

2014/15

**Full Year
Results**

London | Thursday 21 May 2015



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2014/15

Full Year Results

nationalgrid

Highlights

Steve Holliday | Chief Executive

People

John Pettigrew

Executive Director, UK



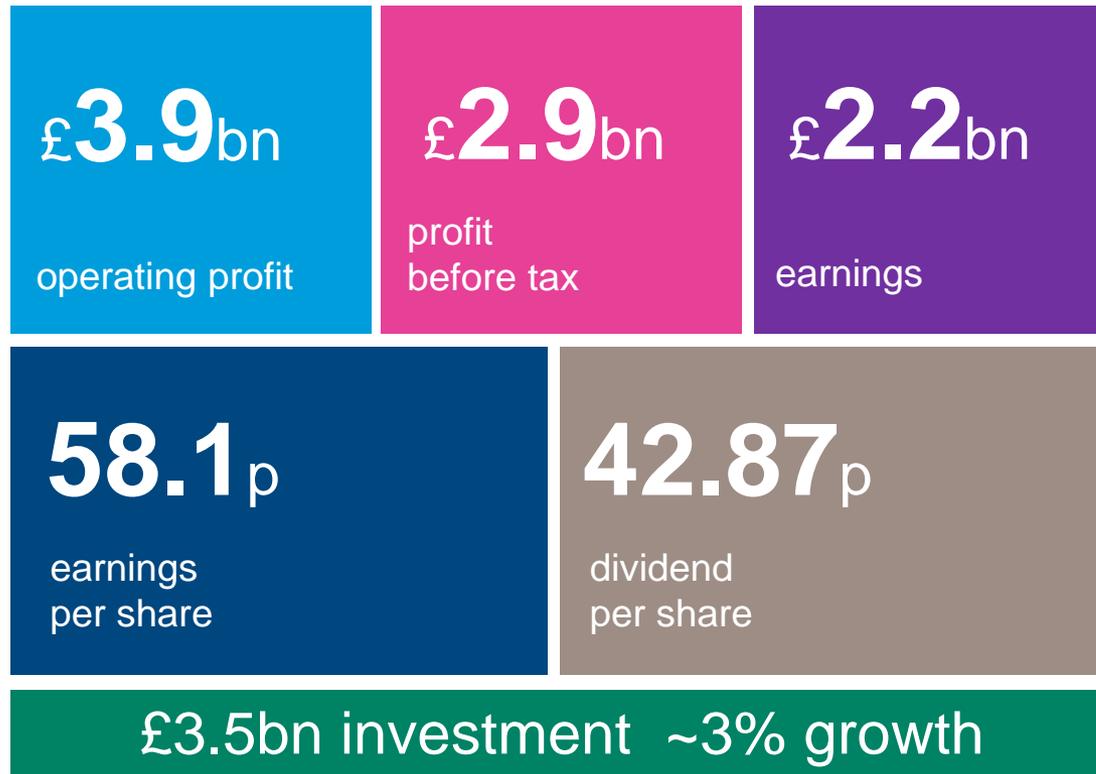
Dean Seavers

Executive Director, US

2014/15 Highlights

- 
- ◆ Strong UK & US operating performance
 - ◆ Attractive growth opportunities in transmission and interconnection
 - ◆ Foundations...
 - Clarity in regulatory contracts
 - Benefits of reorganisation

Profit, EPS, dividend and scrip



Note: Adjusted results, excluding exceptional items and remeasurements for continuing operations
Constant currency figures calculated by applying the average 2015 rate (\$1.58 to £1.00) to 2014 results (when the average rate was \$1.62 to £1.00)
All numbers include impacts of timing

Returns and value added

11.8%

Group Return on Equity

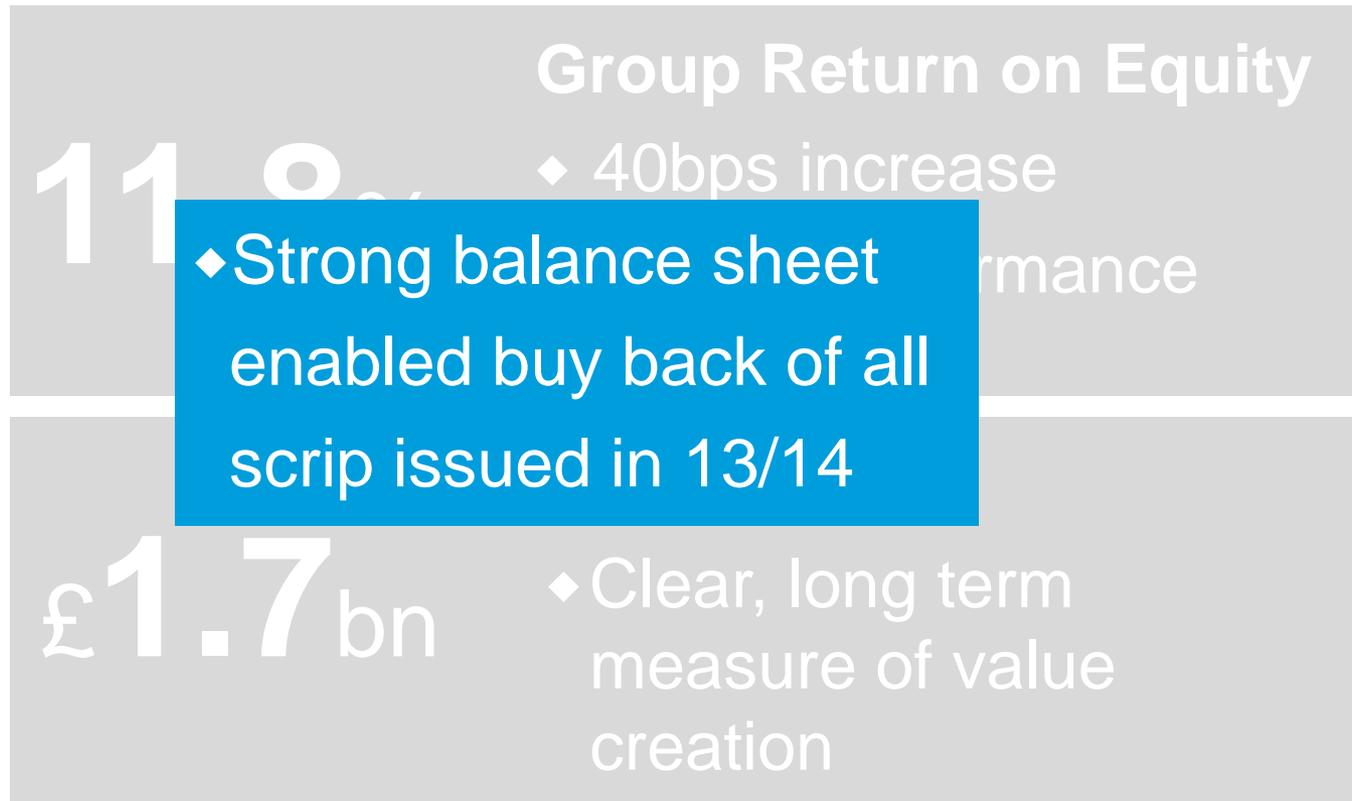
- ◆ 40bps increase
- ◆ Strong performance

£1.7 bn

Value Added

- ◆ Clear, long term measure of value creation

Returns and value added



UK performance

- 
- ◆ 13.7% UK return on equity
 - ◆ 270 bps RIIO incentive performance
 - ◆ Totex 60% of overall incentives

UK performance customer benefits

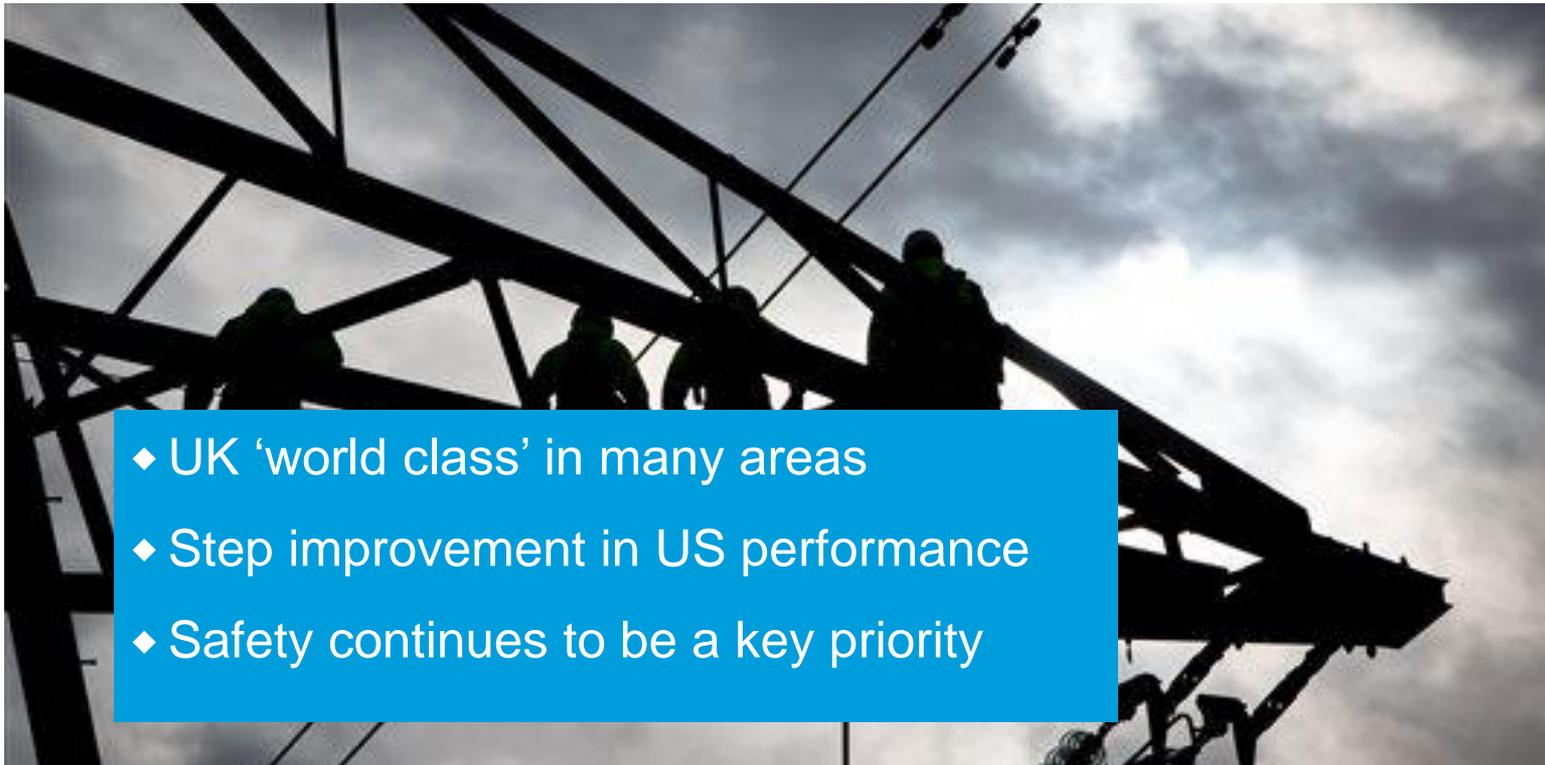
- 
- An aerial night photograph of a city, likely London, showing illuminated buildings and streets. A large blue rectangular text box is overlaid on the center of the image, containing three bullet points.
- ◆ More than £400m cumulative RIIO savings to date
 - ◆ c.50% to reduce customer bills
 - ◆ Efficiencies creating customer savings

US regulated performance

- 
- ◆ Operating profit in line with 13/14
 - ◆ 7% underlying rate base growth
 - ◆ 8.4% return on equity
 - ◆ Good operating performance

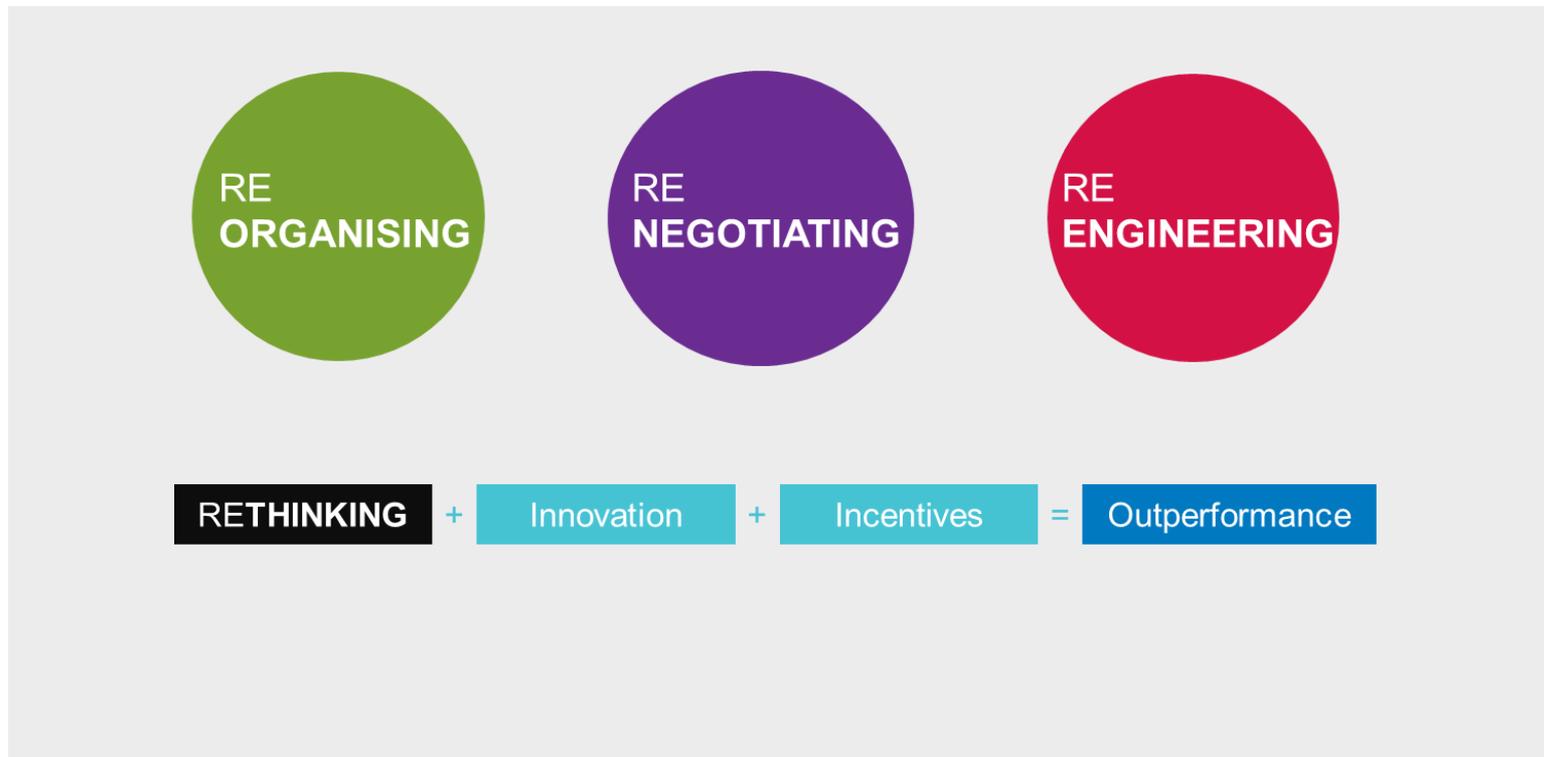
US regulated activities at constant currency. Constant currency figures calculated by applying the closing 2015 rate (\$1.49 to £1.00) to March 2014 balances (when the closing rate was \$1.67 to £1.00)
Underlying performance excludes working capital balances

Safety



- ◆ UK 'world class' in many areas
- ◆ Step improvement in US performance
- ◆ Safety continues to be a key priority

Benefits of preparing for RIIO





Benefits of preparing for RIIO



New investments

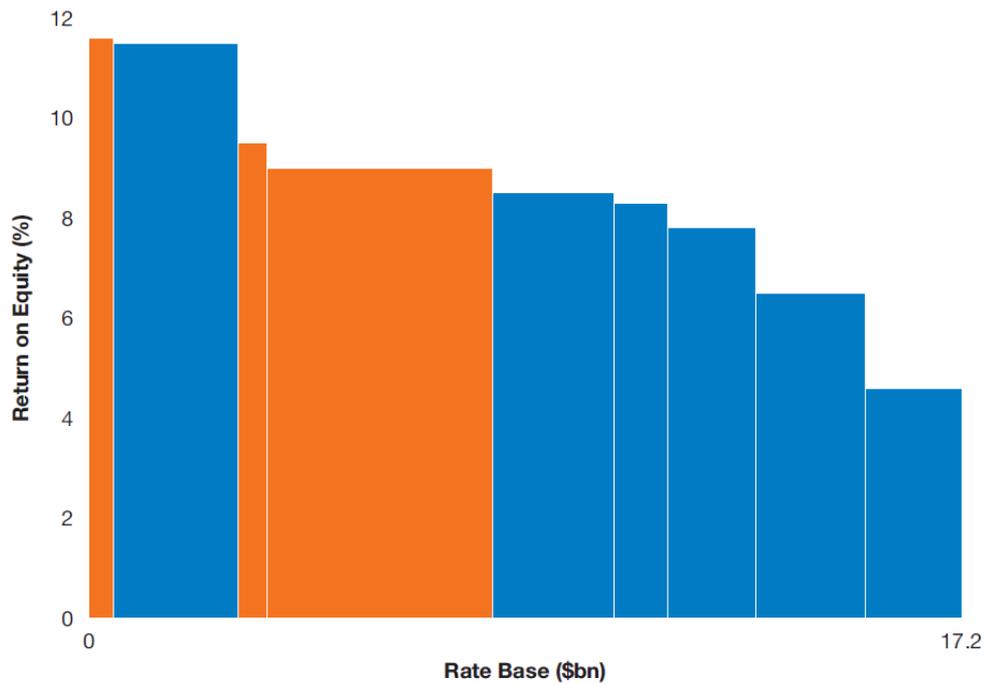


- ◆ Interconnectors to Belgium & Norway
- ◆ 2.4GW capacity to UK market
- ◆ Help reduce customer bills
- ◆ Sustainable long term returns

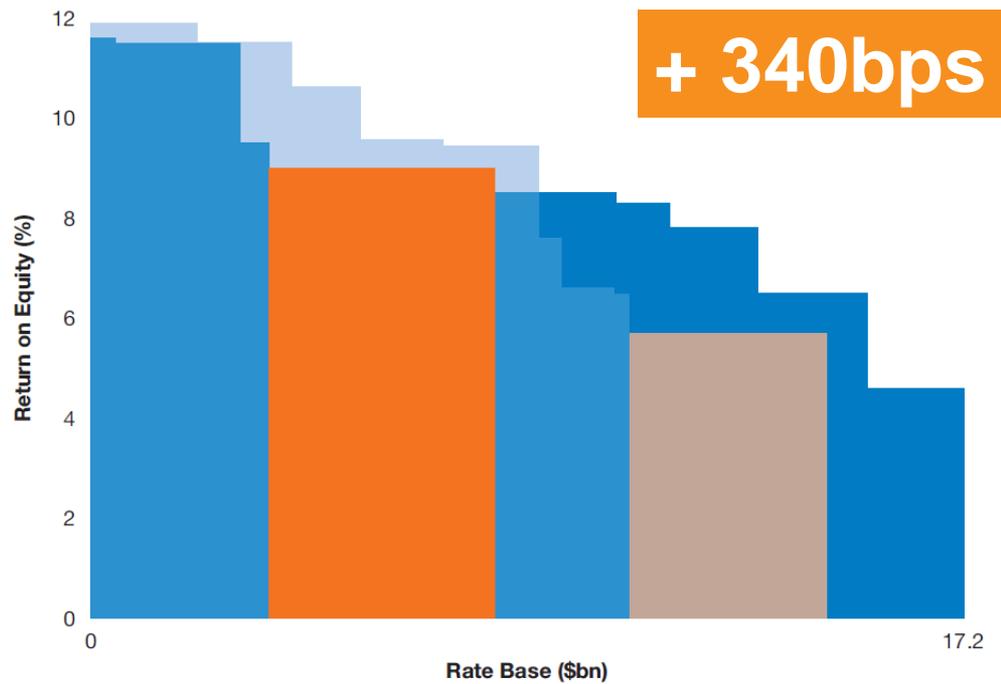
Regulatory alignment

- ◆ US has laid groundwork for future investment
- ◆ Test year for next set of rate filings underway
- ◆ Massachusetts plan to file later this year
- ◆ New York plan to file in early 2016

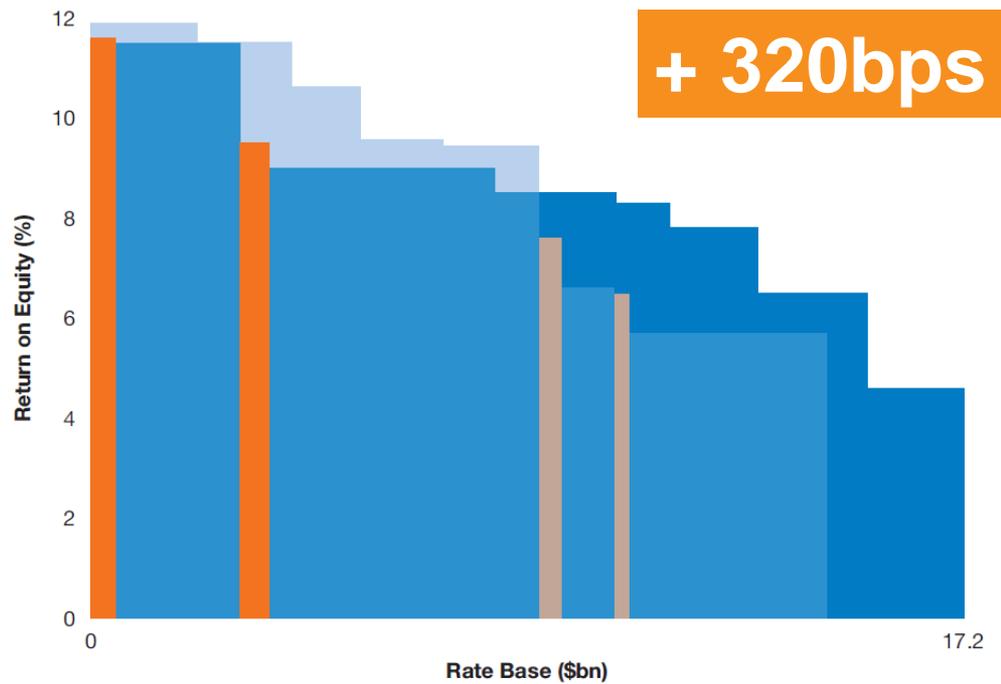
Upstate New York & Rhode Island



Upstate New York 2011 - 2014



Rhode Island 2011 - 2014



Summary

- 
- ◆ A successful year
 - ◆ Continued to build on foundations of recent years

2014/15

Full Year Results

nationalgrid

Business Review

Andrew Bonfield | Finance Director

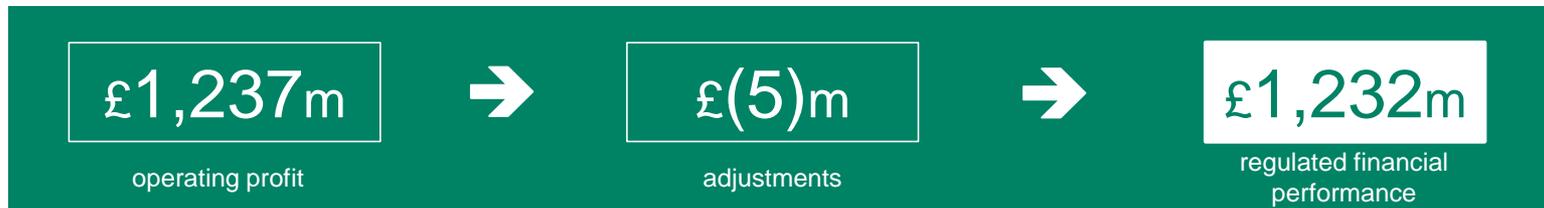
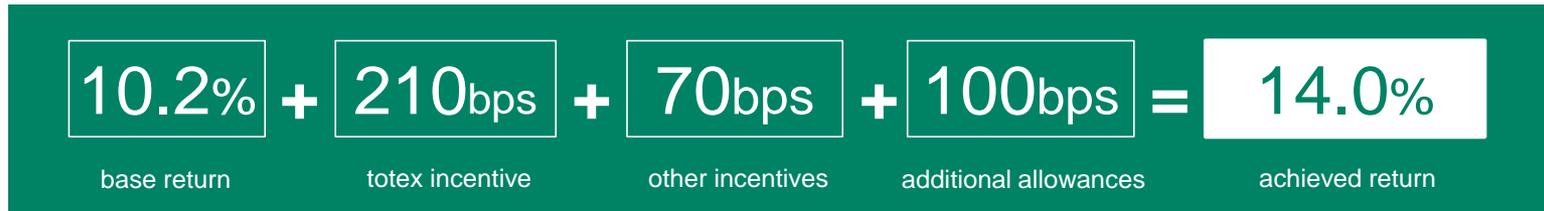
Financial Highlights

- ◆ EPS increased 9% to 58.1p
- ◆ Group returns 11.8%
- ◆ Regulatory asset base up £1.1bn*
- ◆ Value added £1.7bn*

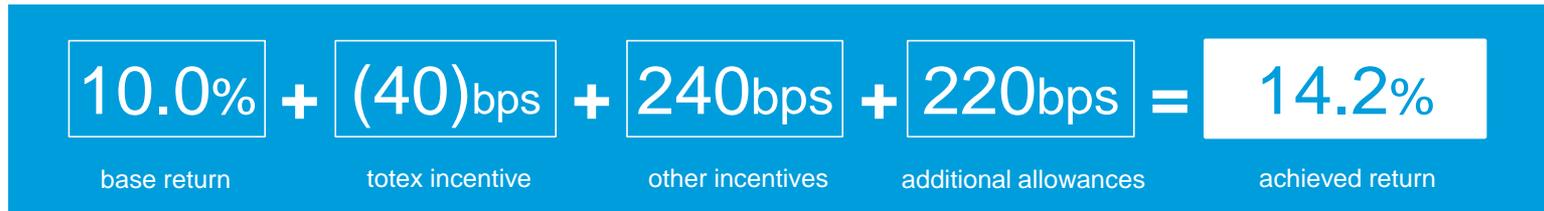
Adjusted results, excluding exceptional items and remeasurements

*Constant currency figures calculated by applying the closing 2015 rate (\$1.49 to £1.00) to March 2014 balances (when the closing rate was \$1.67 to £1.00)

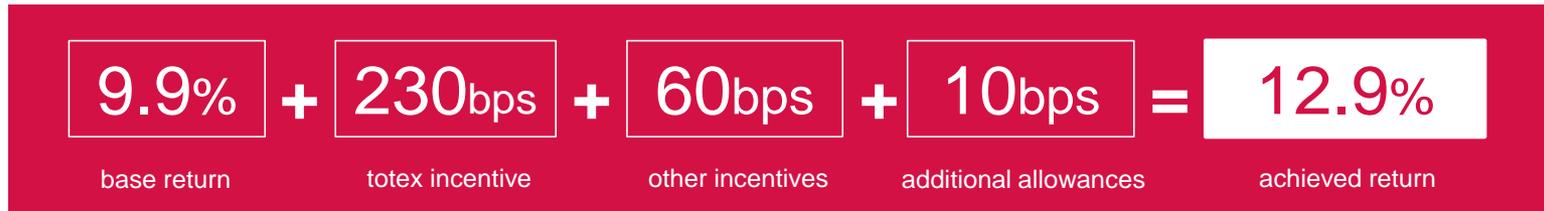
UK Electricity Transmission scorecard



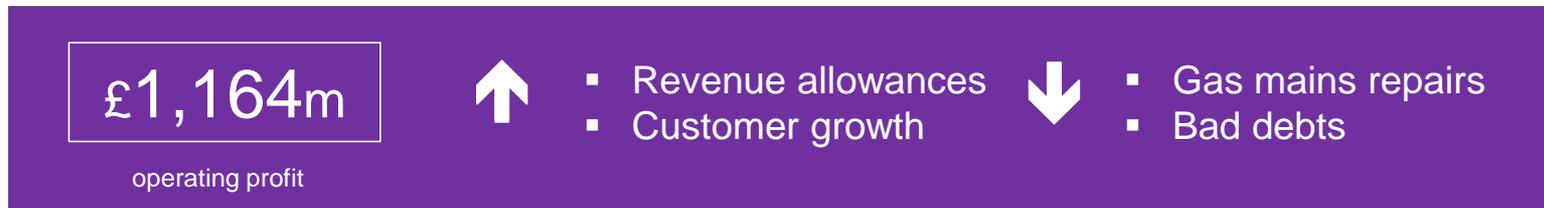
UK Gas Transmission scorecard



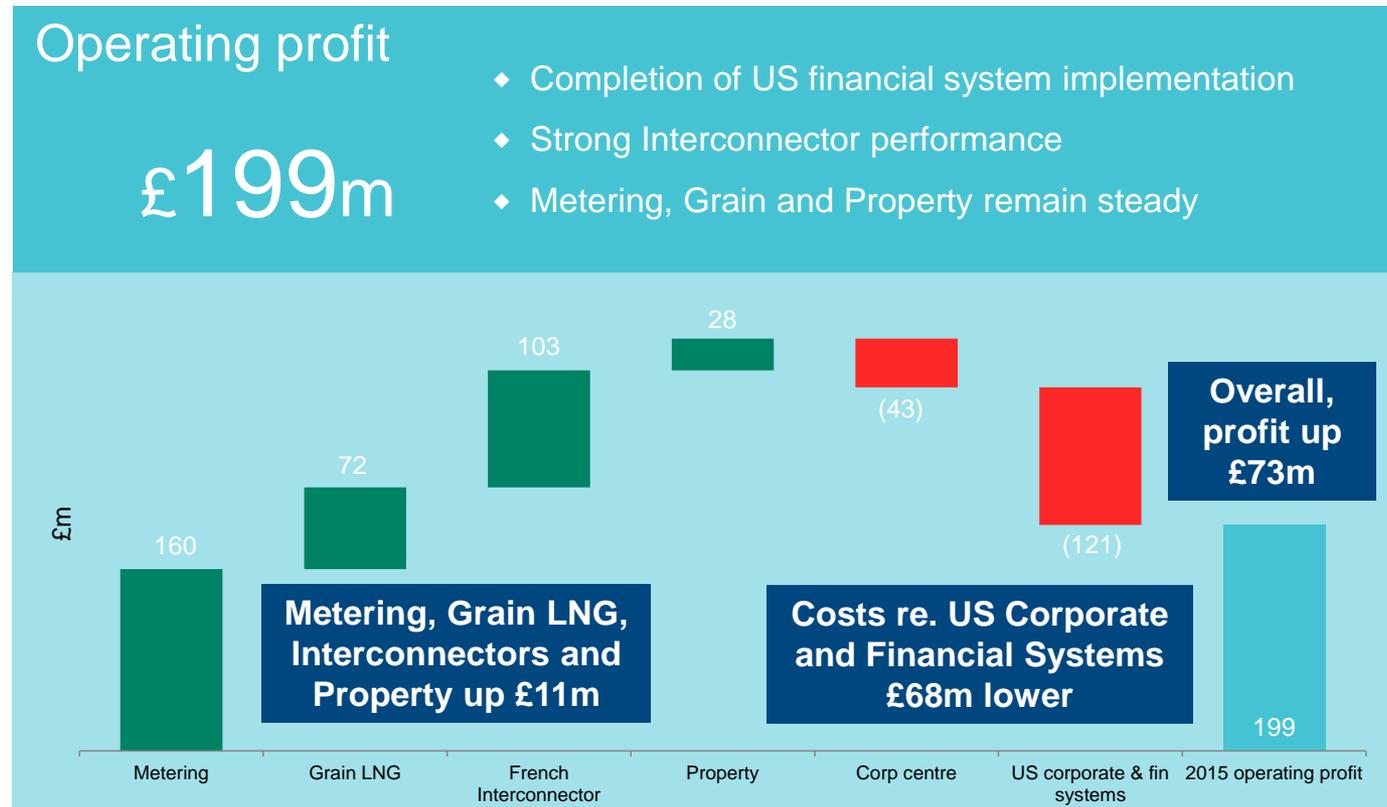
UK Gas Distribution scorecard



US Regulated scorecard

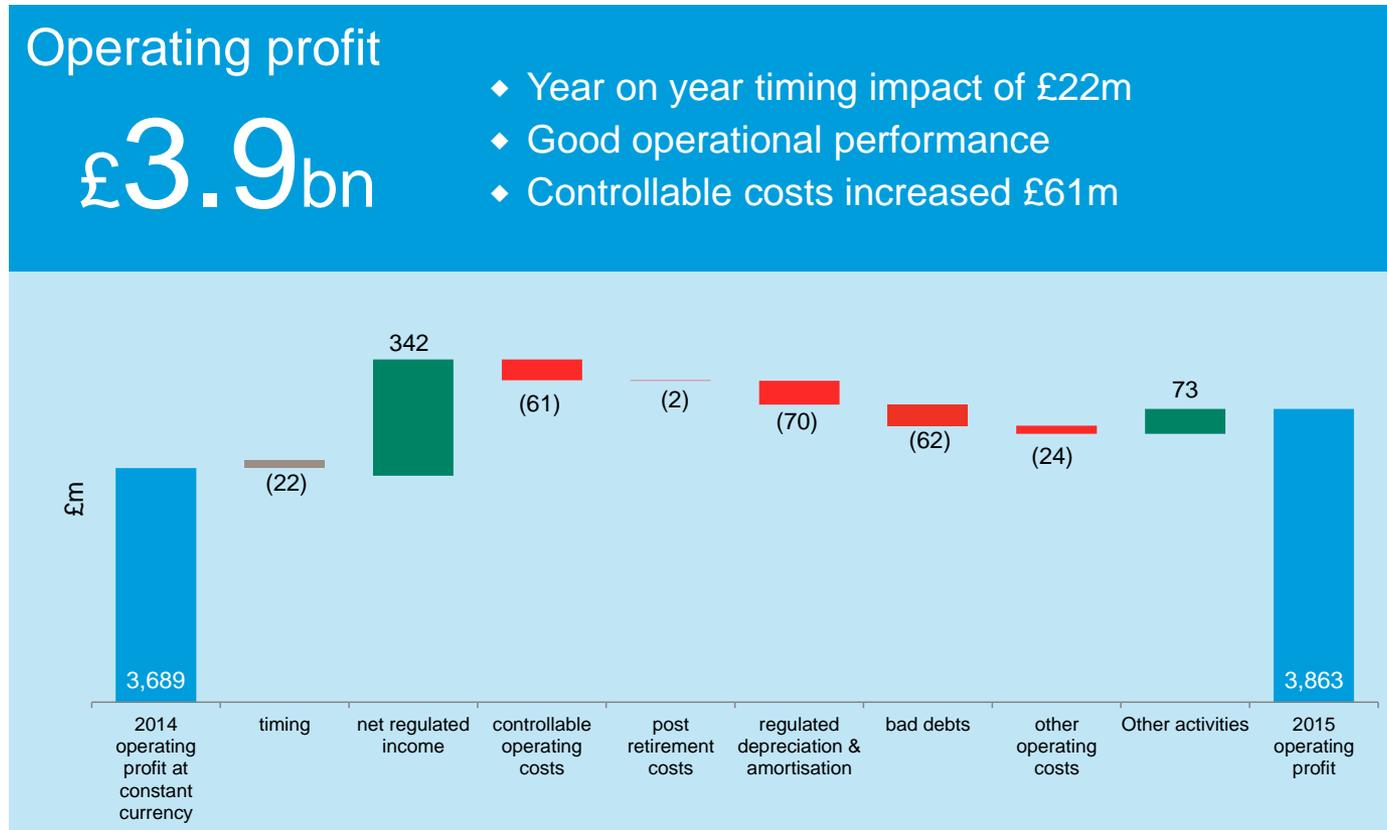


Other activities



Visual representation only – not to scale
Adjusted results, excluding exceptional items and remeasurements
Constant currency figures calculated by applying the average 2015 rate (\$1.58 to £1.00) to 2014 results (when the average rate was \$1.62 to £1.00)

Operating profit



Visual representation only – not to scale
Adjusted results, excluding exceptional items and remeasurements
Constant currency figures calculated by applying the average 2015 rate (\$1.58 to £1.00) to 2014 results (when the average rate was \$1.62 to £1.00)
Post retirement costs represent pensions and other post employment benefits

Interest, tax & earnings

Finance costs

£1,033m
8% lower than 2014*

- ◆ Effective interest rate of 4.3%
- ◆ Refinancing debt at lower interest rates

Effective tax rate

24.2%
at £(695)m

- ◆ Tax rate 170bp higher than 2014
- ◆ Tax charge £114m higher than 2014

Earnings per share

58.1p

- ◆ £2,189m earnings
- ◆ 3,766m weighted avg. shares

Adjusted results, excluding exceptional items and remeasurements

* Constant currency figures calculated by applying the average 2015 rate (\$1.58 to £1.00) to 2014 results (when the average rate was \$1.62 to £1.00)

Cash flows and net debt

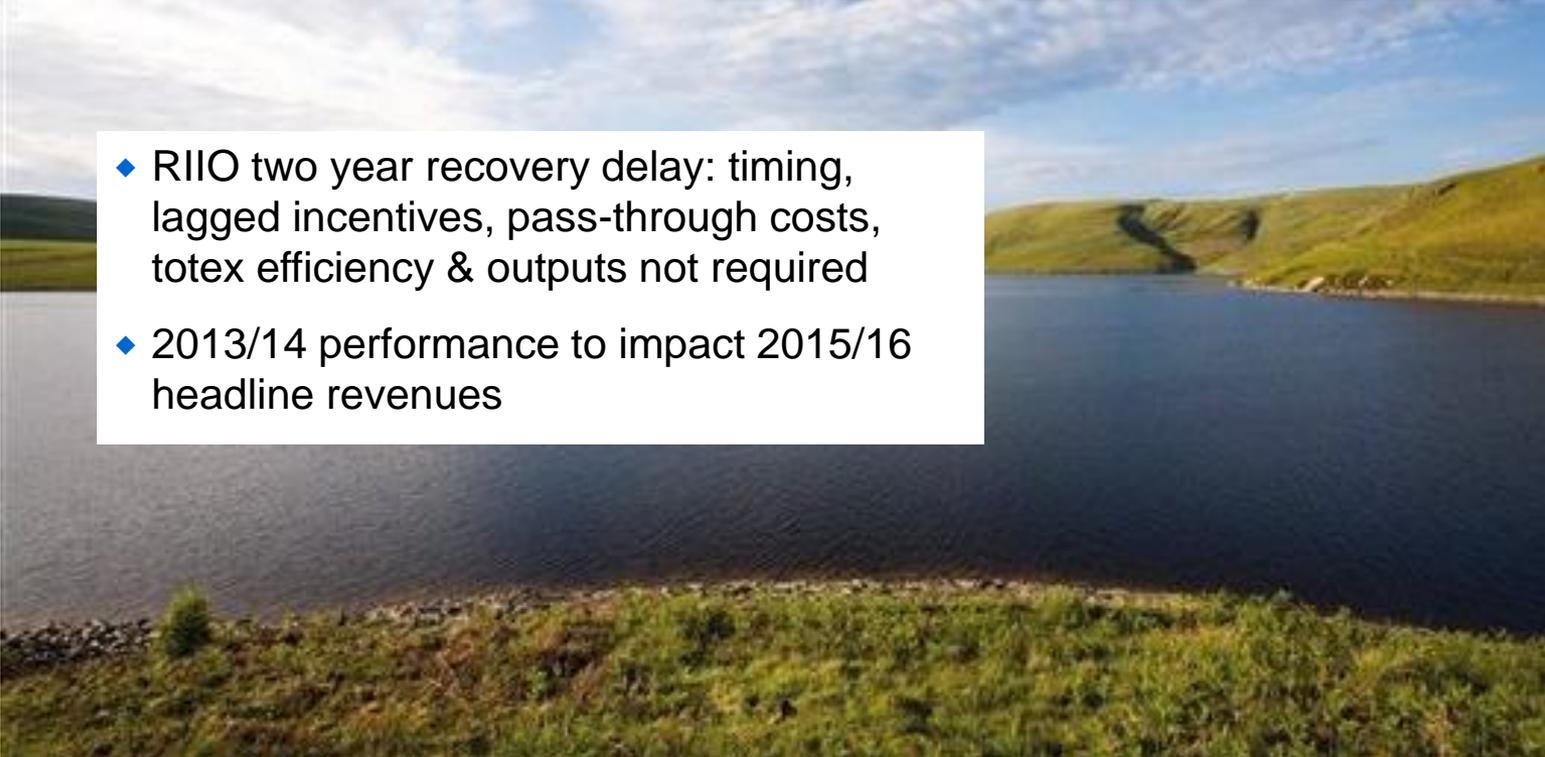
Period ended 31 March 2015	£m	
Operating profit	3,863	RCF/net debt 9.9%
Depreciation & amortisation	1,494	FFO/net debt 16.4%
Pensions	(270)	
Working capital & other	280	
Net operating cash flow	5,367	Interest cover 5.1x
Net debt	23,915	

Technical guidance

- 
- ◆ Continued totex outperformance in UK regulated businesses
 - ◆ Other incentives & additional allowances decrease in Gas Transmission
 - ◆ UK investment at similar levels
 - ◆ US returns c.8%
 - ◆ Finance costs & tax rate consistent

Technical guidance

UK revenues

- 
- ◆ RIIO two year recovery delay: timing, lagged incentives, pass-through costs, totex efficiency & outputs not required
 - ◆ 2013/14 performance to impact 2015/16 headline revenues

Dividend & scrip



Proposed dividend increasing 2%, at average UK RPI

- 
- ◆ Scrip option to continue
 - ◆ Proactive approach to managing scrip dilution

Inflation

UK revenues
~ £4bn*

- ◆ Set using mixture of actual + forecast RPI
- ◆ 2 year lag before actual inflation impacts headline numbers

RPI debt
~ £7bn

- ◆ Lower interest payments required
- ◆ In short term increases headline earnings

UK RAV
~£25bn

- ◆ Impacts rate of growth
- ◆ Lower RPI in 2014/15 impacted growth by c.£500m

*Net of pass through costs

Value added

Supporting long term shareholder returns	
+ Net asset growth	£1,125m
+ Dividend paid	£1,606m
- Growth in net debt	£(1,046)m
= Value Added	£1,685m

Constant currency figures calculated by applying the closing 2015 rate (\$1.49 to £1.00) to March 2014 balances (when the closing rate was \$1.67 to £1.00)
Dividend paid includes equity buy back
Growth in net debt includes movement in goodwill

Summary

- ◆ Group ROE: 11.8%
- ◆ Value added: £1.7bn*
- ◆ EPS growth of 9%
- ◆ Strong financial position

Adjusted results, excluding exceptional items and remeasurements

*Constant currency figures calculated by applying the closing 2015 rate (\$1.49 to £1.00) to March 2014 balances (when the closing rate was \$1.67 to £1.00)

2014/15

Full Year Results

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Growth & strategy

Steve Holliday | Chief Executive

Looking forward...

- 
- ◆ Portfolio positioned well for next 5-10 years
 - ◆ Energy industry undergoing major changes

Well set for next ten years of sustainable growth

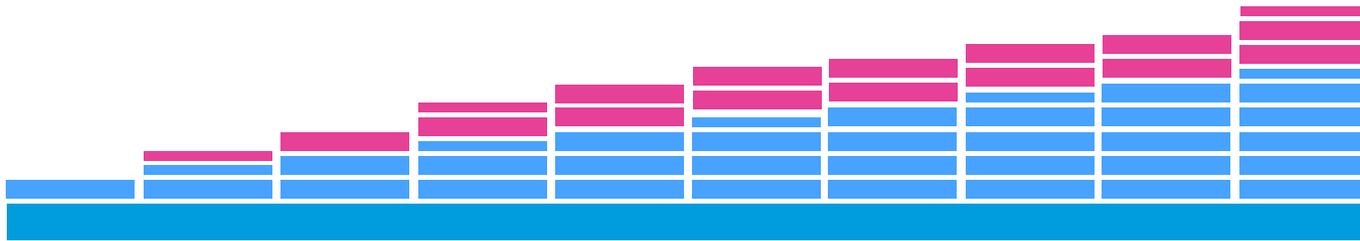


UK Regulated:
£**16-20**bn over
RIIO 1

Sustainable growth
into RIIO 2

Electricity Transmission : investing in
modernisation followed by new generation

Well set for next ten years of sustainable growth



Interconnectors: initial investments create
strong, cash generative assets

Gas Transmission & Distribution: ongoing investment driven
by security, emissions and safety

Well set for next ten years of sustainable growth



Gas distribution

- ◆ Investing to connect new customers
- ◆ Gas mains replacement

Greenline Infrastructure Alliance

- ◆ Transmission projects into Massachusetts

Access Northeast

- ◆ Expands existing capacity

NY Transco

- ◆ Continue to make progress

Greater Boston

- ◆ Selected as preferred option

Smart Innovation

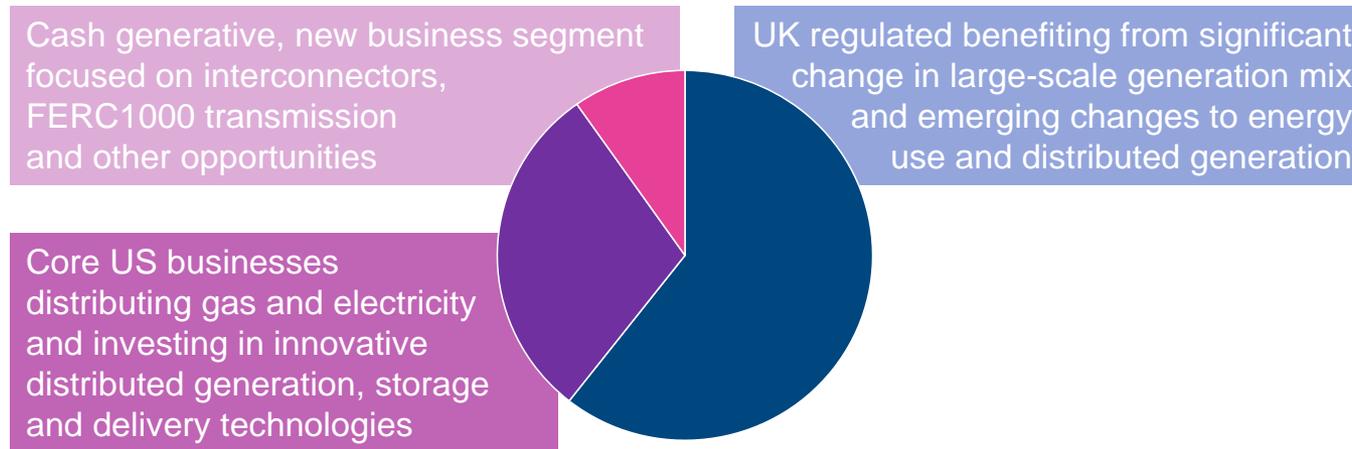
- ◆ Work to shape the future energy vision

Well set for next ten years of sustainable growth



- ◆ Disrupters will create new opportunities
- ◆ Working to invest in the right innovation and assets
- ◆ Exciting pipeline of attractive projects with good returns
- ◆ Supporting earnings and cash generation in the future

Shape of things to come



Capacity to invest £3-4bn in new opportunities

2015/16 priorities

UK Electricity
Transmission

Deliver efficient investment
programme

UK Gas
Transmission

Further important upgrades
required

UK Gas
Distribution

Priority to improve customer
service

US
Regulated

Sustain returns and growth,
deliver new filings on time

Conclusion

- 
- ◆ Successful year
 - ◆ Balance of returns, cash and growth performance
 - ◆ Strongly positioned to develop business in changing landscape

2014/15

**Full Year
Results**

Appendices

Electricity Transmission

Operating Profit

For the year ended 31 March (£m)	2015	2014
Revenue	3,754	3,387
Pass through costs	(1,821)	(1,655)
Net Revenue *	1,933	1,732
Depreciation & Amortisation	(376)	(343)
Regulated Controllable costs	(283)	(269)
Pensions	(36)	(32)
Other costs	(1)	(1)
Total UK Electricity Transmission operating profit **	1,237	1,087

* Net revenue includes BSIS performance of £23m in 2015 (2014: £27m)

** Operating profit includes a contribution from other electricity services of £9m (2014: £9m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

Gas Transmission

Operating Profit

For the year ended 31 March (£m)	2015	2014
Revenue	1,022	941
Pass through costs	(242)	(206)
Net Revenue	780	735
Depreciation & Amortisation	(172)	(172)
Regulated Controllable costs	(125)	(117)
Pensions	(18)	(18)
Other costs	(28)	(11)
Total UK Gas Transmission operating profit *	437	417

- * Operating profit includes a loss from LNG Storage of £2m in 2015 (2014: profit £6m)
- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

UK Gas Distribution

Operating Profit

For the year ended 31 March (£m)	2015	2014
Revenue	1,867	1,898
Pass through costs	(363)	(367)
Net Revenue	1,504	1,531
Depreciation & Amortisation	(286)	(271)
Regulated Controllable costs	(353)	(331)
Pensions	(36)	(40)
Other costs / contributions released	(3)	15
Total UK Gas Distribution operating profit	826	904

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

US Regulated Operating Profit

For the year ended 31 March (£m)	2015	2014
Revenue	7,986	8,252
Pass through costs	(3,908)	(4,275)
Net Revenue	4,078	3,977
Depreciation & Amortisation	(452)	(430)
Regulated Controllable costs	(1,424)	(1,407)
Pensions	(76)	(74)
Bad debt	(119)	(57)
Other costs	(843)	(854)
Total US Regulated operating profit	1,164	1,155

- At constant currency
- Adjusted results, excluding exceptional items and remeasurements

Metering, Grain LNG, French Interconnector and Property

Operating Profit

For the year ended 31 March (£m)	2015	2014
Revenue	309	321
Depreciation & amortisation	(82)	(85)
Operating costs (excluding depreciation & amortisation)	(67)	(74)
Metering operating profit	160	162
Revenue	198	198
Depreciation & amortisation	(55)	(55)
Operating costs (excluding depreciation & amortisation)	(71)	(69)
Grain LNG operating profit	72	74
Revenue	124	103
Depreciation & amortisation	(4)	(4)
Operating costs (excluding depreciation & amortisation)	(17)	(14)
Interconnector operating profit	103	85
Revenue	43	48
Depreciation & amortisation	(1)	(2)
Operating costs (excluding depreciation & amortisation)	(14)	(15)
Property operating profit	28	31

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

Exchange rates

For the year ended 31 March	2015	2014
Closing \$ / £ rate	1.49	1.67
Average \$ / £ rate for the period	1.58	1.62

For the year ended 31 March (£m)	2015
Impact on operating profit *	25
Impact on interest *	(17)
Impact on tax, JVs and minority interests *	(2)
Net impact on earnings *	6
Impact on net debt **	(1,691)
Impact on book value of assets **	1,819

- * Currency impact calculated by applying the average March 2015 rate to 2014 results
- ** Currency impact calculated by applying the March 2015 rate to March 2014 balances
- Adjusted results, excluding exceptional items and remeasurements

Pensions & other post-retirement benefit obligations (IAS 19 data)

At 31 March 2015 (£m)	UK		US		NG total
	ESPS	NGUK PS	Pensions	OPEBs	
Market value of assets	2,380	17,073	5,052	1,903	26,408
Present value of liabilities	(2,860)	(17,265)	(6,055)	(3,486)	(29,666)
Net liability	(480)	(192)	(1,003)	(1,583)	(3,258)
Taxation	96	38	405	638	1,177
Liability net of taxation	(384)	(154)	(598)	(945)	(2,081)
Discount rates	3.3	3.3	4.1	4.1	

- OPEBs = other post employment benefits

Timing Impacts

£m	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution	US Regulated	Total
2014/15 Opening balance	(67)	(11)	21	120	63
2014/15 Opening balance restatement adjustment	(8)	-	(18)	-	(26)
2014/15 over/(under) recovery	(89)	(18)	13	30	(64)
2014/15 Closing balance	(164)	(29)	16	150	(27)
2013/14 Opening balance	(7)	10	(8)	110	105
2013/14 over/(under) recovery	(60)	(21)	29	10	(42)
2013/14 Closing balance	(67)	(11)	21	120	63
Year on year timing variance	(29)	3	(16)	20	(22)

- 2014/15 opening balance restatement reflects finalisation of UK timing balances
- All USD balances stated using the average 2015 rate (\$1.58 to £1.00)

UK Transmission and UK Distribution

Regulated asset values (“RAV”) and returns

	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution
Regulator	Ofgem	Ofgem	Ofgem
Rate base / RAV	£11,339m	£5,552m	£8,511m
Base allowed return (assumed CoD 2.72%)	4.43%	4.25%	4.11%
	(‘vanilla’ WACC)	(‘vanilla’ WACC)	(‘vanilla’ WACC)
Allowed RoE (nominal)	10.2%	10.0%	9.9%
Achieved RoE (nominal)	14.0%	14.2%	12.9%
Equity / debt (assumed)	40 / 60	37.5 / 62.5	35 / 65
Sharing factors (shareholder retention at RoE)	46.9%	44.4%	63.0%
	plus incentive schemes	plus incentive schemes	plus incentive schemes
	from April 2015	from April 2015	from April 2015
Base allowed return (assumed CoD 2.55%)	4.33%	4.14%	4.00%

• CoD = Cost of Debt

New York Jurisdiction

Regulated asset base (“Rate base”) and returns

Rate bases are reported by regulatory entity as at 31 March 2015. Returns are those for the calendar year ended 31 December 2014

	Long Island (KEDLI)	Downstate New York (KEDNY)	Upstate New York (NMPC Gas)	Upstate New York (NMPC Electric)
Regulator	New York PSC	New York PSC	New York PSC	New York PSC
Rate base / RAV	\$2,146m	\$2,387m	\$1,060m	\$4,453m
Base allowed return (RoE)	9.80%	9.40%	9.30%	9.30%
Achieved return	6.5%	8.5%	8.3%	9.0%
Equity / debt (assumed)	45 / 55	48 / 52	48 / 52	48 / 52
Sharing factors (shareholder retention at RoE)	100% to 10.5% 50% to 12.5% 35% to 13.5% 0% above 13.5%	20% above 9.4%	50% to 10.3% 25% to 11.3% 10% above 11.3%	50% to 10.3% 25% to 11.3% 10% above 11.3%
Last / next rate case filing	Effective from January 2008	Effective from January 2013	Effective from April 2013	Effective from April 2013

Massachusetts and Rhode Island Jurisdiction

Regulated asset base (“Rate base”) and returns

Rate bases are reported by regulatory entity as at 31 March 2015. Returns are those for the calendar year ended 31 December 2014

	Massachusetts Electric *	Massachusetts Gas **	Narragansett (Distribution & Gas) ***
Regulator	Massachusetts DPU	Massachusetts DPU	Rhode Island PUC
Rate base / RAV	\$1,905m	\$1,747m	\$1,066m
Base allowed return	10.35%	9.75%	9.50%
	RoE	RoE	RoE
Achieved return	4.6%	7.8%	10.4%
Equity / debt (assumed)	50 / 50	50 / 50	49 / 51
Sharing factors (shareholder retention at RoE)	100% to 10.35% 50% above 10.35%	100%	100% to 9.5% 50% to 10.5% 25% above 10.5%
Last / next rate case filing	Effective from January 2010	Effective from November 2010	Effective from February 2013

* Includes Nantucket Electric. The rate bases includes transmission assets

** Massachusetts Gas currently comprises two separate entities: Boston Gas and Colonial Gas. Bases allowed and achieved RoE's are weighted averages (using rate base)

*** Narragansett comprises two separate entities: Narragansett Gas and Narragansett Electric. Bases allowed and achieved RoE's are weighted averages (using rate base)

FERC Jurisdiction

Regulated asset base (“Rate base”) and returns

Rate bases are reported by regulatory entity as at 31 March 2015. Returns are those for the calendar year ended 31 December 2014

	New England Power	Narragansett Electric (Transmission)	Canadian Interconnector *	Long Island Generation **
Regulator	FERC	FERC	FERC	FERC
Rate base / RAV	\$1,380m	\$607m	\$16m	\$446m
Base allowed return	10.57%	10.57%	13.00%	10.00%
	RoE	RoE	RoE	RoE
Achieved return	11.6%	12.1%	13.0%	10.5%
Equity / debt (assumed)	68 / 32	50 / 50	51 / 49	46 / 54
Sharing factors (shareholder retention at RoE)	100%	100%	100%	100%
Last / next rate case filing	Monthly formula rates	Monthly formula rates	Monthly formula rates	Effective from May 2013

* National Grid retains 100% of the return it earns on its stake of ~54% in the Canadian Interconnector

** Long Island Generation rate base includes peaking plant

Value Added

For the year ended 31 March (£m)	2015	2014 (constant currency)	Change
UK regulated assets	25,402	24,878	524
US regulated assets	11,591	10,988	603
Assets outside regulated assets	2,031	1,874	157
Regulated Financial Position	39,024	37,740	1,284
Other invested capital	1,562	1,721	(159)
Total group regulated and other assets	40,586	39,461	1,125
Goodwill	5,145	5,157	(12)
Net debt	(23,915)	(22,881)	(1,034)
Equity	21,816	21,737	79
Share buy-backs			335
Dividend paid during the year			1,271
Value Added			1,685
Value added per share (pence)			44.7

Group Return on Equity

For the year ended 31 March (£m)	2015	2014	2013 (storm adjusted)	2013
Regulatory operating profit per ROCE	3,741	3,468	3,696	3,611
IFRS operating profit for non-regulated companies	199	131	62	11
Share of post tax results of JV's	46	28	18	18
Minority Interest	8	12	(1)	(1)
Treasury managed interest deduction	(945)	(1,055)	(1,057)	(1,057)
Group tax charge	(695)	(581)	(665)	(619)
Tax adjustment for ROCE adjustments and non treasury interest	(14)	73	44	44
Adjusted profit for RoE	2,340	2,076	2,097	2,007
Opening capital employed	35,237	33,128	31,424	31,424
Non-regulated companies opening net book value	1,341	1,185	979	979
Joint ventures	358	371	341	341
Opening Goodwill	4,856	5,028	4,776	4,776
Group enterprise value	41,792	39,712	37,520	37,520
Opening net debt	(21,974)	(21,429)	(19,597)	(19,597)
Group equity value	19,818	18,283	17,923	17,923
Group RoE – nominal (adjusted group profit after tax / group equity value)	11.8%	11.4%	11.7%	11.2%

• Adjusted results, excluding exceptional items and remeasurements

Interest Cover

For the year ended 31 March (£m)	2015	2014	2013
Interest expense (P&L)	1,069	1,144	1,154
Hybrid interest reclassified as dividend	(55)	(52)	(2)
Capitalised interest	86	148	122
Interest on pensions debt adjustment	53	40	60
Interest on decommissioning liabilities adjustment	1	1	1
Interest on lease rentals adjustment	32	34	36
Net pensions interest on net scheme liabilities	(101)	(128)	(135)
Unwinding of discounts on provisions	(73)	(73)	(75)
Adjusted interest expense	1,012	1,114	1,161
Net cash inflow from operating activities	5,007	4,019	3,750
Interest income on financial instruments	37	35	29
Interest paid on financial instruments	(978)	(901)	(792)
Dividends received	79	38	21
Working capital adjustment	(301)	59	410
<i>add back</i> excess employer pension contributions	237	228	248
<i>add back</i> Hybrid interest reclassified as dividend	55	52	2
<i>add back</i> lease rentals	65	68	73
Difference in net interest expense in income statement to cash flow	(4)	(189)	(273)
Difference in current tax in income statement to cash flow	47	88	170
<i>add back</i> current tax related to prior years	(64)	(97)	(239)
Adjusted funds from operations	4,180	3,400	3,399
Interest cover (adjusted funds from operations + adjusted interest expense / adjusted interest expense)	5.1x	4.1x	3.9x

• Adjusted results, excluding exceptional items and remeasurements

RCF:Debt

For the year ended 31 March (£m)	2015	2014	2013
Moody's			
Adjusted funds from operations (FFO)	4,180	3,400	3,399
Hybrid interest reclassified as dividend	(55)	(52)	(2)
Dividends paid to shareholders	(1,271)	(1,059)	(810)
RCF (headline)	2,854	2,289	2,587
Purchase of treasury shares	(338)	0	0
RCF (net of share buybacks)	2,516	2,289	2,587
Bank Overdrafts	3	15	23
Borrowings	25,907	25,935	28,072
Less			
50% hybrid debt	(948)	(1,030)	(1,030)
Cash & Cash Equivalents	(119)	(354)	(671)
Restricted cash	1	24	21
Available for sale investments	(1,232)	(2,689)	(4,442)
Underfunded pension obligations	1,675	1,276	1,906
Operating Leases Adjustment	588	612	654
Derivative asset removed from debt	(89)	(775)	(888)
Derivative liabilities added to debt	0	0	251
Currency swaps	453	(224)	(213)
Nuclear decommissioning liabilities reclassified as debt	22	17	12
Collateral - cash received under collateral agreements	(540)	(843)	(730)
Accrued Interest removed from ST debt	(230)	(239)	(250)
Adjusted Net Debt (includes pension deficit)	25,491	21,725	22,715
FFO/Adjusted Net Debt	16.4%	15.7%	15.0%
RCF (headline)/Adjusted Net Debt	11.2%	10.5%	11.4%
RCF (net of share buybacks)/Adjusted Net Debt	9.9%	10.5%	11.4%

Weighted average number of shares

For year ended 31 March	2015	2014
Number of shares (millions):		
Prior period as reported (weighted average)	-	3,729
Current period opening shares	3,730	
Scrip dividend shares	37	37
Other share movements (weighted from issuance/repurchase)	(1)	-
Weighted average number of shares (restated)	3,766	3,766
Business performance earnings restated (£m)	2,189	2,015
Business performance EPS (restated)	58.1p	53.5p



2015/16 Full Year Results

19 MAY 2016



Cautionary statement

This announcement 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 announcement 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 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 announcement.



Agenda

Introduction	Sir Peter Gershon
Highlights	John Pettigrew
Financial review	Andrew Bonfield
Priorities and outlook	John Pettigrew





Introduction

SIR PETER GERSHON
CHAIRMAN





Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE



2015/16 financial performance

OPERATING
PROFIT

£4.1bn

RETURN ON
EQUITY

12.3%

CAPITAL
INVESTMENT

£3.9bn

ASSET
GROWTH*

4%

EARNINGS PER SHARE

63.5p

DIVIDEND PER SHARE

43.34p

* Regulatory asset base growth calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Safety and reliability

- One of the best years for safety performance
- UK performance once again excellent
- Double-digit improvement in key US safety measures
- Networks demonstrated strong reliability



2015/16 UK performance review

UK

- Continued strong performance
- £330m+ in savings generated for customers through three years of RIIO
- Other activities outperformed
- Regulatory update
- Gas Distribution process on track

RIIO mid-period review

Onshore competition

Future System Operator role

2015/16 US performance review

US

- Returns in line with expectations
- Step-up in capital investment
- Good progress with rate case filings





Financial performance

ANDREW BONFIELD
FINANCE DIRECTOR



Financial highlights

OPERATING PROFIT

£4.1bn

FY15 **£3.9bn**

EPS

63.5p

FY15 **57.6p****

RETURN ON EQUITY

12.3%

FY15 **11.8%**

VALUE ADDED

£1.8bn

FY15 **£1.7bn**

ASSET GROWTH*

4%

FY15 **3%**

DIVIDEND

43.34p

FY15 **42.87p**

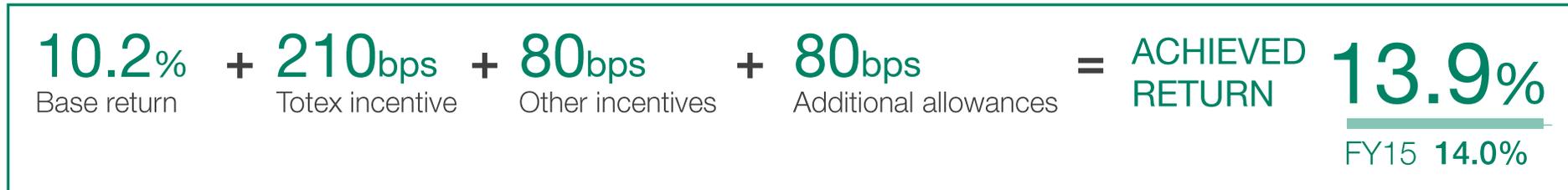
Operating profit and value added calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

* Regulatory asset base growth calculated at constant currency

** EPS restated for the impact of scrip issuances



UK Electricity Transmission



Adjusted results, excluding exceptional items and remeasurements



UK Gas Transmission

10.0% Base return	+	(20)bps Totex incentive	+	120bps Other incentives	+	150bps Additional allowances	=	ACHIEVED RETURN	12.5% FY15 14.2%
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OPERATING PROFIT

£486m +11%

FY15 £437m

CAPITAL INVESTMENT

£186m

FY15 £184m

REGULATED ASSET VALUE

£5.6bn

FY15 £5.6bn

Adjusted results, excluding exceptional items and remeasurements

UK Gas Distribution



Adjusted results, excluding exceptional items and remeasurements



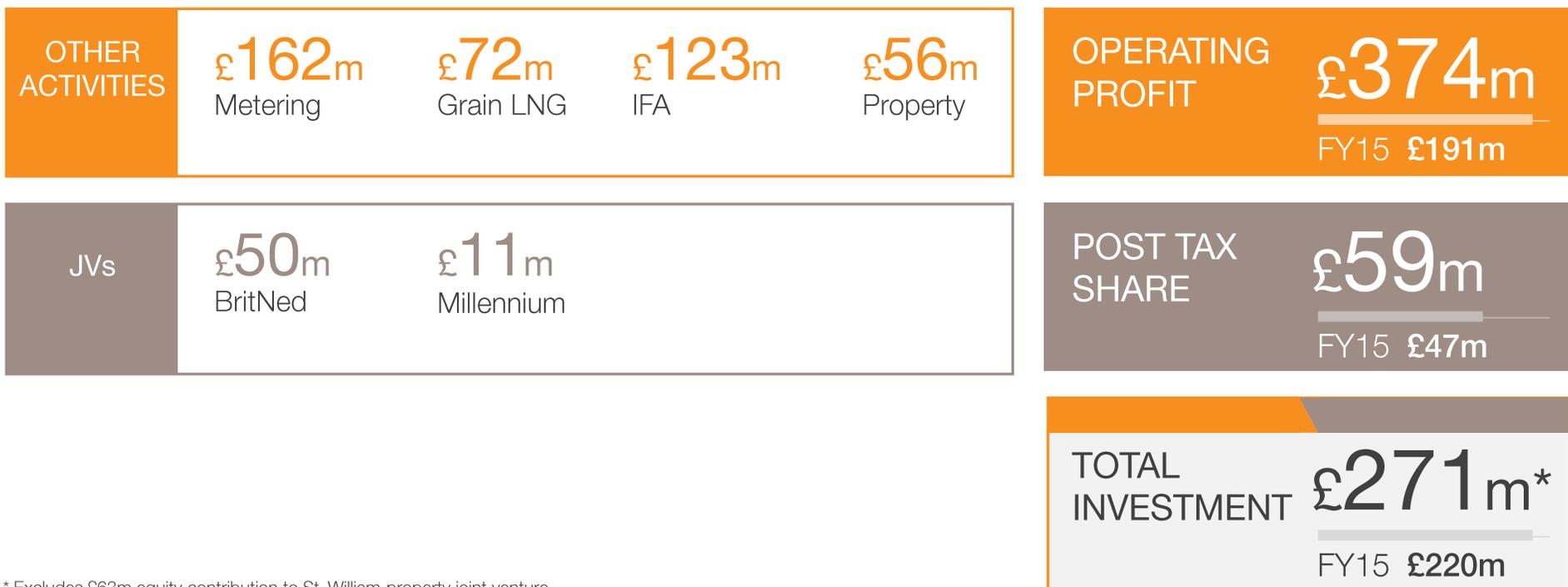
US Regulated



Operating profit calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements



Other Activities & JVs



* Excludes £63m equity contribution to St. William property joint venture
Operating profit and investment calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Interest, tax and earnings

FINANCE COSTS

£1,013m

6% lower than 2015

- Effective interest rate of 3.8%
- Innovative financing at low interest rates

EFFECTIVE TAX RATE

24.0%

at £(753)m

- Tax rate 20bps lower than 2015
- Tax charge £58m higher than 2015

EARNINGS

£2,386m

FY15 £2,189m

- 3,755m weighted average shares
- 63.5p/share

Adjusted results, excluding exceptional items and remeasurements
Finance costs are calculated at constant currency

Cash flow and net debt

£m	
Period ended 31 March 2016	
Operating profit	4,096
Depreciation & amortisation	1,614
Pensions	(327)
Working capital & other	339
Net operating cash flow	5,722
Net debt	(25,325)

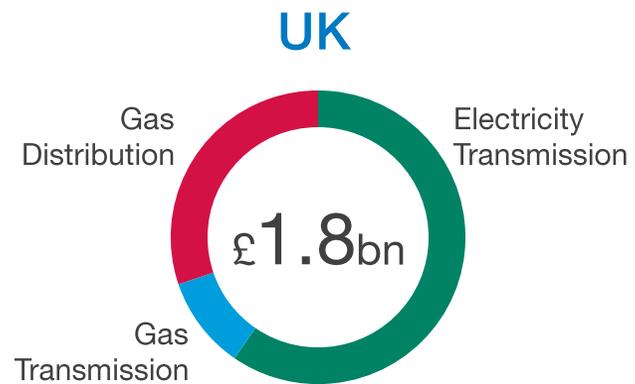
RCF / NET DEBT
11.5%

FFO / NET DEBT
16.7%

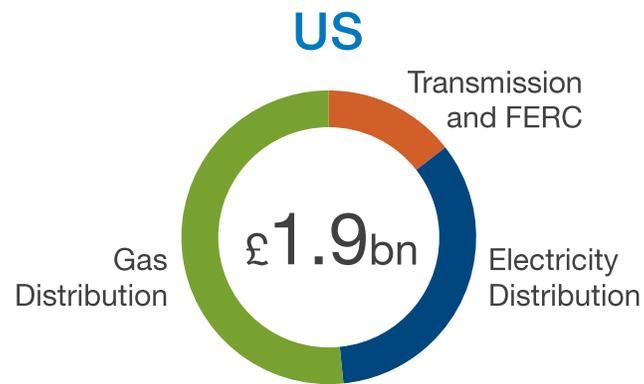
INTEREST COVER
5.5x

Adjusted results, excluding exceptional items and remeasurements
Credit metrics reported using Moody's methodology

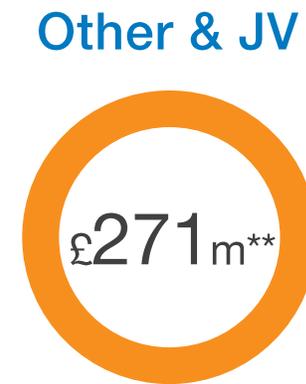
Growth through balanced investments



3% RAV growth



7.5%* rate base growth



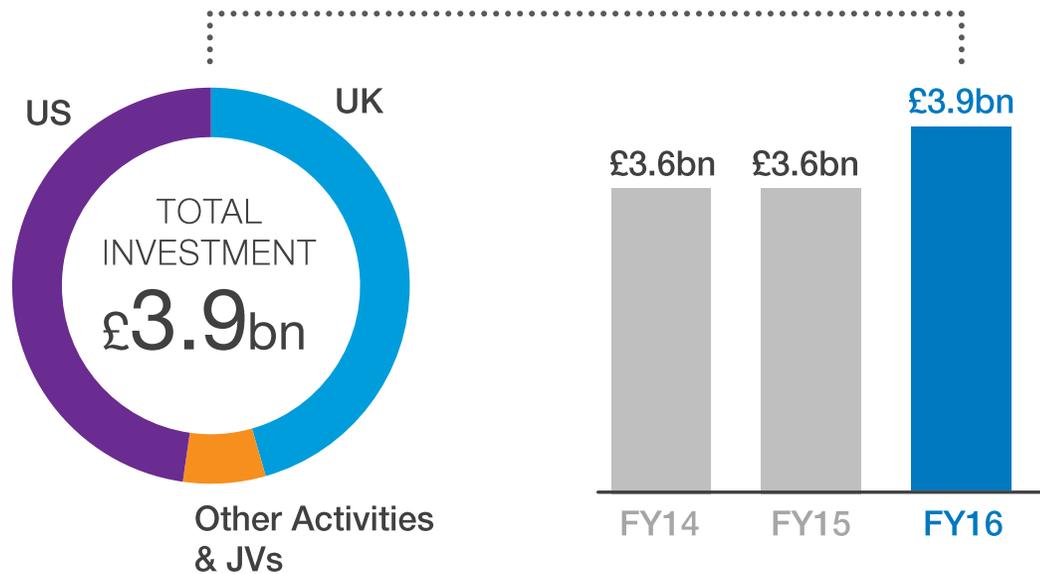
Investment started on new interconnectors

* Excluding movements in working capital

** Excludes £63m equity contribution to St. William property joint venture

US rate based growth is calculated at constant currency

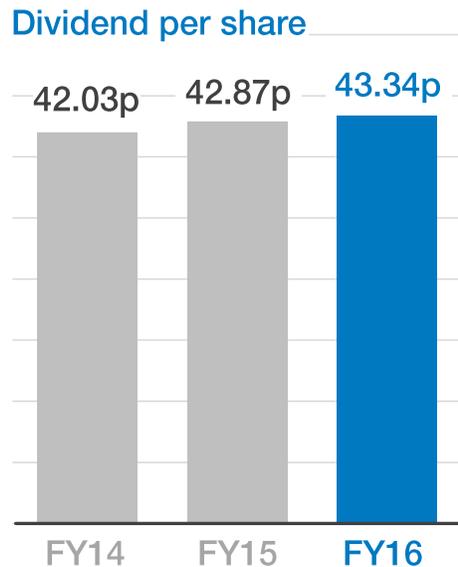
Sustained investment



- Expect to sustain this level of investment over the coming years
- Targeting asset growth of 5-7%*

* Assuming 3% UK RPI inflation
At constant currency

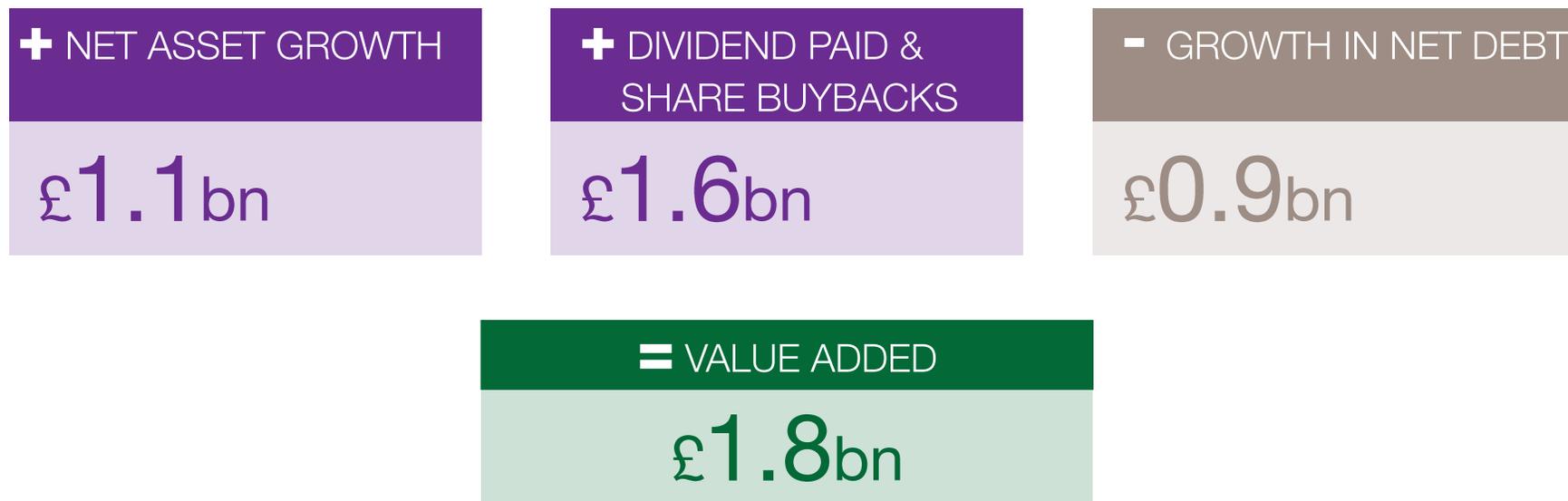
Dividend and scrip



- Proposed dividend increase of 1.1% in line with UK RPI
- Scrip option to continue



Value Added supporting long-term returns



Net asset growth and growth in net debt are calculated at constant currency

Technical guidance

- UK Regulated operations expected to deliver outperformance of 200-300bps
 - Gas Transmission impacted by expected reduction in legacy incentives
- US returns maintained, ahead of new rates
- Other activities impacted by non-recurrence of one-time gain on Iroquois and lower interconnector income
- Consistent tax rate and marginally higher finance costs

Summary

OPERATING PROFIT
£4.1bn

EPS
63.5p

RETURN ON EQUITY
12.3%

VALUE ADDED
£1.8bn

ASSET GROWTH*
4%

DIVIDEND
43.34p

* Regulated asset base growth calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements
Value added is calculated at constant currency

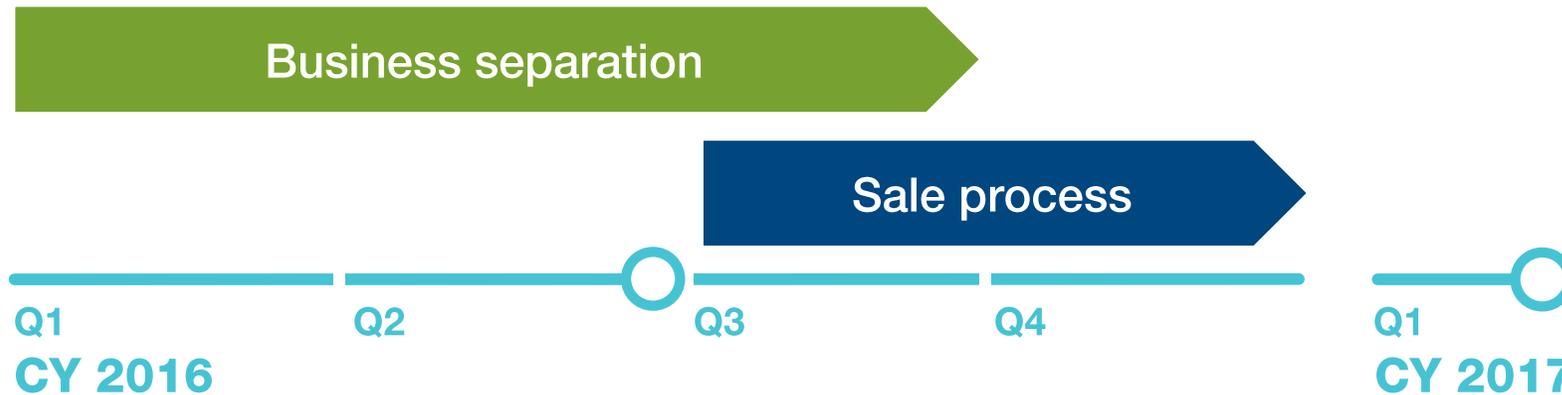


Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE



UK Gas Distribution – sale of majority holding



Reshape the portfolio towards higher growth while delivering returns to shareholders and maintaining the dividend policy

Major regulatory filings

NEW YORK

KEDNY/KEDLI (filed January 2016)

- Requested revenue increases of \$245m / \$142m
- Discovery phase
- New rates effective January 2017

Niagara Mohawk (filed December 2015)

- \$1.4bn capex petition for 2017-2018

MASSACHUSETTS

MA Electric (filed November 2015)

- Requested revenue increase of \$143m
- Discovery phase complete; Hearing Process underway
- New rates effective October 2016

FUTURE FILINGS

- MA Gas - 2017
- Niagara Mohawk - 2017

Drivers for long-term success

Customer First



Drivers for long-term success



Customer First

Performance
Optimisation

Drivers for long-term success



Drivers for long-term success



Customer First

Performance
Optimisation

Growth

Evolve for
the Future

Summary

- Strong business, demonstrated by consistent performance
- Gas Distribution process on track
- Progress on US rate filings
- Good growth opportunities
- Well positioned for the long-term in an evolving industry





JOHN PETTIGREW
CHIEF EXECUTIVE

ANDREW BONFIELD
FINANCE DIRECTOR

DEAN SEEVERS
US EXECUTIVE DIRECTOR



Appendices



UK Electricity Transmission

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	3,977	3,754
Pass through costs	(2,030)	(1,821)
Net revenue ¹	1,947	1,933
Depreciation & amortisation	(390)	(376)
Regulated controllable costs	(311)	(283)
Pensions	(40)	(36)
Other costs	(33)	(1)
Total UK Electricity Transmission operating profit²	1,173	1,237

¹ Net revenue includes BSIS performance of £27m in 2016 (2015: £23m)

² Operating profit includes a contribution from other electricity services of £7m (2015: £9m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

UK Gas Transmission

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	1,047	1,022
Pass through costs	(221)	(242)
Net revenue	826	780
Depreciation & amortisation	(178)	(172)
Regulated controllable costs	(135)	(125)
Pensions	(18)	(18)
Other costs	(9)	(28)
Total UK Gas Transmission operating profit¹	486	437

¹ Operating profit includes a profit from LNG Storage of £8m in 2016 (2015: loss £2m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

UK Gas Distribution

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	1,918	1,867
Pass through costs	(352)	(363)
Net revenue	1,566	1,504
Depreciation & amortisation	(298)	(286)
Regulated controllable costs	(374)	(353)
Pensions	(39)	(36)
Other costs / contributions released	23	(3)
Total UK Gas Distribution operating profit	878	826

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements



US Regulated Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	7,493	8,544
Pass through costs	(3,154)	(4,181)
Net revenue	4,339	4,363
Depreciation & amortisation	(535)	(484)
Regulated controllable costs	(1,453)	(1,524)
Pensions	(96)	(81)
Bad debt	(132)	(127)
Other costs	(938)	(902)
Total US Regulated operating profit	1,185	1,245

- At constant currency
- Adjusted results, excluding exceptional items and remeasurements

Metering, Grain LNG, French Interconnector and Property

Operating profit

For the year ended 31 March (£m)	2016	2015
Revenue	301	309
Depreciation & amortisation	(79)	(82)
Operating costs (excluding depreciation & amortisation)	(60)	(67)
Metering operating profit	162	160
Revenue	199	198
Depreciation & amortisation	(59)	(55)
Operating costs (excluding depreciation & amortisation)	(68)	(71)
Grain LNG operating profit	72	72
Revenue	145	124
Depreciation & amortisation	(5)	(4)
Operating costs (excluding depreciation & amortisation)	(17)	(17)
Interconnector operating profit	123	103
Revenue	68	43
Depreciation & amortisation	(1)	(1)
Operating costs (excluding depreciation & amortisation)	(11)	(14)
Property operating profit	56	28

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements

Exchange rates

For the year ended 31 March	2016	2015
Closing \$ / £ rate	1.44	1.49
Average \$ / £ rate for the period	1.47	1.58

For the year ended 31 March (£m)	2016
Impact on operating profit ¹	73
Impact on interest ¹	(44)
Impact on tax, JVs and minority interests ¹	(5)
Net impact on earnings¹	24
Impact on net debt ²	(501)
Impact on book value of assets ²	556

¹ Currency impact calculated by applying the average March 2016 rate to 2015 results

² Currency impact calculated by applying the closing March 2016 rate to March 2015 balances

• Adjusted results, excluding exceptional items and remeasurements

Pensions & other post-retirement benefit obligations (IAS 19 data)

At 31 March 2016 (£m)	UK		US		Total
	ESPS	NGUK PS	Pensions	OPEBs ¹	
Market value of assets	2,556	16,845	5,136	1,897	26,434
Present value of liabilities	(2,826)	(16,590)	(6,145)	(3,458)	(29,019)
Net (liability) / asset	(270)	255	(1,009)	(1,561)	(2,585)
Taxation	49	(46)	406	629	1,038
(Liability) / asset net of taxation	(221)	209	(603)	(932)	(1,547)
Discount rates	3.3%	3.3%	4.3%	4.3%	

¹ OPEBs = other post employment benefits

Timing impacts

£m	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution	US Regulated	Total
2015/16 Opening balance	(164)	(29)	16	159	(18)
2015/16 Opening balance restatement adjustment	(12)	-	4	49	41
2015/16 over/(under) recovery	5	67	26	(73)	25
2015/16 Closing balance	(171)	38	46	135	48
2014/15 Opening balance	(75)	(11)	3	127	44
2014/15 over/(under) recovery	(89)	(18)	13	32	(62)
2014/15 Closing balance	(164)	(29)	16	159	(18)
Year on year timing variance	94	85	13	(105)	87

- 2015/16 opening balance restatement reflects finalisation of timing balances
- All USD balances stated using the average 2016 rate (\$1.47 to £1.00)



UK Transmission and UK Gas Distribution

Regulated asset values ('RAV') and returns

	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution
Regulator	Ofgem	Ofgem	Ofgem
RAV	£11,830m	£5,594m	£8,676m
Base allowed real return (assumed CoD 2.55%)	4.33%	4.14%	4.00%
	('vanilla' WACC)	('vanilla' WACC)	('vanilla' WACC)
Allowed RoE (nominal)	10.2%	10.0%	9.9%
Achieved RoE (nominal)	13.9%	12.5%	13.0%
Equity / debt (assumed)	40 / 60	37.5 / 62.5	35 / 65
Sharing factors (shareholder retention at RoE)	46.9%	44.4%	63.0%
	plus incentive schemes	plus incentive schemes	plus incentive schemes
	from April 2016	from April 2016	from April 2016
Base allowed real return (assumed CoD 2.38%)	4.23%	4.04%	3.89%

• CoD = Cost of Debt



New York Jurisdiction

Regulated asset base ('Rate base') and returns

*Rate bases are reported by regulatory entity as at 31 March 2016
Returns are those for the calendar year ended 31 December 2015*

	Long Island (KEDLI)	Downstate New York (KEDNY)	Upstate New York (NMPC Gas)	Upstate New York (NMPC Electric)
Regulator	New York PSC	New York PSC	New York PSC	New York PSC
Rate base	\$2,176m	\$2,525m	\$1,160m	\$4,621m
Base allowed return	9.80%	9.40%	9.30%	9.30%
	(RoE)	(RoE)	(RoE)	(RoE)
Achieved return	7.3%	7.1%	8.4%	8.1%
Equity / debt (assumed)	45 / 55	48 / 52	48 / 52	48 / 52
Sharing factors	100% to 10.5%	20% above 9.4%	50% to 10.3%	50% to 10.3%
(shareholder retention at RoE)	50% to 12.5%		25% to 11.3%	25% to 11.3%
	35% to 13.5%		10% above 11.3%	10% above 11.3%
	0% above 13.5%			
Last / next rate case filing	Filed on 29 January 2016 New rates effective 1 January 2017	Filed on 29 January 2016 New rates effective 1 January 2017	Rate extension filed on 15 December 2015	Rate extension filed on 15 December 2015



Massachusetts and Rhode Island Jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity as
at 31 March 2016
Returns are those for the calendar year ended
31 December 2015

	Massachusetts Electric ¹	Massachusetts Gas ²	Narragansett Distribution (Electric and Gas) ³
Regulator	Massachusetts DPU	Massachusetts DPU	Rhode Island PUC
Rate base	\$2,156m	\$1,945m	\$1,234m
Base allowed return	10.35%	9.75%	9.50%
	(RoE)	(RoE)	(RoE)
Achieved return	3.4%	8.4%	10.2%
Equity / debt (assumed)	50 / 50	50 / 50	49 / 51
Sharing factors	100% to 10.35%	100%	100% to 9.5%
(shareholder retention at RoE)	50% above 10.35%		50% to 10.5%
			25% above 10.5%
Last / next rate case filing	Filed on 6 November 2015	Effective from	Effective from
	New rates effective	November 2010	February 2013
	1 October 2016		

¹ Includes Nantucket Electric. The rate bases includes transmission assets

² Massachusetts Gas currently comprises two separate entities: Boston Gas and Colonial Gas. Base allowed and achieved RoE's are weighted averages (using rate base)

³ Narragansett comprises two separate entities: Narragansett Gas and Narragansett Electric. Base allowed and achieved RoE's are weighted averages (using rate base)



FERC Jurisdiction

Regulated asset base ('Rate base') and returns

*Rate bases are reported by regulatory entity as at 31 March 2016
Returns are those for the calendar year ended 31 December 2015*

	New England Power	Narragansett Electric (Transmission)	Canadian Interconnector¹	Long Island Generation²
Regulator	FERC	FERC	FERC	FERC
Rate base	\$1,405m	\$608m	\$11m	\$420m
Base allowed return (RoE)	10.57%	10.57%	13.00%	9.90%
Achieved return	11.0%	11.2%	13.0%	12.5%
Equity / debt (assumed)	64 / 36	50 / 50	72 / 28	46 / 54
Sharing factors (shareholder retention at RoE)	100%	100%	100%	100%
Last / next rate case filing	Monthly formula rates	Monthly formula rates	Monthly formula rates	Effective from May 2013

¹ National Grid retains 100% of the return it earns on its stake of ~54% in the Canadian Interconnector

² Long Island Generation rate base includes peaking plant

Value Added

For the year ended 31 March (£m)	2016	2015 (constant currency)	change
UK RAV	26,100	25,323 ¹	777
US rate base	12,703	11,974	729
Other regulated assets	1,291	2,068 ¹	(777)
Regulated Financial Position	40,094	39,365	729
Other invested capital	1,903	1,540	363
Total group regulated and other assets	41,997	40,905	1,092
Goodwill	5,315	5,315	-
Net debt	(25,325)	(24,416)	(909)
Equity	21,987	21,804	183
Share buy-backs			267
Dividend paid during the year			1,337
Value Added			1,787
Value Added per share (pence)			47.6p

¹ UK restated for opening balance adjustments following Regulatory Reporting Pack process in 2015

Group Return on Equity

For the year ended 31 March (£m)	2016	2015	2014
Regulated financial performance	3,663	3,741	3,468
IFRS operating profit for non-regulated companies	374	199	131
Share of post tax results of joint ventures	59	46	28
Non-controlling interest	(3)	8	12
Treasury managed interest	(922)	(945)	(1,055)
Group tax charge	(753)	(695)	(581)
Tax on adjustments	4	(14)	73
Adjusted Group profit after tax for RoE	2,422	2,340	2,076
Opening rate base/RAV	36,998	35,237	33,128
Non-regulated companies' opening net book value	1,213	1,341	1,185
Joint ventures	319	358	371
Opening goodwill	5,182	4,856	5,028
Opening capital employed	43,712	41,792	39,712
Opening net debt	(24,024)	(21,974)	(21,429)
Group equity value	19,688	19,818	18,283
Group RoE – nominal (adjusted group profit after tax / group equity value)	12.3%	11.8%	11.4%

• Adjusted results, excluding exceptional items and remeasurements

Weighted average number of shares

For the year ended 31 March	2016	2015
Number of shares (millions):		
Prior period as reported (weighted average)	-	3,766
Current period opening shares	3,739	
Scrip dividend shares	32	32
Other share movements (weighted from issuance/repurchase)	(16)	-
Weighted average number of shares (restated)	3,755	3,798
Business performance earnings (£m)	2,386	2,189
Business performance EPS (restated)	63.5p	57.6p

• Business performance, excluding exceptional items and remeasurements



Interest Cover

For the year ended 31 March (£m)	2016	2015	2014
Interest expense (P&L)	1,035	1,069	1,144
Hybrid interest reclassified as dividend	(49)	(55)	(52)
Capitalised interest	112	86	148
Pensions interest adjustment	(60)	(48)	(88)
Interest on decommissioning liabilities adjustment	1	1	1
Interest on lease rentals adjustment	17	32	34
Unwinding of discounts on provisions	(73)	(73)	(73)
Adjusted interest expense	983	1,012	1,114
Net cash inflow from operating activities	5,368	5,007	4,019
Interest income on financial instruments	23	37	35
Interest paid on financial instruments	(834)	(826)	(901)
Dividends received	72	79	38
Working capital adjustment	(456)	(301)	59
<i>add back</i> excess employer pension contributions	301	237	228
<i>add back</i> Hybrid interest reclassified as dividend	49	55	52
<i>add back</i> lease rentals	77	65	68
Difference in net interest expense in income statement to cash flow	(129)	(156)	(189)
Difference in current tax in income statement to cash flow	(42)	47	88
<i>add back</i> current tax related to prior years	(26)	(64)	(97)
Adjusted funds from operations	4,403	4,180	3,400
Interest cover (adjusted funds from operations + adjusted interest expense / adjusted interest expense)	5.5x	5.1x	4.1x

• Adjusted results, excluding exceptional items and remeasurements

RCF:Debt

For the year ended 31 March (£m)	2016	2015	2014
Adjusted funds from operations (FFO)	4,403	4,180	3,400
Hybrid interest reclassified as dividend	(49)	(55)	(52)
Dividends paid to shareholders	(1,337)	(1,271)	(1,059)
RCF (headline)	3,017	2,854	2,289
Purchase of treasury shares	(267)	(338)	0
RCF (net of share buybacks)	2,750	2,516	2,289
Bank Overdrafts	3	3	15
Borrowings	28,341	25,907	25,935
Less			
50% hybrid debt	(995)	(948)	(1,030)
Cash & Cash Equivalents	(127)	(119)	(354)
Restricted cash	2	1	24
Available for sale investments	(1,951)	(1,232)	(2,689)
Underfunded pension obligations	1,434	1,675	1,276
Operating leases adjustment	544	588	612
Derivative asset removed from debt	(183)	(89)	(775)
Currency swaps	55	453	(224)
Nuclear decommissioning liabilities reclassified as debt	38	22	17
Collateral - cash received under collateral agreements	(610)	(540)	(843)
Accrued interest removed from ST debt	(243)	(230)	(239)
Adjusted Net Debt (includes pension deficit)	26,308	25,491	21,725
FFO/Adjusted Net Debt	16.7%	16.4%	15.7%
RCF (headline)/Adjusted Net Debt	11.5%	11.2%	10.5%
RCF (net of share buybacks)/Adjusted Net Debt	10.5%	9.9%	10.5%



UK Electricity Transmission net revenue

For the year ended 31 March (£m)		2016
Revenue		3,977
Net timing adjustment		(5)
Pass through costs		
Revenue collected on behalf of others	(971)	
BSIS costs	(907)	
Electricity Transmission Owner (ETO) pass through costs	(120)	
Electricity System Operator (ESO) pass through costs	(32)	
	(2,030)	
Net revenue adjusted for timing		1,942

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	15
True ups	(31)
Revenue under/(over) recovery	95
(Collection)/return of prior year deferrals	(84)
Net timing adjustment	(5)



UK Electricity Transmission operating profit

For the year ended 31 March (£m)

2016

Net Revenue adjusted for timing

Transmission Owner (ETO) excluding incentives

1,722

ETO incentives

15

System Operator (ESO) excluding incentives

148

ESO incentives

27

Other (including legal settlements)

30

1,942

Depreciation & Amortisation

Electricity Transmission Owner

(370)

Electricity System Operator

(20)

Other

-

(390)

Regulated Controllable costs, pensions and other costs

Electricity Transmission Owner

(285)

Electricity System Operator

(99)

Other

-

(384)

Total UK Electricity Transmission operating profit adjusted for timing

Electricity Transmission Owner

1,082

Electricity System Operator

56

Other

30

Total UK Electricity Transmission operating profit adjusted for timing

1,168

Timing adjustment

5

Total UK Electricity Transmission operating profit: headline

1,173

	£m
Ofgem annual iteration TO revenue	1,362
+ TIRG	13
- model non-controllable costs	(88)
+ inflate to actual 15/16 prices	260
Ofgem model net revenue	1,547
+ network innovation allowance, contributions, pensions true up and other	12
+ excluded services income	163
TO net revenue excluding timing and incentives	1,722

	£m
Ofgem annual iteration SO revenue	120
+ inflate to actual 15/16 prices	24
Ofgem model net revenue	144
+ other	4
SO net revenue excluding timing and incentives	148



UK Gas Transmission net revenue

For the year ended 31 March (£m)		2016
Revenue		1,047
Net timing adjustment		(67)
Pass through costs		
Revenue collected on behalf of others	(28)	
Gas Transmission Owner (GTO) pass through costs	(123)	
Gas System Operator (GSO) pass through costs	(70)	
		(221)
Net revenue adjusted for timing		759

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	31
True ups	(19)
Revenue under/(over) recovery	(71)
(Collection)/return of prior year deferrals	(8)
Net timing adjustment	(67)

UK Gas Transmission operating profit

For the year ended 31 March (£m)

2016

Net Revenue adjusted for timing

Transmission Owner (GTO) excluding incentives	537	
GTO incentives	5	
System Operator (GSO) excluding incentives and revenue drivers	66	
GSO incentives (excluding revenue drivers)	26	
Revenue drivers income	95	
Other including LNG Storage	30	
		759
Depreciation & Amortisation		
Gas Transmission Owner	(159)	
Gas System Operator	(19)	
Other	-	
		(178)
Regulated Controllable costs, pensions and other costs		
Gas Transmission Owner	(91)	
Gas System Operator	(57)	
Other	(14)	
		(162)
Total UK Gas Transmission operating profit adjusted for timing		419
Gas Transmission Owner	292	
Gas System Operator	111	
LNG Storage & Other	16	
Total UK Gas Transmission operating profit adjusted for timing		419
Timing adjustment		67
Total UK Gas Transmission operating profit: headline		486

	£m
Ofgem annual iteration TO revenue	558
- model non-controllable costs	(110)
+ inflate to actual 15/16 prices	91
Ofgem model net revenue	539
+ network innovation allowance, contributions, pensions true up and other	(5)
+ excluded services income	3
TO net revenue excluding timing and incentives	537

	£m
Ofgem annual iteration SO revenue	55
+ inflate to actual 15/16 prices	11
Ofgem model net revenue	66
+ other	-
SO net revenue excluding timing and incentives	66

	£m
Legacy revenue drivers	79
+ inflate to actual 15/16 prices	16
Revenue drivers income	95



UK Gas Distribution net revenue and operating profit

For the year ended 31 March (£m)	2016
Revenue	1,918
Net timing adjustment	(26)
Pass through costs	(352)
Net revenue adjusted for timing	1,540

For the year ended 31 March (£m)	2016
Net revenue adjusted for timing	
Net revenue excluding incentives	1,499
Incentives	41
	1,540
Depreciation & Amortisation	(298)
Regulated Controllable costs, pensions and other costs	(390)
Total UK Gas Distribution operating profit adjusted for timing	852
Timing adjustment	26
Total UK Gas Distribution operating profit: headline	878

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	41
True ups	(61)
Revenue under/(over) recovery	(9)
(Collection)/return of prior year deferrals	3
Net timing adjustment	(26)

	£m
Ofgem annual iteration revenue	1,500
- model non-controllable costs	(266)
+ inflate to actual 15/16 prices	250
Ofgem model net revenue	1,484
+ network innovation allowance, contributions, pensions true up and other	9
+ excluded services income	6
Net revenue excluding timing and incentives	1,499



2016/17 Full Year Results
18 May 2017

Bring Energy to Life

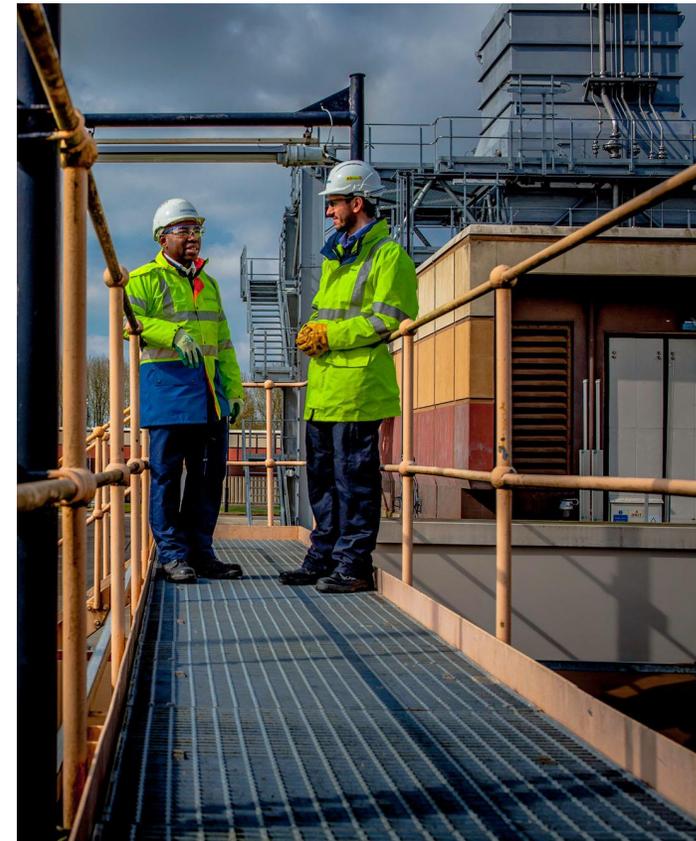


Cautionary statement

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; and 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 sale of a majority interest in its UK Gas Distribution business and 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'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 2016 published on 10 November 2016. 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.

Agenda

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





Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE



Safety remains core to National Grid

- Safety plans across the Group to improve performance
- Safety is embedded in our culture
- Lost time injury frequency rate of 0.09



FY 2016/17 financial performance

OPERATING PROFIT
Excluding Timing

£4.3bn

FY16 **£4.1bn**

EARNINGS PER SHARE
Excluding Timing

66.1p

FY16 **62.3p**

DIVIDEND PER SHARE

44.27p

FY16 **43.34p**

CAPITAL INVESTMENT

£4.5bn

FY16 **£3.9bn**

Total performance, including results from UK Gas Distribution
Capital investment includes investment in JVs (excluding equity contributions to St William property JV)
Adjusted results, excluding exceptional items and remeasurements

Strong reliability across networks

- Strong reliability in the UK
- US reliability performance reflects increased investment
- Storm response stands up to challenging weather



nationalgrid

Successfully delivering on key priorities

UK Gas Distribution
sale and returning
£4 billion to
shareholders



US rate filings
supporting improved
performance and
increased investment



**Outperformance
in the UK**
generating savings
for customers



Successful completion of UK Gas Distribution sale

nationalgrid

- Large, complex transaction
- Premium valuation secured to realise value for shareholders
- Returning £4bn to shareholders
- Potential to secure further value in the future through 14% option
- Portfolio rebalanced towards higher growth



US rate filings supporting improved performance

nationalgrid

- Three rate filings successfully completed
- Increased levels of funded investment drive strong US growth
- New rates for ~40% of rate base start to support improved performance
 - Achieved US RoE of 8.2%



Outperformance in the UK

- £460m in customer savings generated under RIIO through efficiency and innovation
- Strong operational performance drives outperformance above base return
 - 300 basis points
- Mid-period review complete
- Further clarity on System Operator role





Financial performance

ANDREW BONFIELD
FINANCE DIRECTOR



Financial highlights

OPERATING PROFIT

£4.7bn

FY16 **£4.3bn**

EARNINGS PER SHARE

73.0p

FY16 **63.2p***

CAPITAL INVESTMENT

£4.5bn

FY16 **£4.2bn**

RETURN ON EQUITY

11.7%

FY16 **12.3%**

ASSET GROWTH**

5%

FY16 **4%**

VALUE ADDED

£1.9bn

FY16 **£1.8bn**

Capital investment includes investment in joint ventures and associates (excluding equity contributions to St William property JV)

Operating profit and capital investment presented at constant currency

Adjusted results, for combined business excluding exceptional items and remeasurements

*EPS restated for the impact of scrip issuances

** Regulated asset base growth calculated at constant currency

UK Electricity Transmission

10.2% Base return	+	190bps Totex incentive	+	70bps Other incentives	+	80bps Additional allowances	=	ACHIEVED RETURN	13.6% FY16 13.9%
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OPERATING PROFIT

£1.4bn +17%

FY16 £1.2bn

CAPITAL INVESTMENT

£1.0bn

FY16 £1.1bn

REGULATED ASSET VALUE

£12.5bn

FY16 £11.8bn

Adjusted results, excluding exceptional items and remeasurements

UK Gas Transmission

10.0% Base return	+	(80)bps Totex incentive	+	110bps Other incentives	+	50bps Additional allowances	=	ACHIEVED RETURN	10.8% FY16 12.5%
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OPERATING PROFIT

£511m +5%

FY16 £486m

CAPITAL INVESTMENT

£214m

FY16 £186m

REGULATED ASSET VALUE

£5.8bn

FY16 £5.6bn

Adjusted results, excluding exceptional items and remeasurements

UK Gas Distribution

9.9% Base return	+	280bps Totex incentive	+	120bps Other incentives	+	10bps Additional allowances	=	ACHIEVED RETURN	14.0% FY16 13.0%
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OPERATING PROFIT

£898m +2%
FY16 £878m

CAPITAL INVESTMENT

£558m
FY16 £549m

REGULATED ASSET VALUE

£9.0bn
FY16 £8.7bn

Adjusted results, excluding exceptional items and remeasurements

US Regulated



Operating profit calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Other Activities & JVs

OTHER ACTIVITIES	£161m Metering	£74m Grain LNG	£72m IFA	£65m Property
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JVs	£53m BritNed	£15m Millennium	£(5)m Other
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TOTAL INVESTMENT
£404m*

OPERATING PROFIT **£173m**
FY16 £377m

POST TAX SHARE **£63m**
FY16 £61m

OTHER COSTS INCREASE YEAR ON YEAR **£100m**
(included in operating profit)

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

Interest, tax and earnings

FINANCE COSTS

£1,175m

6% higher than 2016

- Effective interest rate of 3.9%
- Higher average net debt and RPI

EFFECTIVE TAX RATE

22.7%

at £(808)m

- Tax rate 130bps lower than 2016
- Tax charge £55m higher than 2016

EARNINGS

£2,748m

PY £2,386m

- 3,763m weighted average shares
- 73p/share

Finance costs are calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Cash flow and Net debt

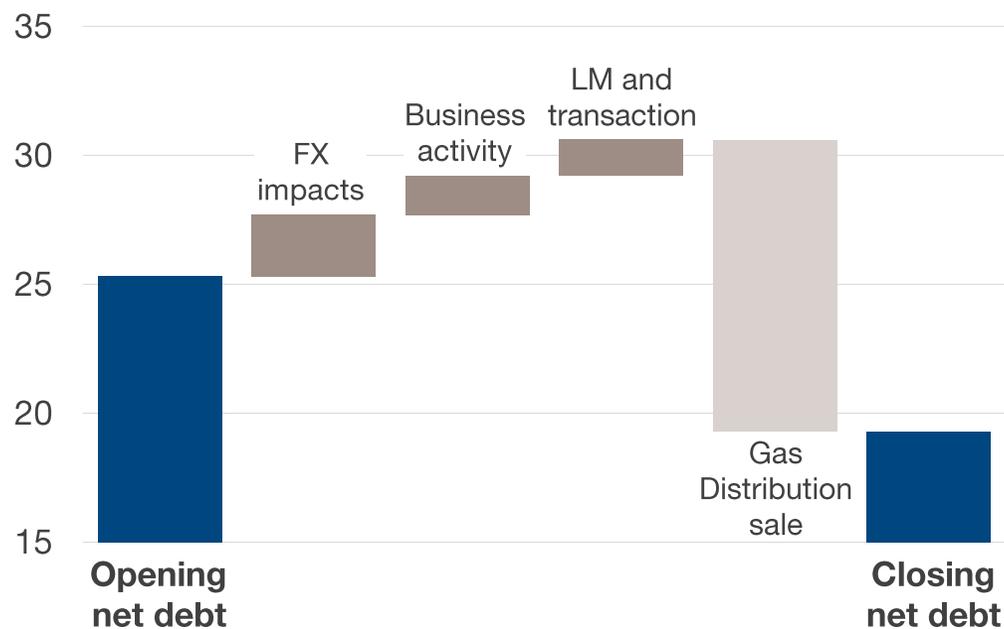
£m	
Year ended 31 March 2017	
Operating profit	4,667
Depreciation & amortisation	1,698
Pensions	(801)
Working capital & other	50
Net operating cash flow	5,614
Net debt	(19,274)

Adjusted results, excluding exceptional items and remeasurements

Closing net debt

- + £5.3bn** from weaker sterling, normal business activity, liability management and transaction costs
- £11.3bn** from Gas Distribution deconsolidation and gross proceeds
- Net proceeds of £4bn to be returned in FY18

Movement in net debt (£bn)



Cash flow and Net debt

£m

Year ended 31 March 2017

Operating profit	4,667
Depreciation & amortisation	1,698
Pensions	(801)
Working capital & other	50
Net operating cash flow	5,614
Net debt	(19,274)

RCF / NET DEBT

15.8%

EXCL. SALE IMPACT

11.1%

FFO / NET DEBT

23.3%

EXCL. SALE IMPACT

16.1%

INTEREST COVER

5.0x

EXCL. SALE IMPACT

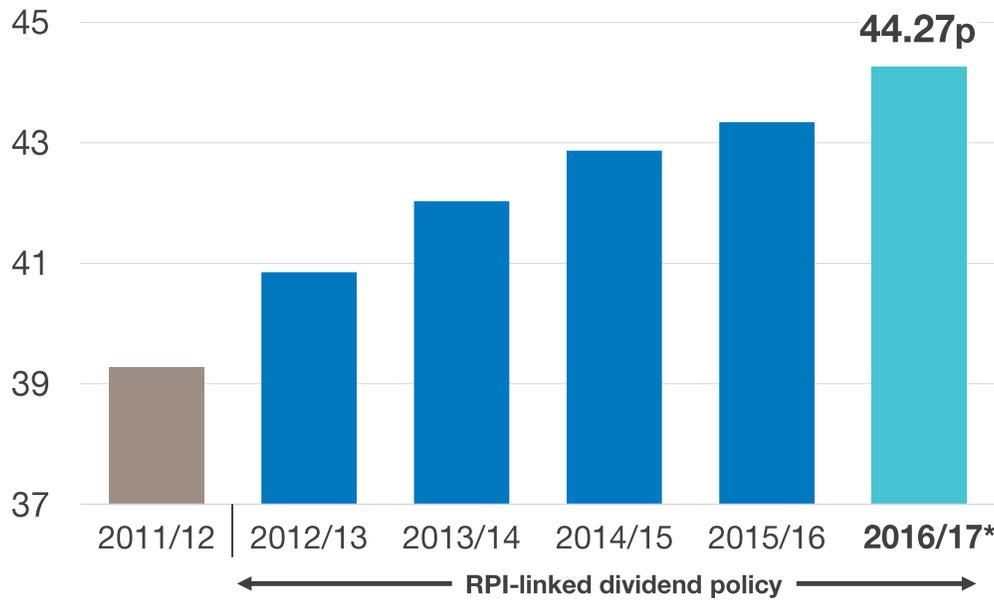
5.1x

Credit metrics reported using Moody's methodology
Adjusted results, excluding exceptional items and remeasurements

Dividend and scrip

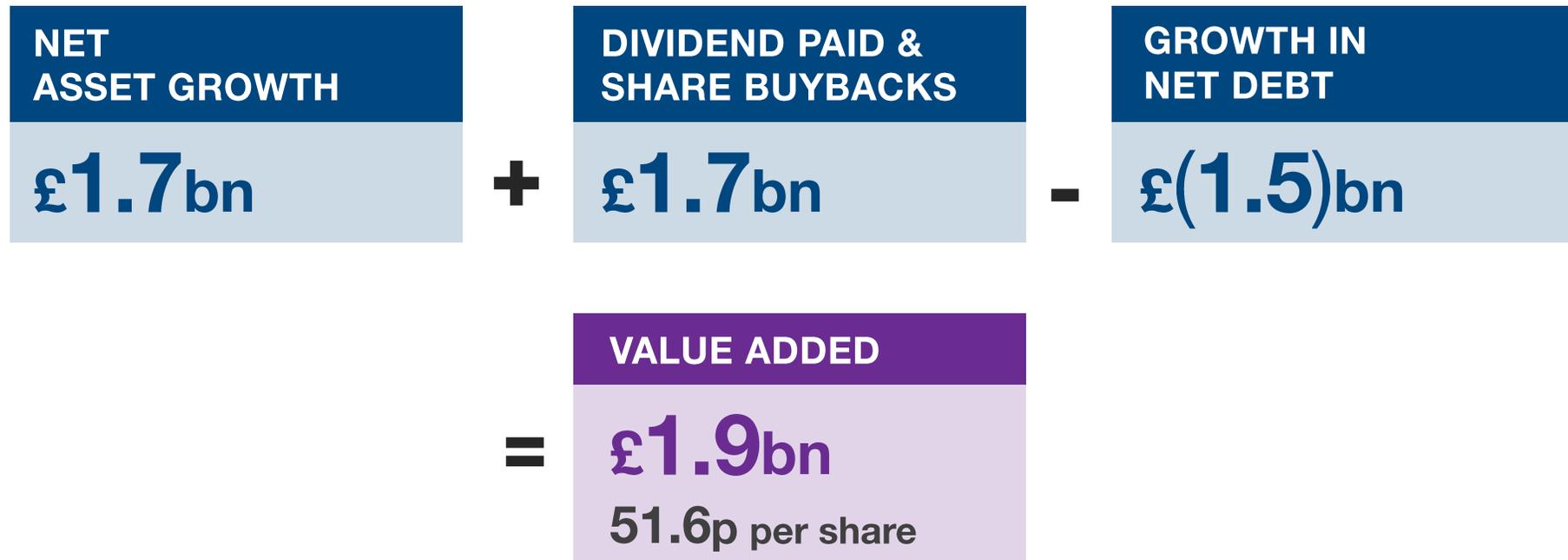
- Proposed dividend increase of 2.1% in line with UK RPI
- Scrip option to continue
- Continue to manage dilution

Dividend per share (p)



* Excludes special dividend of 84.375p

Value Added supporting long-term returns

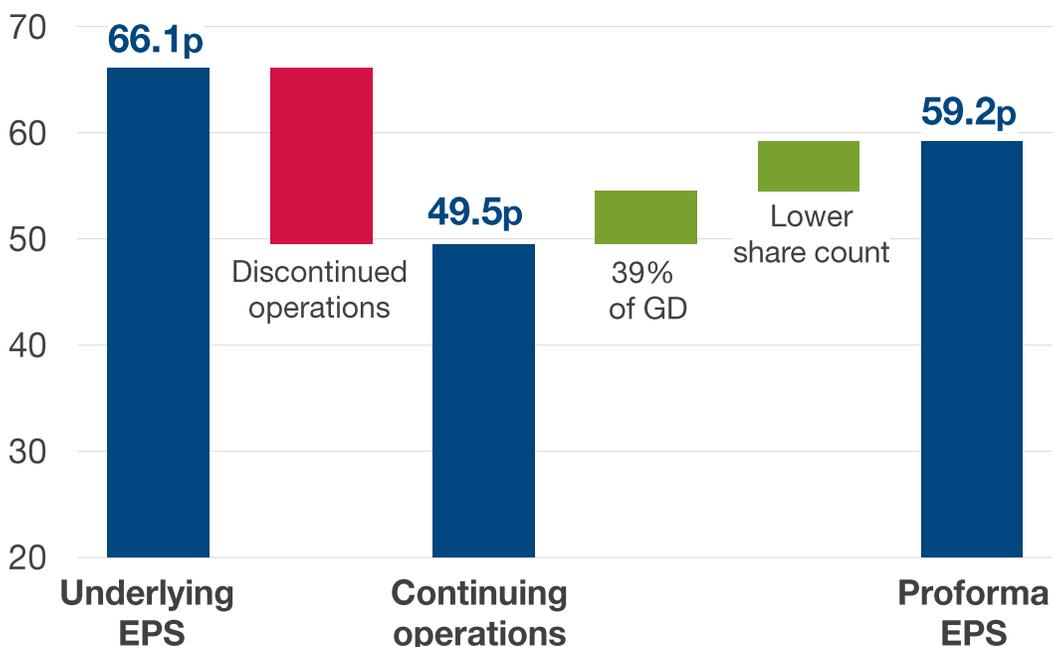


Net asset growth and growth in net debt are calculated at constant currency

FY17 Continuing operations

- Continuing operations excludes Gas Distribution earnings
- FY17 Gas Distribution associate profit after tax proforma contribution of 5.0p
- Lower weighted average number of shares proforma contribution of 4.7p

FY17 Proforma EPS excluding timing



Technical guidance – Continuing operations

UK Regulated:

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

US Regulated:

- Performance expected to improve and targeting 90% of allowed RoE
- Timing expected to begin to reverse

Other activities and Ventures

- Overall contribution expected to increase

Net debt

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

Interest charge

- Expected to increase slightly

Summary – Continuing operations

- Strong financial performance
- Increasing capital investment
- Financial position robust

OPERATING PROFIT

£3.8bn

PROFORMA EPS*

59.2p

CAPITAL INVESTMENT

£3.9bn

DIVIDEND PER SHARE

44.27p

DIVIDEND POLICY:
Growth at least in line with RPI

* Continuing operations proforma EPS excluding timing
Adjusted results, excluding exceptional items and remeasurements



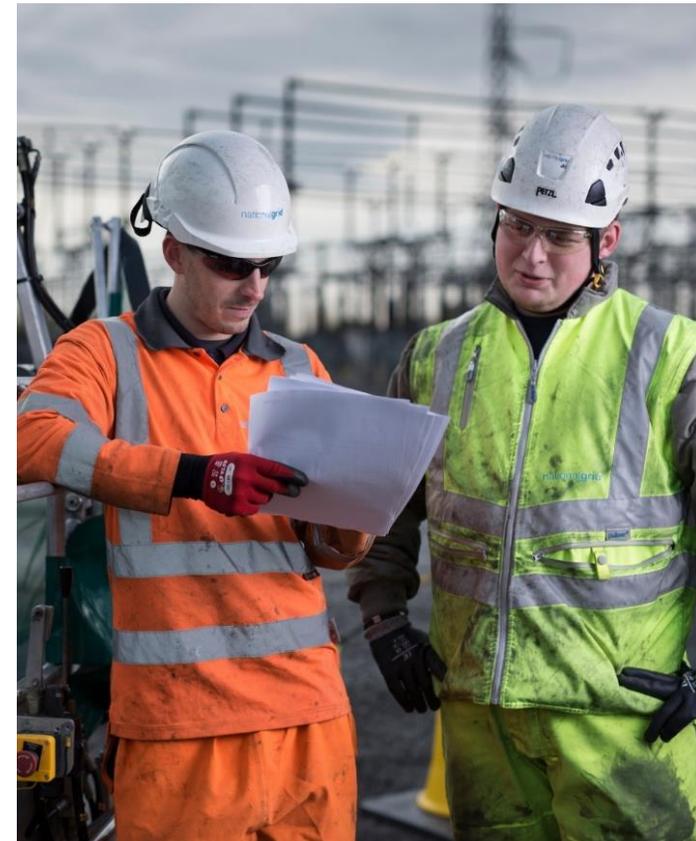
Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE



Building a strong foundation for the future

Our Purpose	Bring Energy to Life
Our Vision	We will exceed the expectations of our customers, shareholders, and communities today and make possible the energy systems of tomorrow
Our Values	Every day we... do the right thing and find a better way



Clear strategic focus

CUSTOMER FIRST



Performance optimisation



Growth



Evolve for the future

Customer first

nationalgrid

Responding to customer needs

Affordability is at the top of the agenda

- Ongoing savings achieved for UK customers
- Voluntary deferral of RIIO T1 allowances
- Sharing the success of the Gas Distribution sale
- Proposing solutions to phase in US bill increases

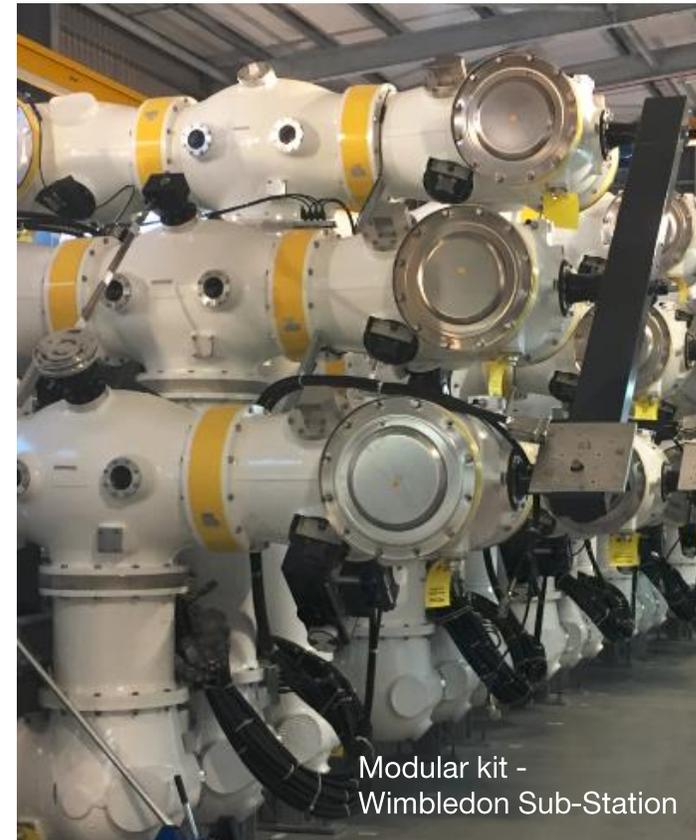


Performance optimisation

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Outperformance through efficient delivery

- Strong asset management
- Technological innovations
- Strategic procurement initiatives
- Focus on environmental impact
- Best practice construction techniques

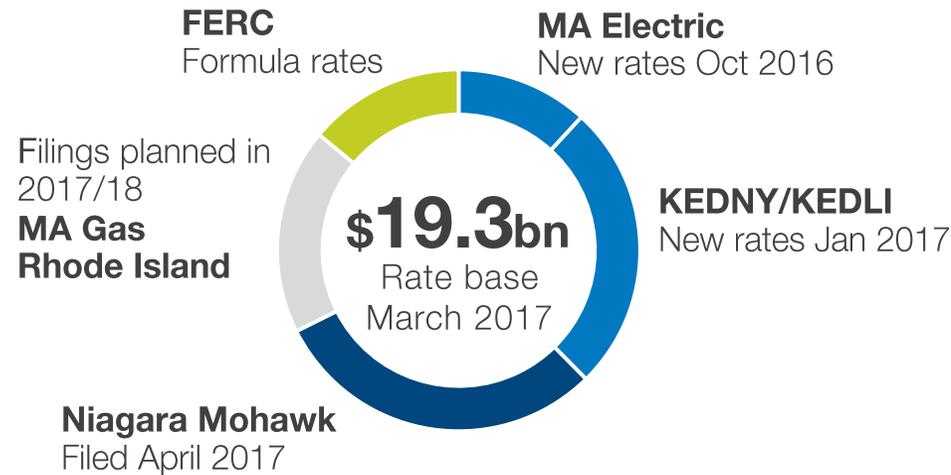


Modular kit -
Wimbledon Sub-Station

Performance optimisation

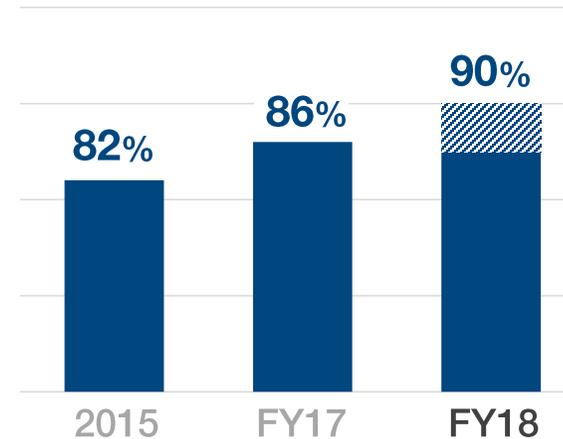


Improving returns performance



- ~70% of US rate base to be operating under new rates by April 2018

Achieved RoE as % of allowed returns



- Targeting 90% of allowed returns in FY18

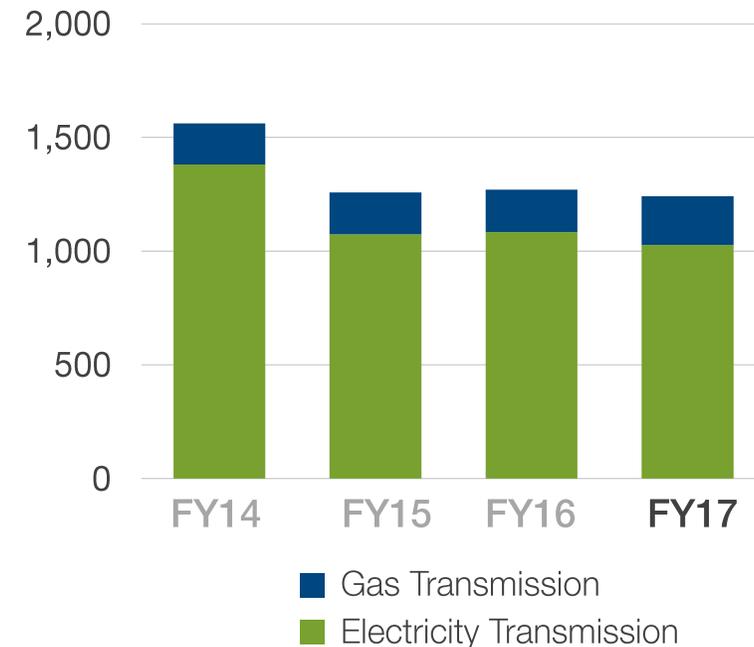
Growth

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Maintaining investment levels under RIIO

- Investment in second-half of RIIO comparable to first-half
- ET spend driven by non-load related investments
- GT investment expected to increase to support asset health
- Early preparation for RIIO T2 started

UK Regulated Capital Investment (£m)

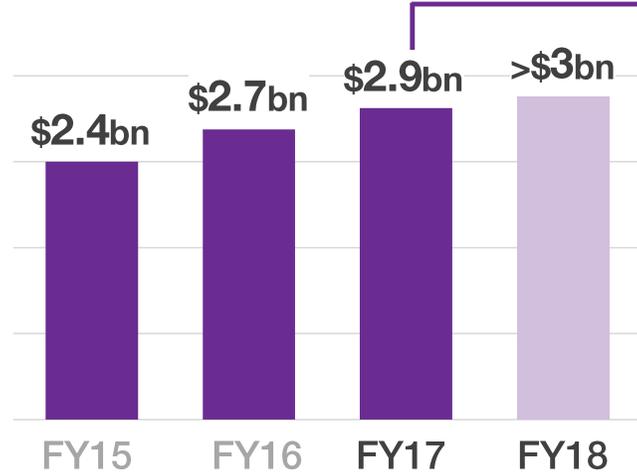


Growth

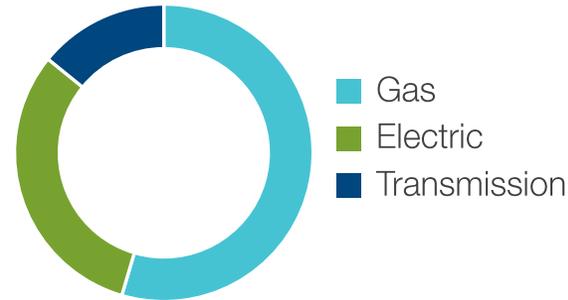
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Delivering high-quality, organic growth

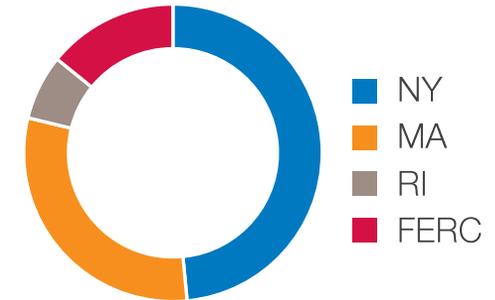
US Regulated Capex



By type



Jurisdictional split



- Increased capital investment funded through rate agreements
- 7% organic growth rate expected in the medium-term

Evolve for the future

nationalgrid

National Grid Ventures

- New division to enhance value through investing in closely-linked businesses
 - Interconnectors, Metering, Grain LNG
 - Business development and strategy
- Currently a small asset base but with high cash returns
- Attractive IRRs with regulatory underpinning



Utility scale opportunities



New and evolving technologies



Distributed energy opportunities

Evolve for the future

nationalgrid

Progress on committed capex and new projects

Projects under construction

- Nemo Link to Belgium on track for commissioning in 2019
- North Sea Link to Norway on track for commissioning in late 2021

Progressing on development pipeline

- Final investment decision on IFA 2
- Partnership formed with Sunrun



Summary

A strong portfolio for the future

- UK well positioned to deliver
- US on track to improve returns
- Attractive cash returns and further growth through NG Ventures
- Portfolio shaped to deliver attractive long-term growth and yield
- Underpinned by a robust balance sheet and strong financial discipline



JOHN PETTIGREW
CHIEF EXECUTIVE



ANDREW BONFIELD
FINANCE DIRECTOR

Appendices



Appendix 1

UK Electricity Transmission operating profit

For the year ended 31 March (£m)	2017	2016
Revenue	4,439	3,977
Pass through costs	(2,293)	(2,030)
Net revenue ¹	2,146	1,947
Depreciation & amortisation	(421)	(390)
Regulated controllable costs	(286)	(311)
Pensions	(43)	(40)
Other costs	(24)	(33)
Total UK Electricity Transmission operating profit²	1,372	1,173

¹ Net revenue includes BSIS performance of £28m in 2017 (2016: £27m)

² Operating profit includes a contribution from other electricity services of £11m (2016: £7m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements



Appendix 2

UK Gas Transmission operating profit

For the year ended 31 March (£m)	2017	2016
Revenue	1,080	1,047
Pass through costs	(223)	(221)
Net revenue	857	826
Depreciation & amortisation	(186)	(178)
Regulated controllable costs	(137)	(135)
Pensions	(19)	(18)
Other costs	(4)	(9)
Total UK Gas Transmission operating profit¹	511	486

¹ Operating profit includes a profit from LNG Storage of £10m in 2017 (2016: profit of £8m)

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements



Appendix 3

UK Gas Distribution operating profit

For the year ended 31 March (£m)	2017	2016
Revenue	1,882	1,918
Pass through costs	(350)	(352)
Net revenue	1,532	1,566
Depreciation & amortisation	(214)	(298)
Regulated controllable costs	(387)	(374)
Pensions	(42)	(39)
Other costs / contributions released	9	23
Total UK Gas Distribution operating profit	898	878

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements



Appendix 4

US Regulated operating profit

For the year ended 31 March (£m)	2017	2016
Revenue	8,931	8,653
Pass through costs	(3,411)	(3,642)
Net revenue	5,520	5,011
Depreciation & amortisation	(642)	(618)
Regulated controllable costs	(1,830)	(1,678)
Pensions	(104)	(111)
Bad debt	(120)	(152)
Other costs	(1,111)	(1,083)
Total US Regulated operating profit	1,713	1,369

- At constant currency
- Adjusted results, excluding exceptional items and remeasurements



Appendix 5

Metering, Grain LNG, French interconnector and Property operating profit

For the year ended 31 March (£m)	2017	2016
Revenue	290	301
Depreciation & amortisation	(72)	(79)
Operating costs (excluding depreciation & amortisation)	(57)	(60)
Metering operating profit	161	162
Revenue	205	199
Depreciation & amortisation	(65)	(59)
Operating costs (excluding depreciation & amortisation)	(66)	(68)
Grain LNG operating profit	74	72
Revenue	93	145
Depreciation & amortisation	(5)	(5)
Operating costs (excluding depreciation & amortisation)	(16)	(17)
French interconnector operating profit	72	123
Revenue	85	68
Depreciation & amortisation	(1)	(1)
Operating costs (excluding depreciation & amortisation)	(19)	(11)
Property operating profit	65	56

- At actual currency
- Adjusted results, excluding exceptional items and remeasurements
- Metering including Smart Metering

Appendix 6

Exchange rates

For the year ended 31 March (£m)	2017	2016
Closing \$ / £ rate	1.25	1.44
Average \$ / £ rate for the period	1.28	1.47
<hr/>		
For the year ended 31 March (£m)	2017	
Impact on operating profit ¹	187	
Impact on interest ¹	(99)	
Impact on tax, JVs and minority interests ¹	(39)	
Net impact on earnings¹	49	
<hr/>		
Impact on net debt ²	(2,360)	
<hr/>		
Impact on book value of assets ²	2,679	
<hr/>		

¹ Currency impact calculated by applying the average March 2017 rate to 2016 results

² Currency impact calculated by applying the closing March 2017 rate to March 2016 balances

• Adjusted results, excluding exceptional items and remeasurements

Appendix 7



Pensions & other post-retirement benefit obligations (IAS 19 data)

At 31 March 2017 (£m)	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)
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 8

Timing impacts

£m	UK Electricity Transmission	UK Gas Transmission	US Regulated	Total (Continuing)	UK Gas Distribution	Total
2016/17 Opening balance	(171)	38	156	23	46	69
2016/17 Opening balance restatement adjustment	4	12	(23)	(7)	(1)	(8)
2016/17 over/(under) recovery	137	62	199	398	(22)	376
2016/17 Closing balance	(30)	112	332	414	23	437
2015/16 Opening balance	(176)	(29)	240	35	20	55
2015/16 over/(under) recovery	5	67	(84)	(12)	26	14
2015/16 Closing balance	(171)	38	156	23	46	69
Year on year timing variance	132	(5)	283	410	(48)	362

- 2016/17 opening balance restatement reflects finalisation of timing balances
- All USD balances stated using the average 2017 rate (\$1.28 to £1.00)



Appendix 9

UK Transmission and UK Gas Distribution Regulated asset values ('RAV') and returns

	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution
Regulator	Ofgem	Ofgem	Ofgem
RAV	£12,464m	£5,755m	£8,979m
Base allowed real return (assumed CoD 2.38%)	4.23% (‘vanilla’ WACC)	4.04% (‘vanilla’ WACC)	3.89% (‘vanilla’ WACC)
Allowed RoE (nominal)	10.2%	10.0%	9.9%
Achieved RoE (nominal)	13.6%	10.8%	14.0%
Equity / debt (assumed)	40 / 60	37.5 / 62.5	35 / 65
Sharing factors (shareholder retention at RoE)	46.9% plus incentive schemes	44.4% plus incentive schemes	63.0% plus incentive schemes
Base allowed real return (assumed CoD 2.22%)	from April 2017 4.13%	from April 2017 3.94%	from April 2017 3.79%

• CoD = Cost of Debt



Appendix 10

New York jurisdiction

Regulated asset base ('Rate base') and returns

*Rate bases are reported by regulatory entity
as at 31 March 2017
Returns are those for the fiscal year ended
31 March 2017*

	Long Island (KEDLI)	Downstate New York (KEDNY)	Upstate New York (NMPC Gas)	Upstate New York (NMPC Electric)
Regulator	New York PSC	New York PSC	New York PSC	New York PSC
Rate base	\$2,256m	\$2,722m	\$1,052m	\$4,737m
Base allowed return	9.00% (RoE)	9.00% (RoE)	9.30% (RoE)	9.30% (RoE)
Achieved return	9.5%	8.2%	6.6%	8.5%
Equity / debt (assumed)	48 / 52	48 / 52	48 / 52	48 / 52
Sharing factors (shareholder retention at RoE)	100% to 9.5% 50% to 10.0% 25% to 10.5% 10% above 10.5%	100% to 9.5% 50% to 10.0% 25% to 10.5% 10% above 10.5%	100% to 9.3% 50% to 10.3% 25% to 11.3% 10% above 11.3%	100% to 9.3% 50% to 10.3% 25% to 11.3% 10% above 11.3%
Last / next rate case filing	Effective from 1 January 2017	Effective from 1 January 2017	Rate extension filed 15 December 2015	Rate extension filed 15 December 2015



Appendix 11

Massachusetts and Rhode Island jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity
as at 31 March 2017
Returns are those for the fiscal year ended
31 March 2017

	Massachusetts Electric¹	Massachusetts Gas²	Narragansett Distribution (Electric and Gas)³
Regulator	Massachusetts DPU	Massachusetts DPU	Rhode Island PUC
Rate base	\$2,281m	\$2,251m	\$1,305m
Base allowed return	9.90% (RoE)	9.80% (RoE)	9.50% (RoE)
Achieved return	4.3%	7.7%	7.7%
Equity / debt (assumed)	50 / 50	50 / 50	49 / 51
Sharing factors (shareholder retention at RoE)	100% to 9.9% 50% above 9.9%	100%	100% to 9.5% 50% to 10.5% 25% above 10.5%
Last / next rate case filing	Effective from 1 October 2016	Effective from November 2010	Effective from February 2013

¹ Includes Nantucket Electric. The rate base includes transmission assets

² Massachusetts Gas currently comprises two separate entities: Boston Gas and Colonial Gas. Base allowed and achieved RoE's are weighted averages (using rate base)

³ Narragansett comprises two separate entities: Narragansett Gas and Narragansett Electric. Base allowed and achieved RoE's are weighted averages (using rate base)



Appendix 12

FERC jurisdiction

Regulated asset base ('Rate base') and returns

*Rate bases are reported by regulatory entity
as at 31 March 2017
Returns are those for the fiscal year ended
31 March 2017*

	New England Power	Narragansett Electric (Transmission)	Canadian interconnector¹	Long Island Generation²
Regulator	FERC	FERC	FERC	FERC
Rate base	\$1,543m	\$697m	\$31m	\$422m
Base allowed return (RoE)	10.60%	10.60%	13.00%	9.90%
Achieved return	11.1%	11.4%	13.0%	12.0%
Equity / debt (assumed)	66 / 34	50 / 50	49 / 51	46 / 54
Sharing factors (shareholder retention at RoE)	100%	100%	100%	100%
Last / next rate case filing	Monthly formula rates	Monthly formula rates	Monthly formula rates	Effective from May 2013

¹ National Grid retains 100% of the return it earns on its stake of ~54% in the Canadian interconnector

² Long Island Generation rate base includes peaking plant

Appendix 13

Value Added

For the year ended 31 March (£m)	2017	2016 (constant currency)	change
UK RAV ¹	27,198	26,132 ²	1,066
US rate base	15,398	14,571	827
Other regulated assets	1,068	1,442 ²	(374)
Regulated Financial Position	43,664	42,145	1,519
Other invested capital	2,231	2,001	230
Total group regulated and other assets	45,895	44,146	1,749
Goodwill	6,096	6,096	-
Gas Distribution sale related net debt adjustment	(9,871)	-	(9,871)
Net debt	(19,274)	(27,685)	8,411
Equity	22,846	22,557	289
Share buy-backs			189
Dividend paid during the year			1,463
Value Added			1,941
Value Added per share (pence)			51.6p

¹ Includes 100% of Gas Distribution RAV

² UK restated for opening balance adjustments following Regulatory Reporting Pack process in 2016

Appendix 14

Group Return on Equity

For the year ended 31 March (£m)	2017	2016	2015
Regulated financial performance	3,906	3,663	3,741
IFRS operating profit for non-regulated companies	204	374	199
Share of post tax results of joint ventures	63	59	46
Non-controlling interest	1	(3)	8
Treasury managed interest	(1,075)	(922)	(945)
Group tax charge	(808)	(753)	(695)
Tax on adjustments	166	4	(14)
Adjusted Group profit after tax for RoE	2,457	2,422	2,340
Opening rate base/RAV	40,435	36,998	35,237
Non-regulated companies' opening net book value	1,579	1,213	1,341
Joint ventures	408	319	358
Opening goodwill	5,984	5,182	4,856
Opening capital employed	48,406	43,712	41,792
Opening net debt	(27,346)	(24,024)	(21,974)
Group equity value	21,060	19,688	19,818
Group RoE – nominal (adjusted group profit after tax / group equity value)	11.7%	12.3%	11.8%

• Adjusted results, excluding exceptional items and remeasurements

Appendix 15

Weighted average number of shares

<u>For the year ended 31 March</u>	2017	2016
<u>Number of shares (millions):</u>		
Prior period as reported (weighted average)	-	3,755
Current period opening shares	3,745	-
Scrip dividend shares	19	19
Other share movements (weighted from issuance/repurchase)	(1)	-
Weighted average number of shares (restated)	3,763	3,774
Business performance earnings (£m) - Group	2,748	2,386
Business performance EPS (restated) - Group	73.0p	63.2p
Business performance earnings (£m) - Continuing operations	2,141	1,812
Business performance EPS (restated) - Continuing operations	56.9p	48.0p

• Business performance, excluding exceptional items and remeasurements

Appendix 16

Interest cover

nationalgrid

For the year ended 31 March (£m)	2017 ¹	2017	2016	2015
Interest expense (P&L)	1,082	1,082	1,035	1,069
Hybrid interest reclassified as dividend	(51)	(51)	(49)	(55)
Capitalised interest	109	109	112	86
Pensions interest adjustment	(60)	(60)	(60)	(48)
Interest on decommissioning liabilities adjustment	1	1	1	1
Interest on lease rentals adjustment	18	18	17	32
Unwinding of discounts on provisions	(73)	(73)	(73)	(73)
Interest in discontinued operations	146	146		
Adjusted interest expense	1,172	1,172	983	1,012
Net cash inflow from operating activities (2017 continuing)	4,320	4,320	5,368	5,007
Interest income on financial instruments	51	51	23	37
Interest paid on financial instruments	(839)	(839)	(834)	(826)
Dividends received	99	99	72	79
Working capital adjustment	(151)	(151)	(456)	(301)
<i>add back</i> excess employer pension contributions	606	606	301	237
<i>add back</i> Hybrid interest reclassified as dividend	51	51	49	55
<i>add back</i> lease rentals	86	86	77	65
Difference in net interest expense in income statement to cash flow	(170)	(170)	(129)	(156)
Difference in current tax in income statement to cash flow	(47)	(47)	(42)	47
<i>add back</i> current tax related to prior years	(46)	(46)	(26)	(64)
Net cash inflow from discontinued operations	909	909	-	-
Interest in discontinued operations	(146)	(146)	-	-
<i>add back</i> exceptional cash costs related to Gas Distribution sale	139			
Adjusted funds from operations	4,862	4,723	4,403	4,180
Interest cover: (adjusted funds from operations + adjusted interest expense / adjusted interest expense)	5.1x	5.0x	5.5x	5.1x

¹ Proforma adjusted to remove impact of Gas Distribution sale

Appendix 17

RCF:Debt

nationalgrid

For the year ended 31 March (£m)	2017 ¹	2017	2016	2015
Adjusted funds from operations (FFO)	4,862	4,723	4,403	4,180
Hybrid interest reclassified as dividend	(51)	(51)	(49)	(55)
Dividends paid to shareholders	(1,463)	(1,463)	(1,337)	(1,271)
RCF (headline)	3,348	3,209	3,017	2,854
Purchase of treasury shares	(189)	(189)	(267)	(338)
RCF (net of share buybacks)	3,159	3,020	2,750	2,516
Bank Overdrafts	-	-	3	3
Borrowings	28,638	28,638	28,341	25,907
Less				
50% hybrid debt	(1,033)	(1,033)	(995)	(948)
Cash & cash equivalents	(1,139)	(1,139)	(127)	(119)
Restricted cash	2	2	2	1
Available for sale investments	(7,432)	(7,432)	(1,951)	(1,232)
Underfunded pension obligations	1,487	1,487	1,434	1,675
Operating leases adjustment	526	526	544	588
Derivative asset removed from debt	52	52	(183)	(89)
Currency swaps	72	72	55	453
Nuclear decommissioning liabilities reclassified as debt	36	36	38	22
Collateral - cash received under collateral agreements	(709)	(709)	(610)	(540)
Accrued interest removed from ST debt	(210)	(210)	(243)	(230)
Net debt adjustment to remove impact of Gas Distribution sale	9,871			
Adjusted Net Debt (includes pension deficit)	30,161	20,290	26,308	25,491
FFO/Adjusted Net Debt	16.1%	23.3%	16.7%	16.4%
RCF (headline)/Adjusted Net Debt	11.1%	15.8%	11.5%	11.2%
RCF (net of share buybacks)/Adjusted Net Debt	10.5%	14.9%	10.5%	9.9%

¹ Proforma adjusted to remove impact of Gas Distribution sale



Appendix 18

UK Electricity Transmission net revenue

For the year ended 31 March (£m)		2017
Revenue		4,439
Net timing adjustment		(137)
Pass through costs		
Revenue collected on behalf of others	(1,029)	
BSIS costs	(1,120)	
Electricity Transmission Owner (ETO) pass through costs	(104)	
Electricity System Operator (ESO) pass through costs	(40)	
		(2,293)
Net revenue adjusted for timing		2,009

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	16
True ups	(8)
Revenue under/(over) recovery	(51)
(Collection)/return of prior year deferrals	(94)
Net timing adjustment	(137)



Appendix 19

UK Electricity Transmission operating profit

For the year ended 31 March (£m)

2017

Net Revenue adjusted for timing

Transmission Owner (ETO) excluding incentives

ETO incentives 16

System Operator (ESO) excluding incentives

ESO incentives 28

Other (including legal settlements) 35

2,009

Depreciation & Amortisation

Electricity Transmission Owner (403)

Electricity System Operator (18)

Other -

(421)

Regulated Controllable costs, pensions and other costs

Electricity Transmission Owner (245)

Electricity System Operator (108)

Other -

(353)

Total UK Electricity Transmission operating profit adjusted for timing

Electricity Transmission Owner 1,143

Electricity System Operator 58

Other 34

Total UK Electricity Transmission operating profit adjusted for timing 1,235

Timing adjustment 137

Total UK Electricity Transmission operating profit: headline 1,372

	£m
Ofgem annual iteration TO revenue	1,386
- model non-controllable costs	(88)
+ inflate to actual 16/17 prices	296
Ofgem model net revenue	1,594
+ network innovation allowance, contributions, pensions true up and other	11
+ excluded services income	169
TO net revenue excluding timing and incentives	1,774

	£m
Ofgem annual iteration SO revenue	129
+ inflate to actual 16/17 prices	29
Ofgem model net revenue	158
+ other	(2)
SO net revenue excluding timing and incentives	156



Appendix 20

UK Gas Transmission net revenue

For the year ended 31 March (£m)		2017
Revenue		1,080
Net timing adjustment		(62)
Pass through costs		
Revenue collected on behalf of others	(14)	
Gas Transmission Owner (GTO) pass through costs	(128)	
Gas System Operator (GSO) pass through costs	(81)	
		(223)
Net revenue adjusted for timing		795

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	23
True ups	(46)
Revenue under/(over) recovery	(21)
(Collection)/return of prior year deferrals	(18)
Net timing adjustment	(62)



Appendix 21

UK Gas Transmission operating profit

For the year ended 31 March (£m)

2017

Net Revenue adjusted for timing

Transmission Owner (GTO) excluding incentives

589

GTO incentives

6

System Operator (GSO) excluding incentives and revenue drivers

89

GSO incentives (excluding revenue drivers)

23

Revenue drivers income

72

Other including LNG Storage

16

795

Depreciation & Amortisation

Gas Transmission Owner

(166)

Gas System Operator

(20)

Other

-

(186)

Regulated Controllable costs, pensions and other costs

Gas Transmission Owner

(103)

Gas System Operator

(56)

Other

(1)

(160)

Total UK Gas Transmission operating profit adjusted for timing

Gas Transmission Owner

326

Gas System Operator

108

LNG Storage & Other

15

Total UK Gas Transmission operating profit adjusted for timing

449

Timing adjustment

62

Total UK Gas Transmission operating profit: headline

511

	£m
Ofgem annual iteration TO revenue	591
- model non-controllable costs	(110)
+ inflate to actual 16/17 prices	110
Ofgem model net revenue	591
+ network innovation allowance, contributions, pensions true up and other	(4)
+ excluded services income	2
TO net revenue excluding timing and incentives	589

	£m
Ofgem annual iteration SO revenue	74
+ inflate to actual 16/17 prices	17
Ofgem model net revenue	91
+ other	(2)
SO net revenue excluding timing and incentives	89

	£m
Legacy revenue drivers	59
+ inflate to actual 15/16 prices	13
Revenue drivers income	72



Appendix 22

UK Gas Distribution net revenue and operating profit

For the year ended 31 March (£m)		2017
Revenue		1,882
Net timing adjustment		22
Pass through costs		(350)
Net revenue adjusted for timing		1,554

For the year ended 31 March (£m)		2017
Net revenue adjusted for timing		1,554
Net revenue excluding incentives		1,521
Incentives		33
Depreciation & Amortisation		(214)
Regulated Controllable costs, pensions and other costs		(420)
Total UK Gas Distribution operating profit adjusted for timing		920
Timing adjustment		(22)
Total UK Gas Distribution operating profit: headline		898

Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries		£m
Deferred for future recovery/(return):		
Incentives		18
True ups		6
Revenue under/(over) recovery		(15)
(Collection)/return of prior year deferrals		13
Net timing adjustment		22

Ofgem annual iteration revenue		£m
Ofgem annual iteration revenue		1,470
- model non-controllable costs		(258)
+ inflate to actual 16/17 prices		276
Ofgem model net revenue		1,488
+ network innovation allowance, contributions, pensions true up and other		18
+ excluded services income		15
Net revenue excluding timing and incentives		1,521

Appendix 23



Continuing, discontinued and total Group profits and earnings

For the year ended 31 March (£m)	2017			2016		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Revenue	15,035	1,887	16,922	13,212	1,903	15,115
Operating costs	(11,262)	(993)	(12,255)	(9,998)	(1,021)	(11,019)
Adjusted operating profit	3,773	894	4,667	3,214	882	4,096
Exceptional items and remeasurements	(565)	-	(565)	11	(22)	(11)
Statutory operating profit	3,208	894	4,102	3,225	860	4,085
Net finance cost (before exceptionals)	(1,029)	(146)	(1,175)	(856)	(157)	(1,013)
Finance exceptionals	(58)	(6)	(64)	(99)	-	(99)
Total finance cost	(1,087)	(152)	(1,239)	(955)	(157)	(1,112)
Share of post-tax results of joint ventures and associates	63	-	63	59	-	59
Profit before tax	2,184	742	2,926	2,329	703	3,032
Tax	(374)	(79)	(453)	(427)	(11)	(438)
Profit after tax before gain on disposal	1,810	663	2,473	1,902	692	2,594
Gain on disposal	-	5,321	5,321	-	-	-
Profit after tax including gain on disposal	1,810	5,984	7,794	1,902	692	2,594

Appendix 24

Reconciliation of adjusted operating profit to adjusted EPS (including and excluding timing)

For the year ended 31 March (£m)	Including timing		Excluding timing	
	2017	2016 ¹	2017	2016 ¹
Continuing operations				
Adjusted operating profit	3,773	3,214	3,375	3,215
Adjusted net finance costs	(1,029)	(856)	(1,029)	(856)
Share of post-tax results of joint ventures and associates	63	59	63	59
Adjusted profit before tax	2,807	2,417	2,409	2,418
Adjusted tax	(666)	(604)	(547)	(619)
Adjusted profit after tax	2,141	1,813	1,862	1,799
Attributable to non-controlling interests	-	(1)	-	(1)
Adjusted earnings from continuing operations	2,141	1,812	1,862	1,798
Exceptional items after tax	(312)	162	(312)	162
Remeasurements after tax	(19)	(73)	(19)	(73)
Earnings from continuing operations	1,810	1,901	1,531	1,887

continued →

¹ Comparative information has been restated to reflect the classification of the UK Gas Distribution business as a discontinued operation

Appendix 24 continued

Reconciliation of adjusted operating profit to adjusted EPS
(including and excluding timing)

For the year ended 31 March (£m)	Including timing		Excluding timing	
	2017	2016 ¹	2017	2016 ¹
Discontinued operations				
Adjusted operating profit	894	882	916	856
Adjusted net finance costs	(146)	(157)	(146)	(157)
Adjusted profit before tax	748	725	770	699
Adjusted tax	(142)	(149)	(146)	(144)
Adjusted profit after tax	606	576	624	555
Attributable to non-controlling interests	1	(2)	1	(2)
Adjusted earnings from discontinued operations	607	574	625	553
Exceptional items after tax from discontinued operations	62	116	62	116
Remeasurements after tax from discontinued operations	(5)	-	(5)	-
Gain on disposal of UK Gas Distribution after tax	5,321	-	5,321	-
Earnings from discontinued operations	5,985	690	6,003	669

continued →

¹ Comparative information has been restated to reflect the classification of the UK Gas Distribution business as a discontinued operation

Appendix 24 continued

Reconciliation of adjusted operating profit to adjusted EPS (including and excluding timing)

For the year ended 31 March (£m)	Including timing		Excluding timing	
	2017	2016 ¹	2017	2016 ¹
Continuing and discontinued operations				
Adjusted operating profit	4,667	4,096	4,291	4,071
Adjusted net finance costs	(1,175)	(1,013)	(1,175)	(1,013)
Share of post-tax results of joint ventures and associates	63	59	63	59
Adjusted profit before tax	3,555	3,142	3,179	3,117
Adjusted tax	(808)	(753)	(693)	(763)
Adjusted profit after tax	2,747	2,389	2,486	2,354
Attributable to non-controlling interests	1	(3)	1	(3)
Total adjusted earnings	2,748	2,386	2,487	2,351
Total exceptional items after tax	(250)	278	(250)	278
Total remeasurements after tax	(24)	(73)	(24)	(73)
Gain on disposal of UK Gas Distribution after tax	5,321	-	5,321	-
Total earnings	7,795	2,591	7,534	2,556

¹ Comparative information has been restated to reflect the classification of the UK Gas Distribution business as a discontinued operation

Appendix 25

Reconciliation of adjusted EPS to statutory EPS (including and excluding timing)

	Including timing		Excluding timing	
	2017	2016 ¹	2017	2016 ¹
For the year ended 31 March (pence)				
Adjusted EPS from continuing operations	56.9	48.0	49.5	47.6
Exceptional items after tax from continuing operations	(8.3)	4.3	(8.3)	4.3
Remeasurements after tax from continuing operations	(0.5)	(1.9)	(0.5)	(1.9)
EPS from continuing operations	48.1	50.4	40.7	50.0
Adjusted EPS from discontinued operations	16.1	15.2	16.6	14.7
Exceptional items after tax from discontinued operations	1.6	3.1	1.6	3.1
Remeasurements after tax from discontinued operations	(0.1)	-	(0.1)	-
Gain on disposal of UK Gas Distribution after tax	141.4	-	141.4	-
EPS from discontinued operations	159.0	18.3	159.5	17.8
Total adjusted EPS	73.0	63.2	66.1	62.3
Total exceptional items after tax	(6.7)	7.4	(6.7)	7.4
Total remeasurements after tax	(0.6)	(1.9)	(0.6)	(1.9)
Gain on disposal of UK Gas Distribution after tax	141.4	-	141.4	-
Total EPS	207.1	68.7	200.2	67.8

¹ Comparative information has been restated to reflect the classification of the UK Gas Distribution business as a discontinued operation and the additional shares as scrip dividends



Appendix 26

Capital investment

<u>For the year ended 31 March (£m)</u>	<u>2017</u>	<u>2016</u>	<u>% change</u>
Capital expenditure	3,735	3,327	12%
Additions within discontinued operations	588	566	4%
Equity and funding contributions to joint ventures and associates ¹	127	53	140%
Group capital investment	4,450	3,946	13%

¹ Excludes £10m equity contributions to St William property joint venture for 2017 (2016: £63m)



Stewardship meeting
Friday, 7 July 2017

Bring Energy to Life



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; and 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 sale of a majority interest in its UK Gas Distribution business and 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 180 to 183 of National Grid'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.



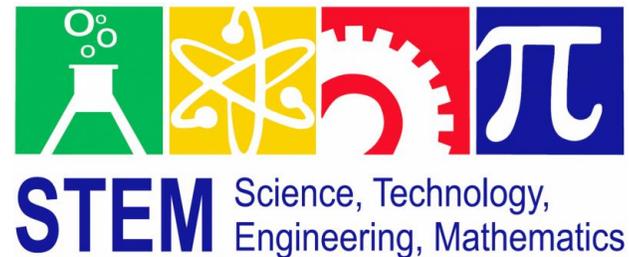
Welcome

SIR PETER GERSHON
CHAIRMAN



Acting responsibly

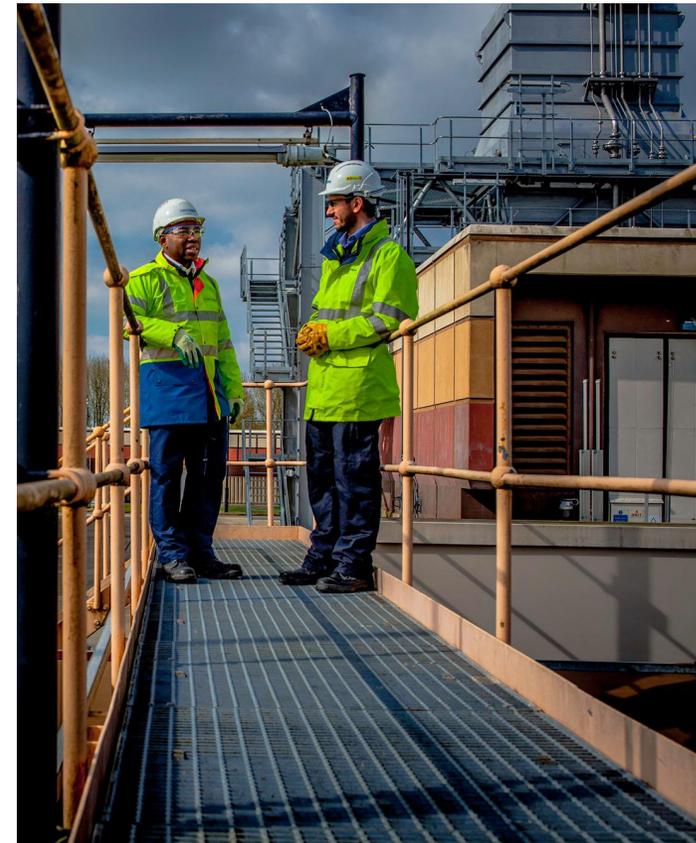
- Balance needs of all stakeholders
- Optimise shareholder returns
- Strong stewardship and corporate governance over everything we do



Agenda

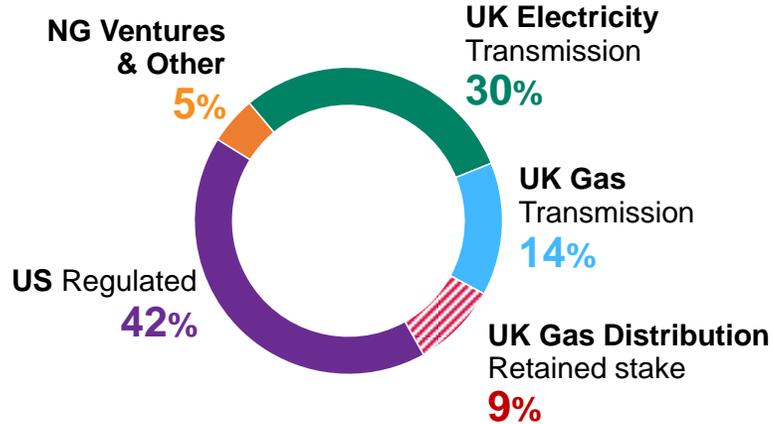
nationalgrid

Portfolio overview	Sir Peter Gershon
The Board	Sir Peter Gershon
Nominations	Sir Peter Gershon
Safety, Environment and Health	Paul Golby
Remuneration	Jonathan Dawson
Finance	Therese Esperdy



Portfolio overview

High quality regulated assets
Total assets **£40.5bn** as at 31 March 2017



Includes 39% share of UK Gas Distribution assets

Outperformance in the UK
generating savings for customers

US rate filings
supporting improved performance and increased investment

Non-Executive Director participants today



**Sir Peter
Gershon**
Chairman



**Jonathan
Dawson**
Remuneration
Committee



Paul Golby
Safety,
Environment
and Health
Committee



**Therese
Esperdy**
Finance
Committee

National Grid plc Board



**Sir Peter
Gershon**



**Ruth
Kelly**



**Jonathan
Dawson**



**Paul
Golby**



**Nora
Mead Brownell**



**Mark
Williamson**



**Pierre
Dufour**



**Therese
Esperdy**



**John
Pettigrew**



**Andrew
Bonfield**



**Dean
Seavers**



**Nicola
Shaw**

- Executive
- Non-executive

Board – key focus areas

Review of performance improvement in the US



Oversight of UK Gas Distribution sale and return of proceeds



Board composition and effectiveness



Seamless transition to new CEO



Cyber security



Evolution of Group strategy in the context of changing industry



Clear strategic focus

CUSTOMER FIRST



Performance optimisation



Growth



Evolve for the future

Board – 2017/18 priorities

Group	US	UK
		
Safety reviews; Principal risks	NiMo, Mass Gas and Rhode Island rate filings	RIIO T2 preparations; future governance of the SO

Nominations Committee composition



**Sir Peter
Gershon**



**Jonathan
Dawson**



**Mark
Williamson**



**Nora
Mead Brownell**



**Paul
Golby**



**Pierre
Dufour**



**Ruth
Kelly**

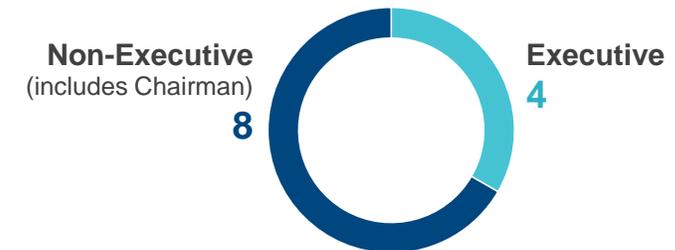


**Therese
Esperdy**

Nominations Committee review

- Senior appointments
 - John Pettigrew
 - Nicola Shaw
- Succession planning
- Board diversity
 - Experience, knowledge, thinking styles
 - Hampton-Alexander and Parker recommendations
 - Target of 33% women on the Board extended to Executive Committee and their direct reports

Executive and Non-executive Directors



Board gender



Committees – Safety, Environment and Health



**Paul
Golby**



**Nora
Mead Brownell**



**Pierre
Dufour**

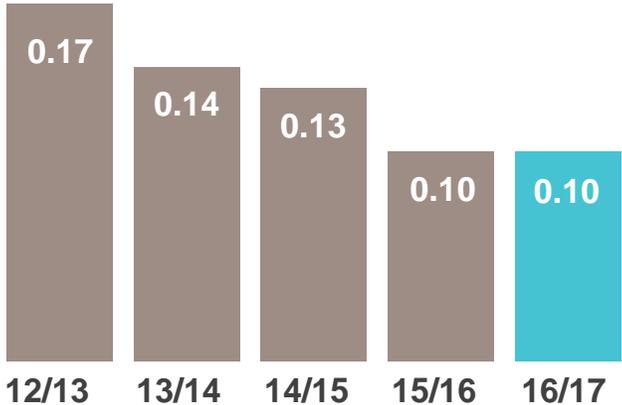
COMMITTEE ROLE

- **Safety**
lessons learnt from serious incidents, quality of training and initiatives, peer reviews and benchmarking
- **Environment**
cross company learning, company strategy and approach, specific incidents and lessons learnt
- **Health**
overview of key campaigns to promote employee health and wellbeing

Safety performance

- UK employee fatality a stark reminder of the importance of safety

Employee lost time injury frequency rate per 100,000 hours worked

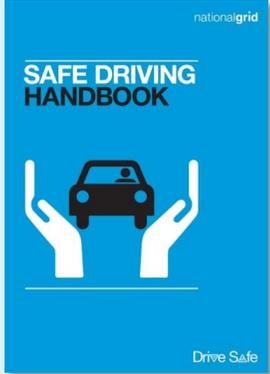
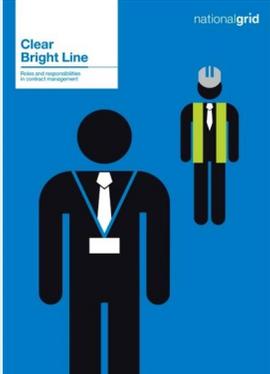


0.10
overall lost time injury frequency rate - an historic low level for National Grid



Safety priorities

Safety focus areas, programmes and initiatives

Behavioural Safety	Process Safety	Supply Chain	Visible Safety Leadership
			

Our Environmental performance and priorities

Climate change



45% reduction in GHG emissions by 2020

80% reduction by 2050

Responsible resource use



Reduce waste production by **30%** by 2020

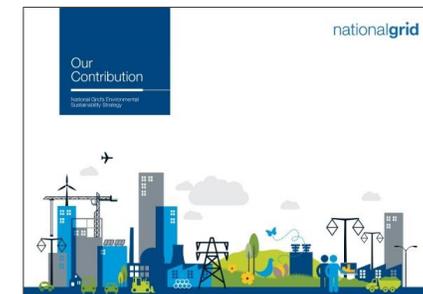
Caring for our environment



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

63%

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



Environmental case studies

A myriad of open water ponds and ditches create an important wetland habitat for a number of amphibians which can be seen in abundance throughout the site.

The wildflower meadows support a vast array of butterflies, including comma and small copper, as well as a variety of dragonflies.

Love Yorkshire, Love Wildlife

Kirkstall Substation, Leeds

Wimbledon Substation

SF₆ replacement project - Green Gas for Grid

Health and wellbeing performance and priorities

- Focus on musculoskeletal disorders and mental wellbeing
 - 500 managers completed internationally recognised Mental Health First Aid course
- Year long campaign on raising awareness and testing for diabetes
- Live Brighter wellness programme in the US



Committees - Remuneration



**Jonathan
Dawson**



**Mark
Williamson**



**Nora
Mead Brownell**

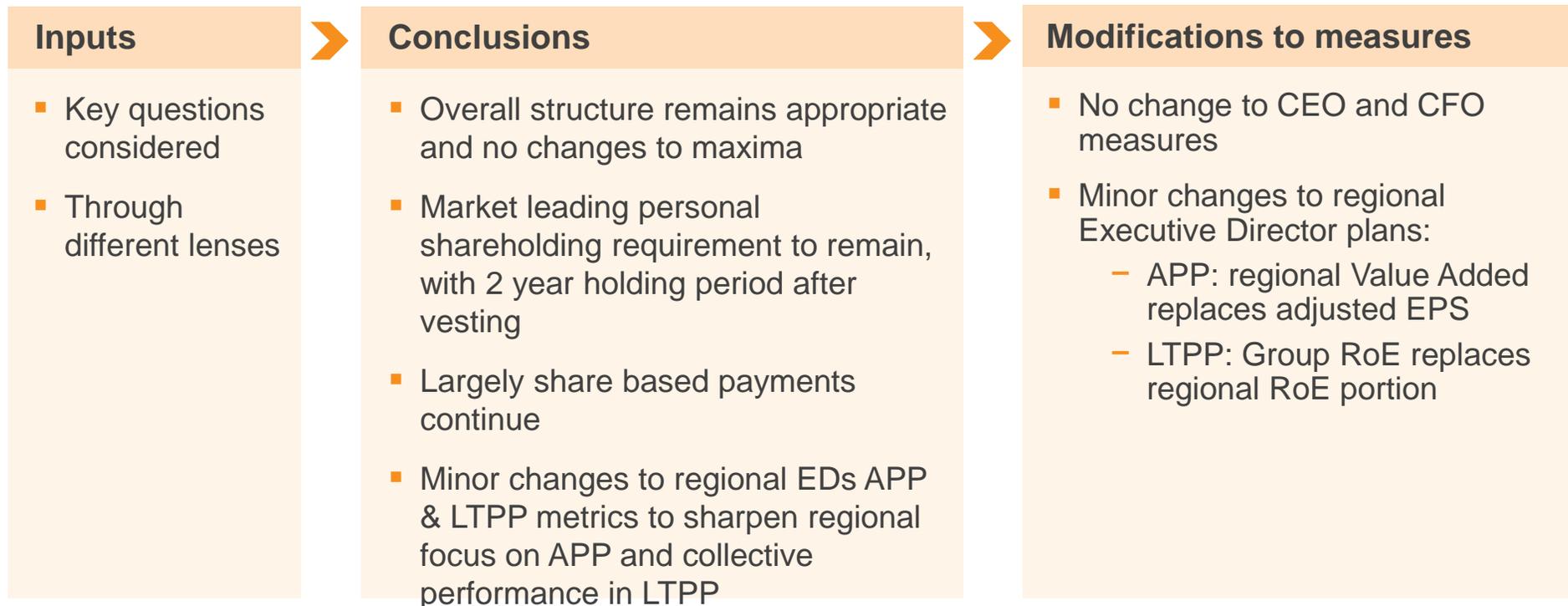


**Pierre
Dufour**

Key agenda items for 2016/17

- Remuneration policy review - policy vote at 2017 AGM
- Annual and long term incentive plan targets and performance measurement
- Disclosures

Remuneration policy review



Impact of changes

- All Executive Directors focused through long-term plan on creating sustainable group value
- Streamlined so that all Executive Directors have same basis for measurement for LTPP
 - 50% weighting on Group RoE
 - 50% weighting on Group Value Growth
- Pay-for-performance clarity for UK and US Executive Directors
- Drives strong performance, continues to deliver an overall quantum of pay that is appropriate

Annual performance plan outcomes FY17

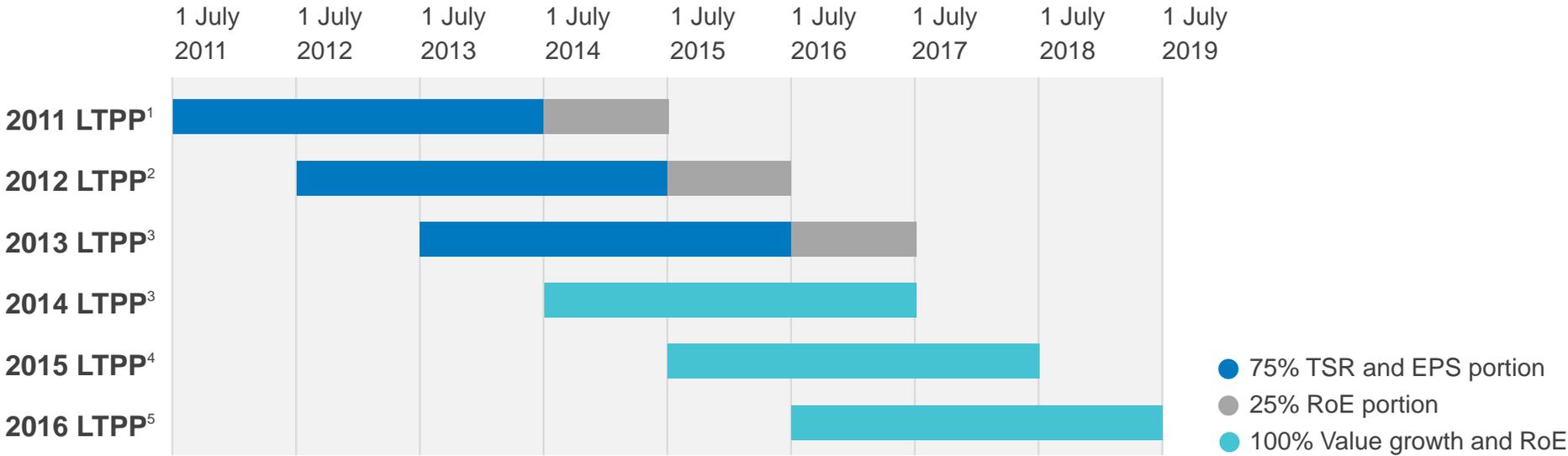
Proportion of maximum achieved



1. Adjusted as in prior years for timing, currency, scrip, and pension charges against budget. Also includes downward discretion for elimination of the windfall accounting gain relating to cessation of Gas Distribution depreciation. Results in adjusted EPS of 65.1p versus a reported of 73p.

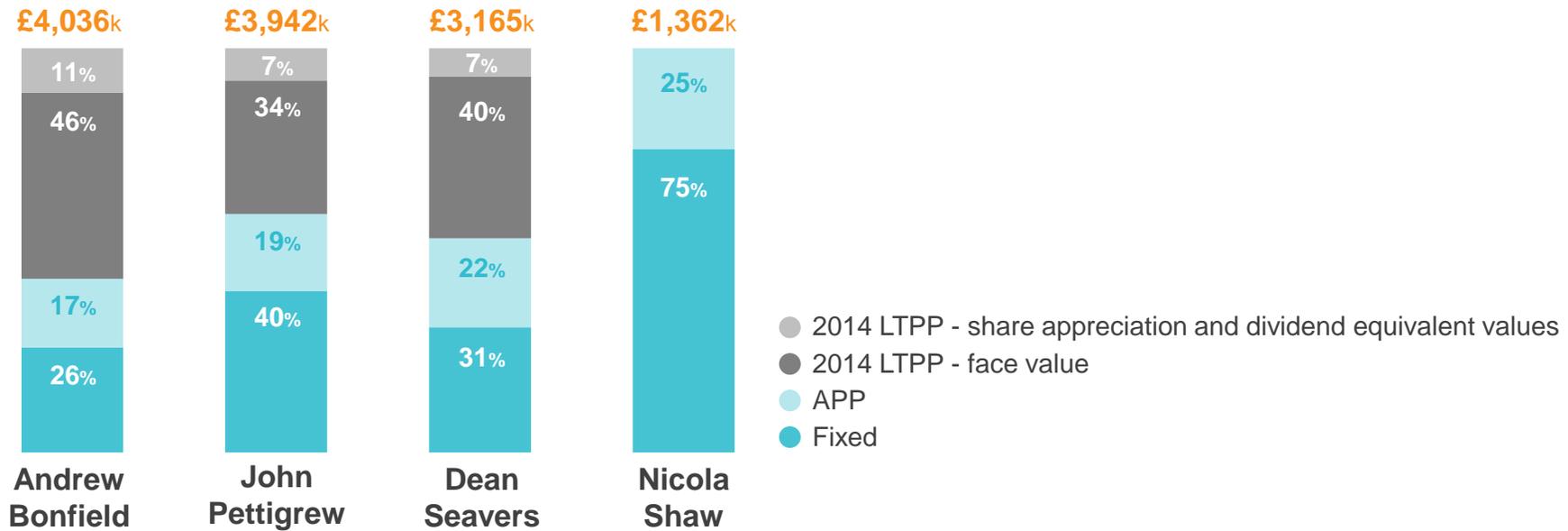


Long term performance plan outcomes FY17

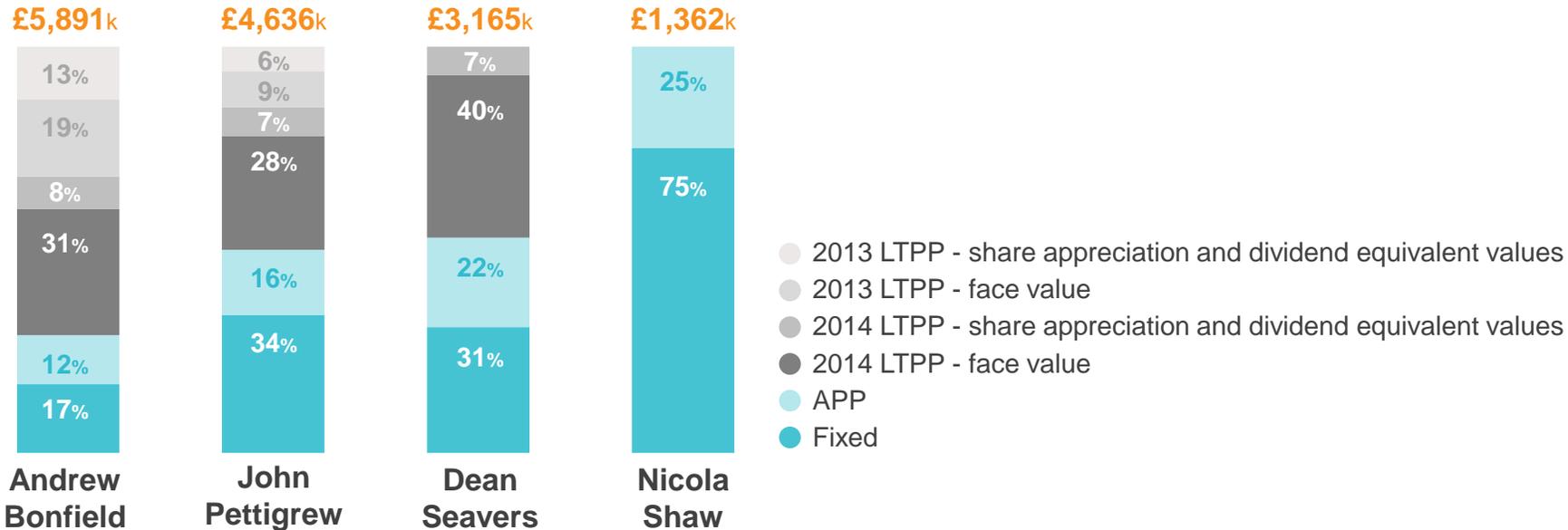


1. Shown in single figure total of remuneration table in 2015 report
2. Shown in single figure total of remuneration table in 2016 report
3. Shown in single figure total of remuneration table in 2017 report
4. Shown in single figure total of remuneration table in 2018 report
5. Shown in single figure total of remuneration table in 2019 report

Total reward FY17 (excluding 2013 LTPP)



Total reward FY17



Salaries and disclosure enhancements

- John Pettigrew and Nicola Shaw salaries increased 9%.
 - 2.6% consistent with wider managerial increase;
 - 6.4% discretionary due to low positioning against market and having met specific achievements
- 2.6% increase for Andrew Bonfield
- 2.5% increase for Dean Seavers
- Both in line with UK/US managerial increase
- Disclosure enhancements made to 2017 Annual Report, in line with our view of best practice



Committees – Finance



**Therese
Esperdy**



**Ruth
Kelly**



**Jonathan
Dawson**



**John
Pettigrew**



**Andrew
Bonfield**

COMMITTEE ROLE

- Sets policy, approves strategy and grants authority for:
 - financing decisions
 - credit exposure
 - hedging and foreign exchange transactions
- Oversight of tax, pensions and insurance activities

Finance Committee review 2016/17

- EU Referendum readiness
- Gas Distribution sale:
 - sectionalisation of the UK pension arrangements
 - restructuring of the existing UK debt portfolio
 - financing standalone UK Gas Distribution business
 - set up of new treasury team and banking group



Strong credit metrics support growth

NET DEBT

£19.3bn

- Before £4bn return of proceeds from Gas Distribution sale
- £2-3bn long-term debt issued each year

CREDIT RATING

A-

- A- at operating company
- BBB+ at NG plc
- International debt market access

AVERAGE MATURITY

~11 years

- 55% debt at fixed rates
- 25% RPI linked
- 20% Floating rate

Summary

- Year of significant milestones for National Grid
- Safety performance remains core to everything we do
- Fair and balanced approach to remuneration
- Board well positioned to support National Grid going forward



Q&A



Sir Peter Gershon
Chairman



Therese Esperdy
Non-Executive Director



Jonathan Dawson
Non-Executive Director



Paul Golby
Non-Executive Director

2015/16

Half Year Results

London | Tuesday 10 November 2015



Cautionary statement

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Agenda

- 
- ◆ Highlights
 - ◆ Financial review
 - ◆ Priorities & outlook

2015/16

Half Year Results

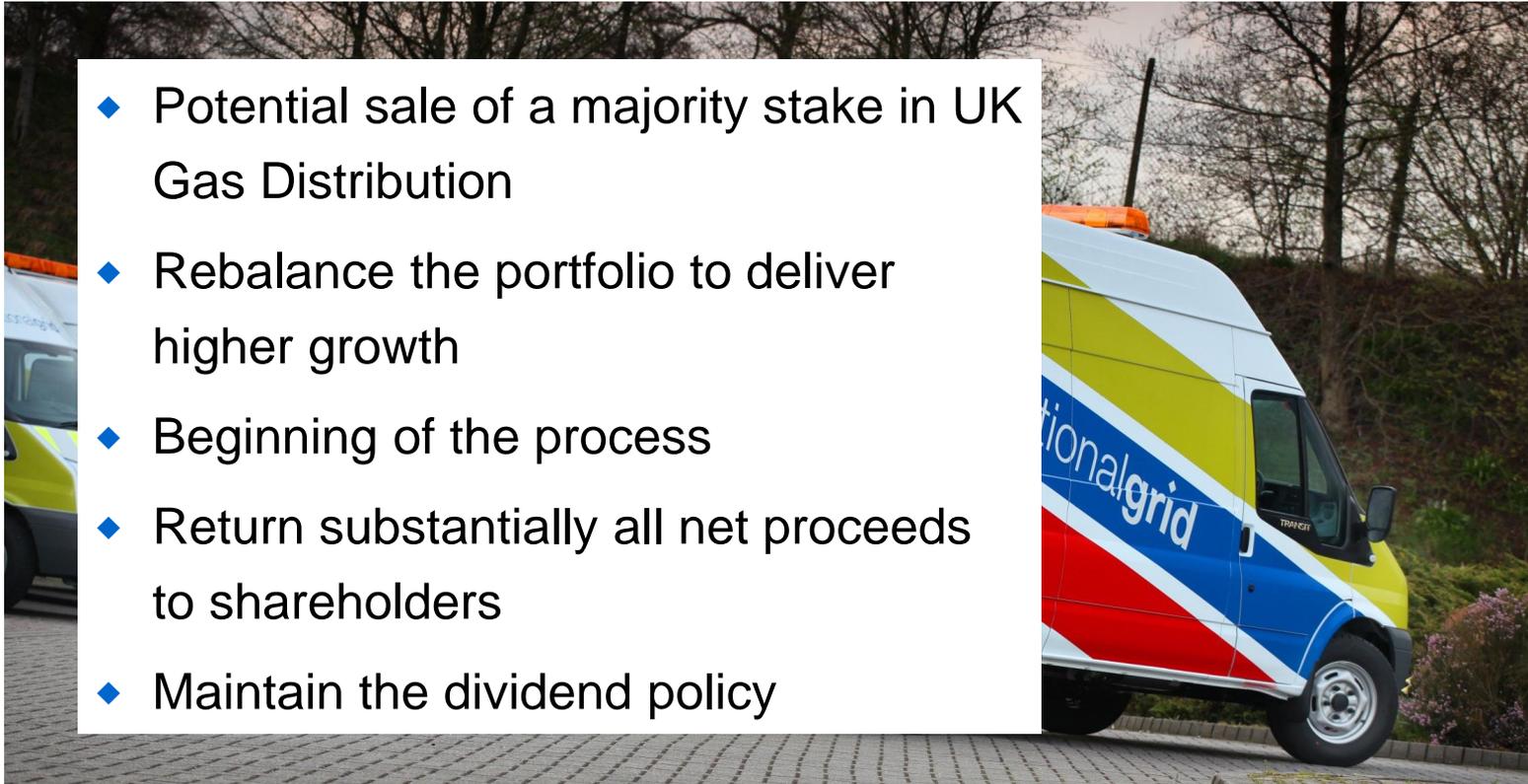
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Highlights

Steve Holliday | Chief Executive

Portfolio update

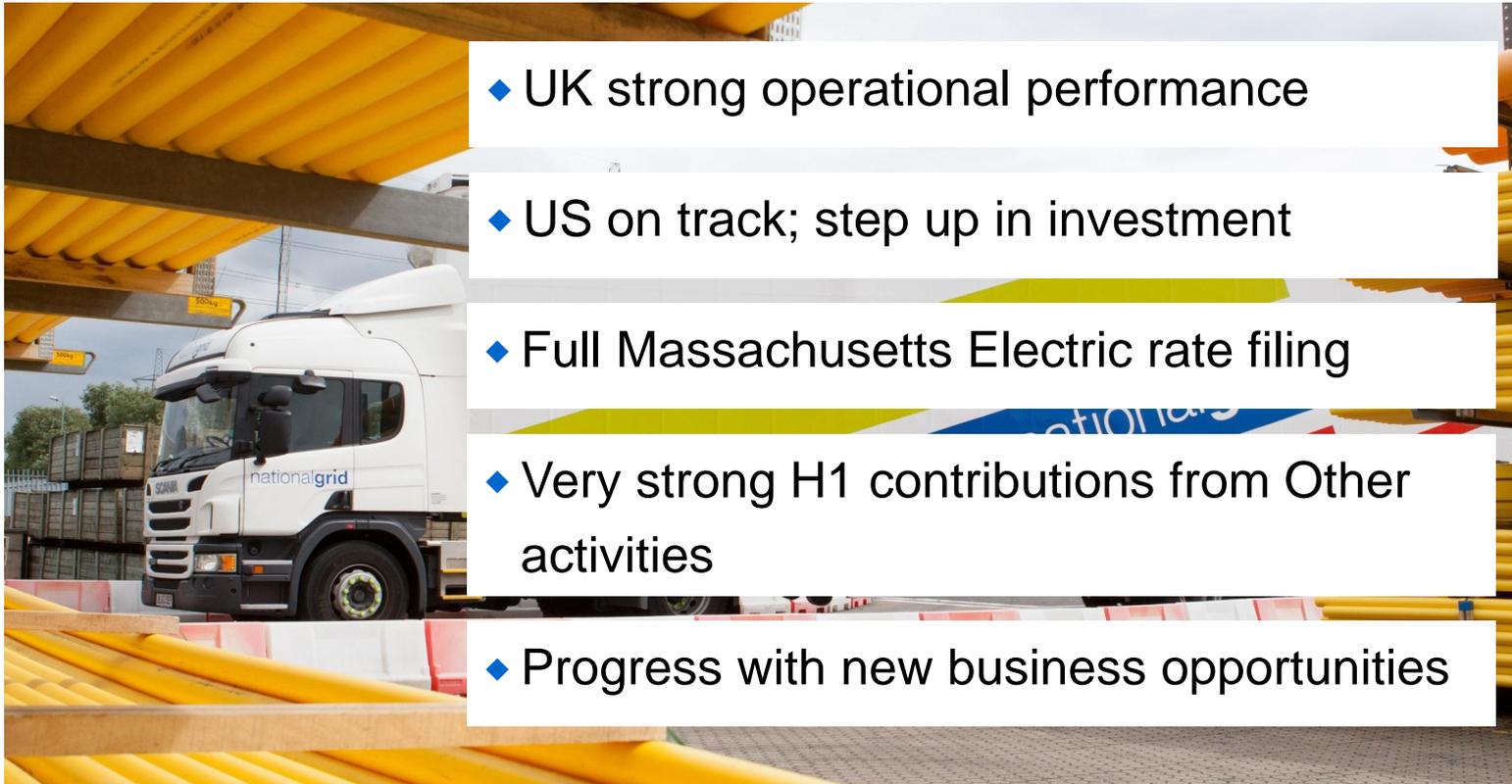
- ◆ Potential sale of a majority stake in UK Gas Distribution
- ◆ Rebalance the portfolio to deliver higher growth
- ◆ Beginning of the process
- ◆ Return substantially all net proceeds to shareholders
- ◆ Maintain the dividend policy



Financial headlines



On track for another good year



- ◆ UK strong operational performance
- ◆ US on track; step up in investment
- ◆ Full Massachusetts Electric rate filing
- ◆ Very strong H1 contributions from Other activities
- ◆ Progress with new business opportunities

Safety & reliability



- ◆ UK employee safety remains world class
- ◆ Strong UK network reliability
- ◆ US maintains good progress in safety performance
- ◆ Good performance during Rhode Island storm; prepared for winter

2015/16

Half Year Results

nationalgrid

Business Review

Andrew Bonfield | Finance Director

Performance on track

Operating profit and capital investment

	Operating profit	Capital investment
UK Electricity Transmission	£610m	£514m
UK Gas Transmission	£159m	£91m
UK Gas Distribution	£428m	£286m
US Regulated	£351m	£933m
Other activities	£288m	£95m*

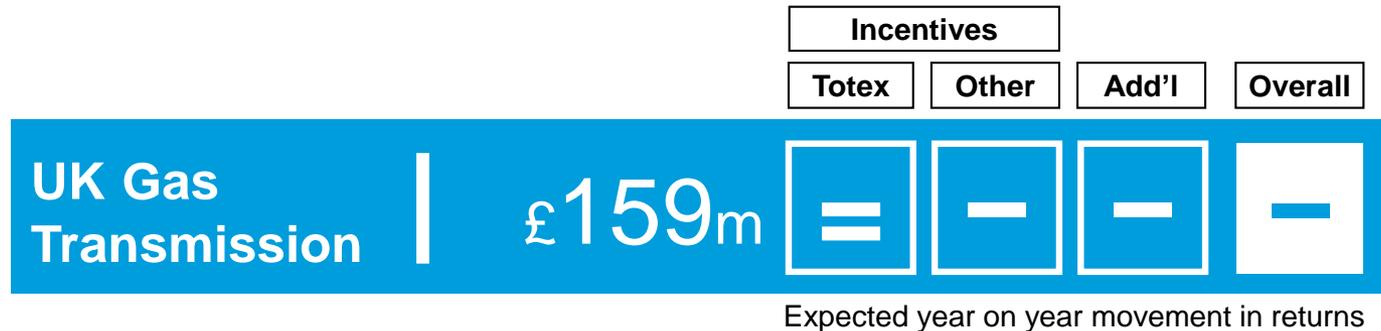
*including investment in joint ventures, excluding £55m equity contribution to St William property joint venture
Adjusted results, excluding exceptional items and remeasurements
All numbers include impacts of timing

Electricity Transmission



- ◆ Totex performance driven by capital efficiencies
- ◆ New balancing services incentive scheme
- ◆ On track for similar overall returns

Gas Transmission



- ◆ Totex spend in line with allowances
- ◆ Expiry of permit income; overall good other incentive performance expected
- ◆ Additional (legacy) allowances ramping down from 2015/16 onward

Gas Distribution



- ◆ Similar level of totex efficiencies
- ◆ Similar level of other incentive performance
- ◆ Overall performance in line with 2014/15

US Regulated

US Regulated

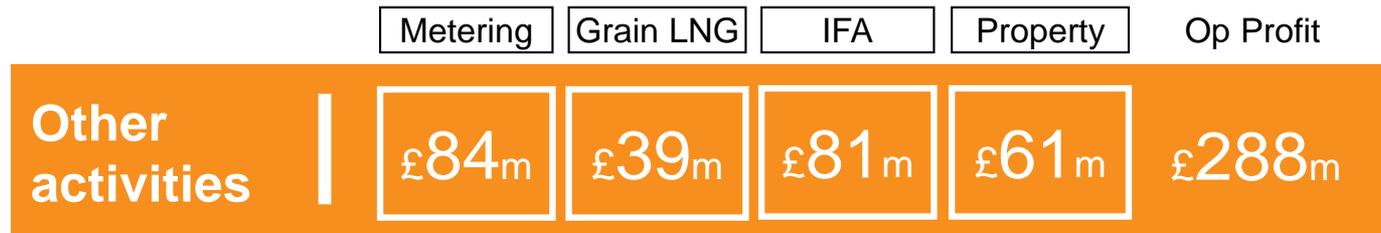
£351m

around 8%

projected 2015 returns

- ◆ Operations performing well
- ◆ Controllable operating costs reduced
- ◆ Step up in growth of regulated assets
- ◆ Regulatory filings underway

Other activities



- ◆ Metering and Grain to sustain steady performance
- ◆ IFA strong performance; H2 to be slightly less than last year
- ◆ Sale of two properties; likely to remain flat through H2
- ◆ End of US systems stabilisation costs in H1 2014/15
- ◆ Benefit from exchange of Iroquois Pipeline interest

Interest, tax and earnings

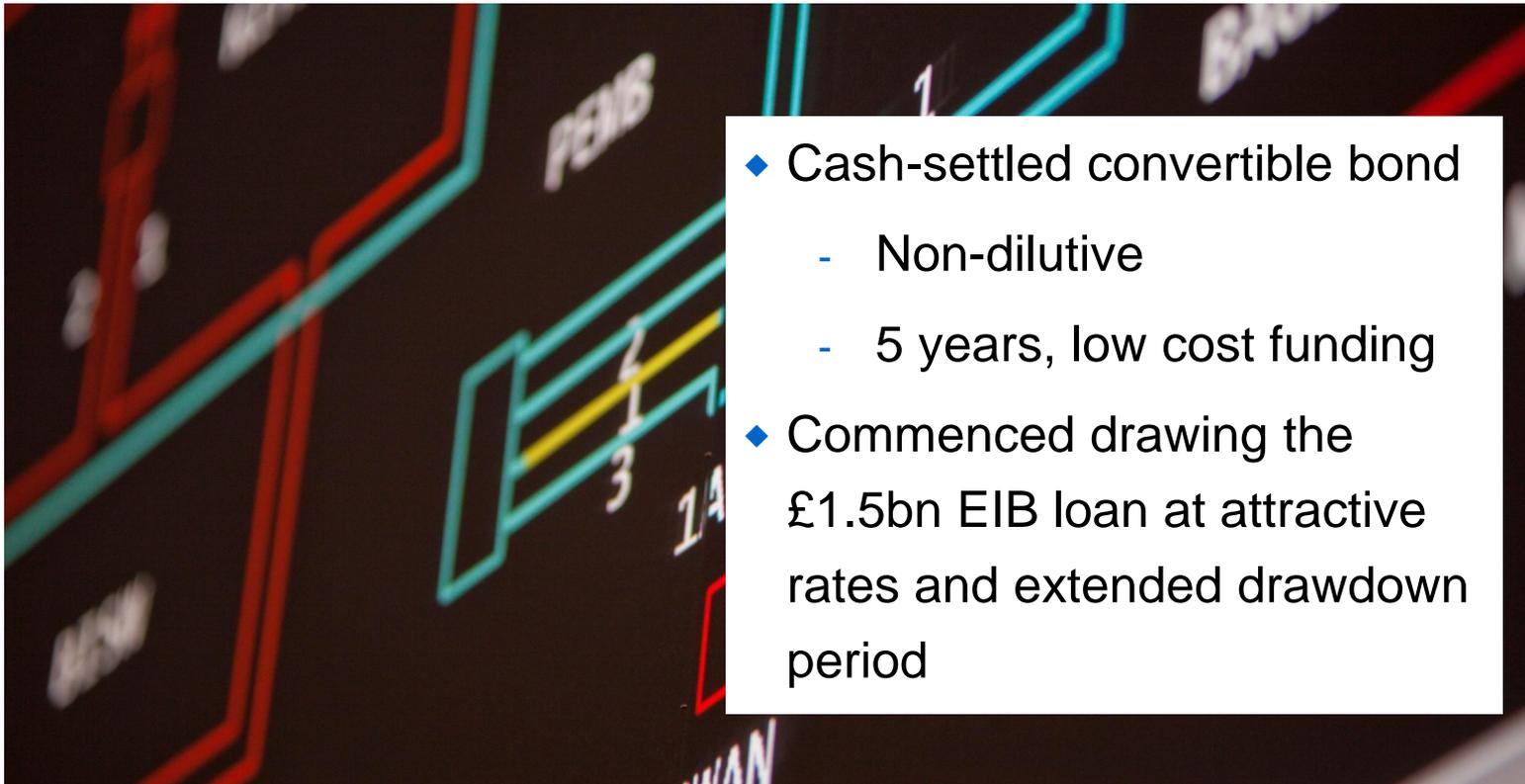


Finance costs

£493m
consistent with 2014

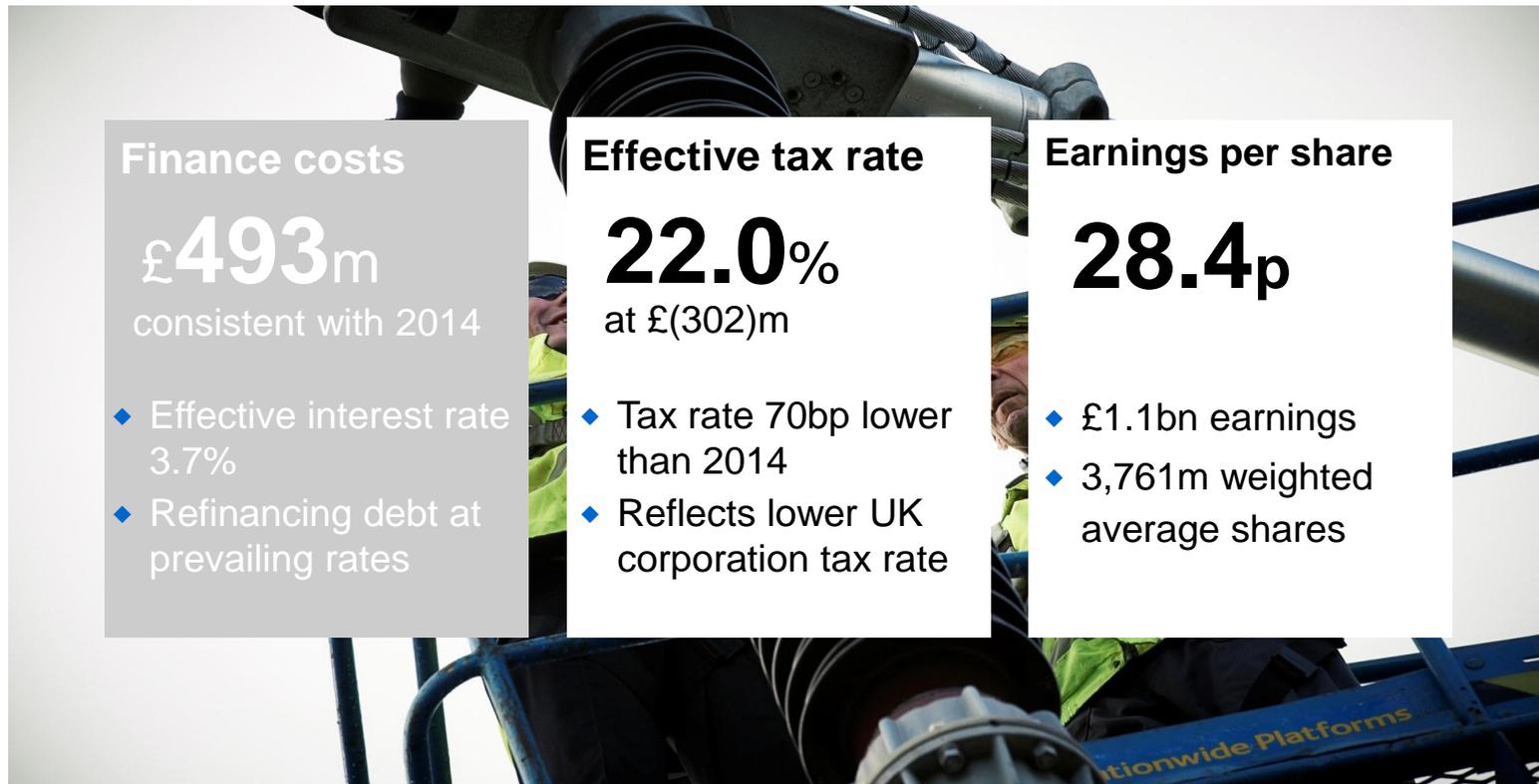
- ◆ Effective interest rate 3.7%
- ◆ Refinancing debt at prevailing rates

Debt financing



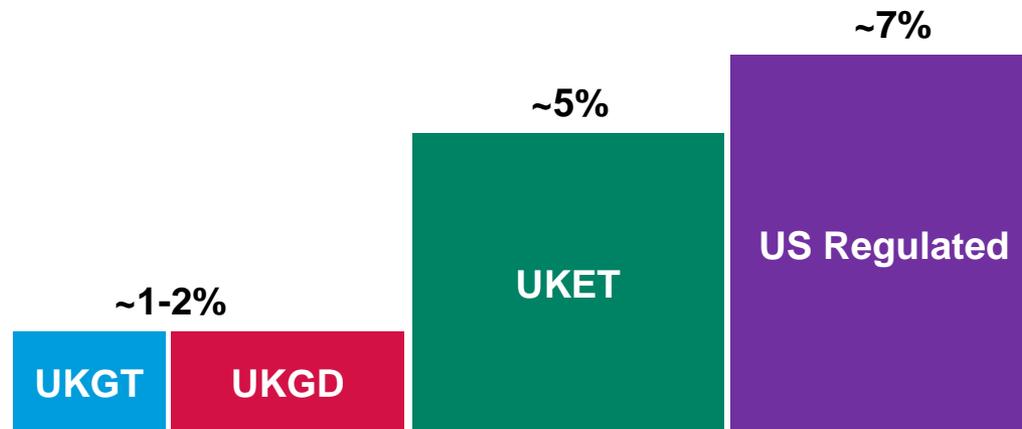
- ◆ Cash-settled convertible bond
 - Non-dilutive
 - 5 years, low cost funding
- ◆ Commenced drawing the £1.5bn EIB loan at attractive rates and extended drawdown period

Interest, tax and earnings



2015/16 asset growth

~£3.7bn total Group investment for FY15/16



4-5% Group growth rate expected

Cash flows and net debt

Period ended 30 September 2015	£m
Operating profit	1,836
Depreciation & amortisation	796
Provisions, incl. pensions	(284)
Working capital & other	333
Net operating cash flow	2,681
Net debt	24,592

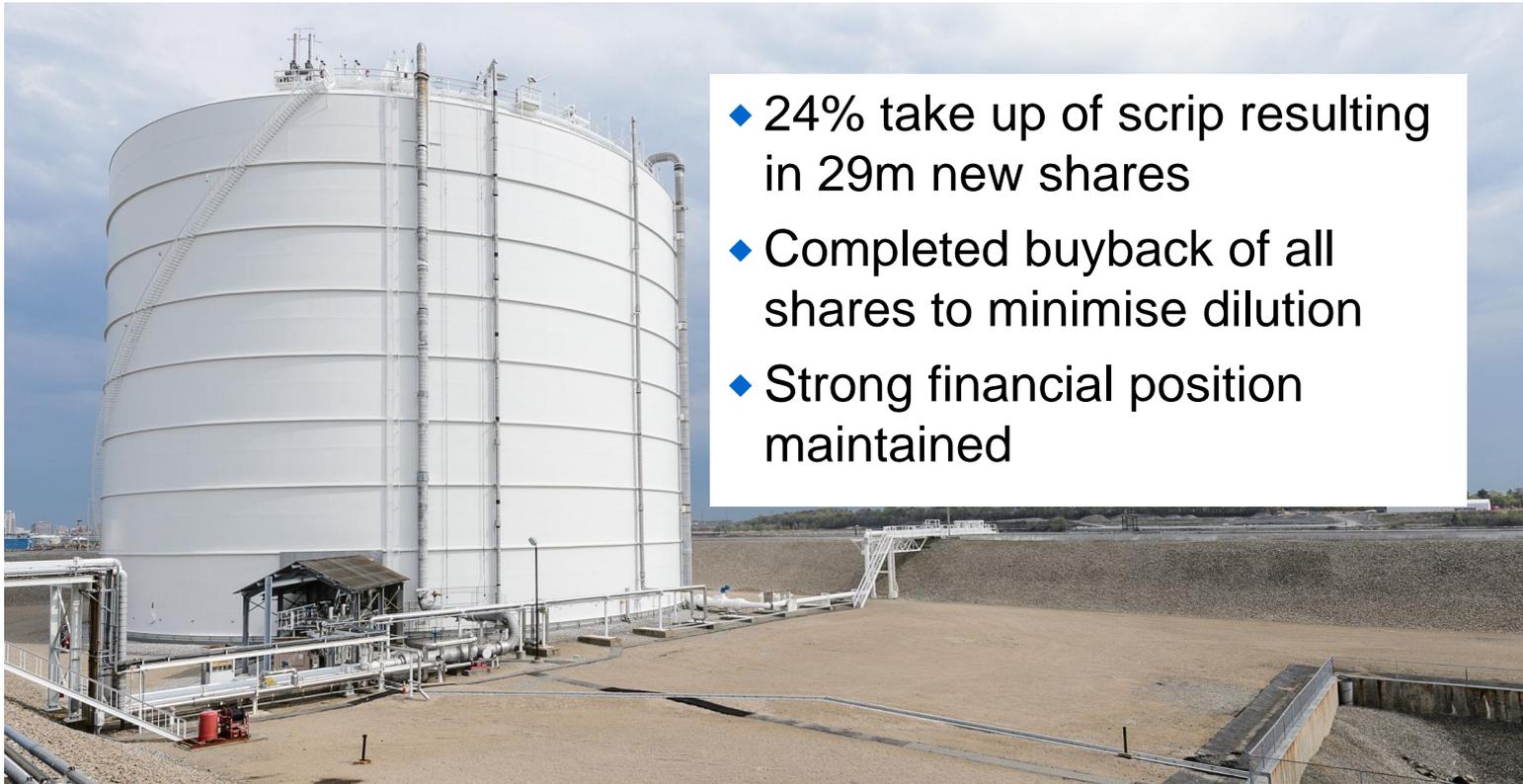
Net operating cash flow

£2.7bn

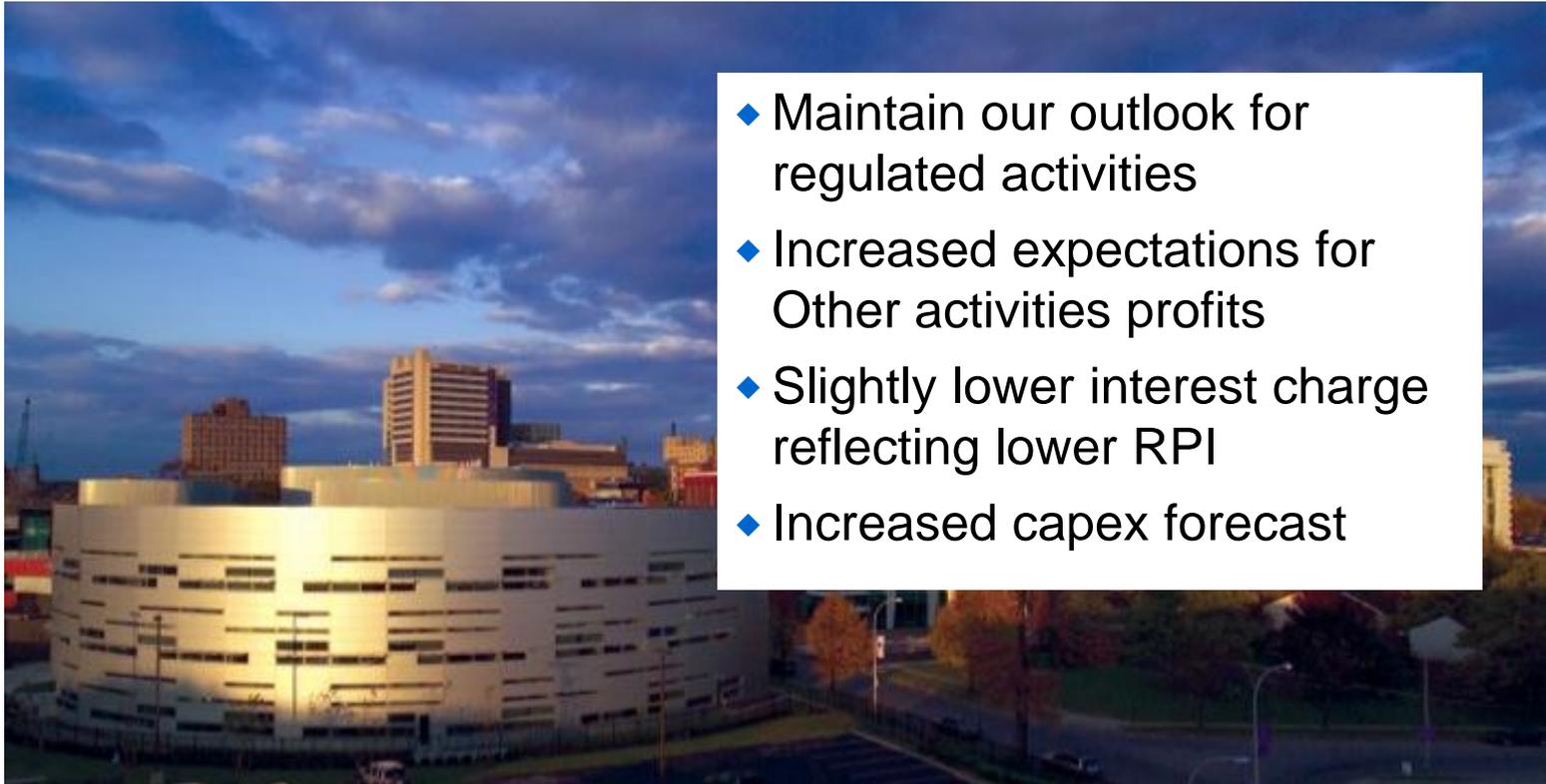
Net debt

£24.6bn

Scrip dividend and share buybacks



Technical guidance



- ◆ Maintain our outlook for regulated activities
- ◆ Increased expectations for Other activities profits
- ◆ Slightly lower interest charge reflecting lower RPI
- ◆ Increased capex forecast

2015/16

Half Year Results

nationalgrid

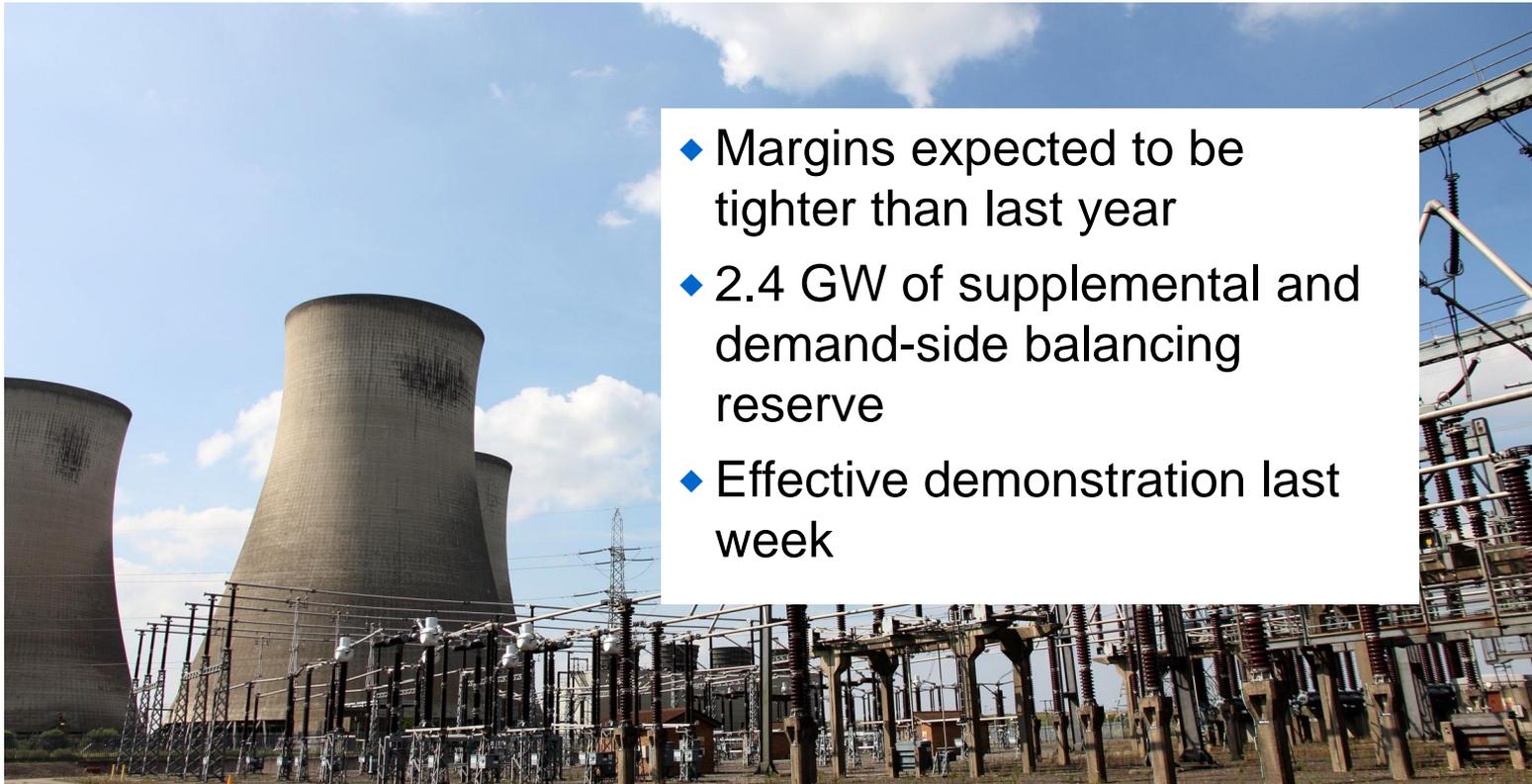
Priorities & outlook

Steve Holliday | Chief Executive

2015/16 priorities

UK Electricity Transmission	Deliver efficient investment programme
UK Gas Transmission	Further important upgrades required
UK Gas Distribution	Priority to improve customer service
US Regulated	Sustain returns and growth, deliver new filings on time

Winter outlook



- ◆ Margins expected to be tighter than last year
- ◆ 2.4 GW of supplemental and demand-side balancing reserve
- ◆ Effective demonstration last week

2015/16 priorities

UK Electricity Transmission	Deliver efficient investment programme
UK Gas Transmission	Further important upgrades required
UK Gas Distribution	Priority to improve customer service
US Regulated	Sustain returns and growth, deliver new filings on time

2015/16 priorities

US Regulated

Sustain returns and growth,
deliver new filings on time

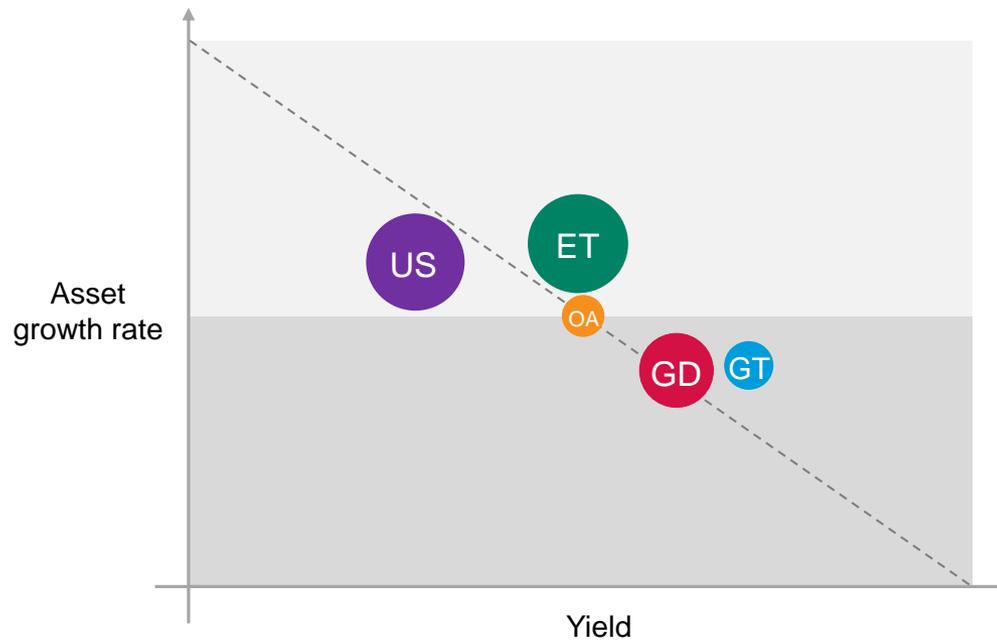
- ◆ Reduced costs despite upward pressure
- ◆ Increased level of investment; growth around 7%
- ◆ Downstate NY gas capital trackers approved; \$400m for KEDLI and \$900m for KEDNY over two years
- ◆ Agreed MA gas capital plan of \$219m in 2015
- ◆ Full rate plan filing for Massachusetts Electric filed last week; requests additional \$143m of revenue per annum

2015/16 priorities

UK Electricity Transmission	Deliver efficient investment programme
UK Gas Transmission	Further important upgrades required
UK Gas Distribution	Priority to improve customer service
US Regulated	Sustain returns and growth, deliver new filings on time
Group	Rebalance the portfolio

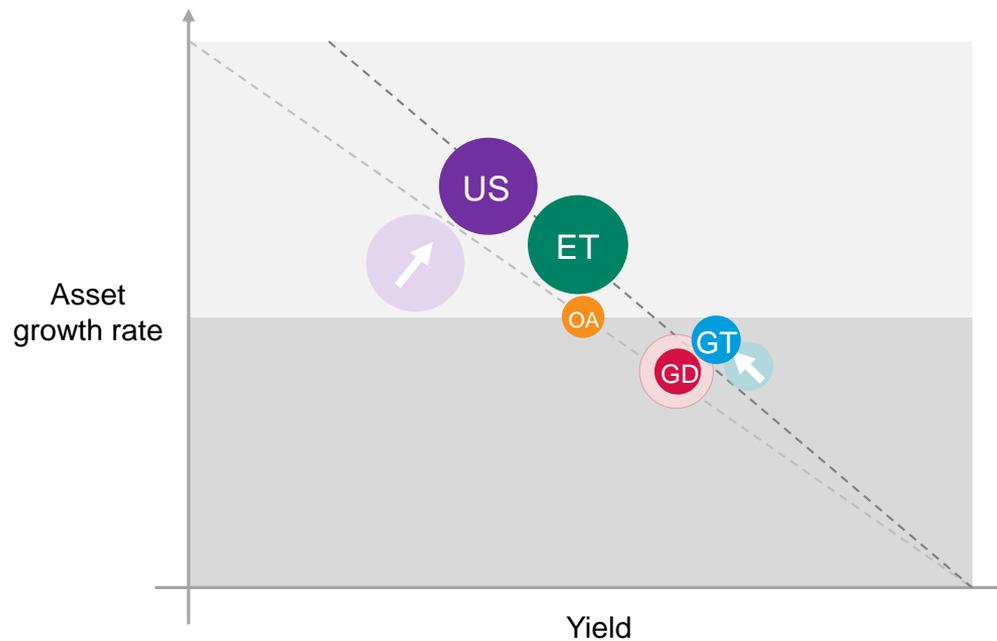
Portfolio strategy

Opportunity to rebalance the portfolio to deliver higher growth



Portfolio strategy

Opportunity to rebalance the portfolio to deliver higher growth

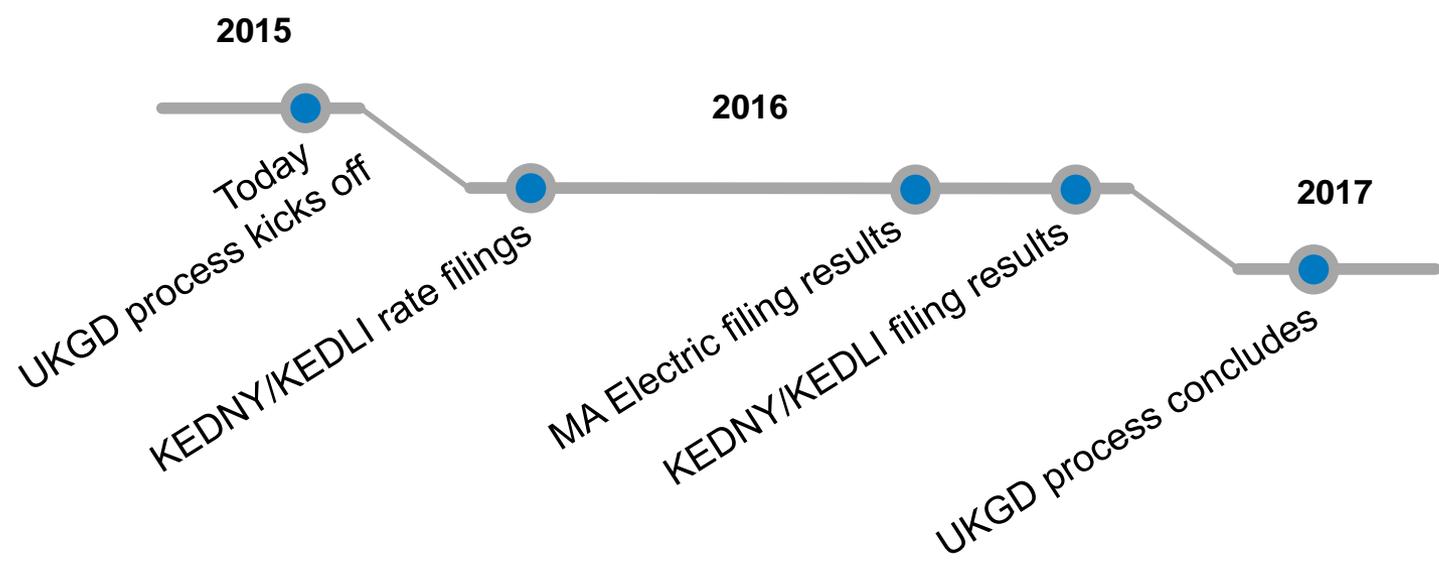


2015/16 priorities

UK Electricity Transmission	Deliver efficient investment programme
UK Gas Transmission	Further important upgrades required
UK Gas Distribution	Priority to improve customer service
US Regulated	Sustain returns and growth, deliver new filings on time
Group	Rebalance the portfolio



Timeline of milestones



Summary



Strong first half; on track for another year
of asset growth and good returns

2015/16

Half Year Results

Q & A

2015/16

Half Year Results

London | Tuesday 10 November 2015



2015/16

Half Year Results

nationalgrid

Appendices

Appendix 1: Pensions & other post-retirement benefit obligations (IAS19 data)

At 30 September 2015 (£m)	UK		US		NG total
	ESPS	NGUK PS	Pensions	OPEBs	
Market value of assets	2,367	16,558	4,705	1,732	25,362
Present value of liabilities	(2,679)	(16,486)	(5,612)	(3,122)	(27,899)
Net (liability)/asset	(312)	72	(907)	(1,390)	(2,537)
Deferred taxation	62	(14)	365	559	972
(Liability)/asset net of taxation	(250)	58	(542)	(831)	(1,565)
Discount rates	3.7%	3.7%	4.6%	4.6%	

At 31 March 2015 (£m)	UK		US		NG total
	ESPS	NGUK PS	Pensions	OPEBs	
Market value of assets	2,380	17,073	5,052	1,903	26,408
Present value of liabilities	(2,860)	(17,265)	(6,055)	(3,486)	(29,666)
Net liability	(480)	(192)	(1,003)	(1,583)	(3,258)
Deferred taxation	96	38	405	638	1,177
(Liability)/asset net of taxation	(384)	(154)	(598)	(945)	(2,081)
Discount rates	3.3%	3.3%	4.1%	4.1%	

OPEBs = other post employment benefits

Appendix 2: Timing Impacts

£m	UK Electricity Transmission	UK Gas Transmission	UK Gas Distribution	US Regulated	Total
2015/16 Opening balance	(164)	(29)	16	153	(24)
Restatement of Opening Balance	(12)	(8)	3	46	29
2015/16 over/(under) recovery	33	51	(5)	(102)	(23)
2015/16 Closing balance to (recover) / return	(143)	14	14	97	(18)
2014/15 Opening balance	(67)	(11)	21	123	66
Restatement of Opening Balance	(8)	-	(18)	-	(26)
2014/15 over/(under) recovery	(6)	10	3	(38)	(31)
2014/15 Closing balance to (recover) / return	(81)	(1)	6	85	9
Year on year timing variance	39	41	(8)	(64)	8

All USD balances stated using the average 2015 rate (\$1.54 to £1.00)

Appendix 3: Weighted average number of shares

Period ended 30 September	2015	2014
Number of shares (millions):		
Prior period as reported (weighted average)	-	3,771
Current period opening shares	3,739	-
January 2015 dividend scrip shares	-	2
August 2015 dividend scrip shares	29	29
Other share issuances (weighted from issuance)	(7)*	-
Weighted average number of shares (2014 restated)	3,761	3,802
Business performance earnings (£m)	1,067	883
Business performance EPS (2014 restated)	28.4p	23.2p

*includes (11)m related to 29m shares repurchased since 1 April 2015