



National Grid plc

(incorporated with limited liability in England and Wales on 11 July 2000 under registered number 4031152)

National Grid Electricity Transmission plc

(incorporated with limited liability in England and Wales on 1 April 1989 under registered number 2366977)

Euro 15,000,000,000

Euro Medium Term Note Programme

This Supplement (the "Supplement") to the Prospectus dated 27 September 2016 (the "Prospectus"), which comprises a base prospectus for each of National Grid plc and National Grid Electricity Transmission plc (each, an "Issuer" and together, the "Issuers"), constitutes a supplementary prospectus for the purposes of Section 87G of the Financial Services and Markets Act 2000. This Supplement is prepared in connection with the Euro 15,000,000,000 Euro Medium Term Note Programme established by the Issuers. Terms defined in the Prospectus have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Prospectus and any other supplements to the Prospectus issued by the Issuers.

Each of the Issuers accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Prospectus by this Supplement and (b) any other statement in, or incorporated by reference in, the Prospectus, the statements in this Supplement will prevail.

Purpose of this Supplement

The purpose of this Supplement is to describe recent developments specifically in relation to (i) the section entitled "Description of National Grid PLC – U.K. Gas Distribution" of the Prospectus and (ii) the proposed separation of National Grid Electricity Transmission plc's electricity transmission system operator role from its ownership of electricity transmission assets.

U.K. Gas Distribution

Proposed Disposal of the U.K. Gas Distribution Business

National Grid announced on 8 December 2016 that it had entered into an agreement to sell a 61 per cent. equity interest in its Gas Distribution Business to a consortium (the "Consortium") of long-term infrastructure investors (the "Transaction"). The Consortium comprises Macquarie Infrastructure and Real Assets, Allianz Capital Partners, Hermes Investment Management, CIC Capital Corporation, Qatar Investment Authority, Dalmore Capital and Amber Infrastructure Limited/International Public Partnerships.

In consideration for the sale of its equity interest, on completion National Grid has agreed to receive a payment of £3.6 billion in cash from the Consortium (subject to certain completion adjustments) and will then own a 39 per cent. minority equity interest in a new holding company for the Gas Distribution Business ("GasD HoldCo"). In addition, National Grid expects to receive £1.8 billion from additional debt financing.

National Grid further announced that, following completion of the Transaction, it intends to return around £4 billion of net proceeds to its shareholders through the combination of a special dividend (together with a share consolidation) and share buy-backs. At least 75 per cent. of the net proceeds are expected to be returned via a special dividend in the second quarter of calendar year 2017. Net proceeds are calculated after retaining £0.7 billion of the additional debt financing, in order to maintain the equity value of National

Grid's 39 per cent. interest in the Gas Distribution Business, and after deduction of costs of around £0.5 billion.

Completion of the Transaction is conditional on the receipt of merger clearance from the European Commission. Subject to satisfaction of this condition, National Grid expects that the Transaction will complete during the first quarter of calendar year 2017.

National Grid and the Consortium have also expressed an interest in relation to the potential future sale by National Grid and purchase by the Consortium of an additional 14 per cent. of equity in GasD HoldCo on broadly equivalent financial terms to the Transaction. However, there is no assurance that this will occur.

Proposed Separation of Electricity Transmission System Operator Role

National Grid announced on 12 January 2017 that Ofgem and the U.K. Government intend National Grid to create greater separation between its electricity transmission system operator role and the rest of National Grid (including separation from NGET's electricity transmission assets ownership role). National Grid expects to create a legally separate electricity transmission system operator within the National Grid Group. National Grid announced that it expects a new separated system operator entity to be fully operational by April 2019.

General Information

Copies of all documents incorporated by reference in the Prospectus can be obtained from the registered office of the Issuers and the specified office of the Issuing and Paying Agent for the time being in London, as set out in the Prospectus.

Save as disclosed in this Supplement, no significant new factor, material mistake or inaccuracy relating to information included in the Prospectus has arisen or been noted, as the case may be, in relation to either of the Issuers since the publication of the Prospectus.