

HSBC SRI conference

Frankfurt | February 2015



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Setting out our responsible business goals

Connecting you
to your energy
today, trusted
to help you
meet your
energy needs
tomorrow

Sets direction for
sustainable decision
making, and
responsible business
reporting



Preserving

Environmental



Inspiring

Economic



Designing

Social

Responsible business makes good financial sense



Preserving



Inspiring



Designing

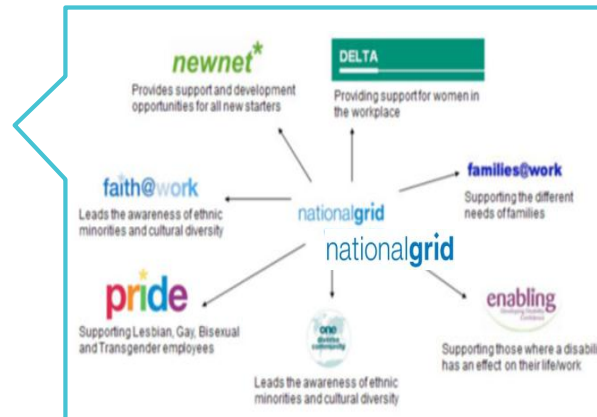
Business in the Community

Responsible business of the year 2014

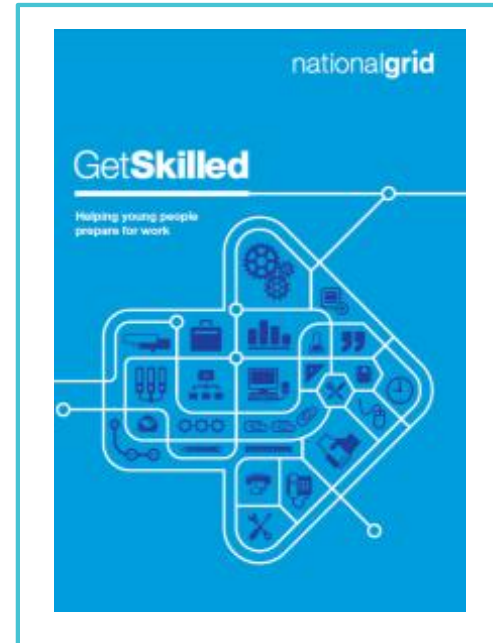


Responsible business: our people

- ◆ Improving safety
- ◆ Training academy
- ◆ Inclusion and diversity
- ◆ Employee health and support
- ◆ Employee survey and engagement targets
- ◆ Reward and pensions



Inspiring for the future



Addressing a skills shortage (STEM)

- ◆ Getting people into work
 - ◆ Young offenders programme
- ◆ Educating to develop skills



Over the last year:

- ◆ 8,100 STEM conversations in class
- ◆ 80,000 contacts through fairs
- ◆ 150 Education Ambassadors
- ◆ Over 90,000 training days

Responsible business: our customers & communities

- ◆ Improving safety
- ◆ Affordable warmth programmes
- ◆ Energy efficiency programmes
- ◆ Minimising customer bill impacts
- ◆ Community outreach
- ◆ Charity partnerships
- ◆ Property JV: affordable housing
- ◆ Disruption & visual amenity



Designing for the future

£500M
ALLOWANCE
TO BENEFIT
NATIONAL PARKS
AONBs AND
NATIONAL
SCENIC AREAS



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**National Grid's £500m plan to move
biggest and ugliest pylons underground**
Eight national parks and areas of outstanding natural beauty on



Responsible business: our investors

- ◆ Corporate governance
 - ◆ Board diversity
 - ◆ reporting & transparency
 - ◆ new remuneration & long-term incentives
- ◆ Complementing operational excellence with responsible business approach
 - ◆ improving safety
 - ◆ risk management
 - ◆ ethical approach



Sustainable dividends & asset growth

Responsible business: our environment

- ◆ Key role enabling de-carbonisation
 - ◆ connecting low carbon generation
 - ◆ system operation and balancing
- ◆ Company greenhouse gas emission reduction targets
- ◆ Material re-use and recycling
- ◆ Enhancing ecosystems
 - ◆ Land remediation and re-use
 - ◆ Rural biodiversity
- ◆ Embedding sustainability in decision making



Preserving for the future



Smart Energy Solutions program, Worcester MA

- ◆ Most comprehensive smart grid pilot underway in the Northeast
- ◆ Advanced communications and automation
- ◆ 2014 - new “smart” pricing plans



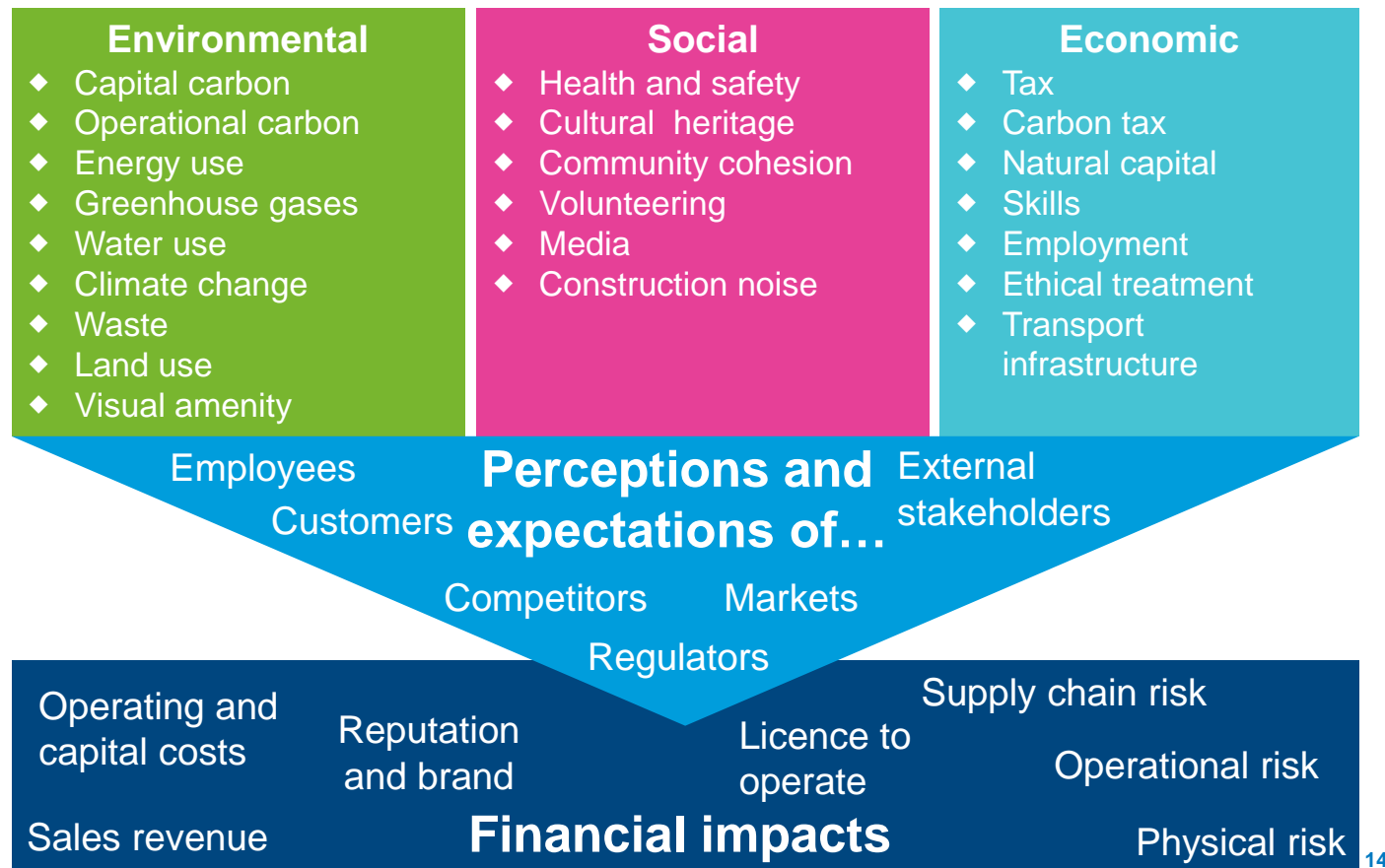
“put our customers in control of their energy and do so in ways that are easy and convenient for them”

Embedding sustainability



A4S Chief Financial Officers' Network is
focusing on integrating environmental and
social issues into financial decision making

What factors might we consider?



Carbon interface tool

What is it?



A tool developed in house to measure a project's carbon footprint .

What it tells us

Voltage	Equipment	Out
400kV	Disconnect 3ph	
400kV	Earth Switch 3ph	
400kV	CVT No Foundation 1ph	
400kV	SF6 Circuit Breaker 3ph	

Different material impacts occur in different schemes. Substation projects have a low intensity and gas projects a higher intensity. Highest impacts come from civils

Focus

Key areas to help drive reductions and implementing change into schemes

- Steel
- Concrete
- Aluminium



Targets

?tCO₂/£m

We now understand our baseline (190tCO₂/£m) and will target reducing by 10% in the next 12 months.

Valuing natural capital tool

What is it?



A tool developed with external support that provides us with a common language to engage with stakeholders and evaluate options

It helps us to



Identify Natural Capital values and make better investment decisions to secure social, environmental and economic returns

How we might use it

Quantify

- Natural Capital on National Grid sites

Assess

- Ecosystem Services provided

Value

- Each of these ecosystem services

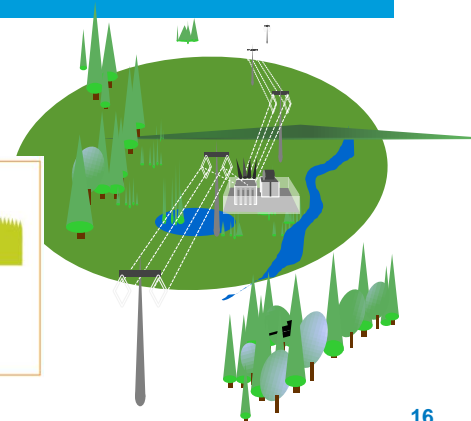
Identify

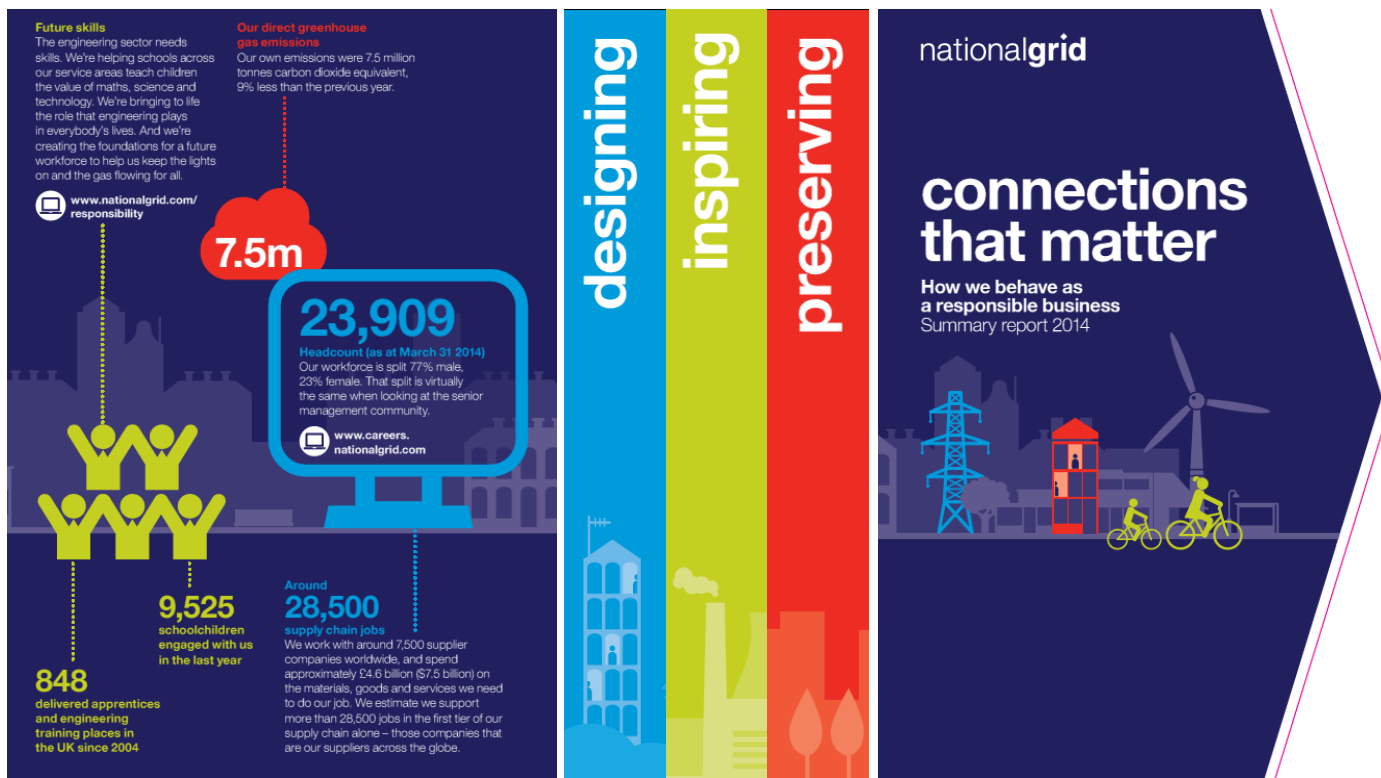
- Potential risks, opportunities and revenues

Develop

- More informed management decisions

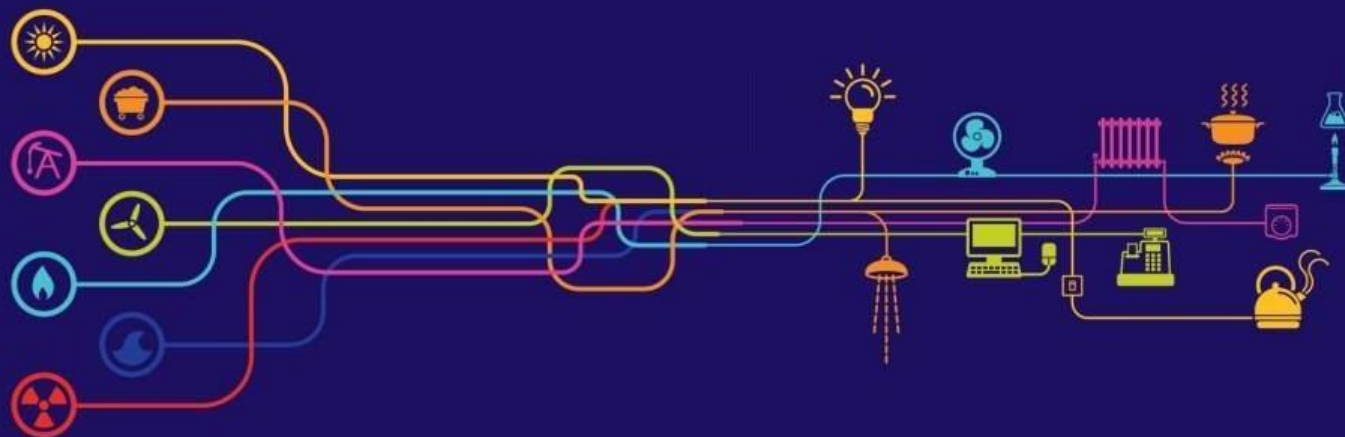
Targets





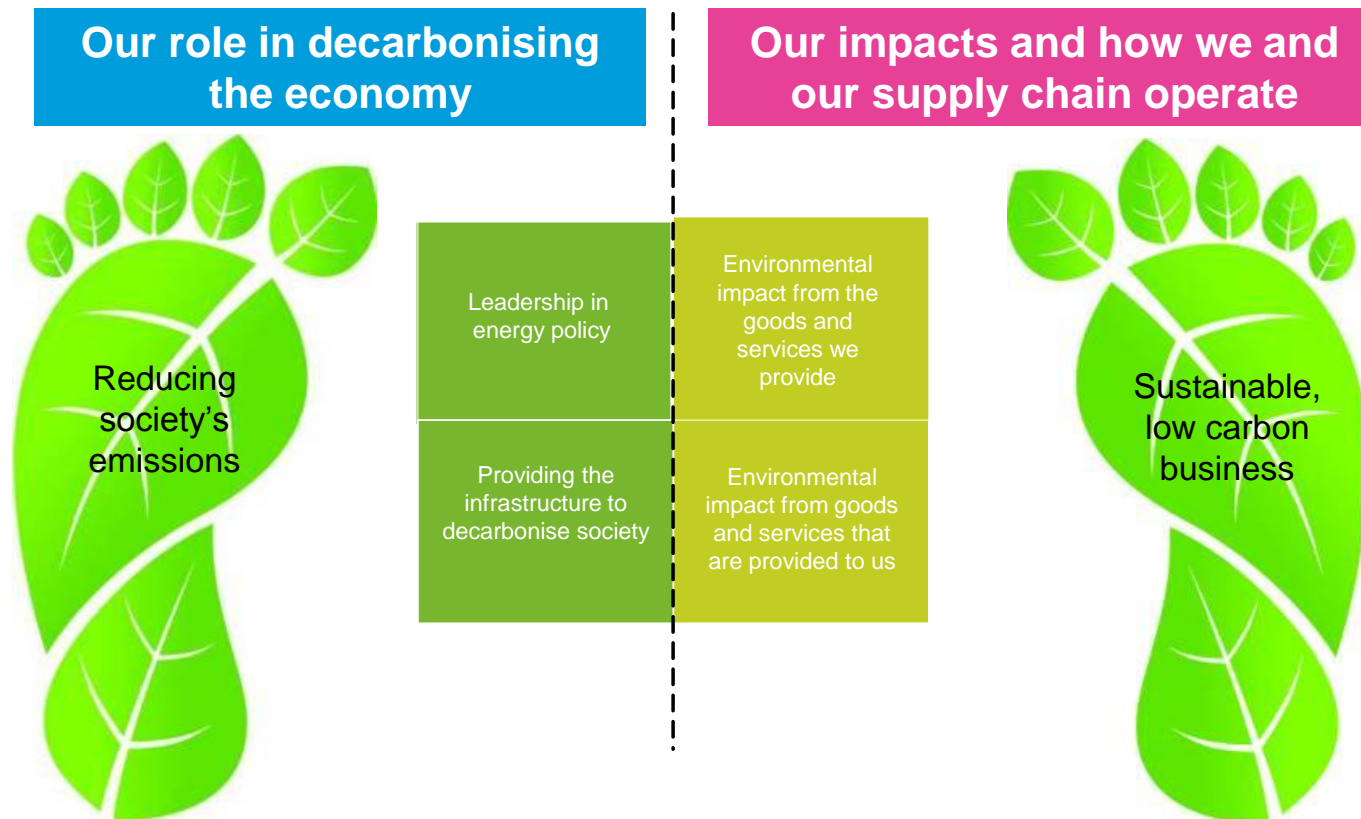


Sustainability



HSBC SRI Conference
February 2015

Understanding our footprint



Helping to decarbonise energy

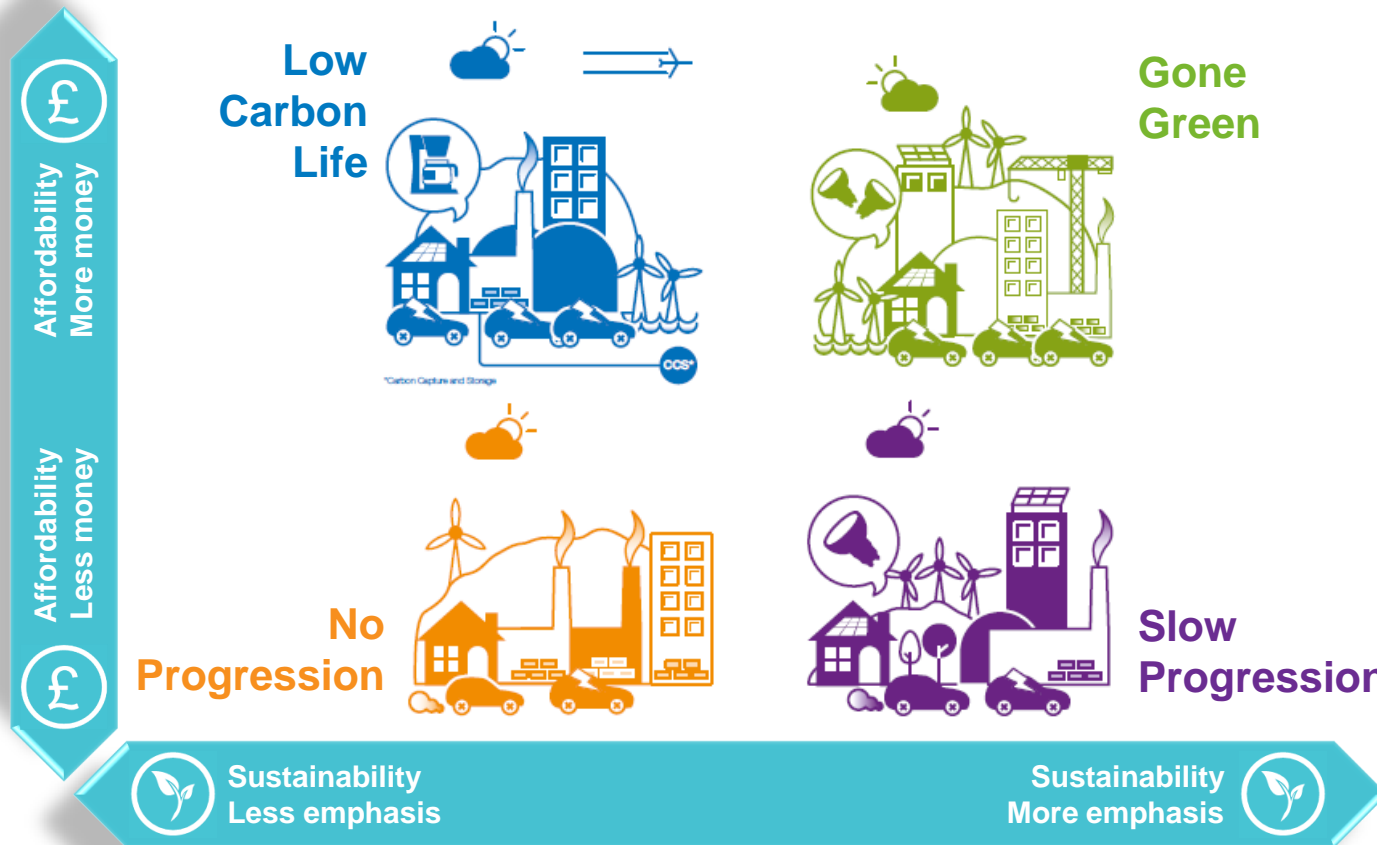
Our role in decarbonising the economy



Leadership in
energy policy

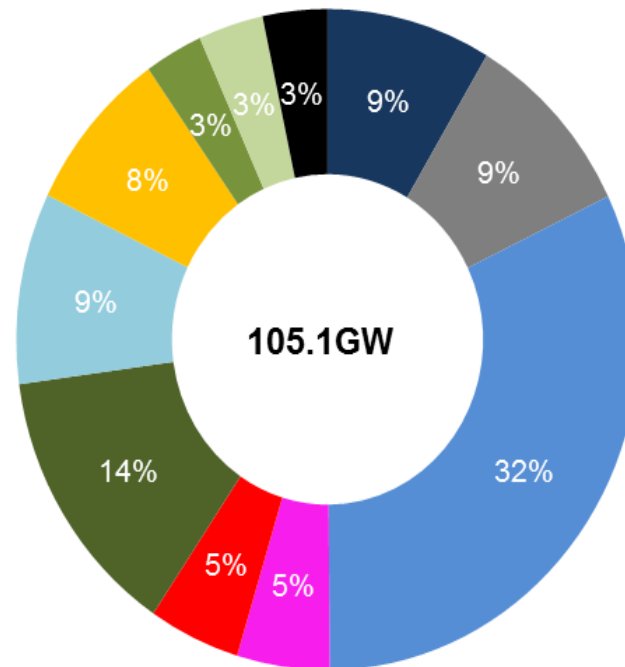
Providing the
infrastructure to
decarbonise society

Our 2014 Future Energy Scenarios



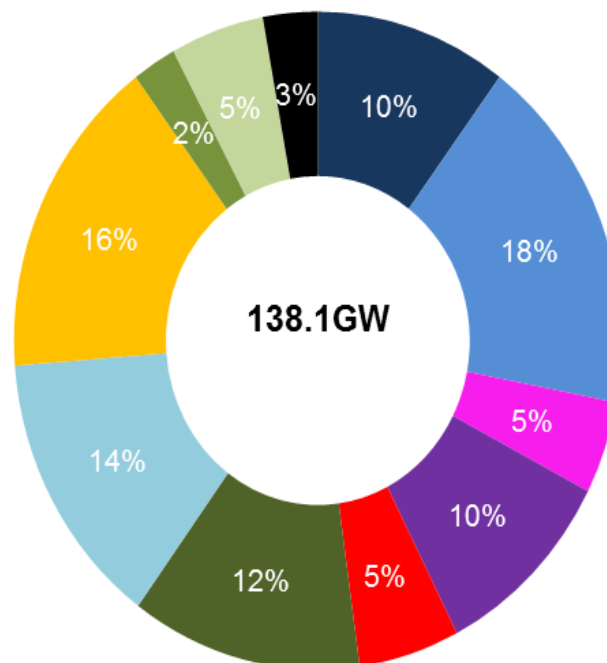
Low Carbon Life Installed Capacity 2020

- Nuclear
- Coal
- Gas
- CHP (Thermal & Renewable)
- CCS
- Interconnectors
- Onshore Wind
- Offshore Wind
- Solar
- Biomass
- Other Renewables (Marine/Hydro/Other)
- Other (Oil/Diesel/Pumped Storage)



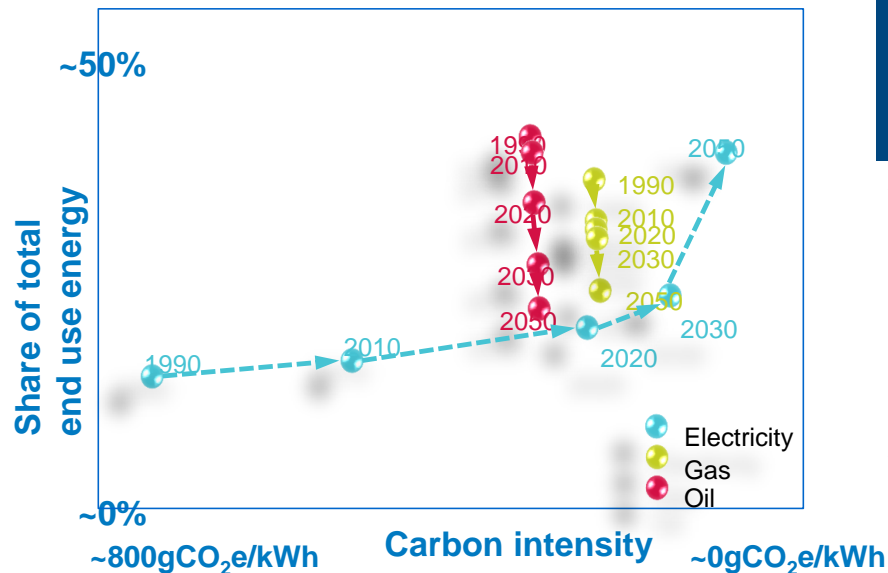
Low Carbon Life Installed Capacity 2035

- Nuclear
- Coal
- Gas
- CHP (Thermal & Renewable)
- CCS
- Interconnectors
- Onshore Wind
- Offshore Wind
- Solar
- Biomass
- Other Renewables
(Marine/Hydro/Other)
- Other (Oil/Diesel/Pumped
Storage)



Facilitating Connection of Low Carbon Generation

A 'Low Carbon Life' pathway to 2050:



Power station closures
~25%
of total capacity by 2020
vs 2010 levels



Energy from renewables
~15%
of total supplies by 2020

- ◆ Policies in place to aid the development of renewable energy & reduction of carbon emissions
 - ◆ Large Combustion Plant Directive
 - ◆ Industrial Emissions Directive
- ◆ National Grid is at the heart of connecting new generation as existing generation plant nearing end of working life & to be decommissioned

Network investment

Building the network to transport energy from new locations

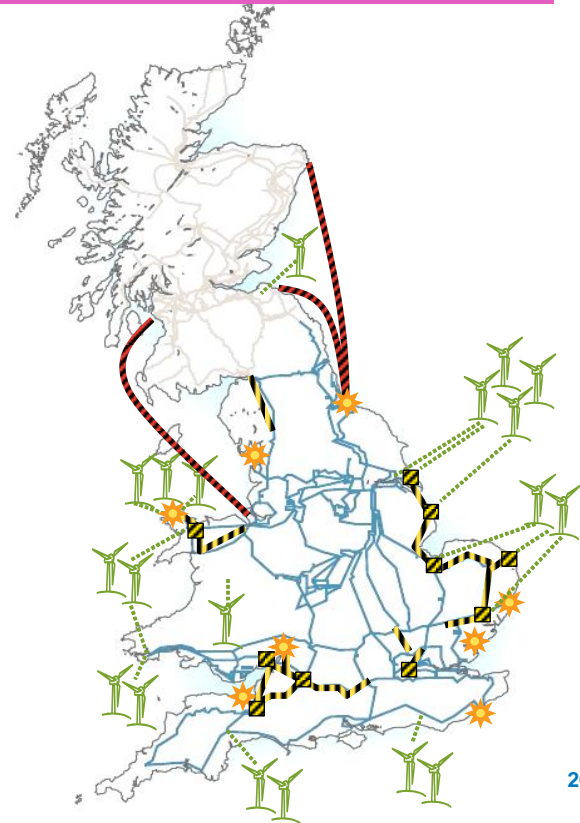
New Generation increasingly located on coast

Wind power from Scotland

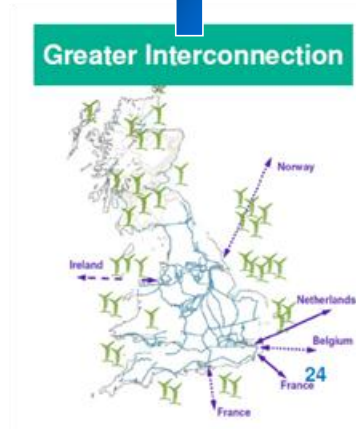
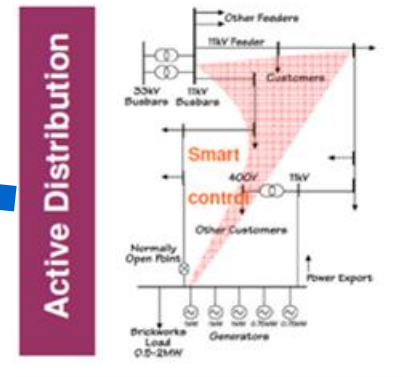
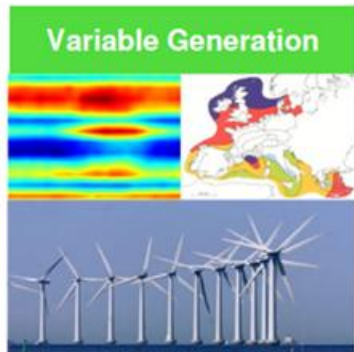
Wind power from the North & Irish Sea

Wind power from Wales

Nuclear power



Operating in 2020 and beyond...



Understanding our own footprint

Our impacts and how we and our supply chain operate

Environmental
impact from the
goods and
services we
provide

Environmental
impact from goods
and services that
are provided to us



What Are We Doing - Sustainability



We've made additional external commitments



In the UK: Infrastructure Carbon Review (ICR)

Initiative from HM Treasury aiming to drive infrastructure companies to embed carbon reduction across activities and supply chains



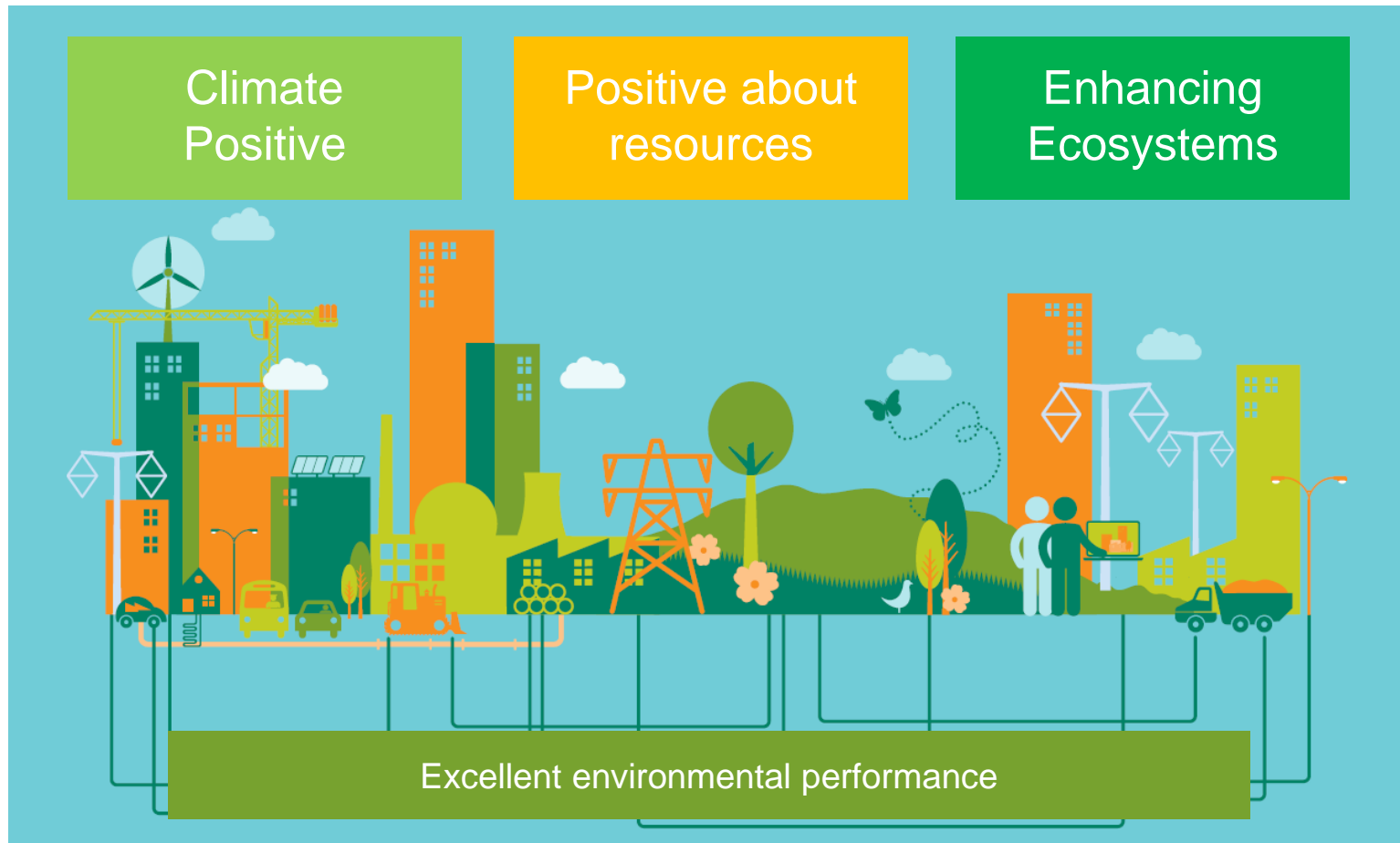
THE PRINCE'S ACCOUNTING
FOR SUSTAINABILITY PROJECT

A network of CFOs focusing on integrating environmental and social issues into financial decision making

Embedding sustainability in decision making

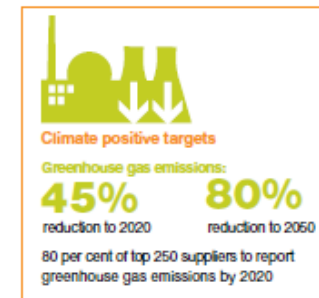
Our Contribution

A framework for environmental sustainability in National Grid

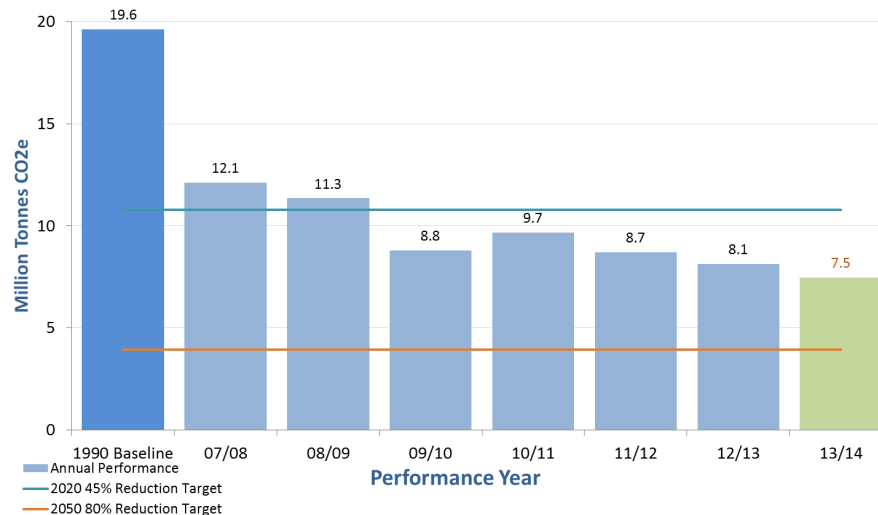


Climate positive

- ◆ Committed to reduce greenhouse gas emissions by 45% by 2020 and 80% by 2050, for Scope 1 and 2 emissions
- ◆ Primary sources of our own direct emissions are fugitive and vented natural gas from US & UK distribution systems, SF6 emissions from US & UK electricity transmission plant fuel consumed by gas compressors and US Electricity Generation



This year we achieved 97 B in our CDP investor response placing us in the Carbon Disclosure Leadership Index



Climate Positive – what have we been doing?



Gas mains replacement



SF6 leakage reduction



Brown fields to solar farms in Massachusetts



Grain heat pipe

Engaging customers in energy efficiency in the US

- Championing energy efficiency
 - 2.8 million customers participated in 2013
 - 700,000 gas (up 50%)
 - 2.1 million electric (up 52%)
 - savings of 24 million therms of gas and 800,000 MWHrs electricity each year
 - 696,000 tons CO₂e/yr avoided
- Encouraging smart energy choices
 - Smart grid for 15,000 customers in Worcester
 - Customer and grid-facing technology
 - Efficiency gains to result in reduced customer consumption



Our states lead ACEEE policy rankings



Positive about resources – asset recovery

Closed loop upcycling - conductor

- ◆ Pilot 18t of high specification aluminium sent back to supplier to be turned back into overhead line conductor completed
- ◆ Next batch of 200t to be sent shortly (finalising waste carrier licence)
- ◆ Financial value and reduced exposure to commodities price fluctuation



Asset recovery - cables

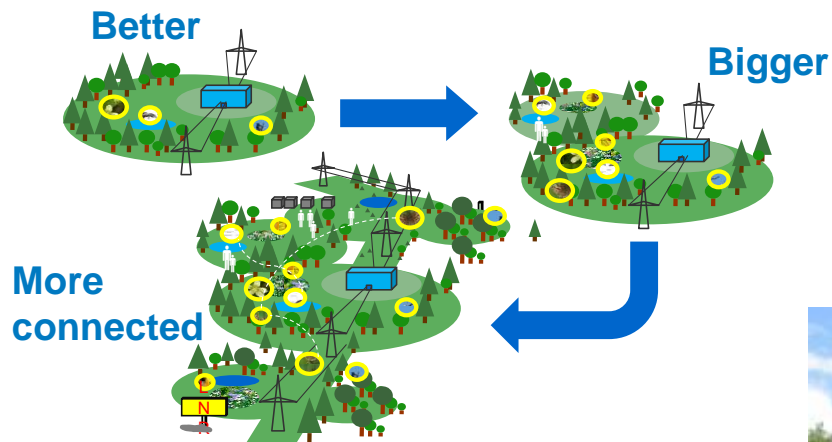
- ◆ Piloted innovative directional drilling technique to remove buried copper conductor
- ◆ Recover value of material
- ◆ Mitigation of residual environmental risk of asset left in ground

Material Recovery - Syracuse

- ◆ Recycles transformers, cable, insulators, plastic pipe
- ◆ Almost 19m lbs recovered in 13/14
- ◆ New galvanizing plant to refurbish connectors



Enhancing Ecosystems



The Natural Grid Enhancing rural biodiversity



**Coventry
substation**



Llandarcy



**Overhead line
'V' profile**

West Bolden EEC



Bolney substation



Feckenham substation



Bacton terminal

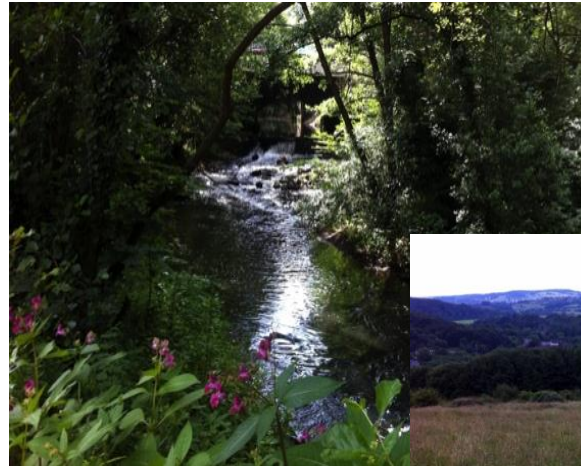


Warwick



Ambergate

Working with
Natural England
and Wildlife Trust
to manage this
new SSSI to its
full potential



Thorpe Marsh



Wildlife Trust – wetland habitat
enhancement



Wokingham



Employee volunteers led by local Wildlife Trust to create new pathways

Mitigation Activities & Special Projects



Photo 3: Intermittent inlet to mitigation wetland, looking west at wetland.



Photo 3: Inlet to mitigation wetland, looking west from Tributary.



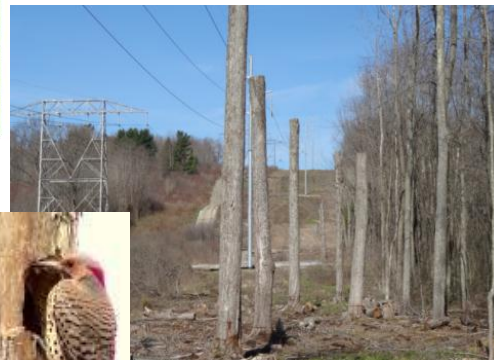
Photo 4: Center of mitigation wetland, looking northwest from east side.

2012



Photo 4: Center of mitigation wetland, looking northwest from east side.

2013



Sustainability options approach tool (SOAT)

- Scheme level assessment of its overall sustainability impact
- Can be used at key stages of scheme development
- Each stage has a set of questions against which the scheme is scored against a set criteria
- An overall scorecard is produced similar to an energy performance certificate



Sustainable Procurement

Policy

The Sustainable Procurement Policy underpins the strategy and is in line with the National Grid environment policy and relevant CSR guidelines

Process

- Embed 'Tools' into CMT process
- Sustainability Tender Questions & Weightings
 - Sustainability contract management KPIs
- Total Cost of Ownership (TCO)
- Encourage innovation



Targets & Results

- Establish targets
- Measure, manage and evidence
- Publicise and celebrate success
 - Lead by example
- Drive supply base improvement

Training Briefings and Research

- Sustainability Leads
- Cultural Training in US
- Develop Buyer and Category Management skills
- Continuous improvement



CONTACTS

Investors

John Dawson	+44 20 7004 3170	+44 7810 831944 (m)
Andy Mead	+44 20 7004 3166	+44 7752 890787 (m)
George Laskaris	+1 929 324 4710	+1 917 375 0989 (m)
Victoria Davies	+44 20 7004 3171	+44 7771 973447 (m)
Tom Hull	+1 917 524 4099 (m)	
Michael Ioanilli	+44 20 7004 3006	+44 7789 878784 (m)

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Presentation to Fixed Income Investors September 2016





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Introduction

- In November 2015, we announced that we were contemplating a sale of a majority stake in our UK Gas Distribution Business
- This process is ongoing and, in the coming months, it is anticipated that the Gas Distribution Business will be separated from National Grid Gas plc (“NGG”) in contemplation of its future sale
 - This is a high quality, regulated infrastructure asset of scale
 - Operating in a transparent and stable regulatory regime in an attractive market and creditor friendly jurisdiction
 - Delivering strong and predictable cashflows
- In contemplation of this separation and proposed sale, we are looking to raise finance for the new entity (“National Grid Gas Distribution” or “NGGD”)
 - The new capital structure will offer investors documentary protections to add to the protections provided by the regulatory Licence
- At the same time National Grid is tendering for existing bonds, seeking to manage the Group’s gross leverage position post-sale



Table of Contents

1. Overview of the Sale
2. Overview of the National Grid Gas Distribution Business
3. Sale Process
4. Transaction Structure
5. Tender Offer
6. Conclusion



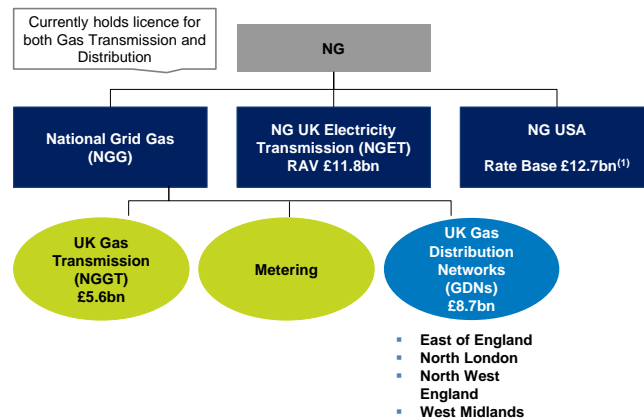
Overview of the Sale





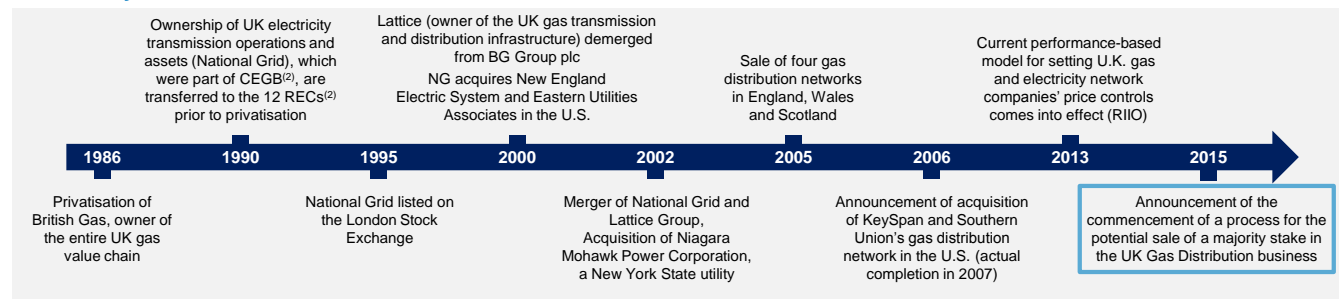
UK Gas Distribution Business in the Context of National Grid

Simplified Overview of National Grid



- National Grid plc ("NG") is a UK-headquartered international electricity and gas network group
 - Focused on electricity and gas transmission and distribution activities in the UK and north-eastern US
- The majority of National Grid's activities are regulated (over 90% of the group's adjusted operating profit in 2015/2016)
- National Grid's gas activities in the UK are currently grouped within the NGG subsidiary and include transmission, distribution and metering
- National Grid's UK gas distribution business comprises of four networks and is currently being carved out from NGG into a stand alone, independent subsidiary of National Grid plc
 - Gas metering activities are outside of the scope of the gas distribution business and will be retained within NGG and will remain within the NG Group
 - LNG Grain is not part of the gas distribution business and will be retained within NGG and will remain within the NG Group

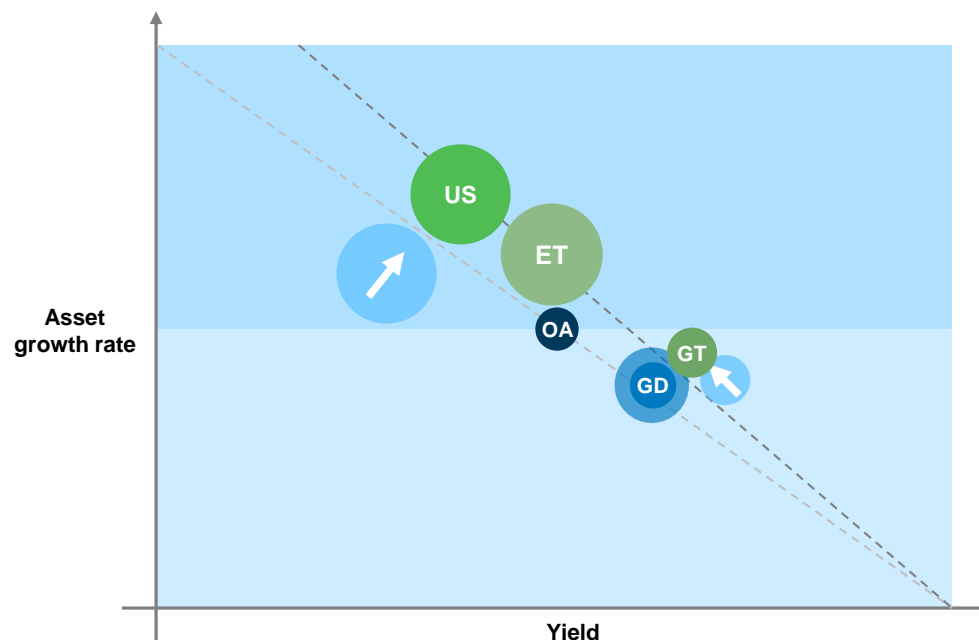
The History of National Grid



1. NG USA Rate Base \$18.3bn as at March 2016
2. CEGB: Central Electricity Generating Board; REC: Regional Electricity Companies



Rationale for the Sale – National Grid Portfolio Strategy



- Proposed sale of a majority stake in Gas Distribution evolves the portfolio to:
 - Rebalance the portfolio towards higher growth
 - Maintain dividend policy and strong balance sheet



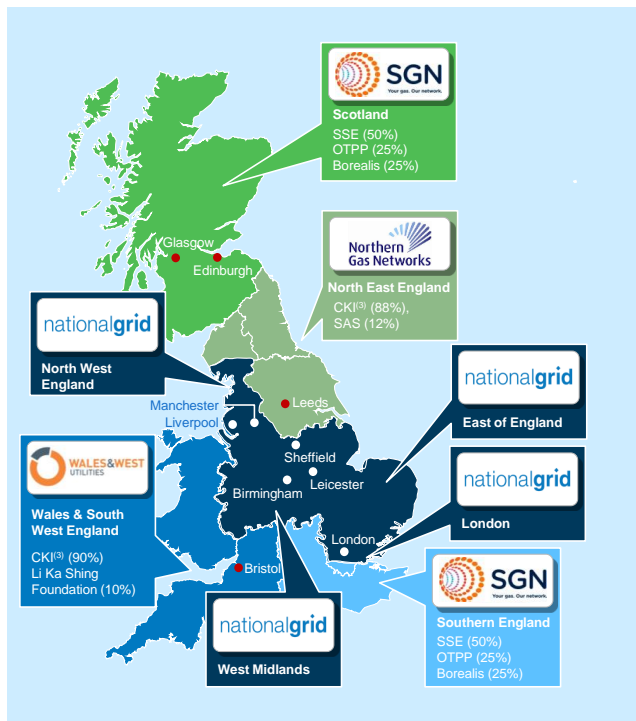
Overview of National Grid Gas Distribution Business





NG's UK Gas Distribution Business at a Glance

Map of Great Britain Gas Distribution Networks

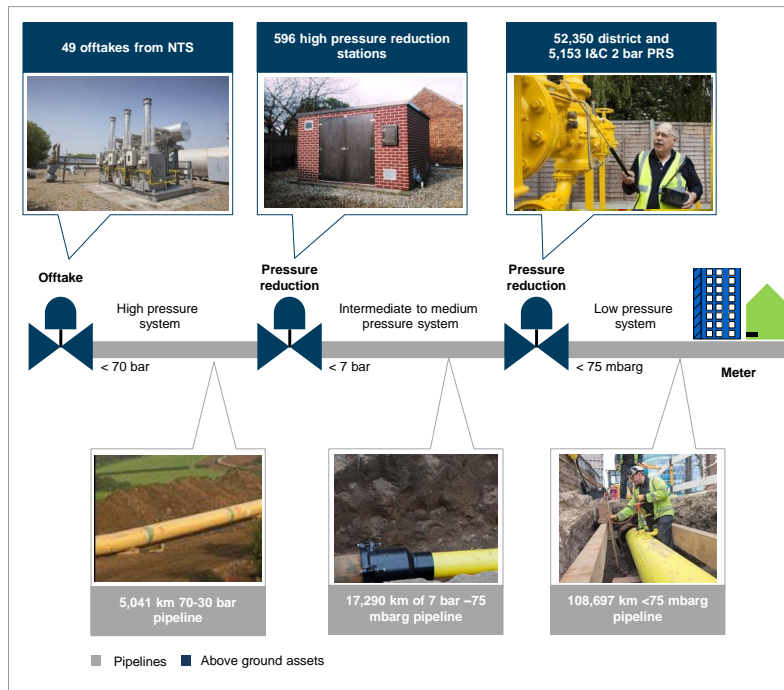


- National Grid's Gas Distribution Networks ("GDNs") account for approximately 50%⁽¹⁾ of the total regulated gas distribution assets in Great Britain
- The networks operate c. 130,000 km of pipelines serving nearly 11 MM end customers⁽²⁾
- The business controls and operates a wide range of infrastructure assets required to provide reliable and safe delivery of services including pipes, warehouses and vehicles fleet

1. Regulatory Asset Value, nominal as of March 2016
2. National Grid Annual Report 2015/2016
3. Includes stakes owned by Cheung Kong Holdings Limited, Cheung Kong Infrastructure Holdings Limited and Power Assets Holdings Limited

Overview of Key Assets and Business Activities

Overview of Network Infrastructure



- Operations personnel and systems will transfer with the assets
- The business is organized around three distinct end-to-end processes:
 - **Operate and Maintain (O&M)**
 - Oversees the safe transportation of gas through the distribution network
 - This process covers the development of the asset maintenance strategy and policy through investment and reactive maintenance planning
 - The key focus is to monitor and guarantee network integrity and ensure that the statutory obligations are met and the network is fit for purpose
 - **Emergency Response and Repair (ER&R)**
 - Focused on responding to internal and external gas escapes and potential emission of carbon monoxide from appliances. Emergencies are handled by a call centre that operates on a 24/7 basis
 - Also includes gas meter repairs and exchanges and network repairs
 - **Replace and Extend (R&E)**
 - The Replace process oversees any major asset replacement programme within the networks. Currently the primarily focus is on the iron mains replacement programme (1,800 km of replacements per year)
 - The Extend process relates to the connection of new customers (25,000 new connections or alterations per year)

Source: National Grid Gas plc Information



Overview of Regulatory Framework

<p>1</p> <p>Transparent Regulatory Framework Managed by Experienced and Independent Regulator</p>	<ul style="list-style-type: none"> Well-established and exemplary regulatory framework building on Ofgem's 20+ years of experience in running a debt investor friendly regulatory environment, balancing the interests of various stakeholders Ofgem's periodic regulatory review process is very transparent, provides ample opportunity for consultation and relies heavily on data provided by the regulated networks
<p>2</p> <p>Obligation for Regulator to Ensure Company's Financeability</p>	<ul style="list-style-type: none"> Ofgem has a statutory duty to ensure that licence holders can finance their licence obligations, provided they operate efficiently The regulator seeks to meet this duty by ensuring that efficient GDNs, with a notional capital structure, can earn an appropriate weighted average cost of capital (WACC) and exhibit healthy credit metrics
<p>3</p> <p>Low Risk Profile</p>	<ul style="list-style-type: none"> Revenues are insulated from volume or commodity risk Minimal inflation risk as cash flows and RAV are set in real terms and inflated on the basis of RPI
<p>4</p> <p>Long Term Visibility</p>	<ul style="list-style-type: none"> Longest regulatory period in Europe Long term visibility of cash flows allowing for longer planning horizon (Repex programme approved until 2032) In May 2016, Ofgem launched a mid-period review focusing on Transmission outputs only
<p>5</p> <p>Mechanisms to Deal with Uncertainty</p>	<ul style="list-style-type: none"> Ofgem helps networks mitigate uncertainties and risks that may arise during the regulatory period through several "uncertainty mechanisms"
<p>6</p> <p>Attractive Allowed Return with Significant Ability to Outperform</p>	<ul style="list-style-type: none"> The allowed equity return for NGGD is attractive, and compares well to other equivalent regulated sectors Gas distribution networks are allowed to retain c.63% of any totex savings against their regulatory approved business plans; this retention factor is higher than for the other Ofgem regulated UK businesses The regulatory framework also provides various incentive mechanisms that reward companies that meet and exceed the network output targets set by Ofgem Ofgem expects that gas distribution networks will achieve average real returns on regulatory equity (RoRE) ranging from 8.9% to 11.8% over the current regulatory period



Continuing Creditor Protections in the Regulatory Licence

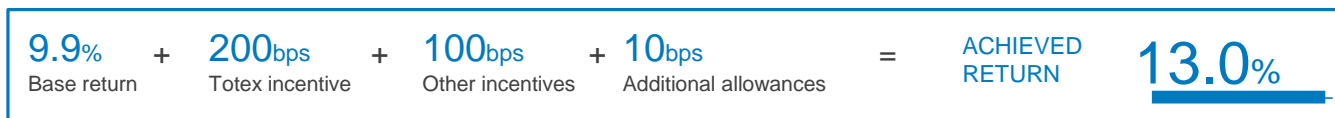
- Maintain an investment grade credit rating at all times;
- Not make distributions if the credit rating falls to BBB- with negative outlook;
- Not conduct any business other than (i) transportation business; (ii) metering business; and (iii) a de minimis amount of non-transportation business;
- Not dispose of, or relinquish control over, any transportation assets without Regulator consent;
- Not enter into any agreement or commitment incorporating a cross-default obligation with another entity;
- Not give or receive cross-subsidies to/from any affiliates;
- Certify that it is compliant with certain key aspects of its Licence before making any dividend/other form of distribution;
- Ensure it has sufficient financial, management or operational resources to carry on its business and comply with its Licence obligations;
- Annually certify that it has sufficient financial and operational resources to enable it to carry on its business for the coming 12 months; and
- Licence holder to procure from each ultimate controller an undertaking that it will refrain from any action, and will procure that any other group company will refrain from any action, that would cause the Licence holder to breach any obligations under the Gas Act or the Licence



RIIO-GD1 Regulatory Overview

- The regulatory framework sets an Allowed Revenue amount, with any over or under collection due to changes in volumes caught up in later years
- It is based on earning a reasonable real return on the Regulatory Asset Value (“RAV”)
 - 6.7% cost of equity post tax real in RIIO GD-1
 - Real cost of debt tracker based on bond market index (10-year trailing average) e.g. 2.38% for 2016/17⁽¹⁾
- Costs are remunerated either by being added to the RAV (“slow money”) or directly through Allowed Revenue in the year incurred (“fast money”)
 - Part of any cost outperformance versus the agreed business plan is retained by the business (c. 63% for the National Grid Gas Distribution assets)
- Actual non controllable costs and pension and tax allowances also added to Allowed Revenue
- Further incentives can be earned based on performance and based on estimated cost efficiency (IQI Income)

Gas Distribution Business Actual Return Performance in 2015/16



1. Ofgem Cost of Debt Indexation Model 31 October 2015

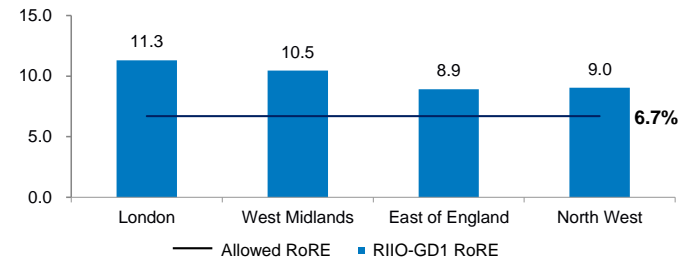


Highly Experienced Management and Workforce with a Track Record of Delivery

- The senior management team has worked in the UK regulated energy sector for a significant proportion of their careers
 - Led by Chris Train OBE the team has extensive experience of the gas network business and has demonstrated its ability to optimise the business and deliver out-performance over multiple price control periods
- NGGD has a strong track record of outperforming its regulatory contract and achieving returns in excess of its allowances and targets
 - Totex outperformance in 2014/15 was c. 10% vs. allowances, consistent with an overall target outperformance for the entire RIIO-GD1 period of approximately 8%
 - Repex is the principal driver of outperformance due to the streamlining of contractor relationships and an enhanced contract framework successfully negotiated by the management team
- The focus on safety and reliability is relentless leading to a network reliability of 99.999% and a standard of service for gas emergencies in excess of the required 97%

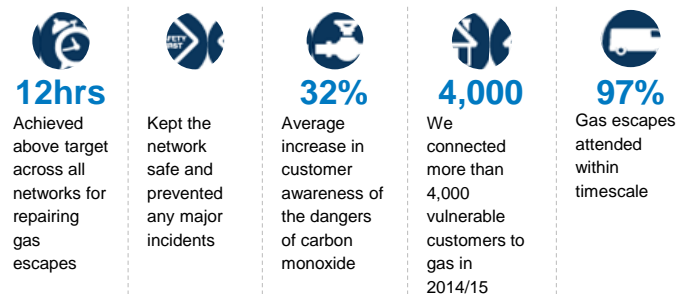
Ofgem Expects a Well Run Business to Outperform its RoRE Allowance

2014–2021 Average Real Return on Regulatory Equity According to Ofgem (%)



Source: Ofgem Annual Report 2014/2015

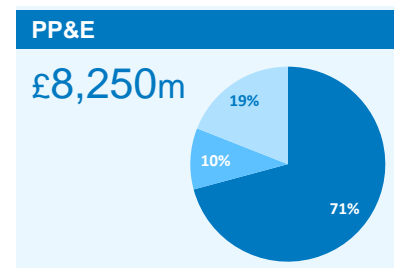
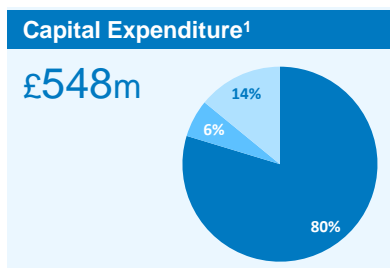
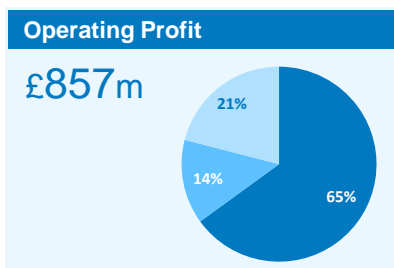
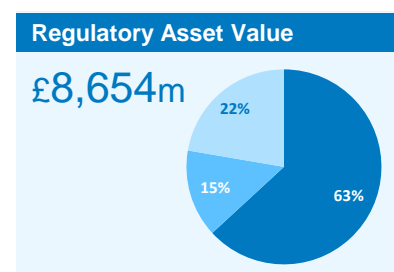
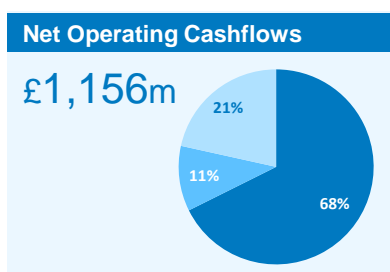
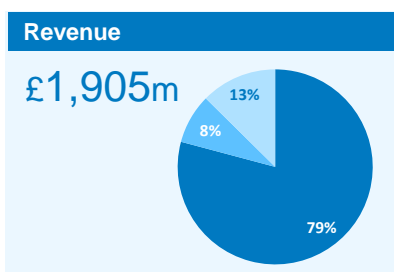
The Management Team Has a Track Record of Keeping the Networks Safe and Reliable



Source: National Grid Information 2014/2015



Key Financial Metrics of the Gas Distribution Business and Share of the Current Group



1. Sum of Additions to Intangible Assets and Property, Plant & Equipment from the Notes to the Accounts
Source: Carve out Financials for NGGD and Company Annual Reports 2015/2016

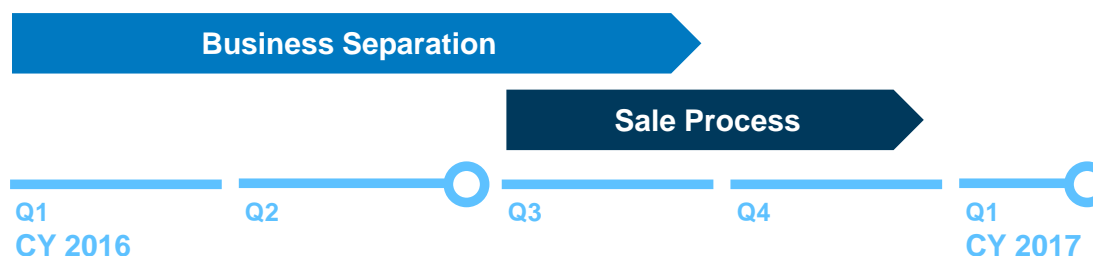


Sale Process





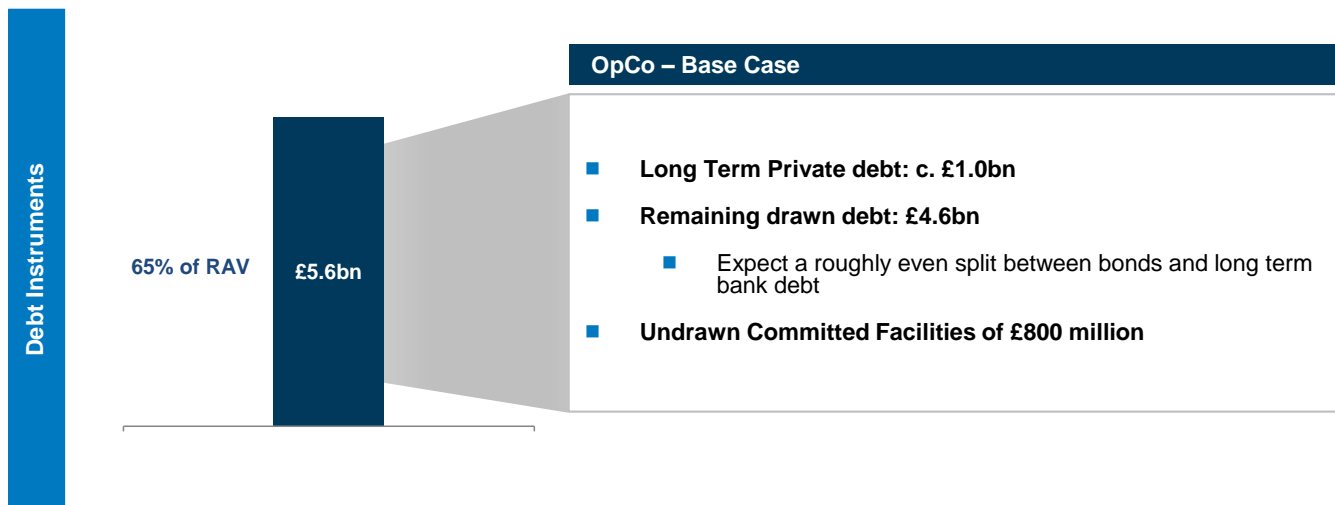
Timeline and Overview



Business Separation Progress		
Employees	✓	90% transferring under TUPE legislation
Management Team	✓	Substantially complete
Systems	In progress	Being transferred to the new entity
Outsourcing contracts	✓	Will transfer to NGGD
Pensions	✓	Sectionalisation agreed with the Pension Trustees
Insurance	✓	Covered by National Grid group policies until sale completion
HSE Approvals	✓	Received
Ofgem Licence	Final Step	Expected to be in place once separation process finalised



Operating Company Target Capital Structure



- Targeting 65% Net Debt to RAV at NGGD in line with the capital structure assumed by Ofgem
- Apart from the new debt and pension arrangements, NGGD is a new entity with no legacy liabilities
- Ongoing discussions with Private Debt providers and Banks about financing



Transaction Structure

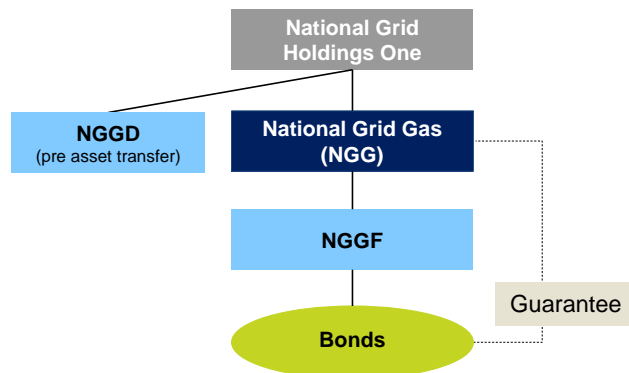




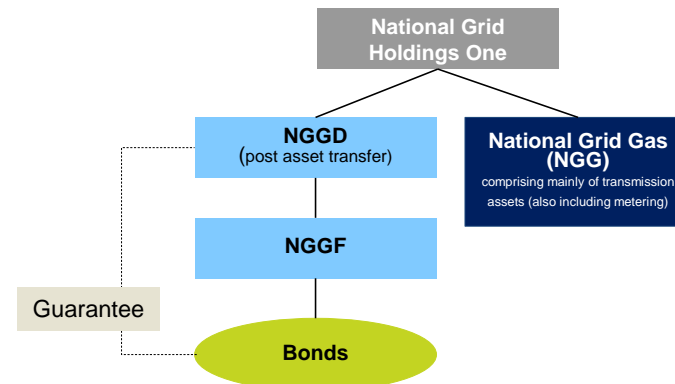
Issuance Structure

- As the Gas Distribution Business has not yet been transferred out of National Grid Gas plc, the issuance structure allows the transfer to take place while ensuring that investors always benefit from a guarantee from a UK regulated operating company owning the Gas Distribution Business
 - **On Issuance:** The bonds will be issued by National Grid Gas Finance Plc ("NGGF") with a guarantee from NGG
 - **Following Hive Out:** Upon hive out of the Gas Distribution Business, and the transfer of shares in NGGF, from NGG into NGGD and subject to certain conditions precedent (as set out on page 23), the NGG guarantee will fall away and be replaced by a new guarantee from NGGD

On Issuance



Following Hive Out of Gas Distribution Business¹⁾



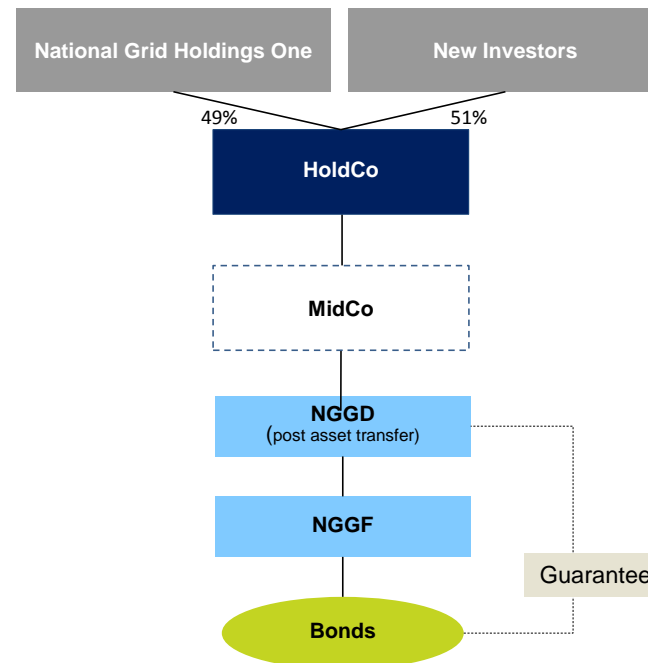
Note: the above represents a simplified group structure
1. Expected to occur around October 2016



Indicative Structure Upon Sale Completion

- It is envisaged that, at the time of the sale, NG and the new investor will together form HoldCo, held 49% by NGHO and 51% by the new investor
- HoldCo will own the entire share capital of an intermediate holding company (**MidCo**), a newly-created entity formed to enter into security arrangements to facilitate potential additional leverage beyond the regulatory assumption of 65% of RAV. If required by bidders additional debt finance of up to 20% of RAV (circa £1.8 billion) could be raised at this level
- Upon completion of sale, MidCo will acquire the entire issued share capital of NGGD
- The financial covenants and ratings steps in the bonds provide a level of protection for NGGF Bondholders from the impact of any additional debt at MidCo

Post Sale of a Majority Stake in NGGD





Protections for Investors

A

A cross acceleration provision within the bonds⁽¹⁾

Cross-acceleration in respect of monies borrowed or related guarantees / indemnities; threshold basket of £50MM (or its equivalent)

B

An “all monies” negative pledge⁽¹⁾

Prohibiting any secured financing other than customary “Permitted Security”; threshold basket of £50MM (or its equivalent)

C

Breach of gearing Ratio⁽¹⁾

It will be an Event of Default if the Net Debt to RAV Ratio on any Relevant Calculation Date is equal to or greater than 70%.
The Issuer retains the ability to add more restrictive covenants if needed to facilitate the proposed MidCo structure

D

An investor put at par⁽²⁾ on loss of licence and a consequential negative rating action⁽¹⁾

Bondholder put option if the Licence is revoked or materially modified and, within the period of 90 days from such event, the Rating Agencies downgrade or withdraw their ratings as a result

E

Coupon Step up on Ratings Downgrade below Baa1/BBB+ within 18 months of Sale

Coupon Step Ups of 25 basis points if any rating falls to Baa2/BBB (50 basis points if any rating falls to Baa3/BBB-) within 18 months of Sale.
Altered coupon becomes permanent at the end of the 18 month period

1. Will only apply once the Guarantor Substitution has taken place
2. Indexed par for index-linked notes (if any)



Conditions Precedent to Guarantor Substitution (at Stage 2)

- 1 The transfer of the Initial Guarantor's gas distribution business to the Successor Guarantor
- 2 The Gas and Electricity Markets Authority (or any successor) having granted or transferred a gas transporter licence to the Successor Guarantor in respect of its gas distribution business
- 3 The Issuer having become a wholly-owned subsidiary of the Successor Guarantor
- 4 At least one Rating Agency having confirmed publicly or in writing to the issuers that upon the substitution of the Successor Guarantor such Rating Agency expects the Notes to continue to be assigned an investment grade rating (BBB-/Baa3, or better)
- 5 No Event of Default or potential Event of Default is continuing
- 6 The Successor Guarantor has obtained all necessary governmental and regulatory approvals and consents necessary for its assumption of liability in place of the Initial Guarantor and its performance of the Guarantor's obligations under the Trust Deed and the Notes and such approvals and consents are at the time of substitution in full force and effect
- 7 The Notes are listed on the official list of the Financial Conduct Authority and admitted to trading on the London Stock Exchange plc, and immediately upon substitution of the Company as guarantor the Notes will remain so listed



Ratings

- On Monday 5th September, Moody's and Standard & Poor's announced ratings for the newly established NGGF EMTN Programme
- At the same time Moody's also affirmed the National Grid Gas rating



(P)A3 rating, on review for downgrade

"If NGGD's future parent companies maintain a moderate financial policy, or if, as Moody's anticipates, the eventual financing structure for NGGD incorporates additional structural features which sufficiently insulate the operating company from the credit quality of the broader group, taking into account the position and quantum of any additional debt, any downgrade could be limited to one notch."

"Although NGG's ratio of gross debt to regulated asset value is likely to rise significantly when the majority of its regulated asset value is sold to NGGD, the rating affirmation and stable outlook reflect Moody's expectation that the company will repay debt or retain cash proceeds from the sale such that leverage returns to levels commensurate with the current rating, up to the high 60s in percentage terms, by 2019. The outlook also takes into account NGG's importance in the wider National Grid group and the high likelihood of support should this be necessary."



'A-' CreditWatch Negative

"We anticipate that the new guarantor, NGGD, will own and operate the four U.K. gas distribution network operators (East of England, North London, North West England, and West Midlands) currently held by NGG. We view the stable revenue and cash flows from low-risk, regulated gas distribution businesses—which are supported by our assessment of the U.K.'s regulatory framework as strong—in line with an excellent business risk profile. Based on the company's expected financial leverage (debt to regulatory asset value of 65% with an event of default at 70%), we estimate that NGGD's financial risk profile will be more in line with a 'BBB+' rating."



Tender Offer





Concurrent Tender

- Concurrently with the new issue(s), National Grid is tendering for existing bonds to help manage group gross gearing levels

Target Bonds					
Priority	Currency	Issuer	Coupon	Maturity	Tender Spread to Gilts (bps)
1 Any and All	GBP	National Grid Gas	6.375%	03-Mar-2020	5
	GBP	National Grid Gas	7.000%	16-Dec-2024	35
	GBP	National Grid Gas	8.750%	27-Jun-2025	35
	GBP	National Grid Gas	6.000%	13-May-2038	40
	GBP	National Grid Gas	4.188% (RPI Linked)	14-Dec-2022	115
2 Capped: £1,000m less take-up in Any and all tender	GBP	National Grid Electricity Transmission	5.875%	02-Feb-2024	25
	GBP	National Grid Electricity Transmission	4.000%	08-Jun-2027	35
	GBP	National Grid Electricity Transmission	6.500%	27-Jul-2028	35
	GBP	National Grid Electricity Transmission	7.375%	13-Jan-2031	40
Expected Timing					
Announcement			6 th September		
Expiration			4pm London on 15 th September		
Settlement			22 nd September		

- Acceptance of the tender offer is subject to a Financing Condition
- Tender documentation is available from the Tender Agent, Lucid IS (+44 20 7704 0880 Email: ngrid@lucid-is.com)
- Offer restriction: The tender offer is not open into the US. Other restrictions apply



Conclusion





Key Investment Highlights

- 1 High Quality, Regulated Infrastructure Asset of Scale**
- 2 Transparent and Stable Regulatory Regime in an Attractive Market and Creditor Friendly Jurisdiction**
- 3 Strong and Predictable Cashflows with Potential for Outperformance**
- 4 Highly Experienced Management with a Track Record of Delivery transferring into NGGD**
- 5 Regulatory Ringfencing and Restrictions on Credit Rating**
- 6 Transaction Structure ensures Bondholders always have a Guarantee from a UK Regulated OpCo**
- 7 Full suite of Creditor Protections within the Bond Documentation including Coupon Step Ups**



New Issue Termsheet

Issuer	National Grid Gas Finance plc
Initial Guarantor	National Grid Gas plc
Substitute Guarantor	National Grid Gas Distribution Limited
Status	Senior Unsecured
Ratings (M/S/F)	A3 on review for downgrade / A- credit watch with negative implications/ A Rating Watch Negative
Documentation	GBP 6 billion EMTN Programme dated 5 th September, 2016
Tranches Under Consideration	Short, Intermediate and Long dated fixed rate nominal Sterling benchmarks Long dated Inflation Linked Sterling Intermediate fixed rate Euro benchmarks
Covenants (applicable following substitution of Guarantor)	Cross Acceleration, All Monies Negative Pledge, Gearing Ratio Event of Default, Put at Par on loss of licence and negative rating action, Coupon Step up on Ratings Downgrade below Baa1/BBB+ within 18 months of sale
Early Redemption	Bund/Gilts based Make Whole Call (will be set at 15% of Re-Offer Spread)

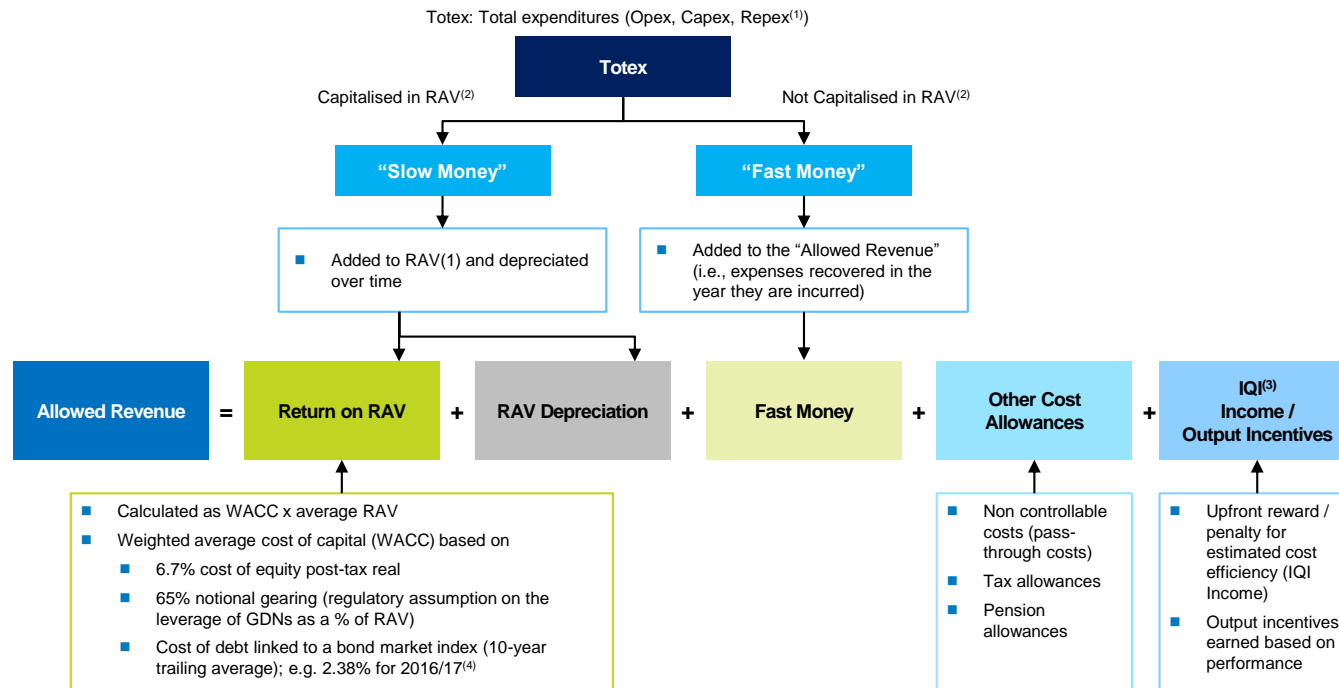


Appendix



RIO-GD1 Regulatory Revenue

Allowed Revenue Build-Up



1. Replacement Expenditure
2. Capitalisation ratio is set by regulator. For Repex it progressively increases over time from 50% to 100% at the end of RIO1, for other Totex it stays within a 24% – 27% range
3. Information Quality Incentive
4. Ofgem Cost of Debt Indexation Model 31 October 2015

nationalgrid



Cautionary statement

This presentation 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 '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. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union, announcements from and decisions by governmental bodies or regulators (including the timeliness of consents for construction projects); the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. 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; 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 assumptions in connection with the Company's potential sale of a majority stake in its gas distribution business and with 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 183 to 186 of National Grid plc's most recent Annual Report and Accounts. 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.

Introduction



STUART BAILEY
Group Head of
Sustainability and
Climate Change

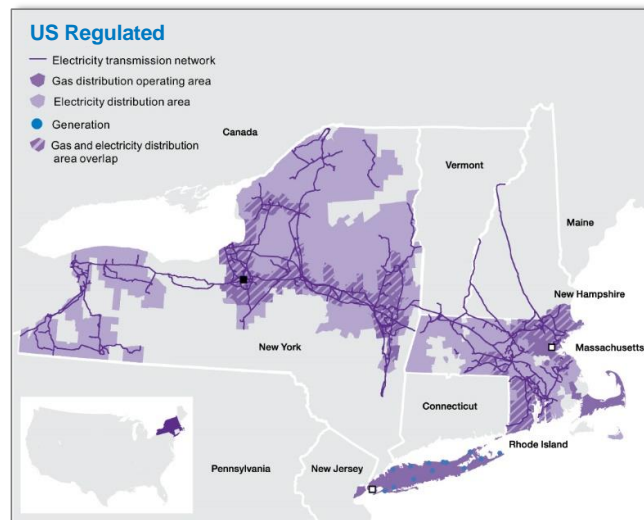


DAVID BRINING
Senior Investor
Relations officer



Introduction

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.

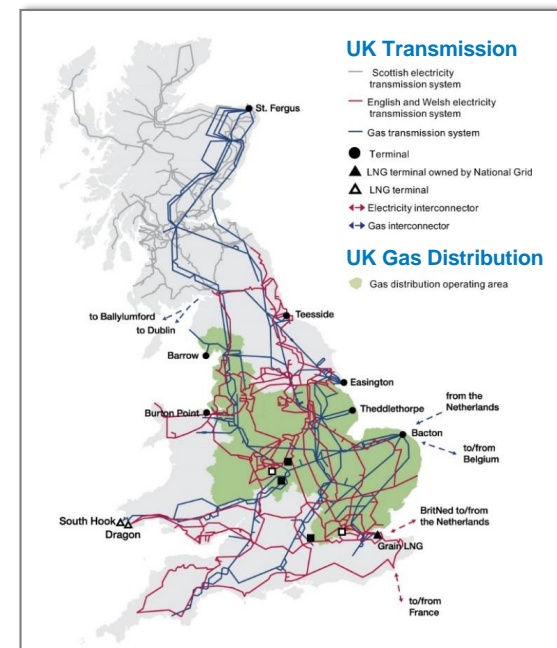


London Stock Exchange

NG.

New York Stock Exchange (ADR)

NGG





Introduction

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

Total Group Assets

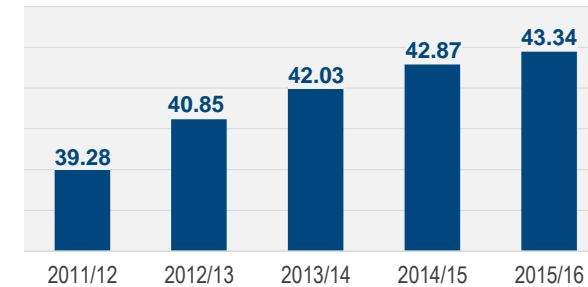
£42.0bn (31 March 2016)



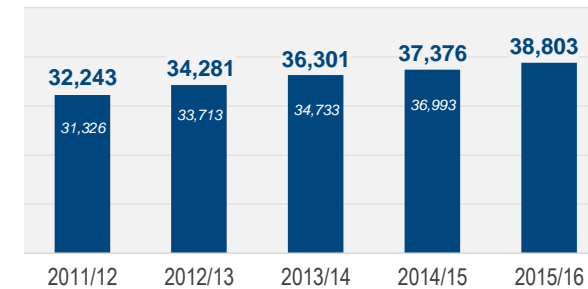
*Prior to the sale of a majority stake

Policy to grow the dividend at least in line with UK RPI inflation for the foreseeable future

5 year dividend growth (p/share)



RAV/Rate base growth (£m)



At constant currency
At actual currency



Purpose

Bring Energy to Life

We connect people to the energy they need for the lives they live, helping communities thrive and economies grow.

Vision

We will exceed the expectations of our customers, shareholders and communities today and make possible the energy systems of tomorrow

Values

Do the right thing.
Find a better way.

Responsibility and Sustainability

Caring for customers

We have a duty to make sure that customers have access to affordable and sustainable energy. And this need has never been greater. By investing in alternative sources of energy, reducing waste and being flexible with our customers we can help to keep prices down and homes powered.

Energising people

The work we do in support of education and employment and the investment we make in our people helps us to give many people great opportunities to reach their full potential

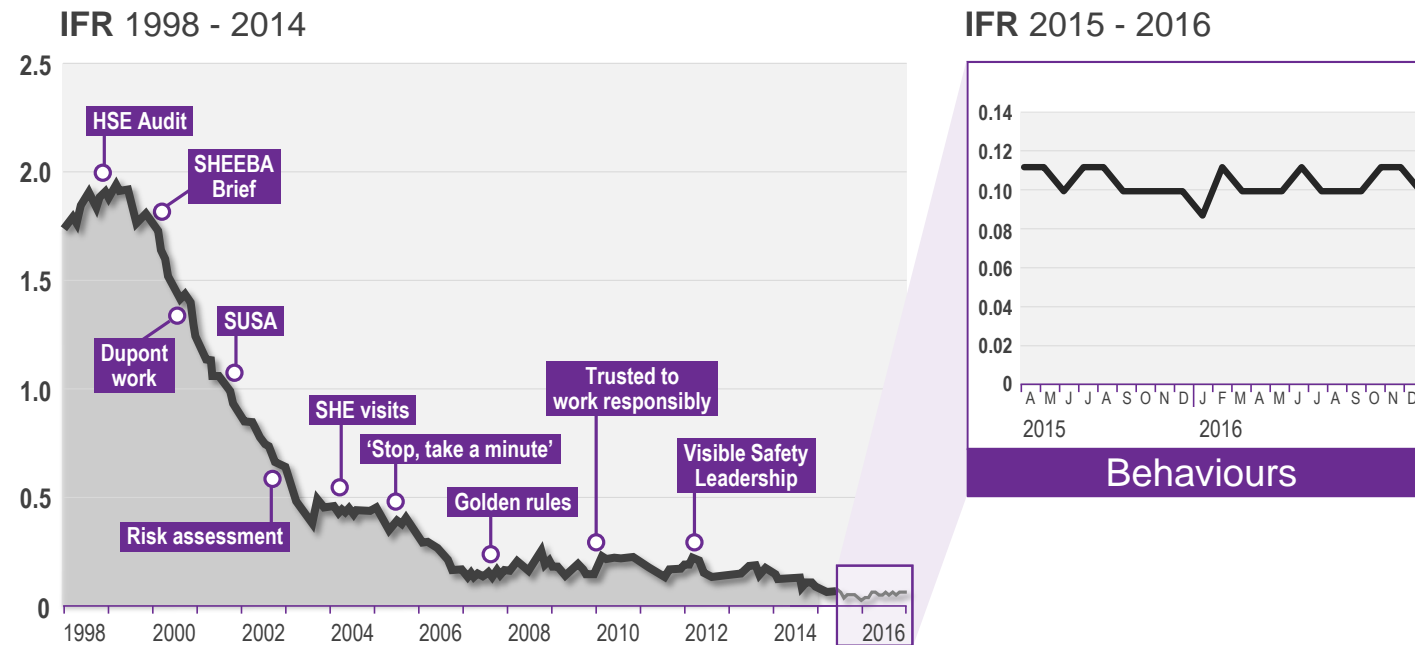
Building strong communities

We don't just supply power to our communities, we are part of them. We partner with charity organisations, provide communities with one-off grants to support their social, economic and environmental development and empower our employees to support local projects and causes through volunteering.

Enhancing the environment

As an energy network business the biggest improvement we can make to the environmental challenges the world faces is to efficiently connect new low carbon and renewable energy generation to our networks. We are doing all we can to reduce our environmental impact and help enhance the areas where we work and operate.

National Grid's safety journey to date



This graph indicates that the NG UK IFR rate has significantly reduced over the past 17 years. The implementation of various initiatives has driven National Grid to a proactive / generative safety culture.





Responsible Business: Caring for customers

Caring for customers

4.4 million

participants in the company's gas and electric energy-efficiency programmes

78

partnerships to help reduce fuel poverty



Vulnerable customers



Energy efficiency



Emergencies



Storm preparation



Responsible Business: Energising people

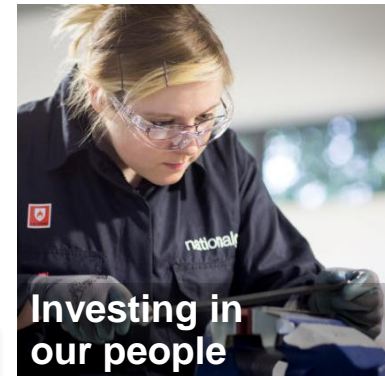
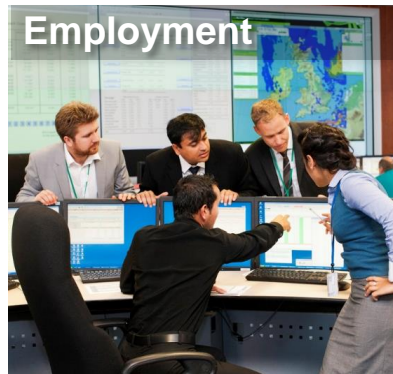
Energising people

18,000

quality interactions with young people on STEM subjects by our employees

46.5

hours on average spent on training by each of our employees during the year



- Improving safety
- Training academy
- Inclusion and diversity
- Employee health and support
- Employee survey and engagement targets
- Reward and pensions



Responsible Business: Building strong communities

Building strong communities

£14.6m

invested in support of
community initiatives
and relationships
across our operations

14,000

hours of support
provided to community
projects in the UK



Responsible Business: Enhancing the environment

Enhancing the environment

95%

of our UK waste was recycled; an increase from 88% the previous year

63%

reduction in our scope 1 and 2 greenhouse gas emissions compared with our 1990 baseline

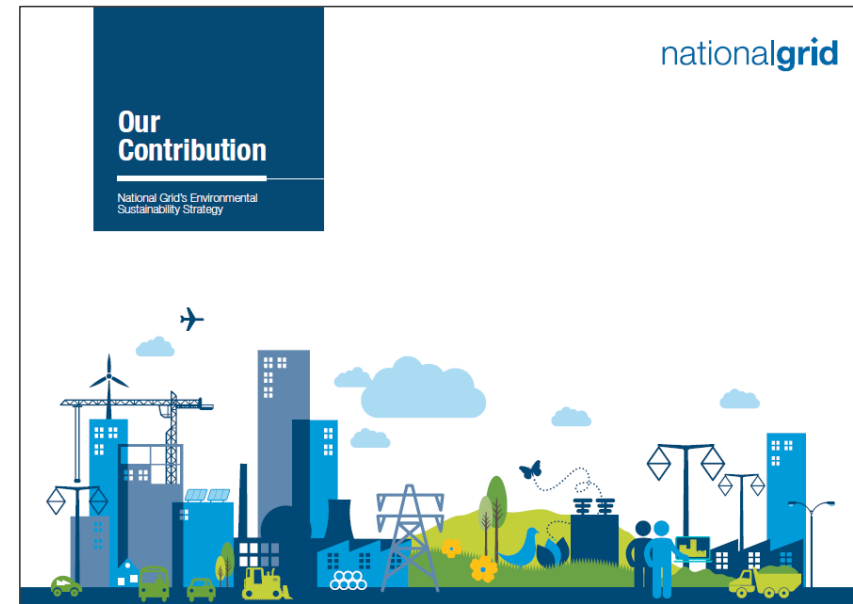


Our Environmental Sustainability Strategy

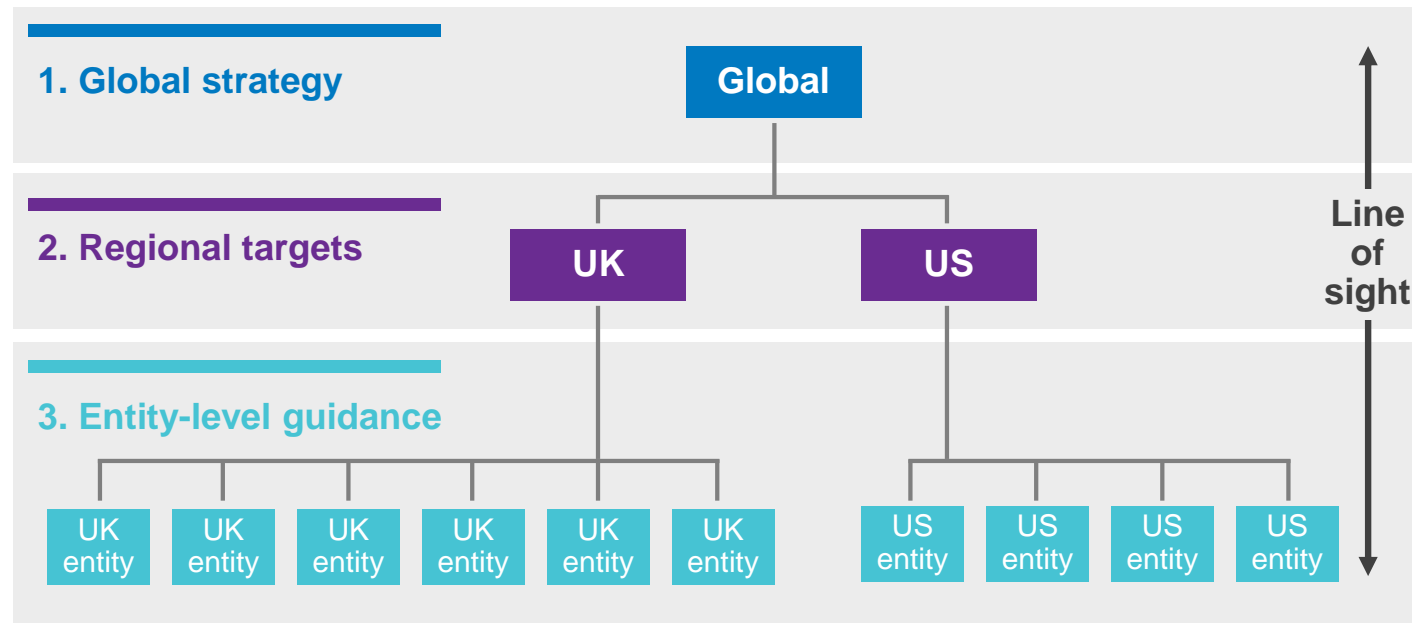


Environmental Sustainability Strategy: 2017 Refresh

- Global strategy with regional priorities
- Additional targets
- Clearer line of sight from high level priorities to local action
- Engaging our employees in sustainability



Three levels of strategy and targets



Targets to measure performance

Global targets

Our climate Commitment



- 80% reduction in GHG emissions by 2050
- 45% reduction in GHG emissions by 2020

Responsible Resource Use



- Reuse or recycle 100% of recovered assets by 2020
- Send zero office waste to landfill by 2020

Caring for the Natural Environment



- Recognise and enhance the value of our natural assets on at least 50 sites by 2020
- Drive net gain in environmental value (including biodiversity) on major construction projects by 2020

Additional Regional targets for our climate commitment

UK

- Implement carbon pricing on all major investment decisions by 2020
- Reduce embedded carbon in construction projects by 50% by 2020
- Increase energy efficiency of our property portfolio by 10% by 2020

US

- Reduce GHG emissions and save customers money through our energy efficiency programmes
- Increase energy efficiency of our 10 largest owned property sites by 20% by 2020

Managing carbon in the UK

Tools

In house to measure a project's carbon footprint



Focus

Key areas to help drive reductions and implementing change into schemes

- Steel
- Concrete
- Aluminium



What it tells us

Voltage	Equipment
400kV	Disconnecter 3ph
400kV	Earth switch 3ph
400kV	CVT No Foundation 1ph
400kV	SF6 Circuit Breaker 3ph

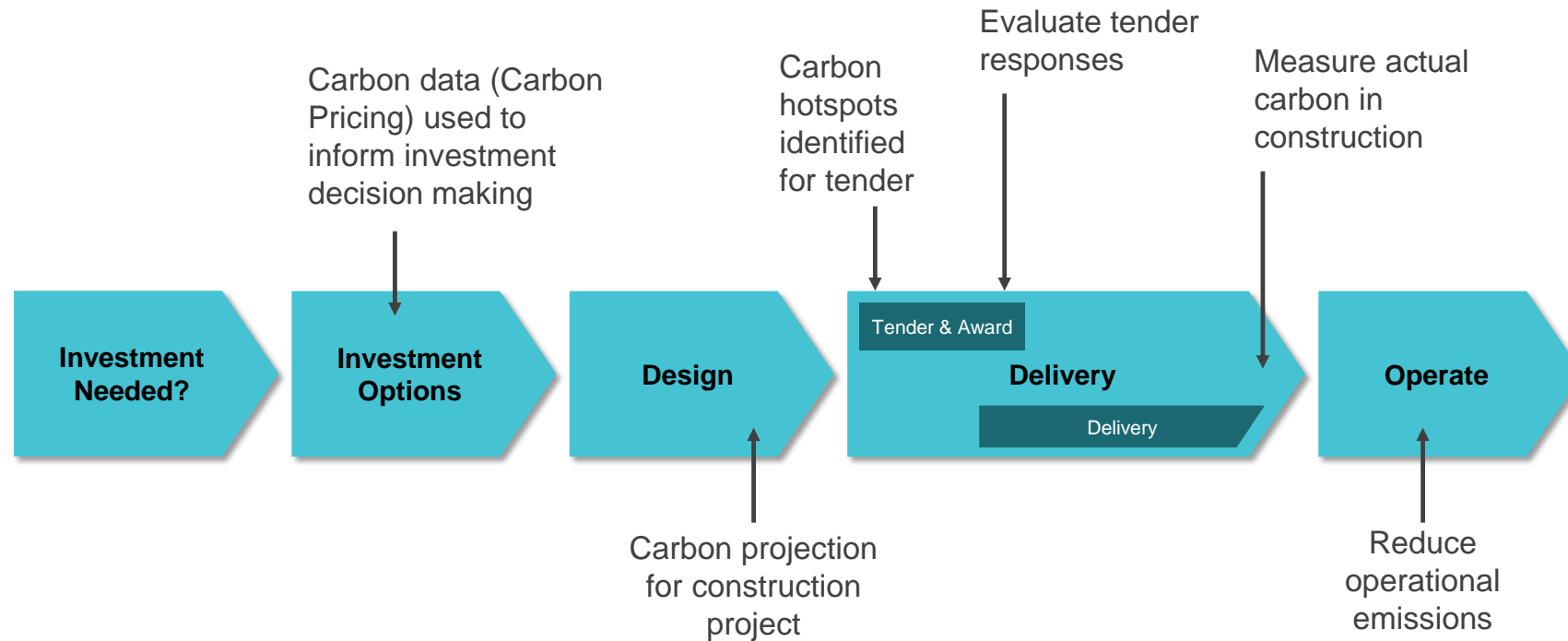
Different material impacts occur in different schemes. Substation projects have a low intensity and gas projects a higher intensity. Highest impacts come from civils

Targets

tCO₂/£m

We now understand our baseline (190tCO₂/£m) and have a target to reduce carbon intensity by 10% a year

Carbon Management in the UK Network Development



Recognition for our approach to environmental sustainability

The three states National Grid serve ranked 1st, 4th and 5th following a ACEEE scoring



Finalist for Business in the Community Awards 2016



Winners of the Edie Carbon Management Leadership Award 2015



Awarded DEFRA's Bee Needs award for contributing to the national Pollinator Strategy



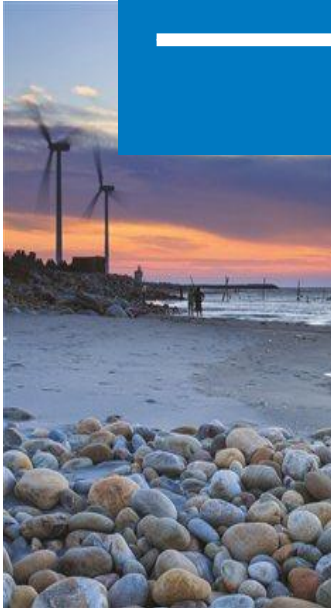
CDP 'A List'

- Scored within the top 9% of over 1,000 companies worldwide that participated in CDP's climate change program
- Our position on the climate A list is recognition of the actions we have taken to reduce our emissions and mitigate climate change in 2015/16



HSBC SRI conference

Frankfurt | February 2016



Cautionary statement

This presentation 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 '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. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control or estimate precisely, such as changes in laws or regulations, announcements from and decisions by governmental bodies or regulators (including the timeliness of consents for construction projects); the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. 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, and 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 assumptions in connection with 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 173 to 176 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 2015 published on 10 November 2015. 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.

Setting out our responsible business goals

Connecting you
to your energy
today, trusted to
help you meet
your energy
needs tomorrow



Sets direction for
sustainable decision
making, and
responsible business
reporting



Preserving
Environmental



Inspiring
Economic



Designing
Social

nationalgrid

Responsible business makes good financial sense



Preserving



Inspiring



Designing

Responsible business: our investors

- Corporate governance
 - Board diversity
 - reporting & transparency
 - new remuneration & long-term incentives
- Complementing operational excellence with responsible business approach
 - improving safety
 - risk management
 - ethical approach



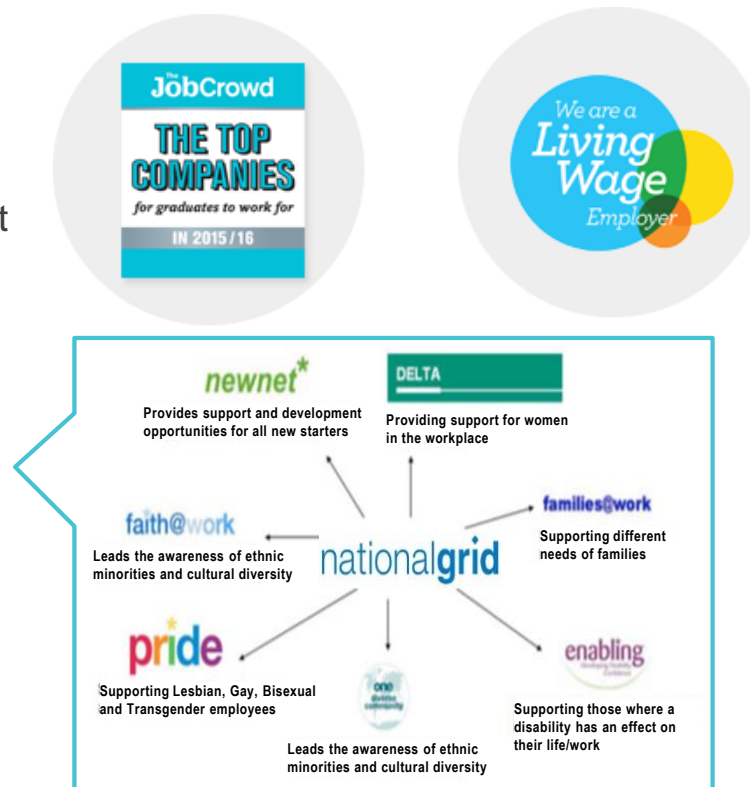
Sustainable dividends & asset growth

Being a responsible business



Responsible business: our people

- Improving safety
- Training academy
- Inclusion and diversity
- Employee health and support
- Employee survey and engagement targets
- Reward and pensions



Inspiring for the future



**girls
inc.®**

Addressing a skills shortage (STEM)

- Getting people into work
 - Young offenders programme
- Educating to develop skills



Over the last year:

- 9,900 STEM conversations in class
- 160,000 contacts through fairs
- 150 Education Ambassadors in UK
- The Power to Serve in the US

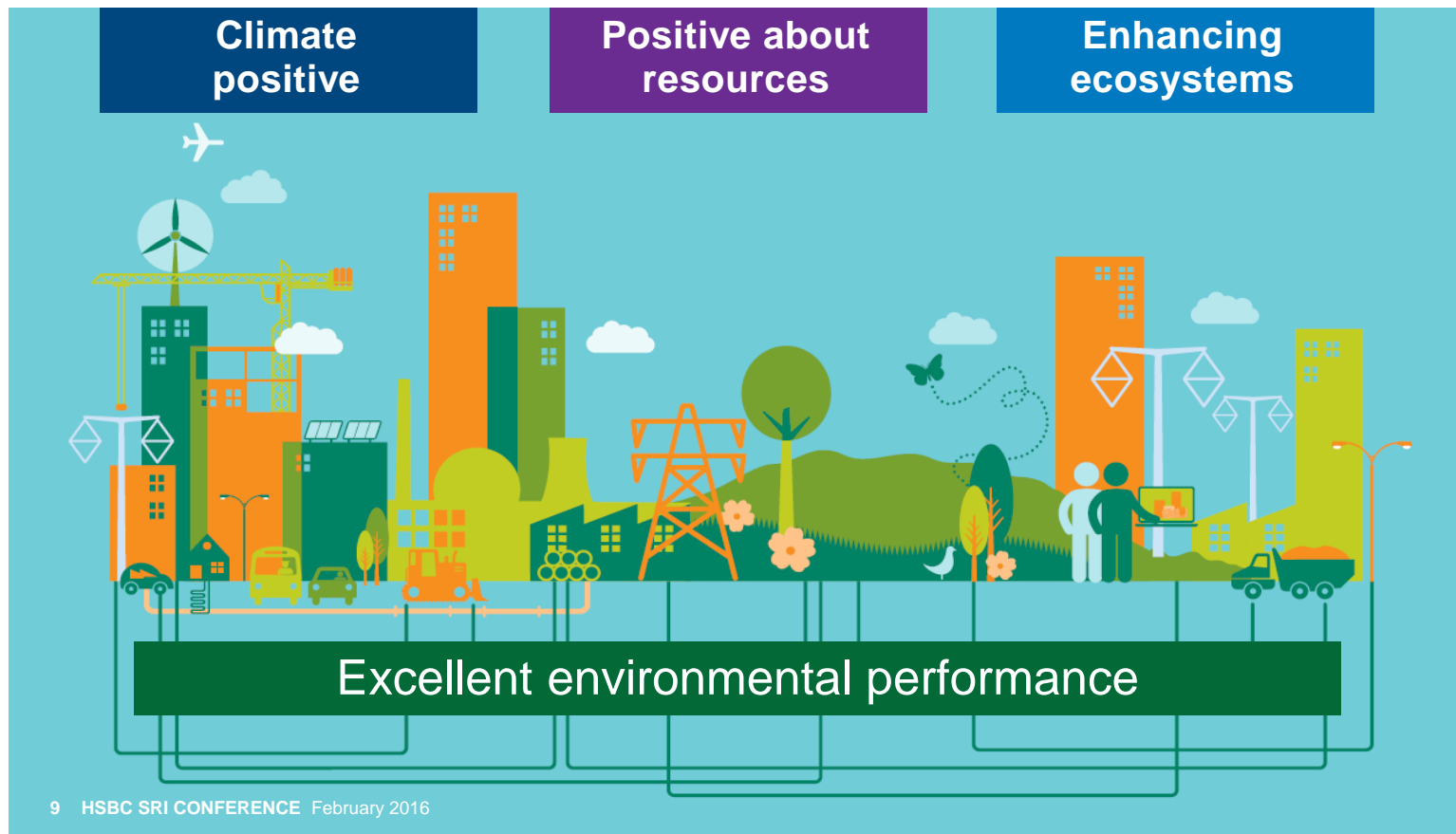
Responsible business: our environment

- Key role enabling de-carbonisation
 - connecting low carbon generation
 - system operation and balancing
- Company greenhouse gas emission reduction targets
- Material re-use and recycling
- Enhancing ecosystems
 - Land remediation and re-use
 - Rural biodiversity
- Embedding sustainability in decision making

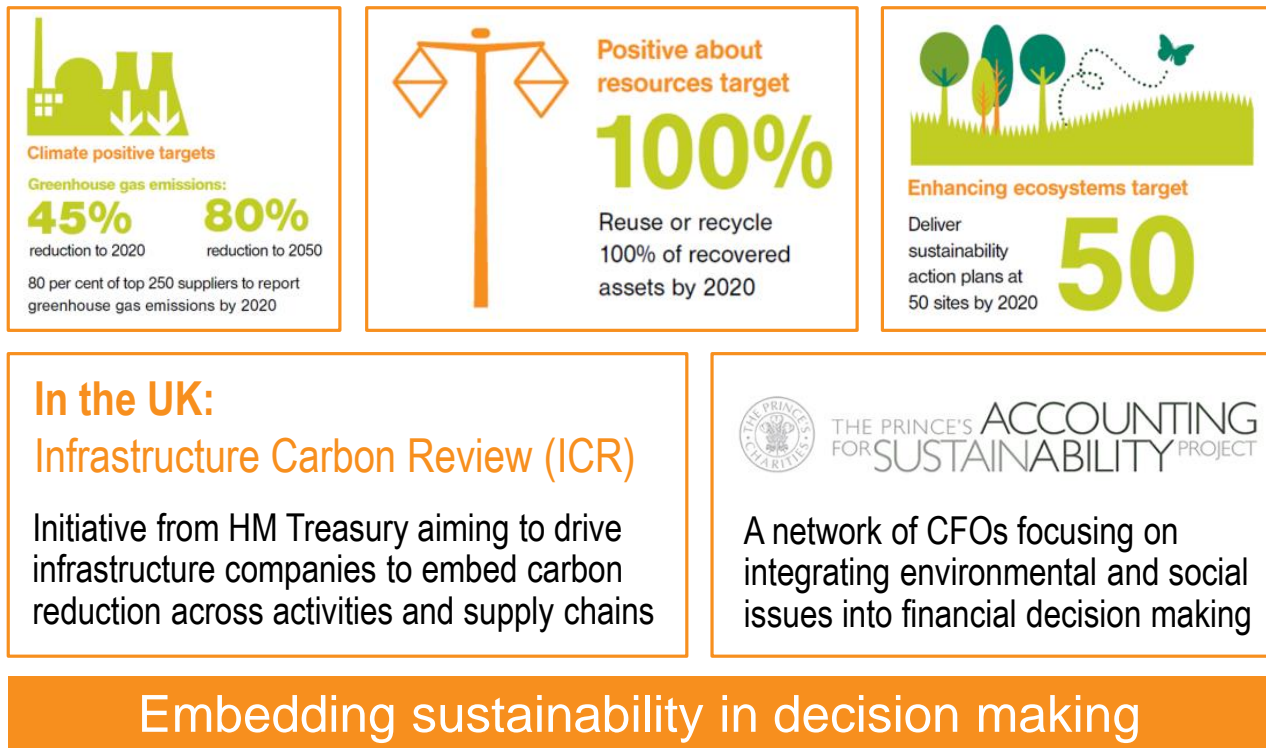


Our contribution

A framework for environmental sustainability in National Grid



We have made additional external commitments





United Nations
Framework Convention on
Climate Change



Taking action on the road to Paris



**The
Telegraph**
Steve Holliday
editorial

**THE
HUFFINGTON
POST**
Dean Seavers
*joins the call for
decisive action*

**WE MEAN
BUSINESS**

economic
opportunity through
bold climate action



“true leader”

What it might mean for National Grid . . .



Sustainability at National Grid



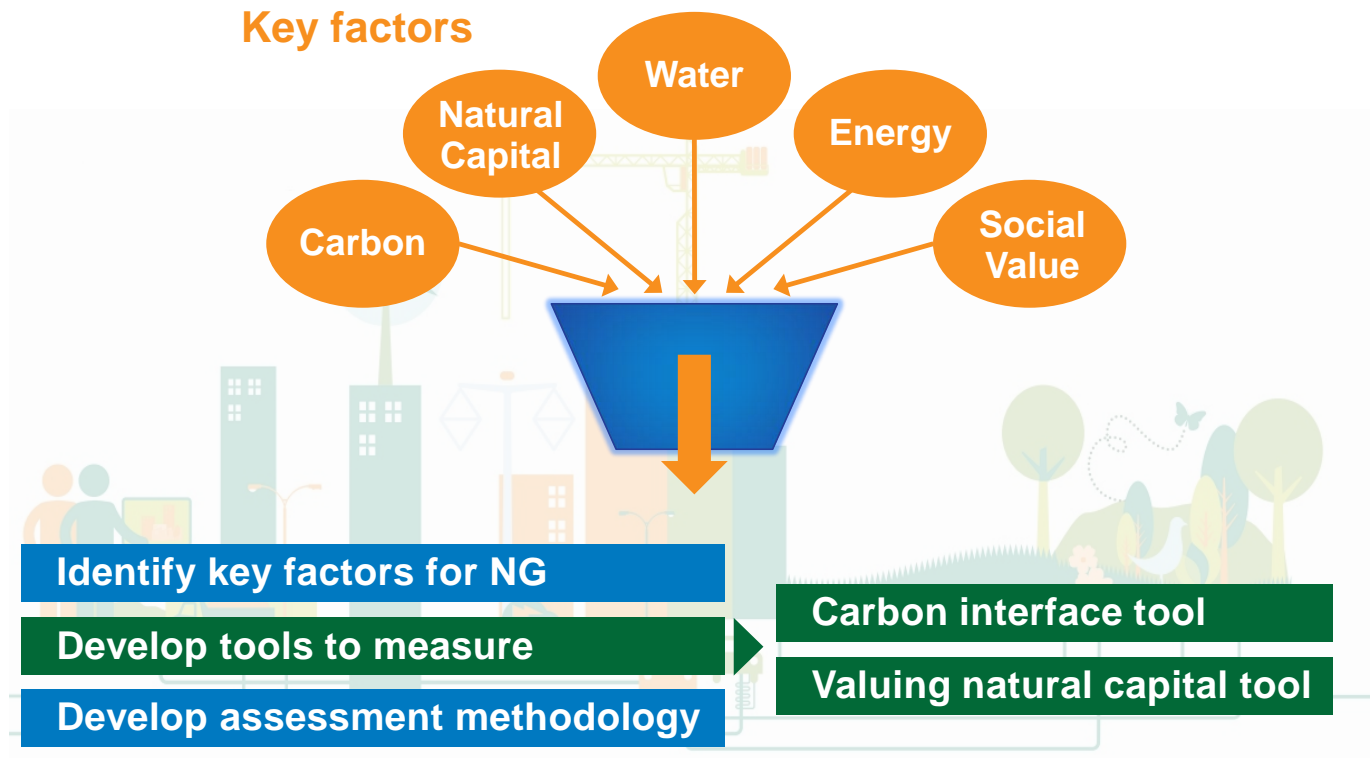
What we do at the Hub



Sustainability in decision making



Developing a methodology



Carbon interface tool

What is it ? . . .



A tool developed in house to measure a project's carbon footprint

What it tells us . . .

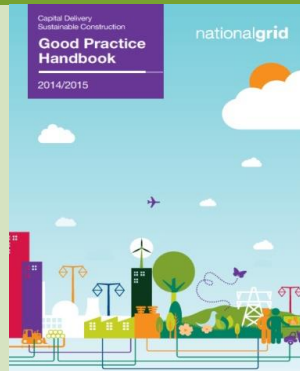
Voltage	Equipment
400kV	Disconnecter 3ph
400kV	Earth Switch 3ph
400kV	CVT No Foundation 1ph
400kV	SF6 Circuit Breaker 3ph

Different material impacts occur in different schemes. Substation projects have a low intensity and gas projects a higher intensity. Highest impacts come from civils

Focus . . .

Key areas to help drive reductions and implementing change into schemes

- Steel
- Concrete
- Aluminium



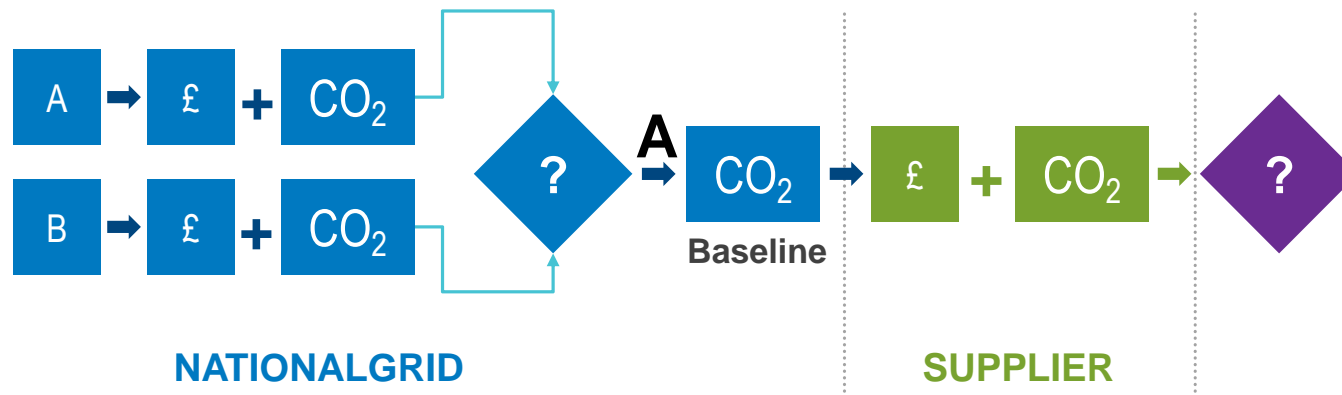
Targets . . .

?tCO₂/£m

We now understand our baseline and will target reducing this by 10% in the next 12 months

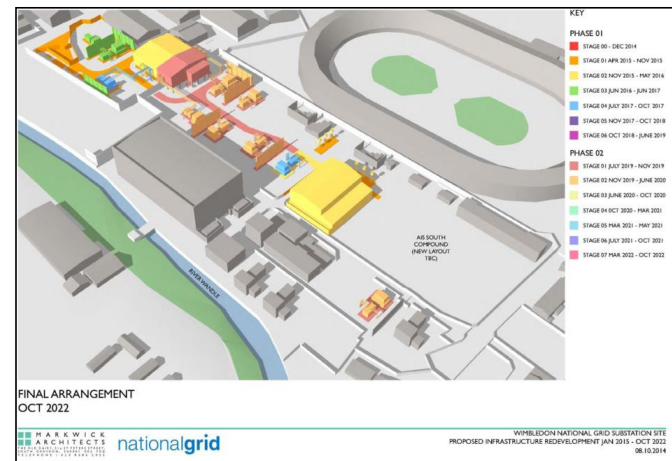
Embedding carbon in decision making

- Measuring and understanding carbon to drive behavioural change
- Unlocking lower carbon solutions to reduce cost
- Putting a price on carbon is an effective way of weighting carbon in decision making
- Can be incorporated into financial appraisal methodology

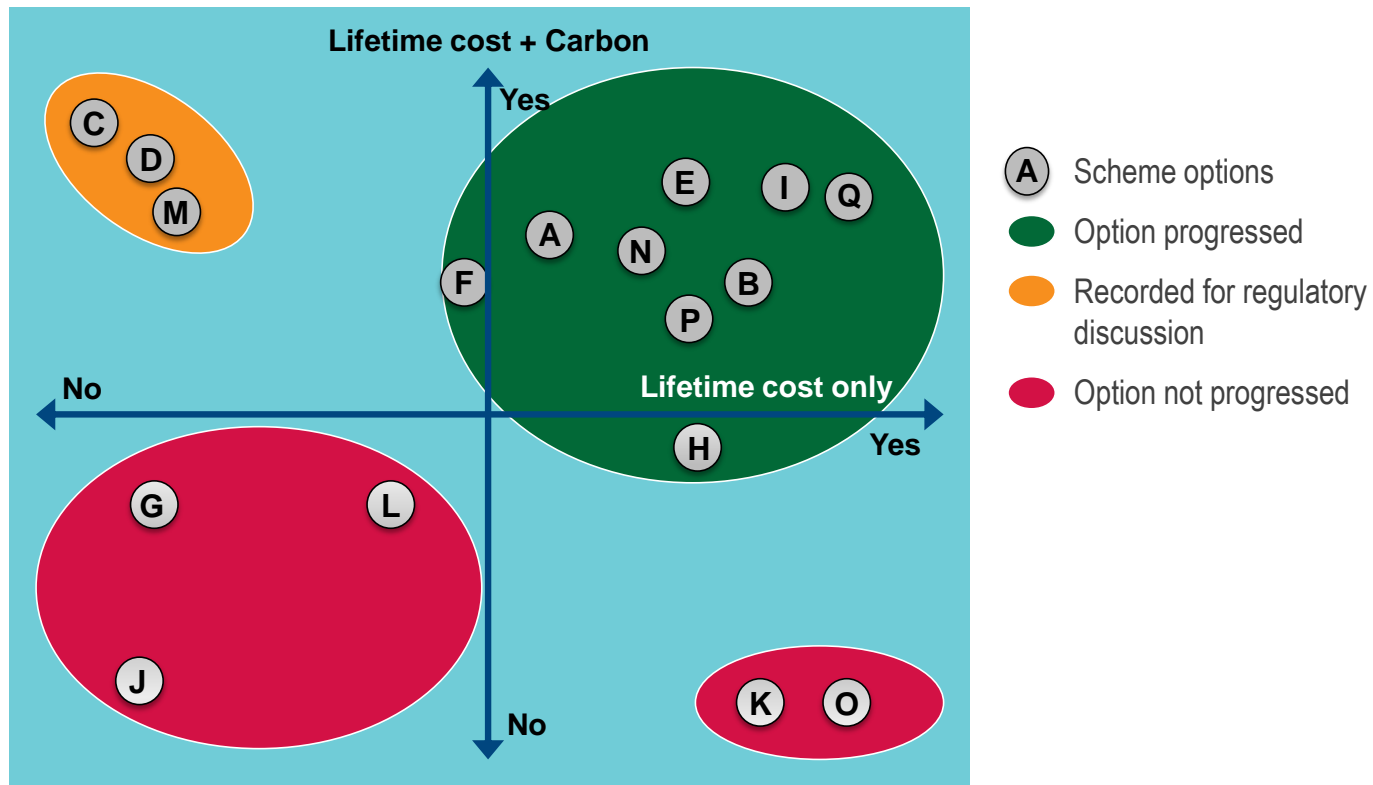


Carbon in tender process

- 5% carbon weighting in tenders for major infrastructure projects
- Wimbledon substation tender unlocked 20% carbon saving for lowest cost solution
- Lower carbon = lower cost
- 5% weighting in all projects over £50m and projects with 'material' carbon impact



A price on carbon in practice



Valuing Natural Capital tool

What is it ? . . .



A tool developed with external support that provides us with a common language to engage with stakeholders and evaluate options

How might we use it ? . . .

Quantify

- Natural Capital on National Grid sites

Assess

- Ecosystem Services provided

Value

- Each of these ecosystem services

Identify

- Potential risks, opportunities and revenues

Develop

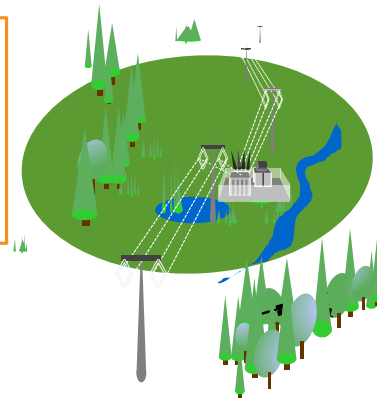
- More informed management decisions

It helps us to . . .

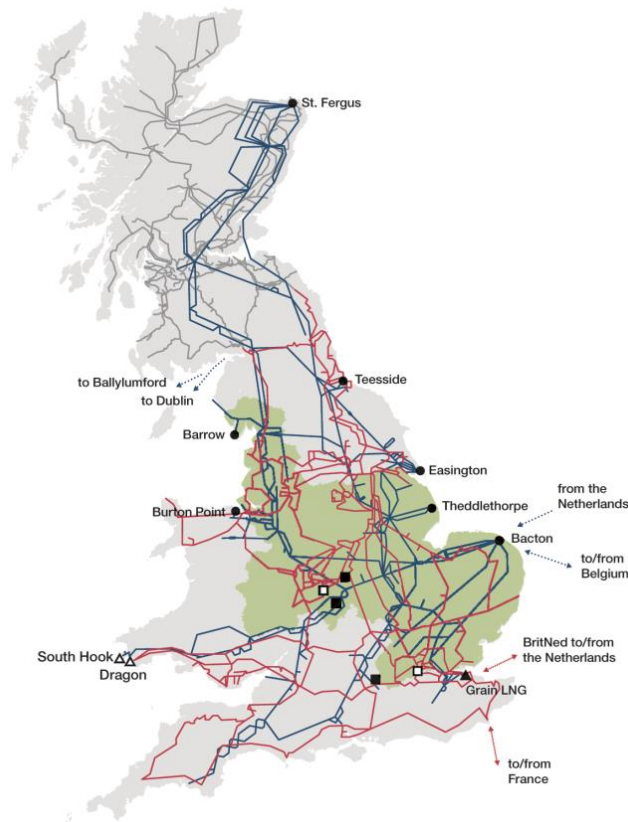


Identify Natural Capital values and make better investment decisions to secure social, environmental and economic returns

Targets. . .



The value of nature in decision making



Electricity Transmission:

- 7,200 km overhead line
- 1,400 km underground cable
- 329 substations

Gas Transmission:

- 7,660 km high pressure pipeline
- 23 Compressor stations

Legacy landholdings:

- 645 former industrial sites

Valuing Nature – our approach

“Identify Natural Capital values and help make better investment decisions to secure social, environmental, and economic returns”

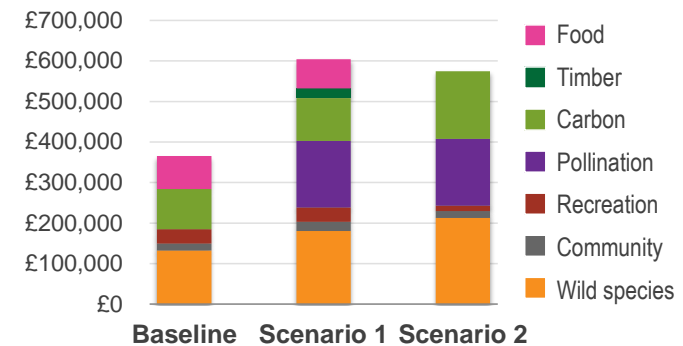
Quantify	■ Natural Capital on National Grid sites
Assess	■ Ecosystem Services provided
Value	■ Each of these ecosystem services
Identify	■ Potential risks, opportunities and revenues
Develop	■ More informed management decisions

Investing in Natural Capital

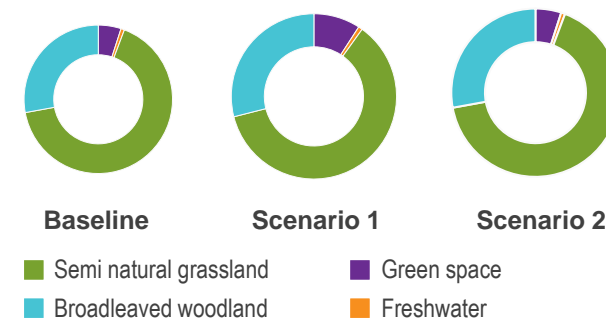
Stakeholders input



Ecosystem Service Flows



Natural Capital Stocks



New sites – Rhigos

Making our contribution to local and national ecological priorities, whilst connecting and delivering new energy infrastructure



Operational Sites – Thorpe Marsh



Yorkshire
Wildlife Trust

National Grid Thorpe Marsh Site Management

Baseline value

£170k grows to £410k

Costs to realise

£29k (over 3 years)



Legacy / surplus sites – Burnley

Creation of community woodland on surplus estate

Baseline value grows from
£40k to £324k

Costs to realise
£48k (grant funding)



The Natural Grid: realising opportunities



Major infrastructure delivery

- Coordinated approach
- Potential landscape scale benefits Leverage other stakeholder activity

High value landscape areas

- Embed ecosystem services in 'soft' engineering approaches to visual amenity and community benefit

Site development

- Understand and value impacts
- Creativity with site restoration
- Drive new value/revenue

Existing landholdings

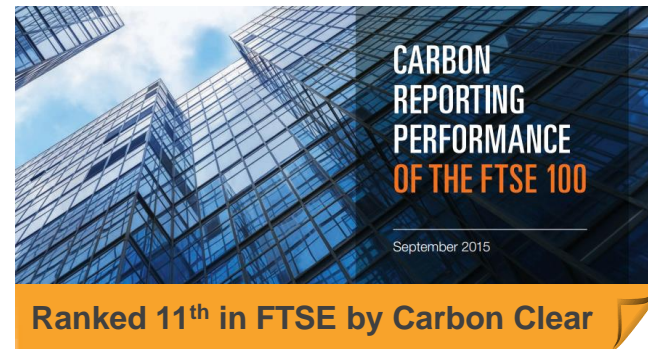
- Scenarios/options for management
- Stakeholder involvement
- New income streams

Environmental Discretionary Reward

- Facilitating transition to low carbon future in Electricity Transmission
- £2m reward for 2014/15



Recognition



Unilever and National Grid labelled 'true leaders' in post-Paris policy push

20 January 2016, source [edie newsroom](#)

Unilever and National Grid are among the select few companies to be heralded as 'true leaders' for their support of the policies set in place in Paris last month, according to corporate analysts InfluenceMap.



Designing for the future

**£500M
ALLOWANCE
TO BENEFIT
NATIONAL PARKS
AONBs AND
NATIONAL
SCENIC AREAS**



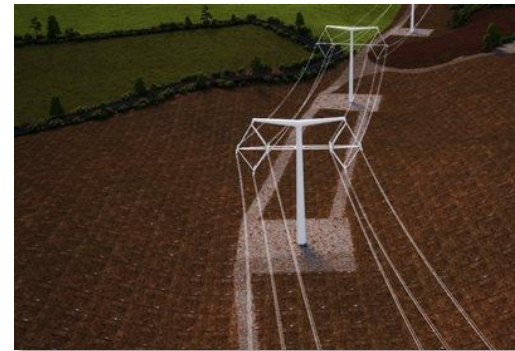
theguardian

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[Environment](#) > [Conservation](#)

theguardian.com has a new look coming soon [preview it now →](#)

**National Grid's £500m plan to move
biggest and ugliest pylons underground**
Eight national parks and areas of outstanding natural beauty on



CONTACTS

Investors

Aarti Singhal	+44 20 7004 3170	+44 7989 492447 (m)
David Brining	+44 20 7004 3166	+44 7816 847918 (m)
Michael Ioanilli	+44 20 7004 3006	+44 7789 878784 (m)
Richard Foster	+44 20 7004 3169	+44 7768 294017 (m)

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Twitter: Follow our investor updates **@nationalgridIR**

You can view or download copies of the latest Annual Report and Accounts (ARA) and Performance Summary from National Grid's website at <http://investors.nationalgrid.com> or request a free printed copy by contacting investor.relations@nationalgrid.com

Sustainability in detail

HSBC SRI / Conference
February 2016



Understanding our footprint

Decarbonising society's energy



Reducing our own impacts



Helping to decarbonise energy

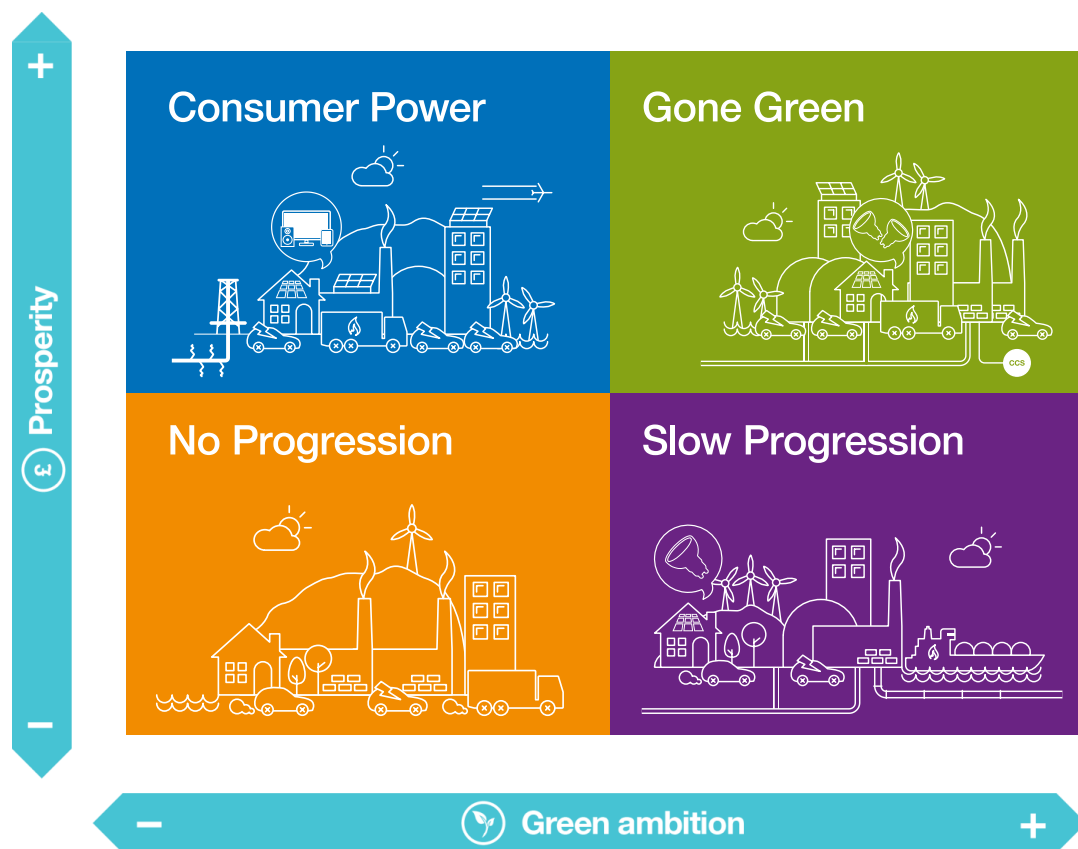
Decarbonising society's energy



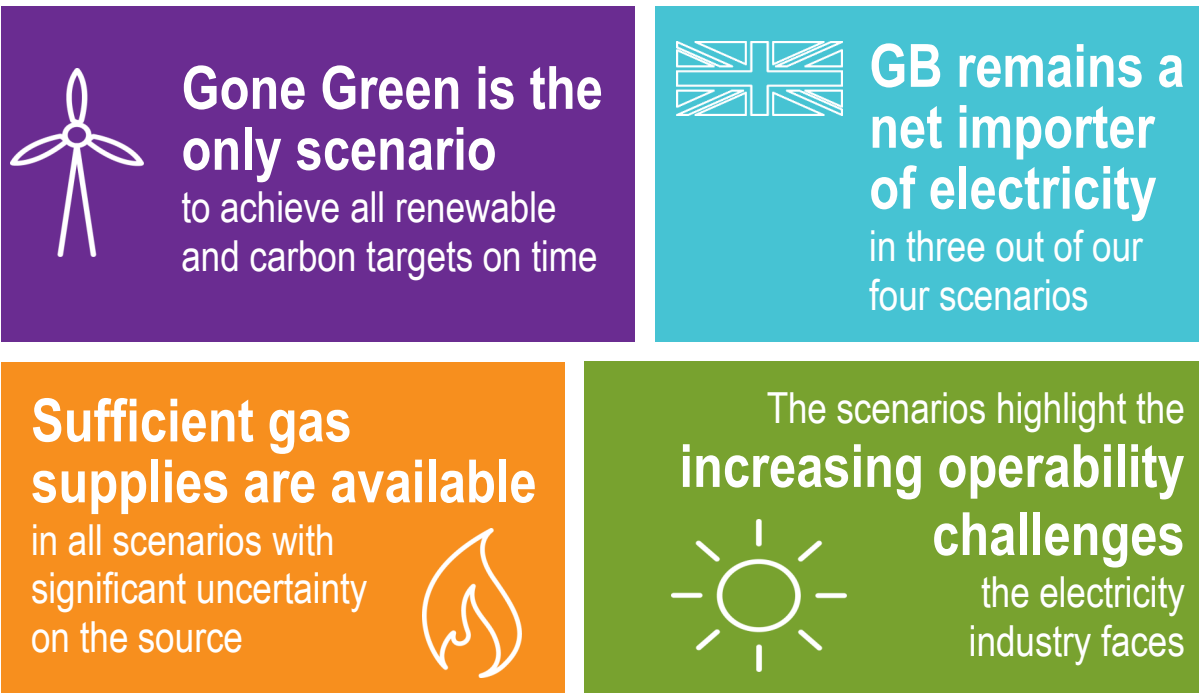
Reducing our own impacts



The 2015 scenarios – evolution not revolution

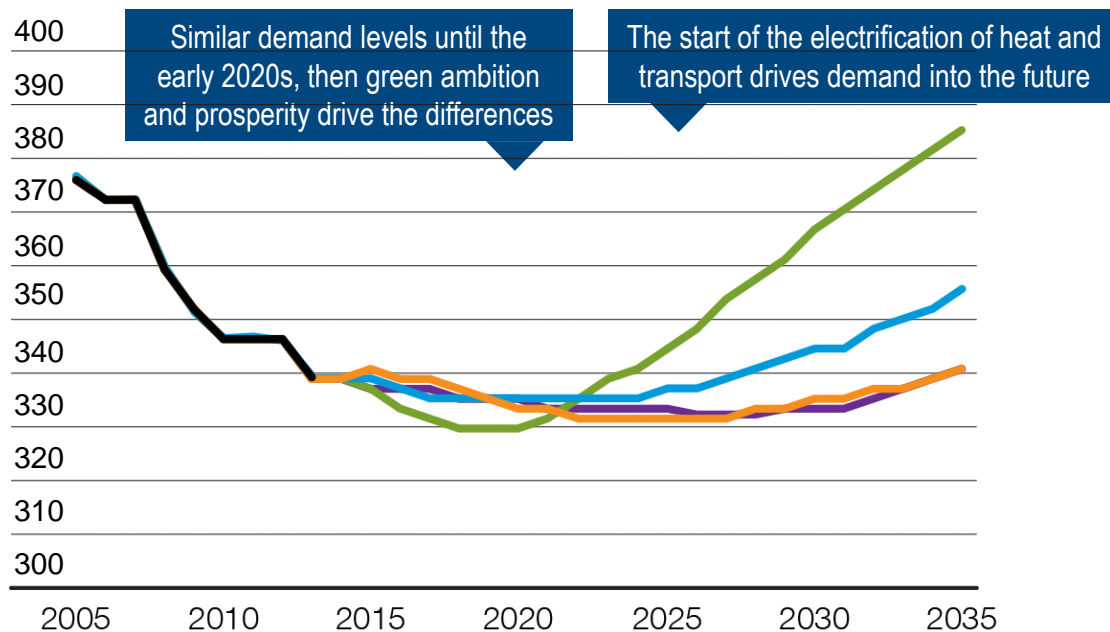


FES 2015 conclusions (UK)



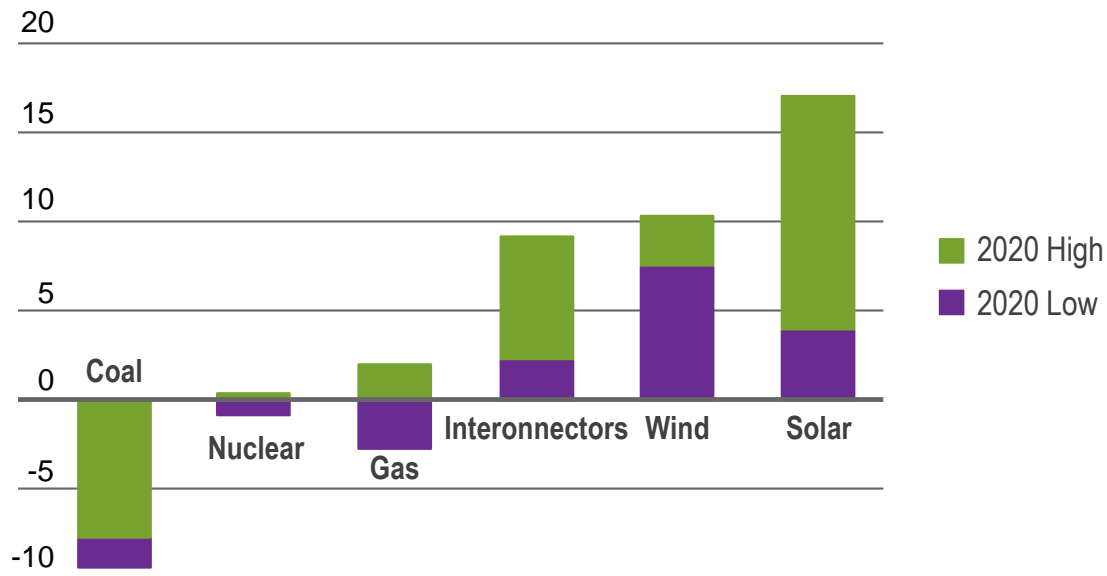
Electricity consumption

Annual electricity consumption at the meter (TWh/yr)

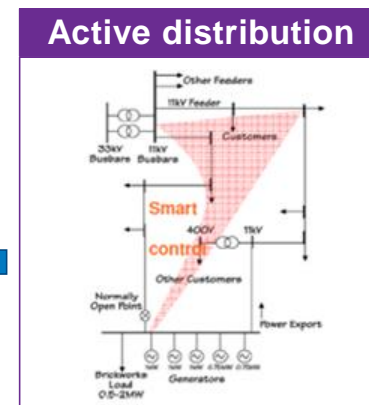
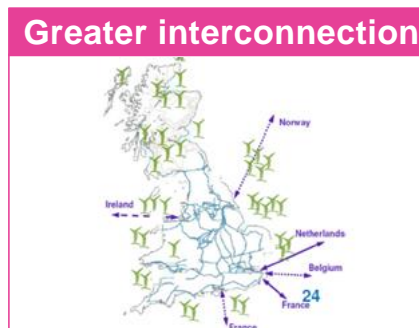
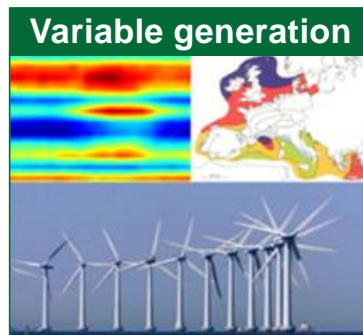


The type and nature of generation is set to change

Change in generation capacity (GW)

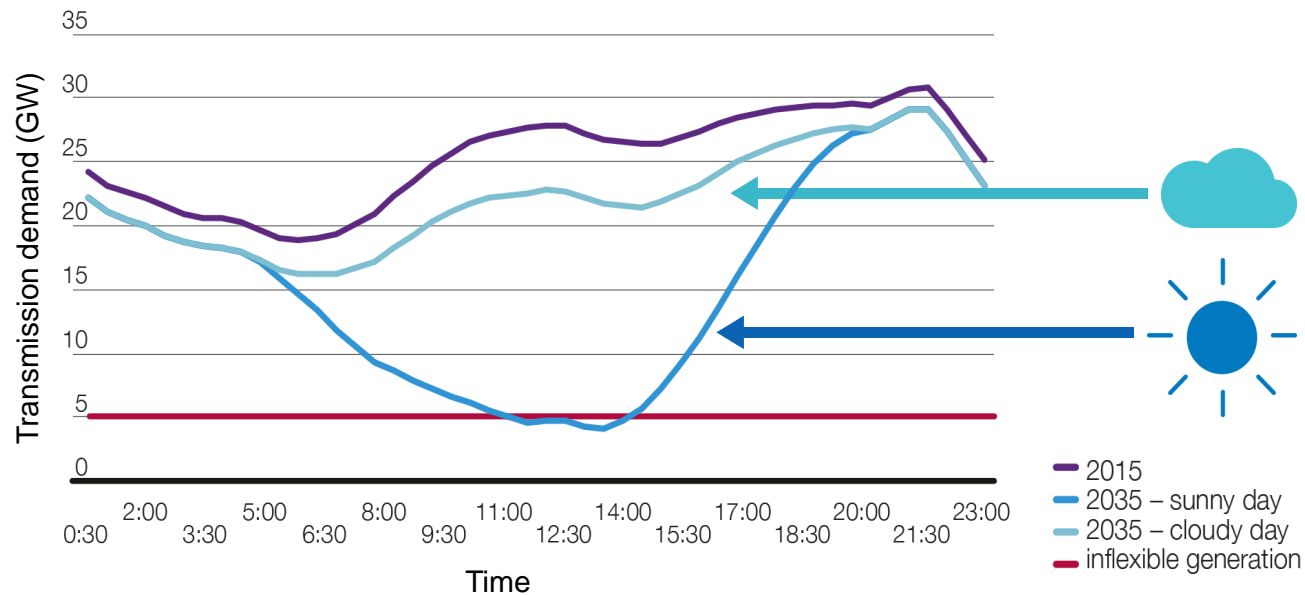


Operating in 2020 and beyond . . .



Changes to the generation mix has implications for operability

Consumer power - summer minimum demand



Understanding our own footprint

Decarbonising society's energy



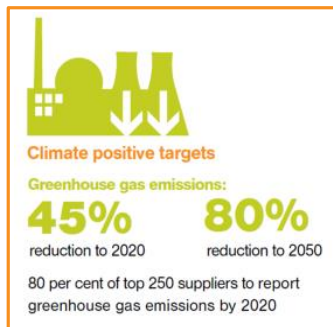
Reducing our own impacts



What are we doing ? – Sustainability



We have made additional external commitments



In the UK:

Infrastructure Carbon Review (ICR)

Initiative from HM Treasury aiming to drive infrastructure companies to embed carbon reduction across activities and supply chains



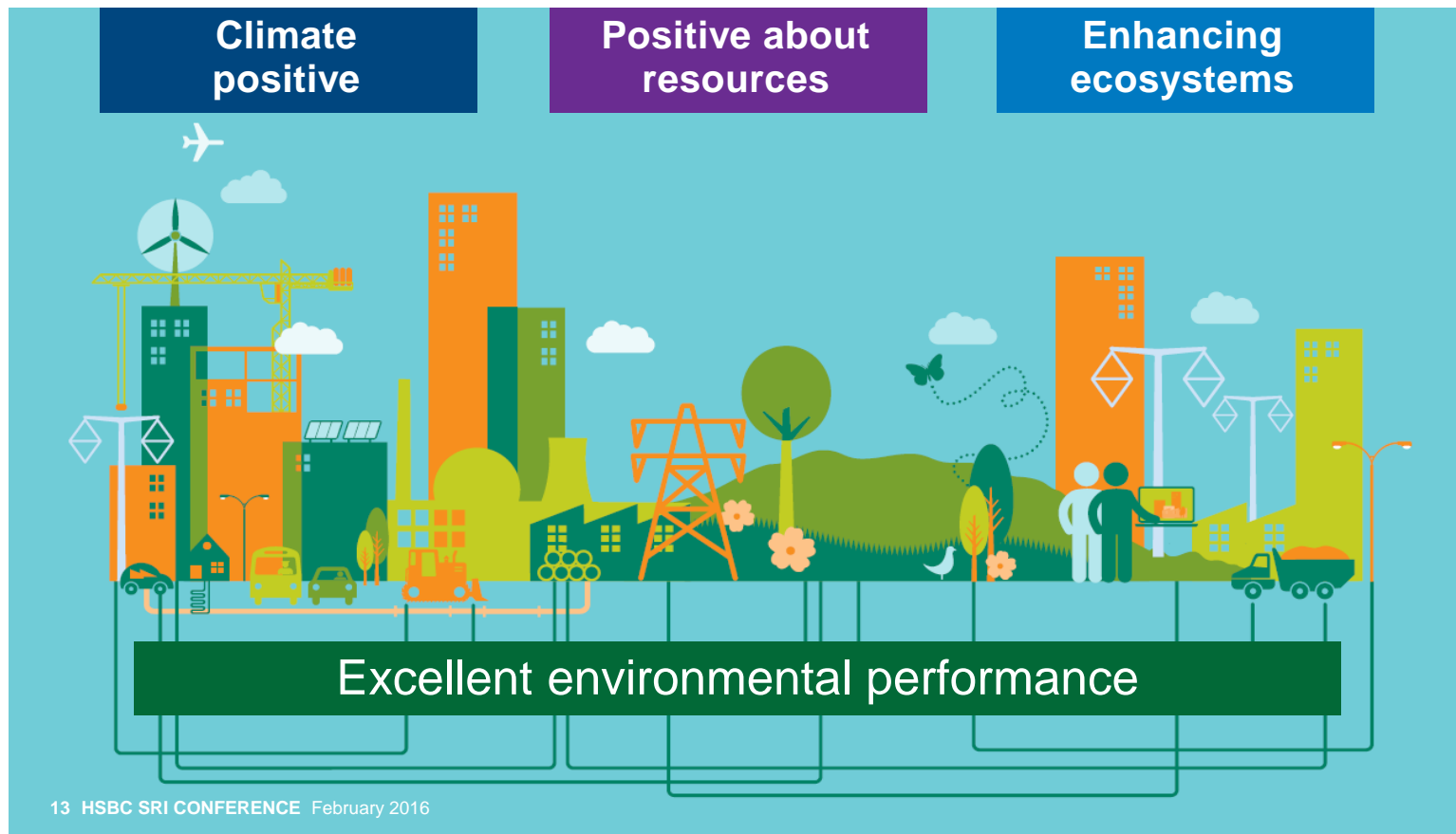
THE PRINCE'S ACCOUNTING
FOR SUSTAINABILITY PROJECT

A network of CFOs focusing on integrating environmental and social issues into financial decision making

Embedding sustainability in decision making

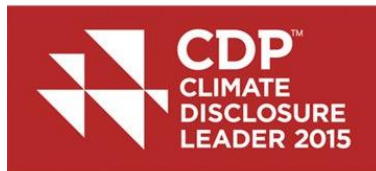
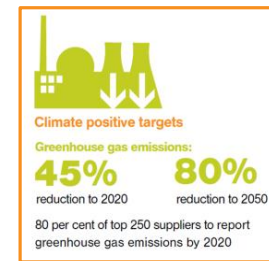
Our contribution

A framework for environmental sustainability in National Grid



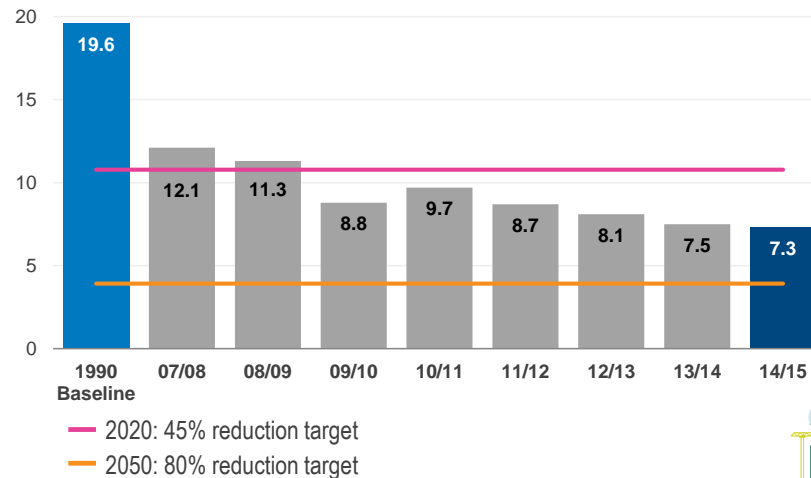
Climate positive – performance

- Committed to reduce greenhouse gas emissions by 45% by 2020 and 80% by 2050, for Scope 1 and 2 emissions
- Primary sources of our own direct emissions are fugitive and vented natural gas from US & UK distribution systems, SF6 emissions from US & UK electricity transmission plant fuel consumed by gas compressors and US Electricity Generation



This year we achieved 99 B in our CDP investor response retaining our position in the Carbon Disclosure Leadership Index

Annual performance



Climate positive – what have we been doing?



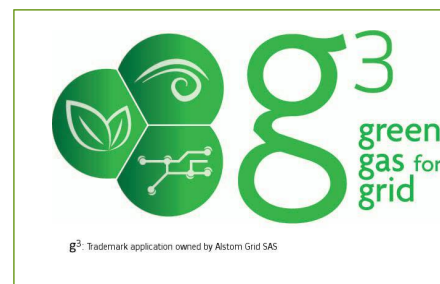
Gas mains replacement



Grain heat pipe



Brown fields to solar farms in Massachusetts



SF6 alternatives

Engaging customers in energy efficiency in the US

Championing energy efficiency

- 2.8 million customers participated in 2013
 - 700,000 gas (up 50%)
 - 2.1 million electric (up 52%)
- Savings of 24 million therms of gas and 800,000 MWHrs electricity each year
- 696,000 tons CO₂e/yr avoided



Encouraging smart energy choices

- Smart grid for 15,000 customers in Worcester
- Customer and grid-facing technology
- Efficiency gains to result in reduced customer consumption

Our states lead
ACEEE policy rankings



Methane emissions reduction in the US

Downstream initiative

- Collaboration with gas distribution networks
- Promotes operational excellence to reduce methane emissions
- Communicate challenges of balancing safety, reliability, affordability and methane emissions reduction

One Future

- Achieve a leak rate of no more than 1% across the supply chain
- Recognised by the Natural Gas STAR Methane Challenge Program



Electric vehicles

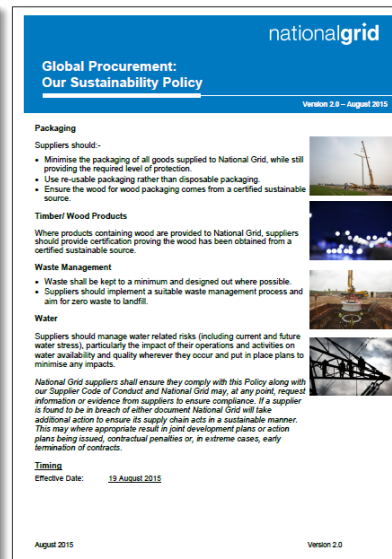
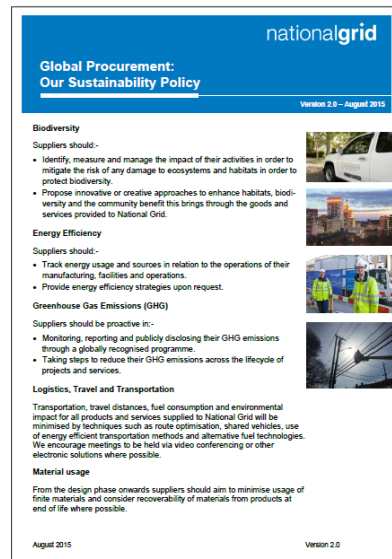
- \$10m investment in low carbon vehicles and associated infrastructure
 - 150 public access charging stations in US
 - Employee engagement and exposure to Evs
-
- Electric vehicle charging points to be installed in UK
 - Warwick Site
 - Hinckley Site



Procurement Sustainable Sourcing

Launched in August 2015

- Supply chain management decisions to consider
 - Biodiversity
 - Energy efficiency
 - GHG emissions
 - Water
 - Waste
 - Transport & Logistics
 - Packaging
 - Timber
 - Material Usage



Positive about resources – asset recovery



Closed loop upcycling - conductor

- Piloted 18t of high specification aluminium sent back to supplier to be turned back into overhead line conductor completed
- Next batch of 200t to be sent shortly (finalising waste carrier licence)
- Financial value and reduced exposure to commodities price fluctuation



Asset recovery - cables

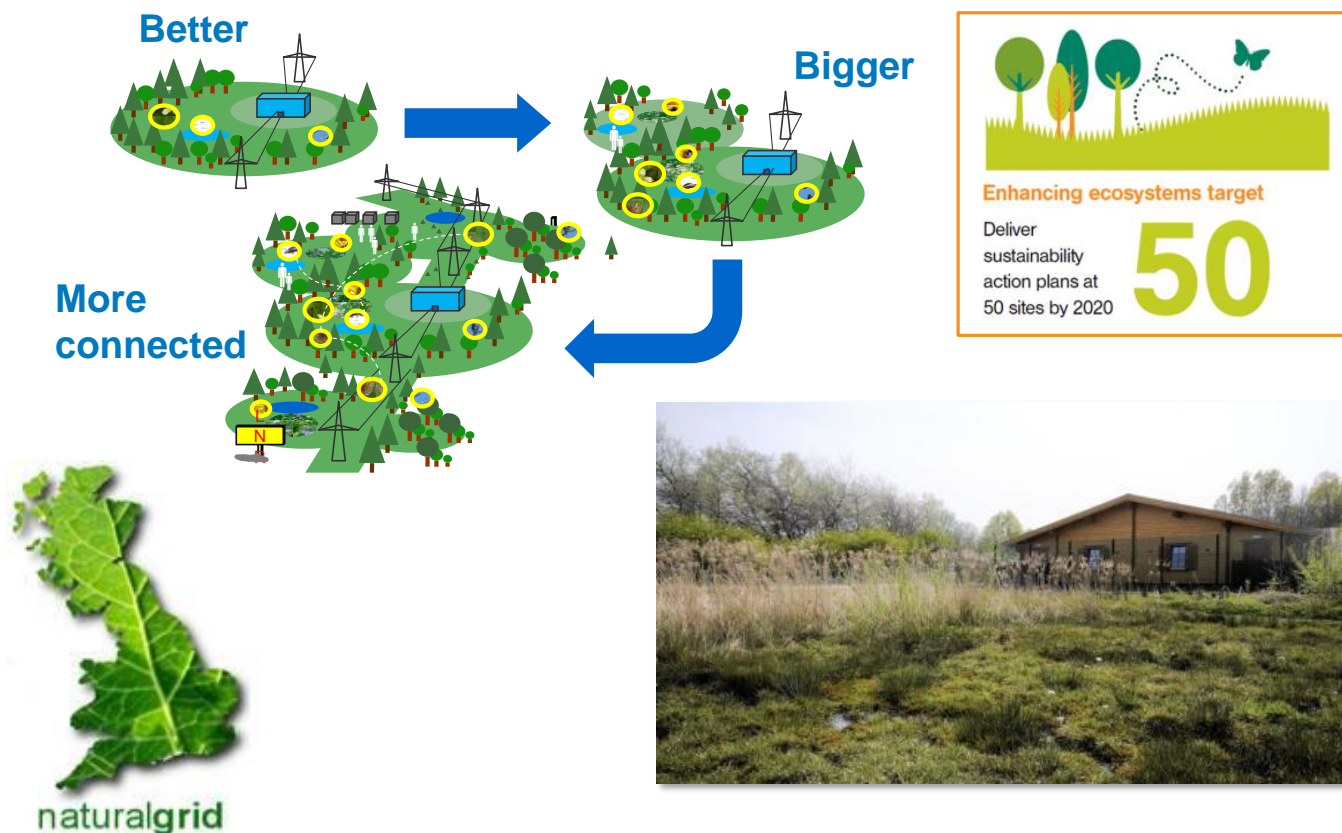
- Piloted innovative directional drilling technique to remove buried copper conductor
- Recover value of material
- Mitigation of residual environmental risk of asset left in ground



Material recovery - Syracuse

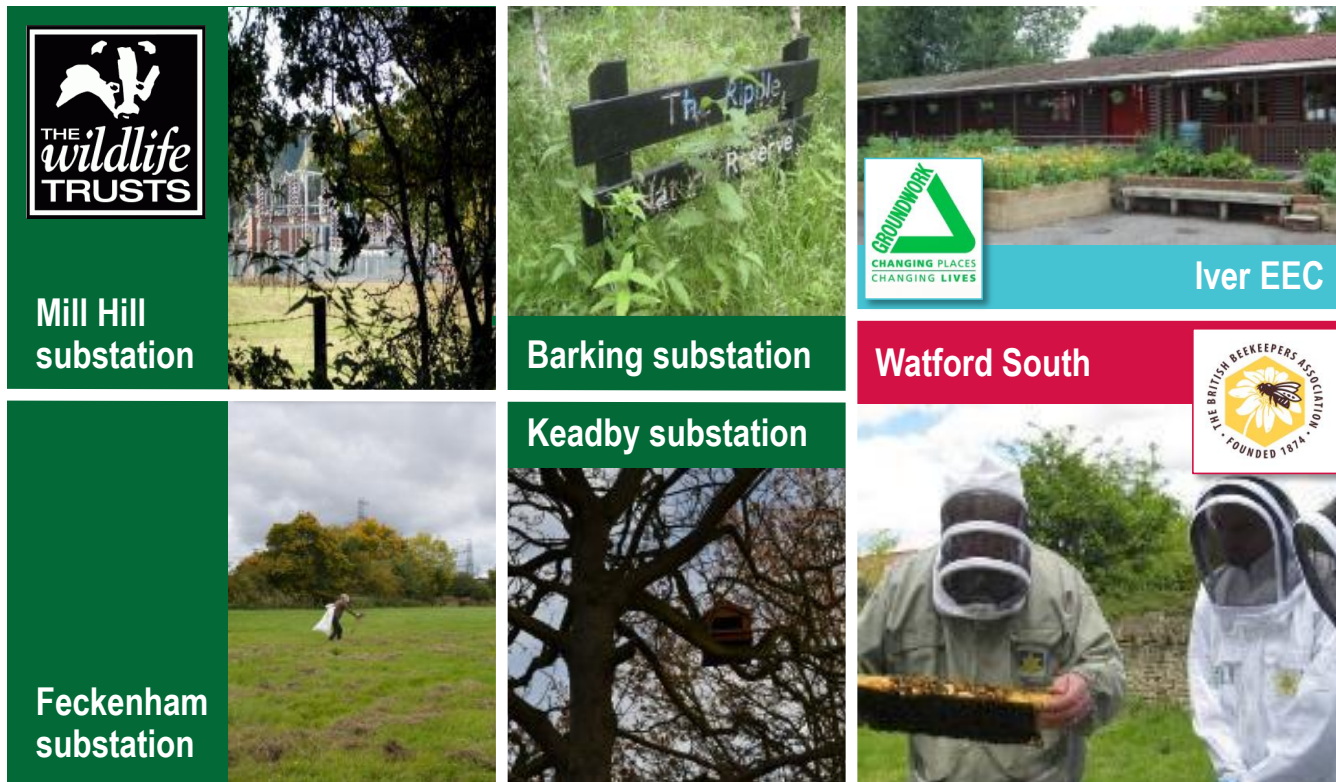
- Recycles transformers, cable, insulators, plastic pipe
- Almost 19m lbs recovered in 13/14
- New galvanizing plant to refurbish connectors

Enhancing ecosystems



The Natural Grid

Enhancing rural biodiversity



Rhigos

Working with Natural Resources
Wales, Butterfly Conservation and
specialist organisations to restore
rare ancient peat bog and
conserve the rare Marsh Fritillary
butterfly



Wormington Compressor Station

Local Wildlife Trust helping to deliver natural regeneration, promote biodiversity and create native wildflower seed share banks

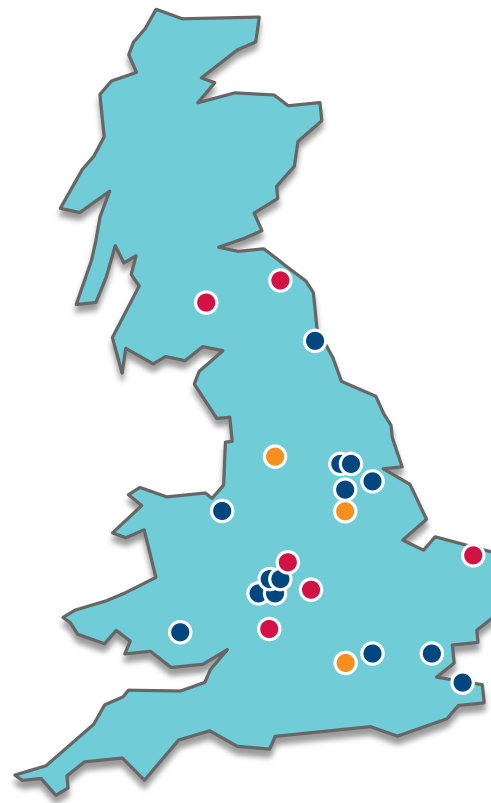


Sites in progress

Birkenhead
Bishops Wood EC
Canterbury
Feckenham
Iver EC
Kirkstall
Nechells
Neepsend
Oldbury
Rayleigh
Rhigos
Skelton Grange EC
Thorpe Marsh
West Boldon Lodge EC

Alrewas
Backton
Churchover
Elvanfoot
Wooler
Wormington

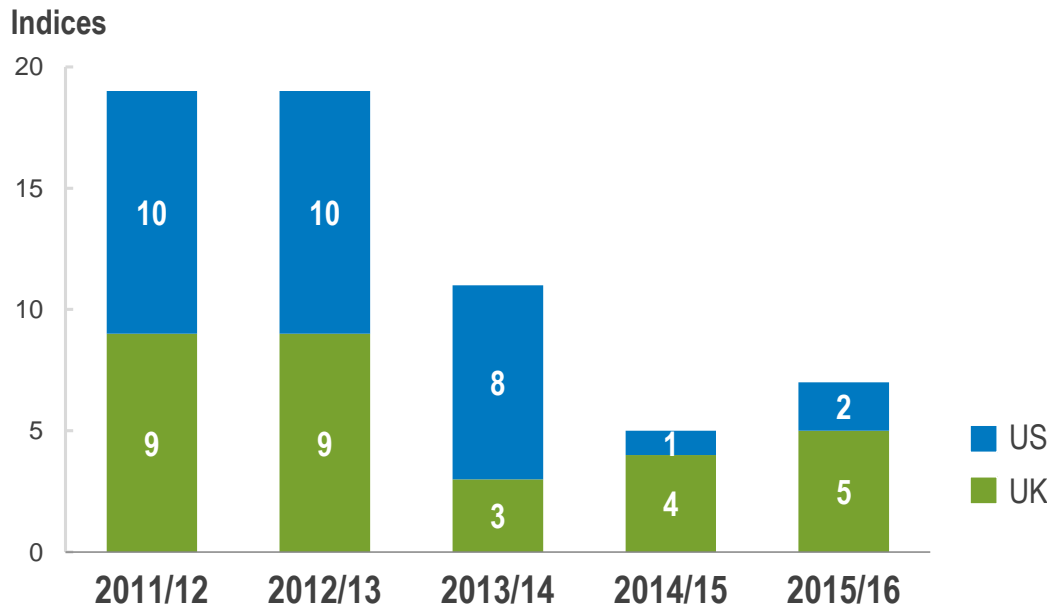
Ambergate
Oswald Street
Wokingham



- Electricity Transmission sites
- Gas transmission sites
- Offices/Depots

Significant environmental incidents

7 significant environmental incidents this year to date



Mitigation activities and special projects

Before



Planting wild blue lupine and other nectar plants for butterfly habitat



Beach replenishment near Northport



Abandoned, wet farm field

After



Karner Blue butterfly on wild blue lupine leaf



Beach replenishment near Northport



Wetland tree plantings to restore forested wetland



Monitoring turtles at the West Hampden Substation



Snapping turtle hatching from Reservoir Woods



CONTACTS

Investors

Aarti Singhal	+44 20 7004 3170	+44 7989 492447 (m)
David Brining	+44 20 7004 3166	+44 7816 847918 (m)
Michael Ioanilli	+44 20 7004 3006	+44 7789 878784 (m)
Richard Foster	+44 20 7004 3169	+44 7768 294017 (m)

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You can view or download copies of the latest Annual Report and Accounts (ARA) and Performance Summary from National Grid's website at <http://investors.nationalgrid.com> or request a free printed copy by contacting investor.relations@nationalgrid.com



2017/18 Half Year Results Debt Investor Update

9 November 2017

Bring Energy to Life



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Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control, predict or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union; announcements from and decisions by governmental bodies or regulators including those relating to the role of the UK electricity system operator; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption, the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, including those related to investment programmes and internal transformation and remediation plans; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. 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Financial highlights

OPERATING PROFIT¹

£1.3bn

HY17 £1.4bn

OPERATING PROFIT¹
Excluding Timing

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CAPITAL INVESTMENT³

£2.0bn

HY17 £1.9bn

EARNINGS PER SHARE

18.5p

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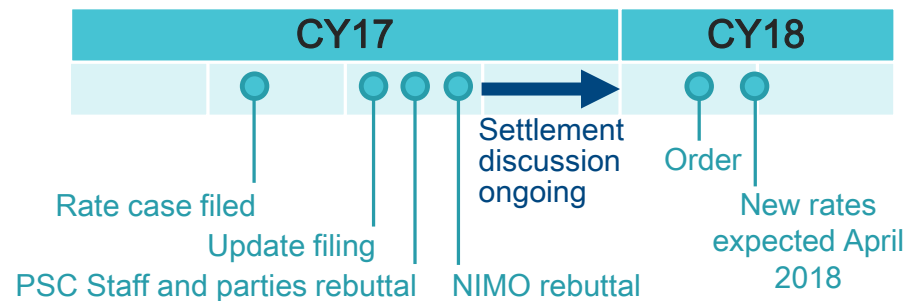
- On track to achieve world class performance
- Severe storms in our service areas
 - 400,000 customers affected
 - Strong response provided
- UK System Operator prepared for winter
 - Capacity market auction driving increased winter margins
 - 10.3% de-rated capacity margin forecast



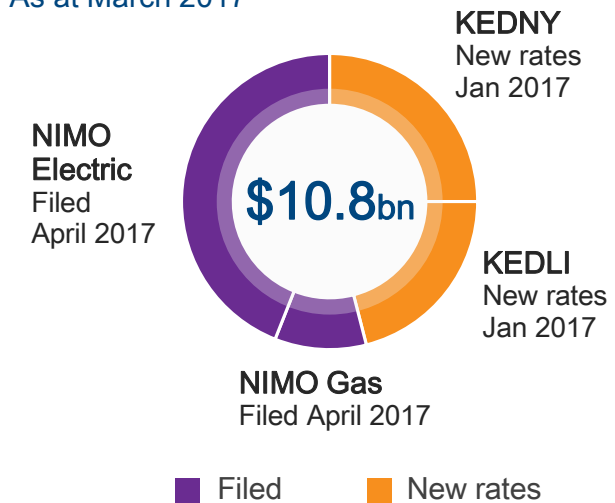
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- 70% of US rate base will have new rates
- Rate cases contributing to improving US returns

NIMO rate case progress



New York Rate Base As at March 2017



UK focus on efficiency and innovation

- Majority of UK GD sale proceeds returned
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 - 60% of £0.8bn share buyback complete to date
- Innovation and efficiency driving savings for customers
 - £460m of savings generated under RIIO
- System operator separation framework agreed



St Fergus
UK's largest import
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- Innovative technique to deal with corrosion of pipework
- Projected savings of ~ £10m

NG Ventures progressing well



Nemo Link

Completed the first cable laying activities

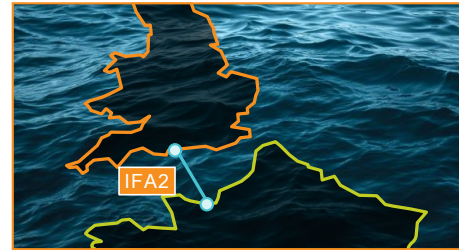
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Norwegian civil site works completed

- 1.4GW, 720km link to Norway
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IFA 2

Design and permitting stage

- 1GW, 240km link to France
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Shetland link

Awarded preferred bid status for innovative new solution

- 60MW, 260 km link
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Financial Review

Mechanics of changes in inflation and interest

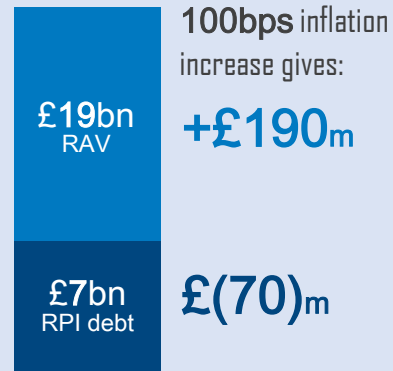
UK

Inflation

- £19bn asset base, partially hedged by £7bn RPI linked debt
- Inflation deferred into RAV to keep consumer cost lower in short term
- Regulatory mechanism creates two year lag in revenue true up
- Inflation economically positive – 100bps RPI increase creates £120m additional value

Interest

- 10 year lagging tracker offers protection in rising or falling interest rate environment
- Outperformance through issuing at lower than index spot



US

Inflation

- Nominal regulation allows assumed in-year inflation recovery
- Rate filings key to regular inflation recovery on cost of service and RoE

Interest

- Cost of debt passed through to customers

Interest, tax and earnings

FINANCE COSTS

£527m

23% higher than HY17¹

- Higher RPI
- Effective interest rate of 4.7%

EFFECTIVE TAX RATE²

20.8%

at £(152)m

- Tax rate 200bps lower than HY17¹
- Tax charge £79m lower than HY17

EARNINGS

£654m

HY17 £885m¹

- 3,539m weighted average shares
- 18.5p/share

¹ To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

² Excluding joint ventures and associates

Adjusted results, excluding exceptional items and remeasurements

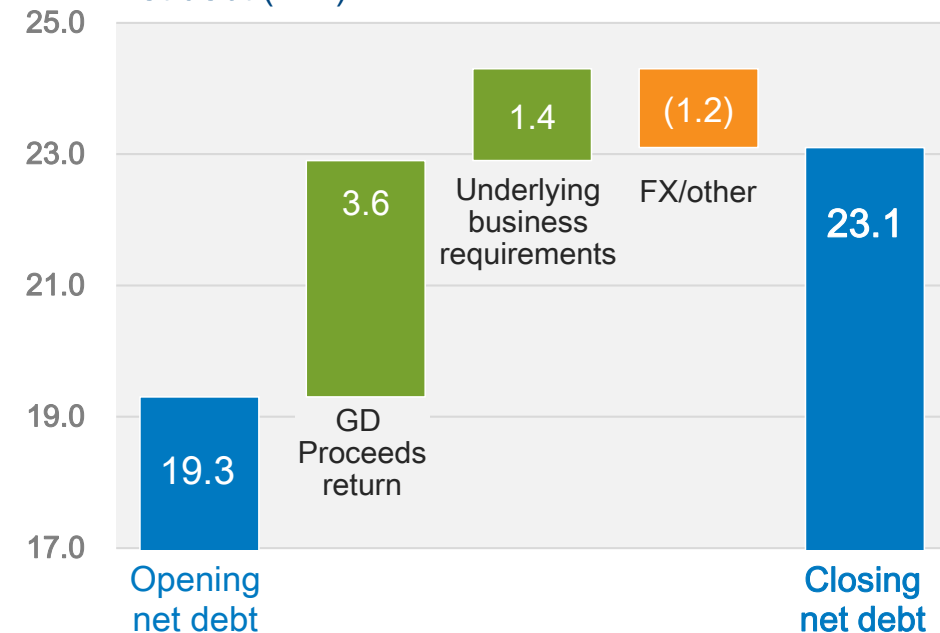
Cash flow and Net debt

£m

Period ended 30 September 2017

Operating profit	1,259
Depreciation & amortisation	762
Pensions	(124)
Working capital & other	125
Net operating cash flow	2,022
Net debt	(23,075)

Net debt (£bn)



Adjusted results for continuing operations, excluding exceptional items and remeasurements



Priorities & Outlook

UK business focused on regulatory outcomes

Hinkley Seabank consultation

- Committed to providing necessary network connections
- Significant project with estimated costs of almost £1bn
- Responded to Ofgem consultation
- Regulatory clarity will enable timely delivery of the connection
- Ofgem decision on 'needs case' expected in December and on preferred delivery model in 2018

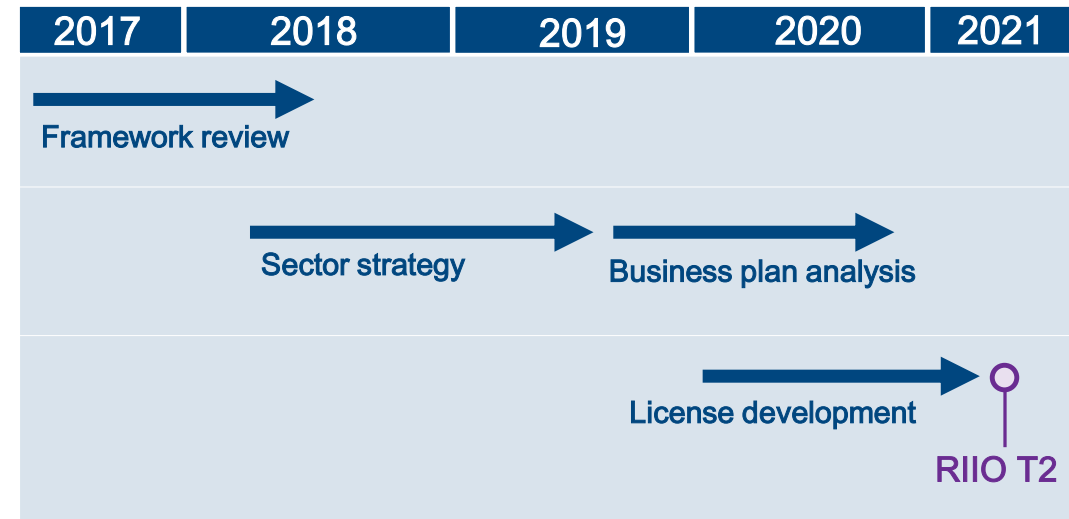


UK business focused on regulatory outcomes

RIIO T2

- Ofgem open letter kick started lengthy review to 2021
- We share the principle of putting the customer at the heart of decisions
- Framework decision in 2018
- RIIO T2 framework should ensure efficient delivery of needed investment
- National Grid has a track record of delivering on price controls
 - For customers and shareholders

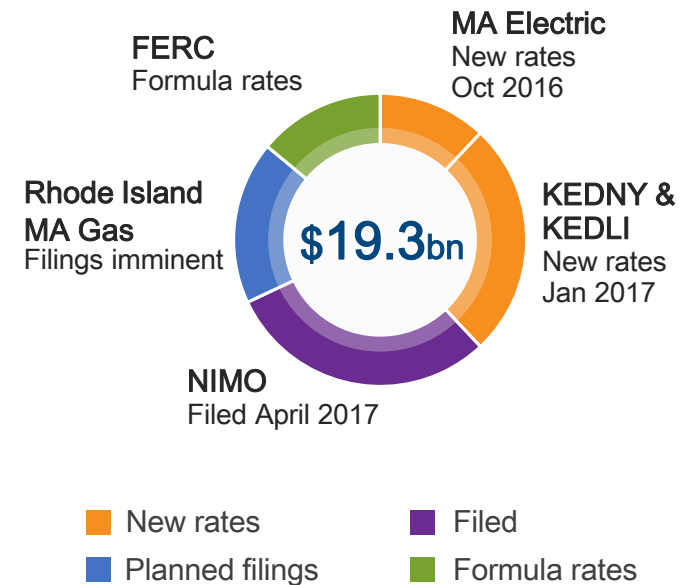
RIIO T2 Timeline



US rate case programme to continue

- Niagara Mohawk engaged in settlement discussions with new rates expected in April 2018
- MA Gas and Rhode Island to be filed this month
 - 20% of US rate base
 - To be filed after a long period
 - To update revenues to closely reflect current cost of service
 - Will enable us to earn a fair level of return

US Rate Base As at March 2017



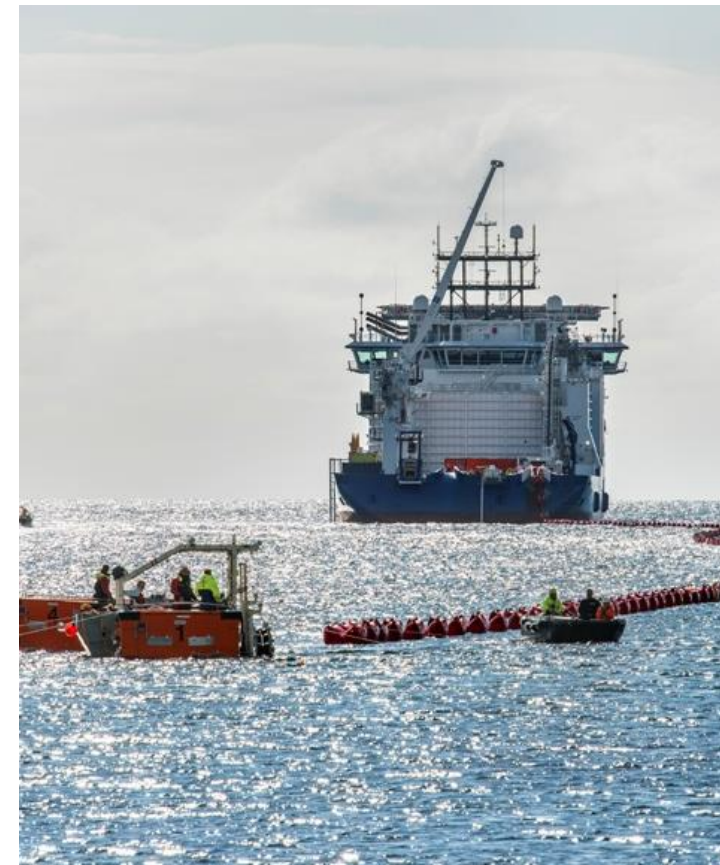
Growing pipeline of projects for NG Ventures

Further UK interconnector opportunities

- 1.4GW Viking Link to Denmark
- Investment decision in 2018

US development opportunities

- Competitive transmission to bring onshore and offshore renewables
 - 1.2GW Granite State interconnector between Canada to New Hampshire
 - 600MW North East Renewable link between New York and Massachusetts
 - Tender results for both in early 2018
- Other opportunities in storage and EVs





Debt Funding

Debt Funding

- So far in 2017/18 we have raised over £1bn in the capital markets, including:
 - National Grid North America Inc. 1% €500m due 2024
 - Boston Gas 3.15% \$500m due 2027
- Focus on US OpCo funding in remainder of 2017/18
- UK operating companies not expected to issue during the rest of the current fiscal year
- £5.5bn of committed bank facilities, giving sufficient group liquidity



Summary

- Good progress across the Group
- Clear priorities moving forward
- Strong fundamentals that underpin long-term value creation
 - High quality asset portfolio
 - Strong balance sheet
 - Access to solid growth opportunities that underpin growth and yield
 - Excellent teams that are motivated to deliver
- Well positioned for attractive growth and returns



nationalgrid

Q&A



2017/18 Half Year Results

9 November 2017

Bring Energy to Life



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Agenda

Highlights	John Pettigrew
Financial review	Andrew Bonfield
Priorities and outlook	John Pettigrew





Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE



HY 2017/18 financial performance

OPERATING PROFIT¹
Excluding Timing

£1.4bn

HY17 **£1.3bn**

EARNINGS PER SHARE
Excluding Timing

20.4p

HY17 **22.2p²**

DIVIDEND PER SHARE

15.49p

HY17 **15.17p**

CAPITAL INVESTMENT³

£2.0bn

HY17 **£1.9bn**

¹ Adjusted results, excluding exceptional items and remeasurements

² To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

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Safety and reliability remain core

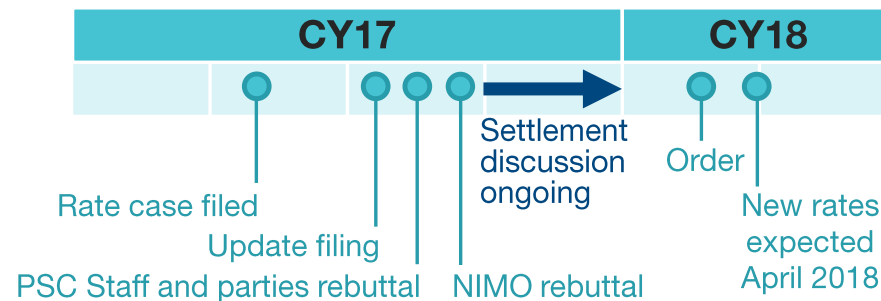
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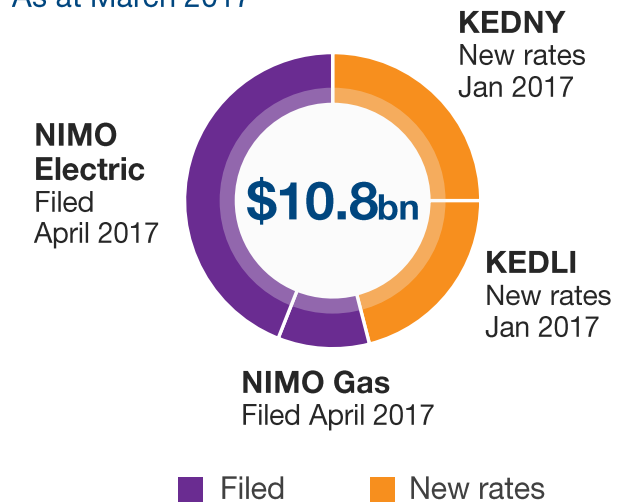
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- Projected savings of ~ £10m

NG Ventures progressing well



Nemo Link

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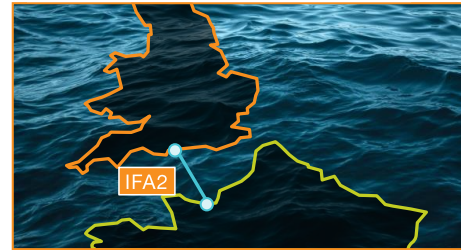
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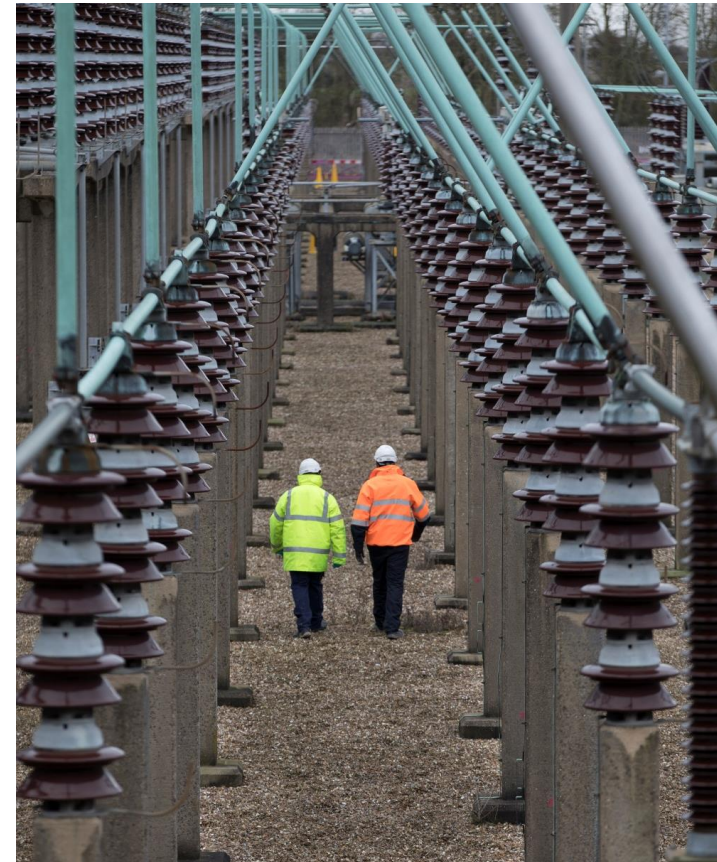
Shetland link

Awarded preferred bid status for innovative new solution

- 60MW, 260 km link
- Expect to commission in 2021

Summary

- Good progress on key priorities
 - Continued delivery of US regulatory strategy
 - Efficiency and innovation in the UK
 - Progressing new developments in NG Ventures





Financial performance

ANDREW BONFIELD
FINANCE DIRECTOR



Financial highlights

OPERATING PROFIT¹

£1.3bn

HY17 **£1.4bn**

OPERATING PROFIT¹ Excluding Timing

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UK Electricity Transmission

OUTLOOK	Totex incentive ▼	Other incentives ▼	Additional allowances ◀▶	▼ RoE
FY17	190bps	70bps	80bps	13.6%

OPERATING PROFIT

£542m -22%

HY17 £697m

OPERATING PROFIT Excluding Timing

£540m -11%

HY17 £610m

CAPITAL INVESTMENT

£515m

HY17 £586m

- H1 operating profit decrease due to expected price control model adjustments (MOD) and timing
- Reduced other incentive opportunity from BSIS
- Expect continued good level of returns outperformance

Adjusted results, excluding exceptional items and remeasurements

UK Gas Transmission

OUTLOOK	Totex incentive	Other incentives	Additional allowances	RoE
FY17	(80)bps	110bps	50bps	10.8%

OPERATING PROFIT

£126m -21%

HY17 £159m

CAPITAL INVESTMENT

£157m

HY17 £116m

OPERATING PROFIT Excluding Timing

£144m +25%

HY17 £115m

- H1 operating profit decrease due to adverse timing not wholly offset by MOD increases to revenue
- Returns to be around the allowed level as legacy allowances end
- Avonmouth MOD adjustment of £85m expected in FY2018/19
 - no impact on returns and RAV

Adjusted results, excluding exceptional items and remeasurements

US Regulated

nationalgrid

OUTLOOK

Targeting 90% of allowed

▲ **RoE**

OPERATING PROFIT

£433m

HY17 £435m

CAPITAL INVESTMENT

£1.1bn

HY17 £1.1bn

OPERATING PROFIT Excluding Timing

£526m +19%

HY17 £441m

- H1 operating profit flat; increased revenue from new rates and favourable currency offset by adverse timing
- IFRS operating profit excluding timing expected to increase 7% per year on average over the medium term from 2016/17
- US profitability significantly weighted to H2

Capital investment calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

NG Ventures

nationalgrid

OPERATING PROFIT	£83m Metering	£37m Grain LNG	£34m IFA	£(22)m Other	£132m
HY17	£86m	£35m	£35m	£(18)m	HY17 £138m

POST TAX SHARE of JVs	£18m BritNed	£6m Millenium	£24m
HY17	£28m	£6m	HY17 £34m

TOTAL INVESTMENT **£180m**
HY17 £87m

- FY2017/18 NGV operating profit is expected to be in line with last year

Operating profit, share of joint venture profit after tax and investment calculated at constant currency, excluding Cadent and St. William
Adjusted results, excluding exceptional items and remeasurements

Other activities

OPERATING PROFIT	£53m Property	£(27)m Corporate centre and other	£26m
HY17	£44m	£(31)m	HY17 £13m
POST TAX SHARE of JVs	£(4)m St. William	£55m Cadent	£51m
HY17	£(3)m	£71m ¹	HY17 £68m

TOTAL INVESTMENT² **£53m**
HY17 £42m

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Operating profit, share of joint venture profit after tax and investment calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

17 2017/18 Half Year Results November 2017

- Lower Cadent contribution due to the expected reduction in base allowed revenues and adverse timing
- £15m shareholder loan interest income recognised through the interest line rather than the JV line

Mechanics of changes in inflation and interest

UK

Inflation

- £19bn asset base, partially hedged by £7bn RPI linked debt
- Inflation deferred into RAV to keep consumer cost lower in short term
- Regulatory mechanism creates two year lag in revenue true up
- Inflation economically positive – 100bps RPI increase creates £120m additional value



Interest

- 10 year lagging tracker offers protection in rising or falling interest rate environment
- Outperformance through issuing at lower than index spot

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Interest

- Cost of debt passed through to customers

Interest, tax and earnings

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- Higher RPI
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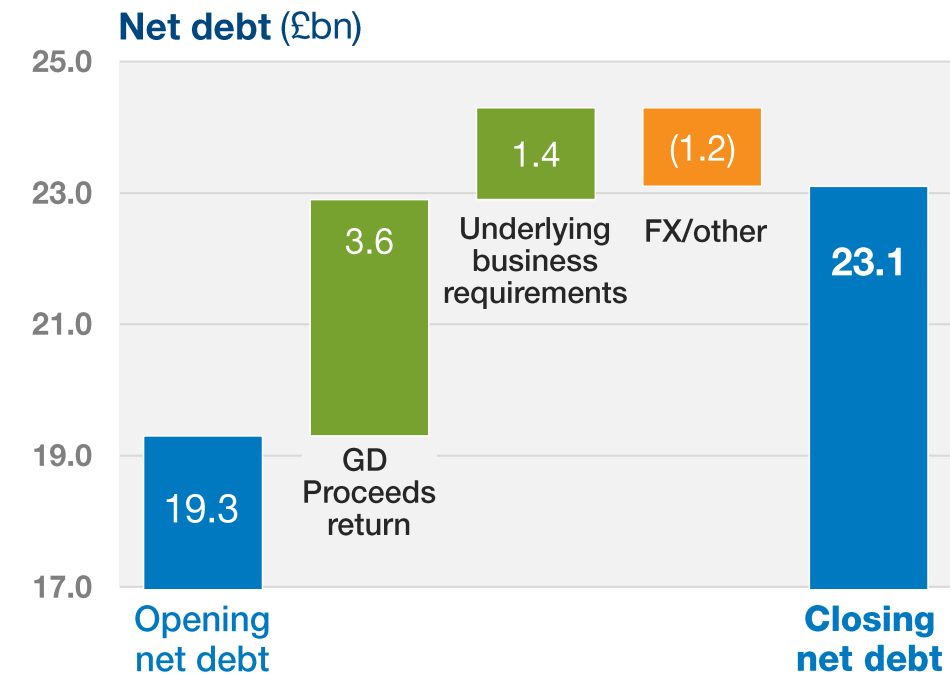
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Net debt	(23,075)

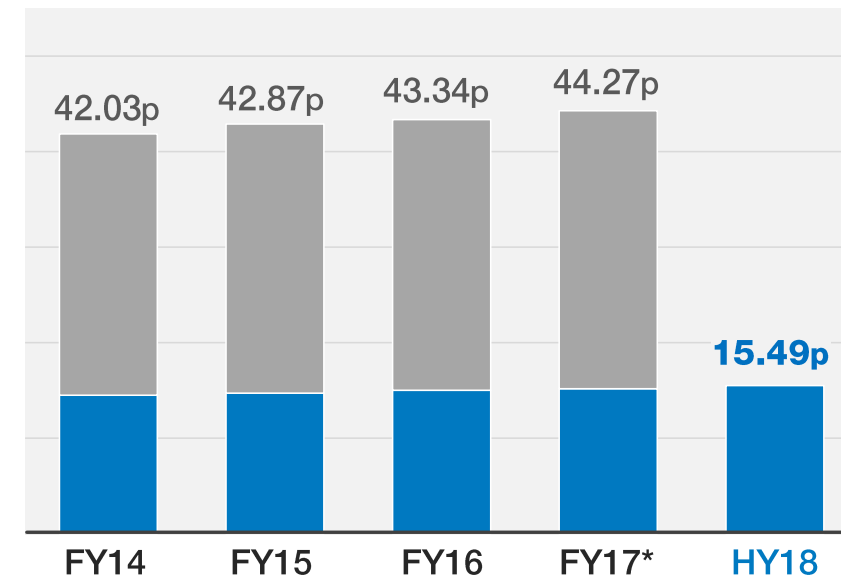


Adjusted results for continuing operations, excluding exceptional items and remeasurements

Dividend and scrip

- 15.49p (35% of prior year full year dividend)
- Full year dividend to grow at least in line with UK RPI
- Scrip option to continue
- Remainder of buyback programme expected to be completed by April 2018
- Average share count reduced by ~300m in 2017/18; ~400m impact in 2018/19

Dividend per share



* Excludes special dividend of 84.375p

FY17/18 Technical guidance

2016/17 proforma¹ adjusted EPS excluding timing of 58.6p

UK Regulated

- Lower base allowed revenue and increased MOD adjustments in ET
- Expect to deliver outperformance of 200-300bps
- Timing inflows substantially lower

US Regulated

- Performance expected to improve and targeting 90% of allowed RoE
- NYSERDA timing over collections

NG Ventures and other activities

- Overall contribution expected to be in line with last year¹
- Additional £22m amortisation of purchase price adjustments for Cadent

Net debt

- Expected to increase as proceeds from Gas Distribution sale are returned

Interest charge

- Expected to increase due to higher RPI

¹ To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

Summary

- Financial performance in line with expectations
- Significantly stronger H2 expected, driven by US seasonality
- Increased capital investment
- Robust financial position





Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE



Maintaining our strong customer focus in a dynamic UK environment

nationalgrid

- National Grid has delivered value for customers
 - Invested almost £14bn in critical transmission infrastructure over the past 10 years
 - Transmission costs represent just 3% of average household bill
- Affordability has been and continues to be a high priority
- National Grid is a responsible organisation focused on delivering world-class services at lower costs for bill payers



UK business focused on regulatory outcomes

Hinkley Seabank consultation

- Committed to providing necessary network connections
- Significant project with estimated costs of almost £1bn
- Responded to Ofgem consultation
- Regulatory clarity will enable timely delivery of the connection
- Ofgem decision on 'needs case' expected in December and on preferred delivery model in 2018

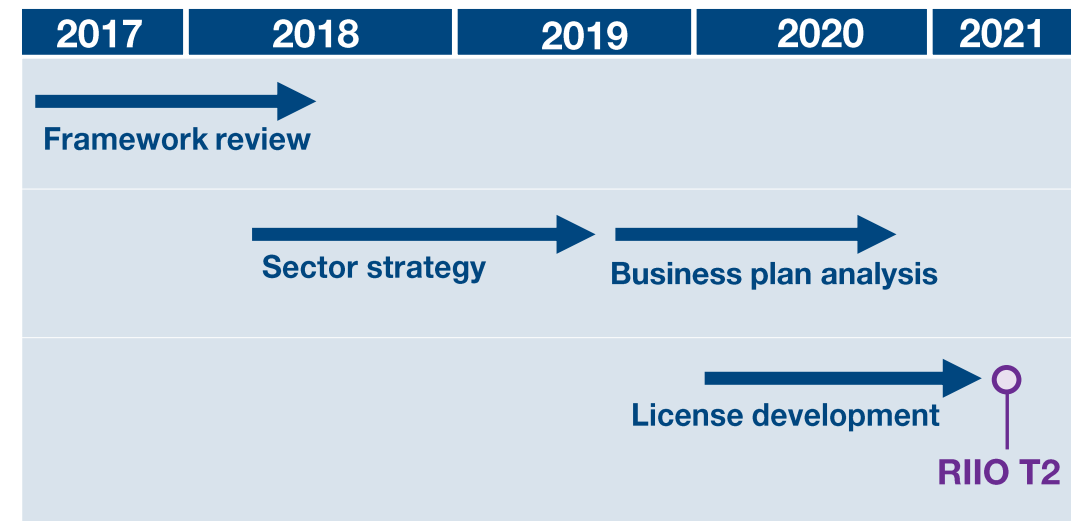


UK business focused on regulatory outcomes

RIIO T2

- Ofgem open letter kick started lengthy review to 2021
- We share the principle of putting the customer at the heart of decisions
- Framework decision in 2018
- RIIO T2 framework should ensure efficient delivery of needed investment
- National Grid has a track record of delivering on price controls
 - For customers and shareholders

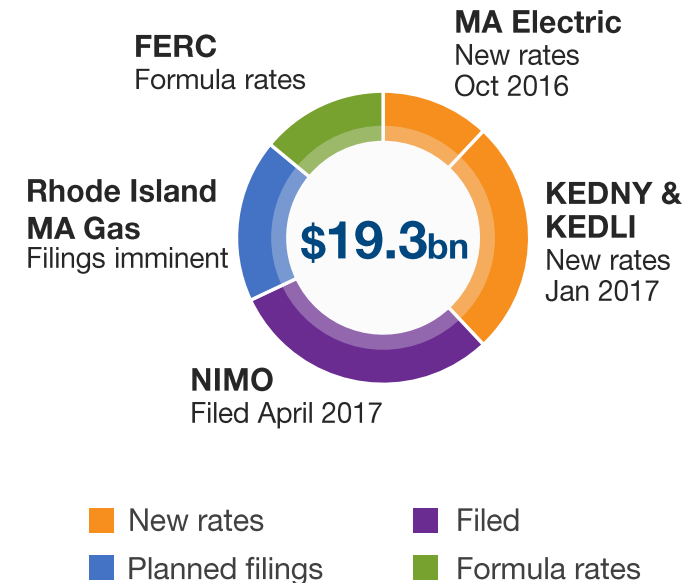
RIIO T2 Timeline



US rate case programme to continue

- Niagara Mohawk engaged in settlement discussions with new rates expected in April 2018
- MA Gas and Rhode Island to be filed this month
 - 20% of US rate base
 - To be filed after a long period
 - To update revenues to closely reflect current cost of service
 - Will enable us to earn a fair level of return

US Rate Base As at March 2017



Efficient delivery of US growth projects

- Focus on delivering significantly increased capex
- Capital Delivery function taking shape

Metropolitan Reliability Infrastructure

\$250m

potential investment for five year project to support Brooklyn's long-term system demands

- Installing 7 miles of 30-inch gas main
- Increase operational reliability

Northwest Nassau Gas Transmission Reliability

\$280m

potential investment for six year gas reliability project on Long Island

- Installing 11 miles of 24-inch gas main
- Increase operational reliability



Continue to evolve and drive the networks of the future

nationalgrid

Declining renewables and storage costs



UK contracts for difference auction delivered offshore wind at a significantly lower cost

US solar costs have fallen 85% since 2009



Lithium battery costs have fallen 73% since 2010

Driving opportunities across the value chain

- Connected the US's first offshore windfarm in Rhode Island
- Won competitive project to develop 23MW of utility scale solar on Long Island
- Increasing solar and storage capacity in Massachusetts rate base
- Developing our first large scale battery 48MWh storage system on Nantucket
- Opportunities to enable EV adoption

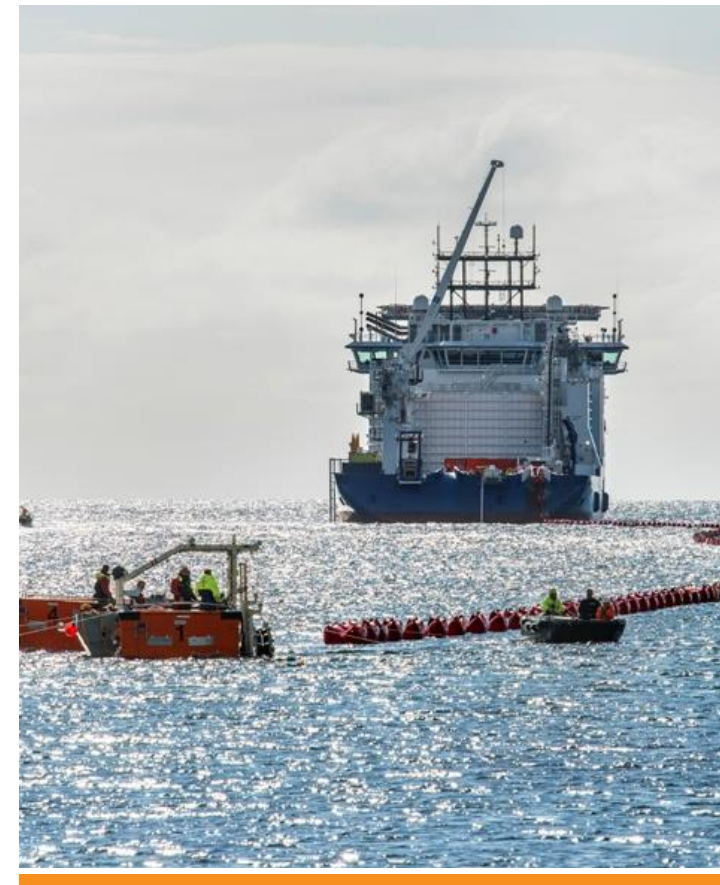
Growing pipeline of projects for NG Ventures

Further UK interconnector opportunities

- 1.4GW Viking Link to Denmark
- Investment decision in 2018

US development opportunities

- Competitive transmission to bring onshore and offshore renewables
 - 1.2GW Granite State interconnector between Canada to New Hampshire
 - 600MW North East Renewable link between New York and Massachusetts
 - Tender results for both in early 2018
- Other opportunities in storage and EVs



Summary

- Good progress across the Group
- Clear priorities moving forward
- Strong fundamentals that underpin long-term value creation
 - High quality asset portfolio
 - Strong balance sheet
 - Access to solid growth opportunities that underpin growth and yield
 - Excellent teams that are motivated to deliver
- Well positioned for attractive growth and returns





JOHN PETTIGREW
CHIEF EXECUTIVE



ANDREW BONFIELD
FINANCE DIRECTOR



2017/18 Half Year Results Appendices

Appendix 1



Pensions & other post-retirement benefit obligations (IAS19 data)

	UK		US		Total
	ESPS	NGUK PS	Pensions	OPEBs ¹	
Market value of assets	2,967	12,229	6,271	2,491	23,958
Present value of liabilities	(3,114)	(11,591)	(6,874)	(3,511)	(25,090)
Net (liability) / asset	(147)	638	(603)	(1,020)	(1,132)
Deferred taxation	25	(108)	242	413	572
(Liability) / asset net of taxation	(122)	530	(361)	(607)	(560)
Discount rates	2.7%	2.7%	4.0%	4.0%	

	UK		US		Total
	ESPS	NGUK PS	Pensions	OPEBs ¹	
Market value of assets	2,916	12,573	6,322	2,564	24,375
Present value of liabilities	(3,423)	(12,222)	(7,050)	(3,613)	(26,308)
Net (liability) / asset	(507)	351	(728)	(1,049)	(1,933)
Deferred taxation	86	(60)	290	431	747
(Liability) / asset net of taxation	(421)	291	(438)	(618)	(1,186)
Discount rates	2.4%	2.4%	4.3%	4.3%	

¹ OPEBs = other post employment benefits

Appendix 2

Timing impacts



£m	UK Electricity Transmission	UK Gas Transmission	US Regulated	Total
1 April 2017 opening balance	(30)	112	318	400
Restatement of opening balance	(9)	(2)	10	(1)
Over/(under) recovery	2	(18)	(93)	(109)
30 Sept 2017 closing balance to (recover) / return	(37)	92	235	290
1 April 2016 opening balance	(171)	38	148	15
Restatement of opening balance	-	1	(21)	(20)
Over/(under) recovery	87	44	(6)	125
30 Sept 2016 closing balance to (recover) / return	(84)	83	121	120
Year on year timing variance	(85)	(62)	(87)	(234)

Opening and closing balances restated using the spot exchange rate as at 30 Sept 2017 (\$1.34 to £1.00)

Over/under recovery restated using the average rate for the 6 months to 30 Sept 2017 (\$1.31 to £1.00)

2016/17 opening balance restatement reflects finalisation of timing balances

Appendix 3

Weighted average number of shares



For the period ended 30 September	2017	2016 Continuing	2016 Including GD stake ²
Number of shares (millions):			
Prior period as reported (weighted average)	-	3,763	3,763
Current period opening shares	3,750	-	-
August 2017 dividend scrip shares	3	-	-
Other share movements (weighted from issuance/repurchase) ¹	(214)	-	(230)
Weighted average number of shares	3,539	3,763	3,533
Business performance earnings (£m)	653	802	885
Business performance EPS	18.5p	21.3p	25.0p

¹ September 2017 figure includes the effect of the Share Consolidation and the Share Buy-back Programme, September 2016 includes the estimated effect of the Share Consolidation and the Share Buy-back Programme.

² To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital

Appendix 4



Income statements from continuing operations adjusted to include 39% of Cadent¹

Income statement, £m	6 months to September 2017	6 months to September 2016	Year ended March 2017
Adjusted operating profit (excluding timing)	1,368	1,318	3,375
Net financing costs	(527)	(429)	(1,000)
Post tax share of JVs & associates (Cadent)	55	71	144
Post tax share of JVs & associates (Other)	20	31	63
Adjusted profit before tax (excluding timing)	916	991	2,582
Tax	(192)	(207)	(553)
Non-controlling interest	(1)	-	-
Profit after tax for the period (excluding timing)	723	784	2,029
Weighted average number of shares (estimated) (million)	3,359	3,533	3,463
Earnings per share (excluding timing) (pence)	20.4	22.2	58.6
Profit after tax for the period (excluding timing)	723	784	2,029
Timing	(109)	125	398
Taxation on timing	40	(24)	(119)
Profit after tax for the period (including timing)	654	885	2,308
Earnings per share (including timing) (pence)	18.5	25.0	66.6

¹ To aid comparability, prior period numbers have been re-presented to include an estimated equivalent contribution from a 39% stake in UK Gas Distribution (now Cadent) and associated return of capital