Markten / Financial Services and Markets Authority*) and, accordingly, the Offer may not be made in Belgium by way of a public offering, as defined in Articles 3 and 6 of the Belgian Law of 1 April 2007 on public takeover bids, as amended or replaced from time to time. Accordingly, the Offer may not be advertised and the Offer will not be extended, and none of this announcement, the Tender Offer Memorandum or any other documents or materials relating to the Offer (including any memorandum, information circular, brochure or any similar documents) has been or shall be distributed or made available, directly or indirectly, to any person in Belgium other than "qualified investors" in the sense of Article 10 of the Belgian Law of 16 June 2006 on the public offer of placement instruments and the admission to trading of placement instruments on regulated markets (as amended from time to time), acting on their own account. Insofar as Belgium is concerned, this announcement and the Tender Offer Memorandum have been issued only for the personal use of the above qualified investors and exclusively for the purpose of the Offer. Accordingly, the information contained in this announcement and the Tender Offer Memorandum may not be used for any other purpose or disclosed to any other person in Belgium.