2017/18 Full Year Results

17 May 2018

nationalgrid

Cautionary statement

This presentation contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. 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 those relating to the role of the UK electricity system operator as well as increased political and economic uncertainty; failure to adequately forecast and respond to disruptions in energy supplies; 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 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 acquisitions and disposals) 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, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2017 published on 9 November 2017. 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.

nationalgrid

Agenda

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

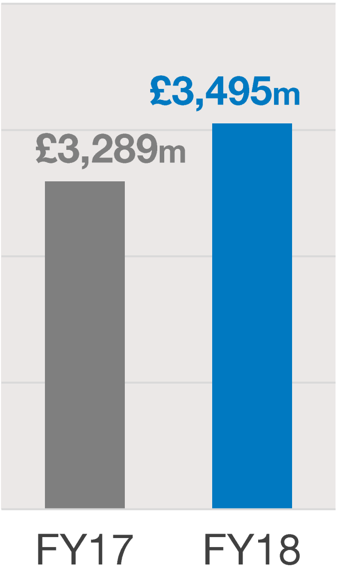
Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE

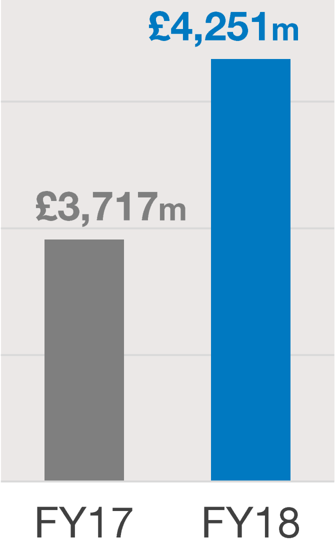
nationalgrid

Strong financial performance

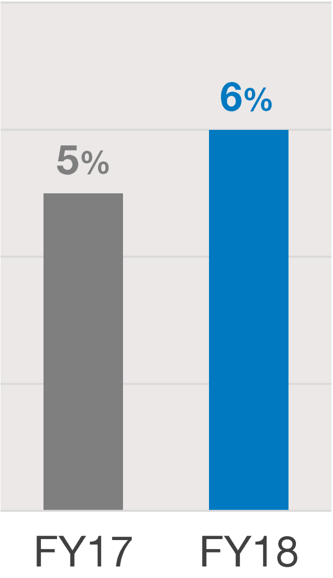
Underlying operating profit
up 6%



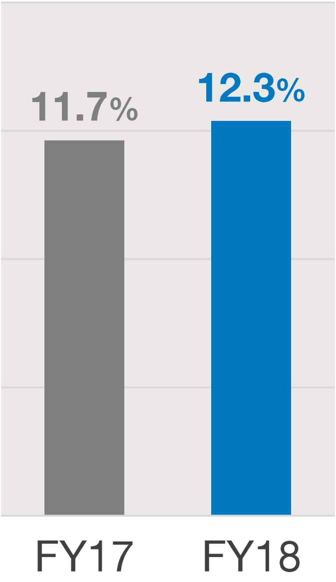
Capital investment
up 14%



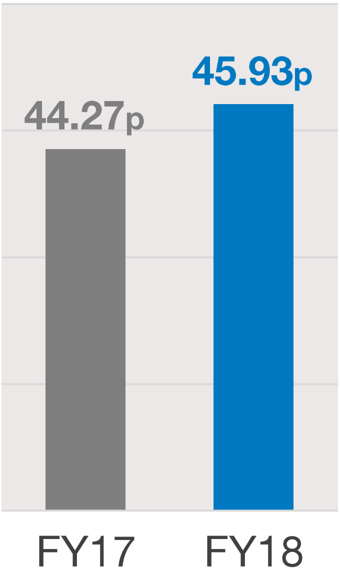
Asset growth increased



Strong RoE achieved



Dividend growth in line with policy



Underlying results, excluding exceptional items, remeasurements, timing and major storms
Comparative numbers adjusted to reflect 39% holding in Cadent for the full year

Capital investment includes investment in JVs (excluding equity contributions to St William property JV)
Operating profit and capital investment calculated at constant currency

nationalgrid

Safety and reliability performance

- Safety culture underpins world-class safety performance
- Reliability remains strong across our networks
  - near 100% reliability despite unsettled winter in the UK
  - particularly challenging winter in the US
    - multiple major storms
- Around £140 million storm restoration costs to be recovered in future periods

nationalgrid

Significant regulatory progress in the US

- Around 80% of distribution rate base now under new rate plans
- NiMo 3-year rate filing completed with positive outcome
  - 9.0% RoE; $2.5bn capex agreed
- Total investment in New York of over $5bn in next three years
- Submitted filings for Massachusetts Gas and Rhode Island
  - updated rates by October

Mass Gas Filing

Summary of request

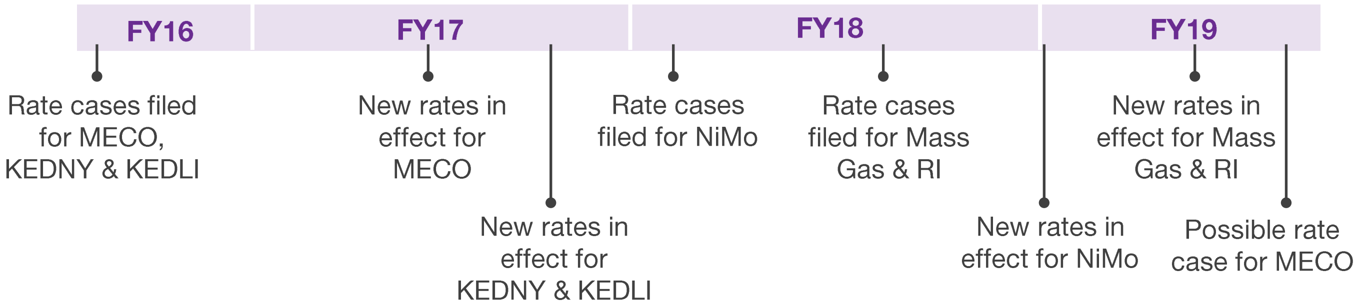
- $46m revenue increase
- RoE of 10.5%
- $550m annual capex allowance

RI Gas and Elec. Filing

Summary of request

- $35m revenue increase
- RoE of 10.1%
- $250m annual capex allowance

Timeline on regulatory filings

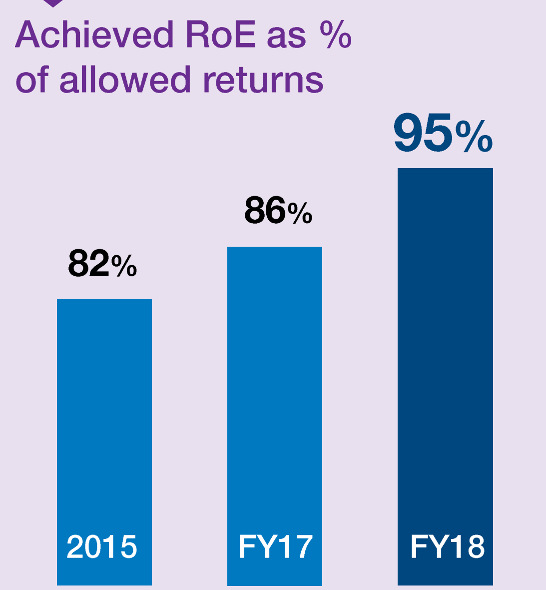


Significant financial and operational progress in the US

nationalgrid

- Achieved RoE of 95% of allowed
- Delivered strong asset growth of over 7%
- New Capital Delivery function introduced
  - Metropolitan Reliability Infrastructure
    - five year, $280m project
- US tax reform
  - Rate filing revenue requests quickly reduced by $180m to reflect lower tax charge

Strong financials



US tax reform revenue adjustment includes $50m updated through FERC formula rates

nationalgrid

Solid UK operational and financial performance

Portfolio evolution

- Agreed option on final 25% stake in Cadent
- Expected proceeds of £1.2bn to be reinvested in the business
- Options to complete between March and October 2019

Operational performance

- £540m of savings under RIIO T1
- Achieved 200bps outperformance through efficiency savings
- Completed phase one of the London Power Tunnels project

Progress on NG Ventures and Property

Nemo Link
Initial cable laying complete

- Convertor stations complete by October
- 1GW, 140km link to Belgium
- To be operational in FY19

North Sea Link
Cable laying now underway

- Construction started on converter stations
- 1.4GW, 720km link to Norway
- Expected to be operational in FY22

IFA 2
Construction work commenced

- 1GW, 240km link to France
- Expect to be operational in FY21

Battersea, London

- St William JV – Battersea top floor of phase 1 complete
- Will provide 1,000 new homes when complete

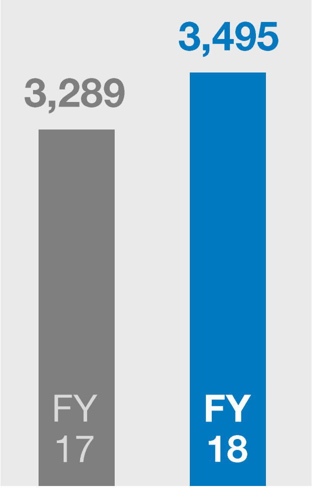
Financial performance

ANDREW BONFIELD
FINANCE DIRECTOR

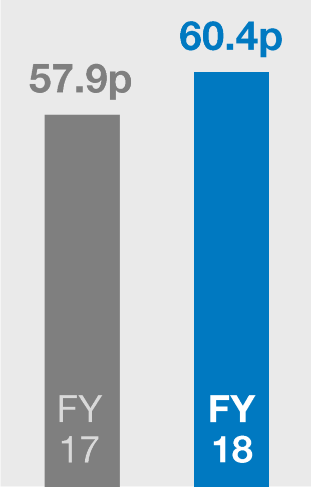
Strong financial performance across all key metrics

nationalgrid

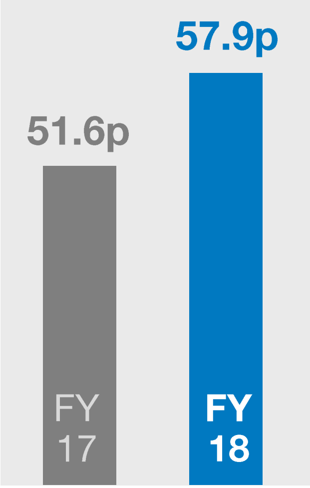
Underlying operating profit up 6%



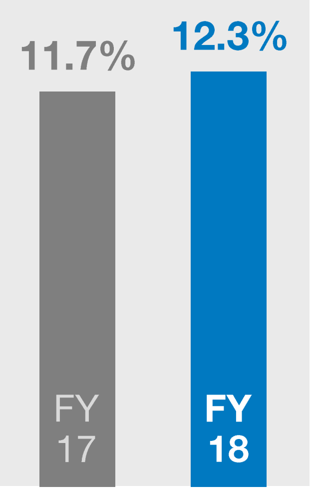
Underlying EPS up 4%



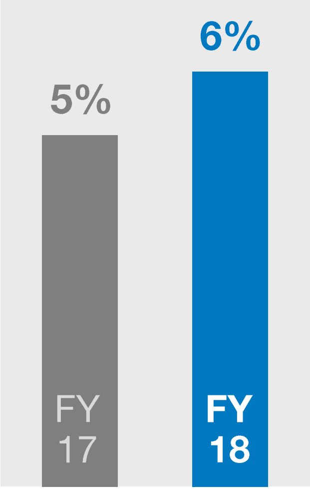
Growth in value added/ share



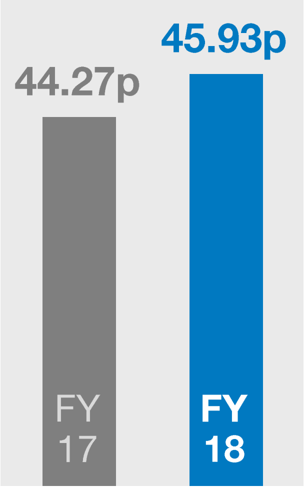
Strong RoE achieved



Asset growth increased



Dividend growth in line with policy



Operating profit, asset growth and EPS calculated at constant currency
Comparative numbers for earnings adjusted to reflect 39% holding in Cadent for the full year

Underlying results, excluding exceptional items, remeasurements and major storms

UK Electricity Transmission

nationalgrid

10.2% Base return	+	**180bps** Totex incentive	+	**40bps** Other incentives	+	**70bps** Additional allowances	=	**ACHIEVED RETURN** **13.1%** FY17 **13.6%**

OPERATING PROFIT (underlying)

£1.1bn -15%

FY17 **£1.2bn**

CAPITAL INVESTMENT

£1.0bn

FY17 **£1.0bn**

REGULATED ASSET VALUE

£13.0bn

FY17 **£12.5bn**

- Higher MOD adjustments
- Capital investment levels maintained
- RAV growth of 4.5% including inflationary uplift

Headline refers to adjusted results, excluding exceptional items and remeasurements
Underlying refers to adjusted results, excluding exceptional items, remeasurements, timing and major storms

UK Gas Transmission

10.0%	+	(80)bps	+	120bps	+	(40)bps	=	ACHIEVED RETURN	10.0%
Base return		Totex incentive		Other incentives		Additional allowances			FY17 10.8%

OPERATING PROFIT (underlying)	CAPITAL INVESTMENT	REGULATED ASSET VALUE
£505m +12%	£310m	£6.0bn
FY17 £449m	FY17 £214m	FY17 £5.8bn

- RoE in line with expectations, reflecting asset health spend
- 2017/18 operating profit benefited from Avonmouth revenues of £47m
  - £85m to reverse in 2018/19
- RAV growth of 4.5% including inflationary uplift

Headline refers to adjusted results, excluding exceptional items and remeasurements
Underlying refers to adjusted results, excluding exceptional items, remeasurements, timing and major storms

US Regulated

9.0%	+	7.8%	+	6.9%	+	11.5%	=	ACHIEVED RETURN	8.9%
New York		Massachusetts		Rhode Island		FERC			FY17 8.2%

OPERATING PROFIT (underlying)

£1.7bn +20%

FY17 **£1.4bn**

CAPITAL INVESTMENT

$3.3bn

FY17 **$2.9bn**

RATE BASE

$20.7bn

FY17 **$19.3bn**

- Performance improvement driven by new rates in NY & MA
- Rate base growth of 7.4%
- Achieved RoE at 95% of allowed
  - allowed RoE of 9.4% for FY18

Headline refers to adjusted results, excluding exceptional items and remeasurements
Underlying refers to adjusted results, excluding exceptional items, remeasurements, timing and major storms
Operating profit calculated at constant currency

NG Ventures

OPERATING PROFIT	£155m	£76m	£65m	(£62)m
	Metering	Grain LNG	IFA	Other
FY17	£161m	£74m	£72m	£(65)m

POST TAX SHARE of JVs	£36m	£13m	£4m
	BritNed	Millennium	Other
FY17	£53m	£12m	£3m

TOTAL INVESTMENT £363m
FY17 £222m

- Consistent year-on-year performance

OPERATING PROFIT £234m
FY17 £242m

POST TAX SHARE of JVs £53m
FY17 £68m

TOTAL CONTRIBUTION £287m
FY17 £310m

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

nationalgrid

Other activities

OPERATING PROFIT	**£84m** Property	**£(87)m** Corporate centre and other	**£(3)m**
FY17	£65m	£(126)m	FY17 **£(61)m**
POST TAX SHARE of JVs	**£(9)m** St William	**£123m** Cadent	**£114m**
FY17	£(6)m	£144m[1]	FY17 **£138m**

TOTAL INVESTMENT[2]	**£155m** FY17 **£141m**

- Lower Cadent contribution due to the expected reduction in base allowed revenues and adverse timing
- Property higher due to greater property sales

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

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

2 Excludes investment in St. William JV

Interest, tax and earnings

FINANCE COSTS

£974m

PY £955m

- Effective interest rate higher at 4.6%
- Higher RPI offset by financial asset sales

EFFECTIVE TAX RATE

23.7%

at £589m

- Tax rate 50bps lower than the prior year
- Partial impact of US tax reform

UNDERLYING EARNINGS

60.4p/share

PY 58.6p/share

- £2,089m underlying earnings
- 3,461m weighted average shares in 2017/18

Comparative numbers adjusted to reflect 39% holding in Cadent for the full year
Underlying refers to adjusted results, excluding exceptional items, remeasurements, timing and major storms

Finance costs are calculated at constant currency
Effective tax rate excludes JV profits

nationalgrid

Cash flow and net debt

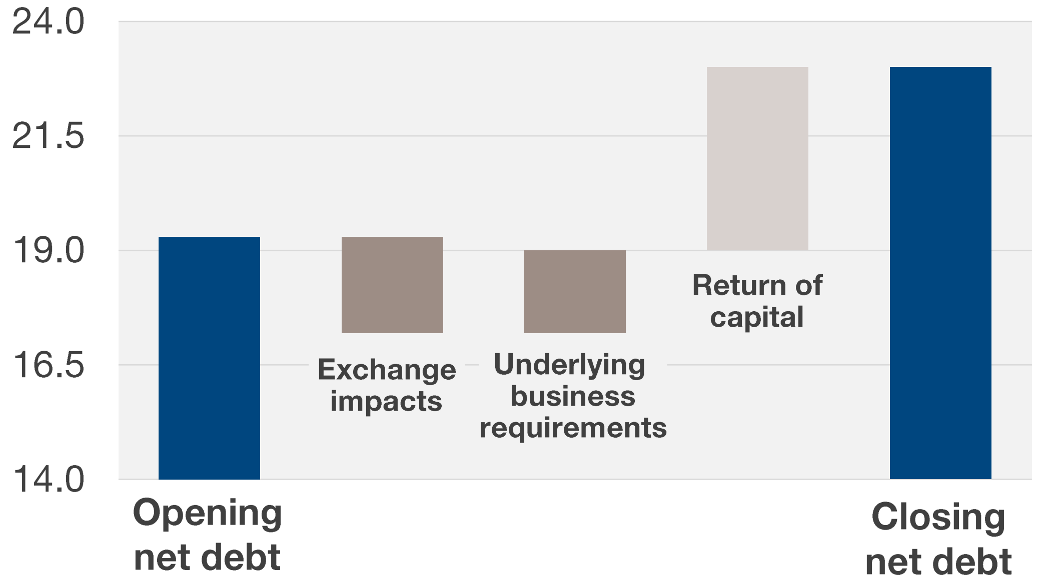
£m	Year ended 31 March 2018
Operating profit	3,457
Depreciation & amortisation	1,530
Pensions	(239)
Working capital & other	(46)
Net operating cash flow	**4,702**
Net debt	(23,002)

RCF / NET DEBT
10.6%

INTEREST COVER
4.4x

FFO / NET DEBT
16.4%

MOVEMENT IN NET DEBT (£bn)



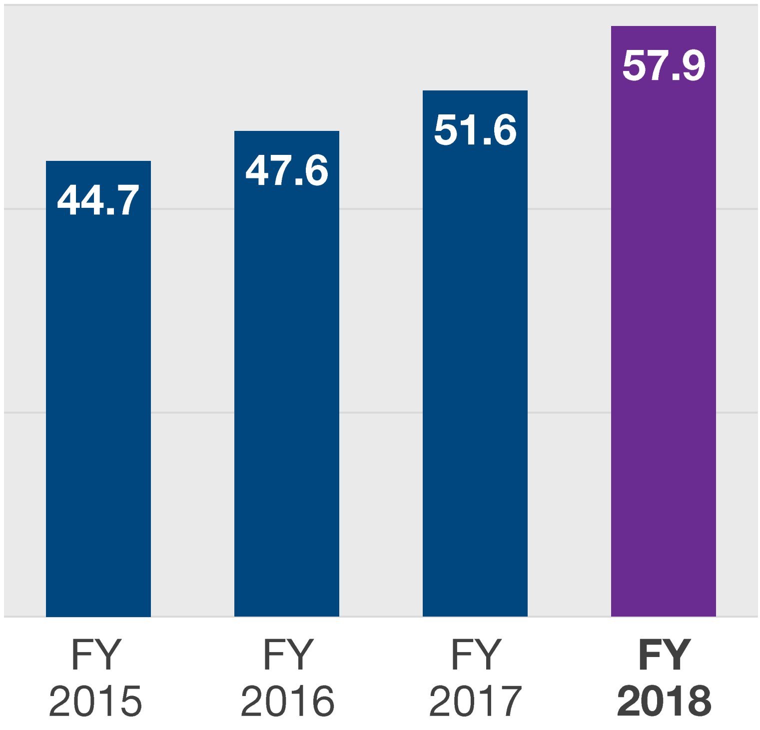
Adjusted results, excluding exceptional items and remeasurements

Credit metrics reported using Moody's methodology, RCF:Debt excludes one-off costs relating to the disposal of UK Gas Distribution in 2016/17

Value Added supporting long-term returns

NET ASSET GROWTH	£2.3bn
DIVIDEND PAID & SHARE BUYBACKS	£1.5bn
GROWTH IN NET DEBT	£(1.8)bn
VALUE ADDED	**£2.0bn**

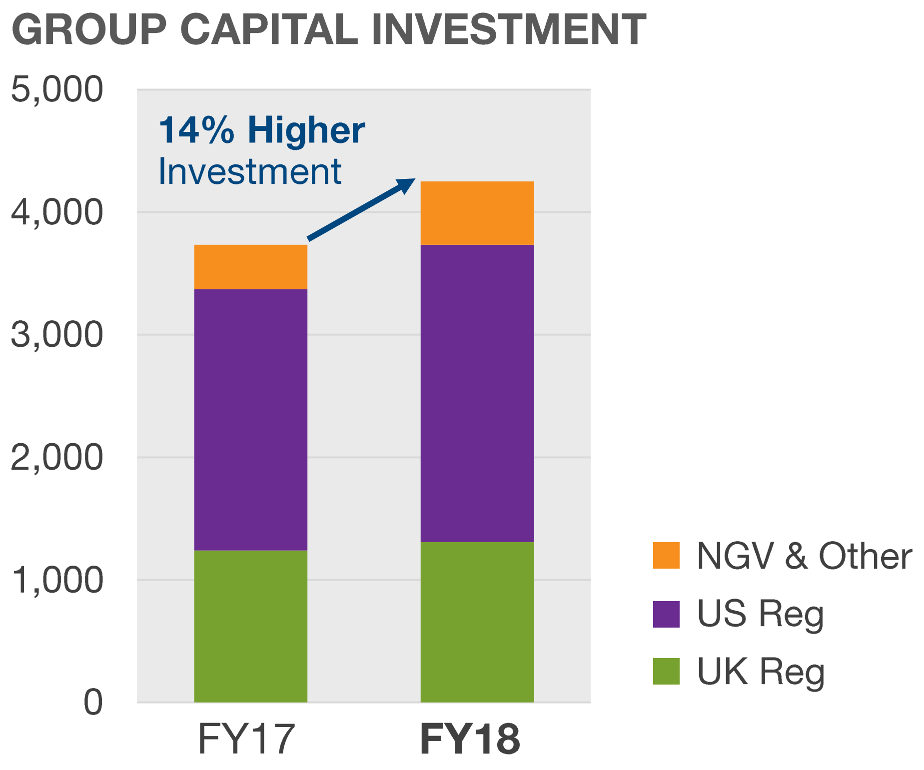
VALUE ADDED/SHARE (p)



Debt movement and dividends exclude £4.0bn relating to return of capital from UK Gas Distribution sale

Step change in rate of organic growth

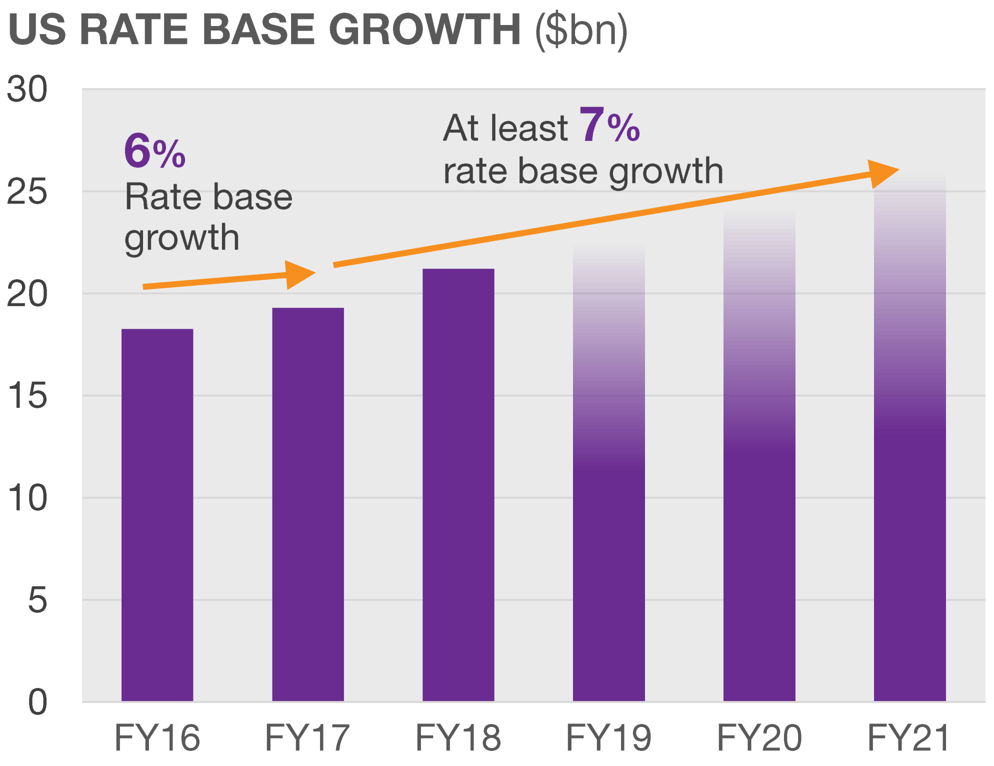
- Sale of GD stake reshaping the portfolio towards higher growth
- Visibility of US growth through successful rate filings
- Increased investment in interconnector projects
- Driving sustained asset growth at the top end of the 5-7% range over the medium term
  - and at least 7% in the near term



Investment calculated at constant currency

nationalgrid

Higher US growth rate

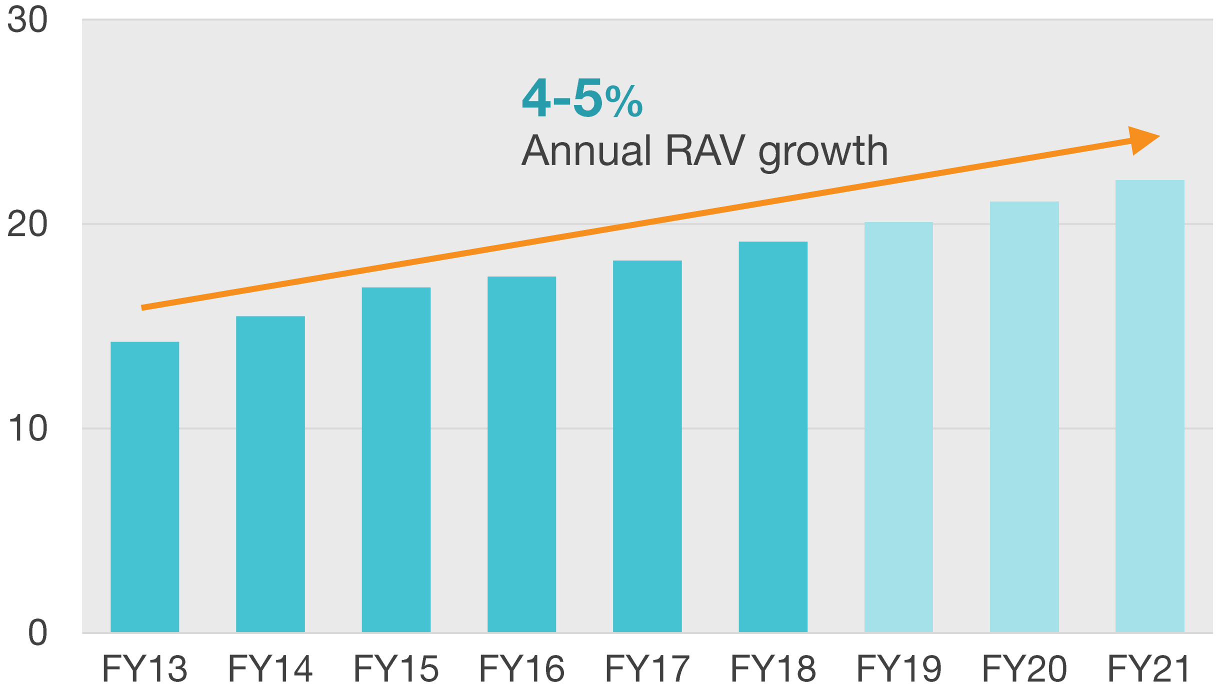


- Approximately $10bn of capex to be invested over the next three years
  - 90% already in rate plans
  - with attractive allowed RoEs
- Rate base growth steps up from FY18 onwards
  - and expected to be at least 7% in the near term

nationalgrid

4-5% UK asset growth over RIIO-T1

UK RAV GROWTH (£bn)



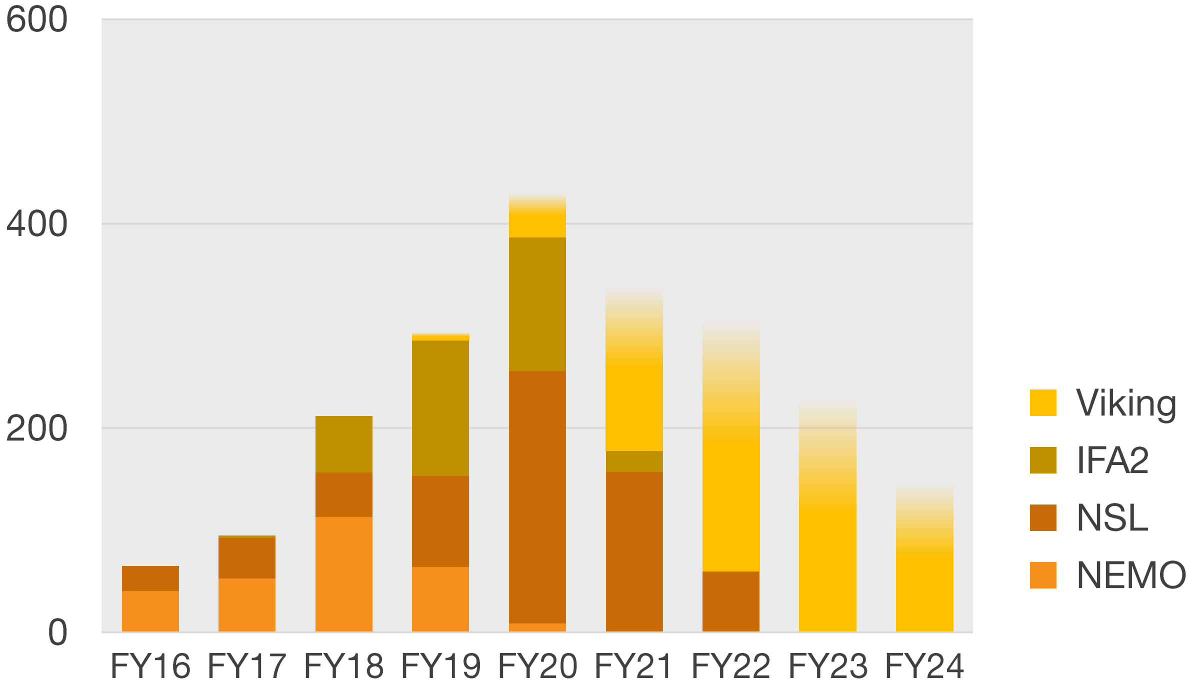
- Approximately £1.3bn of annual investment
  - over the remaining 3 years of RIIO-T1
- Targeting returns outperformance
  - of 200-300bps throughout RIIO-T1

Assume 3% RPI inflation in forecast years (FY19 – FY21)

nationalgrid

Significant interconnectors capex in NGV

INTERCONNECTOR CAPEX



NGV

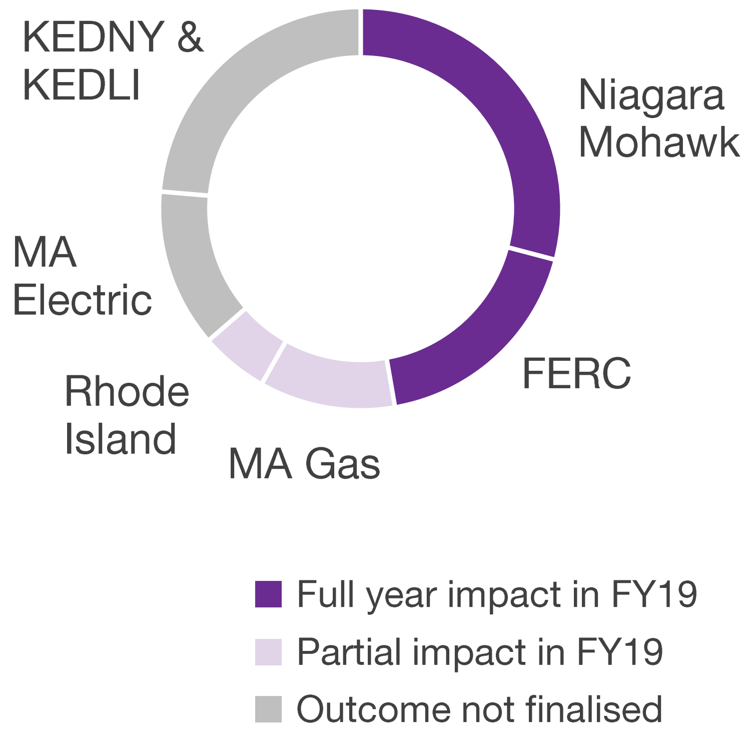
- Total interconnector investment of approximately £1.3bn, excluding Viking
- NEMO to be operational in FY19, IFA2 FY21 and NSL in FY22
- Generates additional EBITDA, excluding Viking:
  - £100m in FY22
  - over £150m from FY23 onwards

Implications of US tax reform

nationalgrid

- US tax costs pass through and economically neutral for utilities
- Balance sheet implications due to current net operating loss position:
  - $180m of revenue adjustments expected for NiMo, RI, MA Gas & FERC
    - discussions ongoing for remaining businesses
  - $2bn deferred tax liability to be returned over 20-30 years
- No impact on RoE, no material impact on IFRS earnings
- Higher rate base growth

Prospective revenue reduction to be reflected by end of FY19

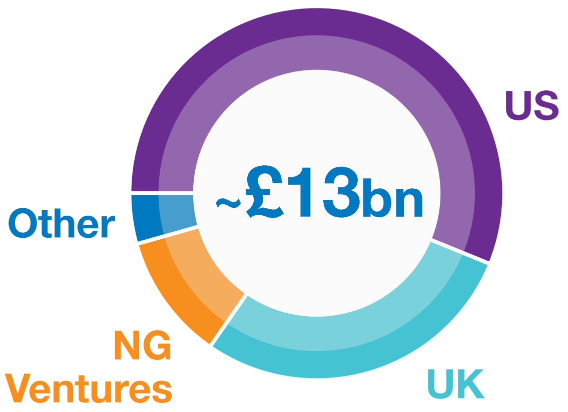


US tax reform revenue adjustment includes $50m updated through FERC formula rates

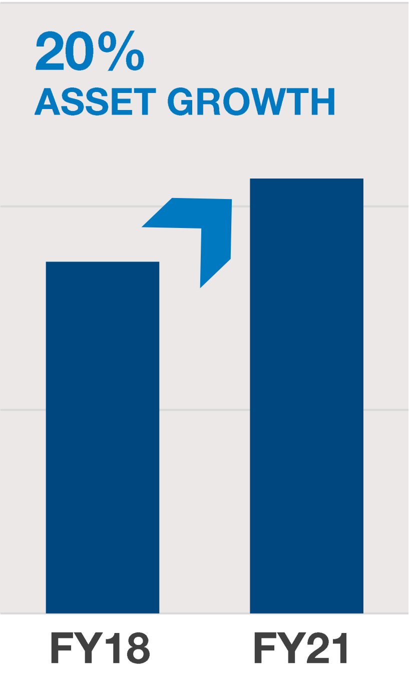
Strong and efficient capital structure

nationalgrid

FY19-21 FORECAST CAPEX BY SEGMENT



ASSETS



- Asset growth at least 7% in the near-term
- Efficient capital structure underpins financing:
  - internally generated capital
  - capital generated from future efficiencies and recovery of regulatory assets
  - reinvesting the proceeds from the disposal of the remaining 39% of Cadent
  - additional capital generated through the scrip dividend in FY19 and FY20 to support higher growth

Well positioned to deliver:

- Medium-term asset growth at the top end of 5% to 7%
- Dividend per share growth at least in line with RPI

Assets include UK Gas Distribution

nationalgrid

Technical guidance - underlying

Regulated performance

- UK Regulated operations expected to deliver outperformance of 200-300bps
  - UK GT net revenues down approx. £160m, driven by return of Avonmouth revenues
- Rate filings to maintain RoE and higher net revenues
  - IFRS revenue increases offset by tax reform, adoption of IFRS 15 and the phasing of NiMo revenues to the second and third years of the joint proposal

NG Ventures and Other activities

- Benefit of forecast Fulham transaction, subject to concluding site works and planning consents

Interest and tax charge

- Interest charge expected to increase due to non-repeat of FY18 gains and higher average net debt
- Group tax rate to reflect lower US corporate tax rate

Underlying refers to adjusted results, excluding exceptional items, remeasurements, timing and major storms

Summary

- Strong financial performance
- Medium term asset growth at the top end of the 5-7% range
  - at least 7% in the near term
- Dividend increased in line with UK RPI
- Financial position robust

Asset growth calculated at constant currency
Adjusted results, excluding exceptional items and remeasurements

Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE

Long-term drivers of success

CUSTOMER FIRST

Performance optimisation

Growth

Evolve for the future

nationalgrid

Customer first

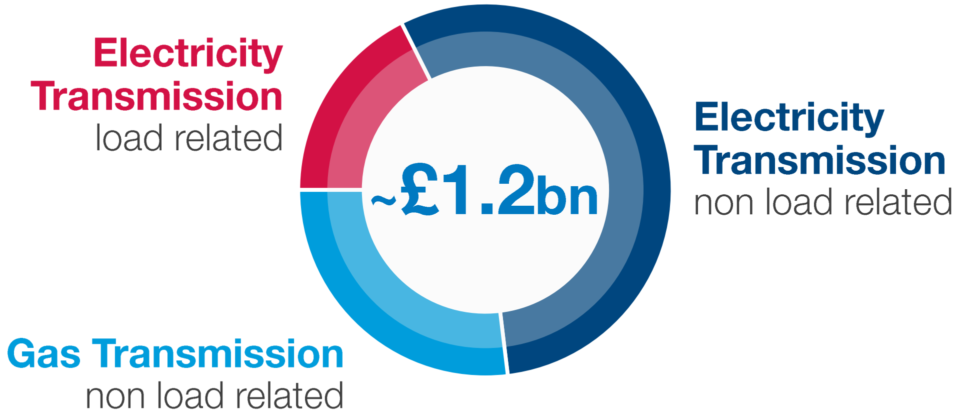
- Affordability remains key but customers expect more
- Initiatives to enhance customer engagement and a strong customer centric culture at National Grid
- Focus on digitisation in the US to deliver a frictionless service
  - integrated contact centre and customer portal for a seamless service
- Adding new customers in the UK
  - eliminating process inefficiency

nationalgrid

Delivering consistent outperformance in the UK

- Expect consistent UK regulated transmission capex of ~£1.2bn in FY19
  - Richborough – Canterbury project
  - new gas pipeline under the Humber Estuary
- Driving a sharper focus on cost base
- Committed to generating customer savings
  - achieving 200 to 300 bps of outperformance

FY19 FORECAST CAPITAL INVESTMENT



Performance optimisation

UK regulatory priorities

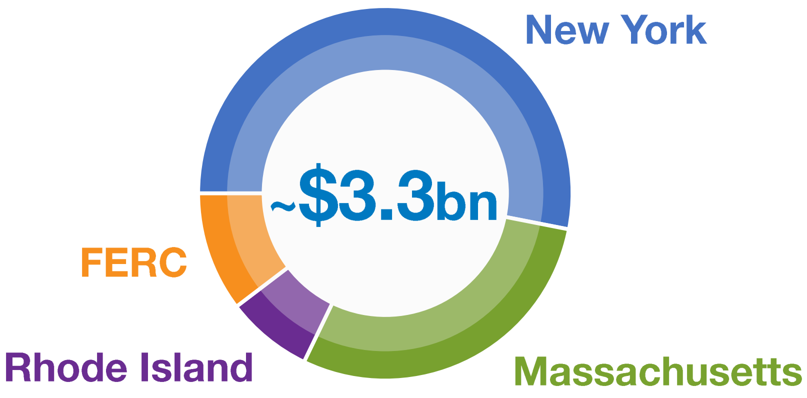
- RIIO-2 Framework Consultation
  - early days – RIIO 2 commences in 2021
  - final package needs to:
    - provide appropriate risk/reward balance
    - drive innovation and efficiency through incentivisation
    - ensure financeability of networks
- Hinkley Seabank
  - disappointed with financial parameters in 'minded-to' position
  - decision expected in the summer, will consider all options
- Agreeing funding with Ofgem for necessary Gas Transmission investment

nationalgrid

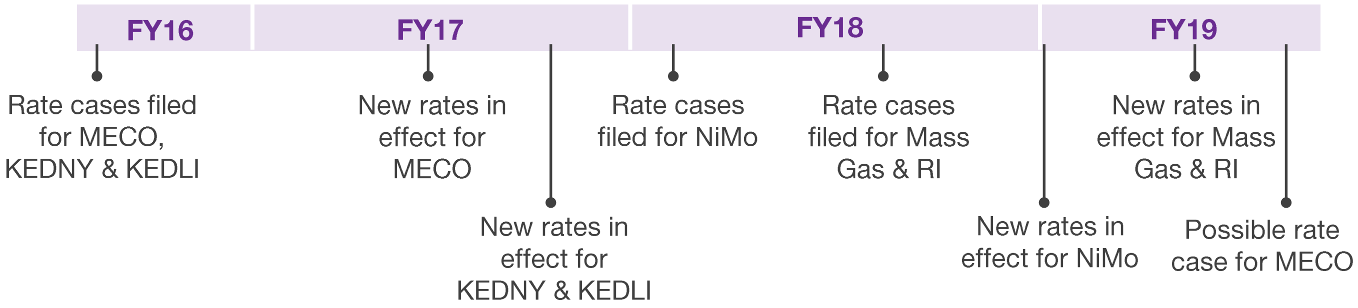
US regulatory and operational priorities

- Strengthened organisation structure for jurisdictions
  - increased gas, electric and transmission support
- ~$10bn forecast capex for the next three years
- Growth driven by mandated spend on gas networks and electric network reliability
- Regulatory strategy to focus on efficiency to deliver on returns and help keep customer bills down
- Expect to file again for Massachusetts Electric later this year

FY19 FORECAST CAPITAL INVESTMENT BY JURISDICTION



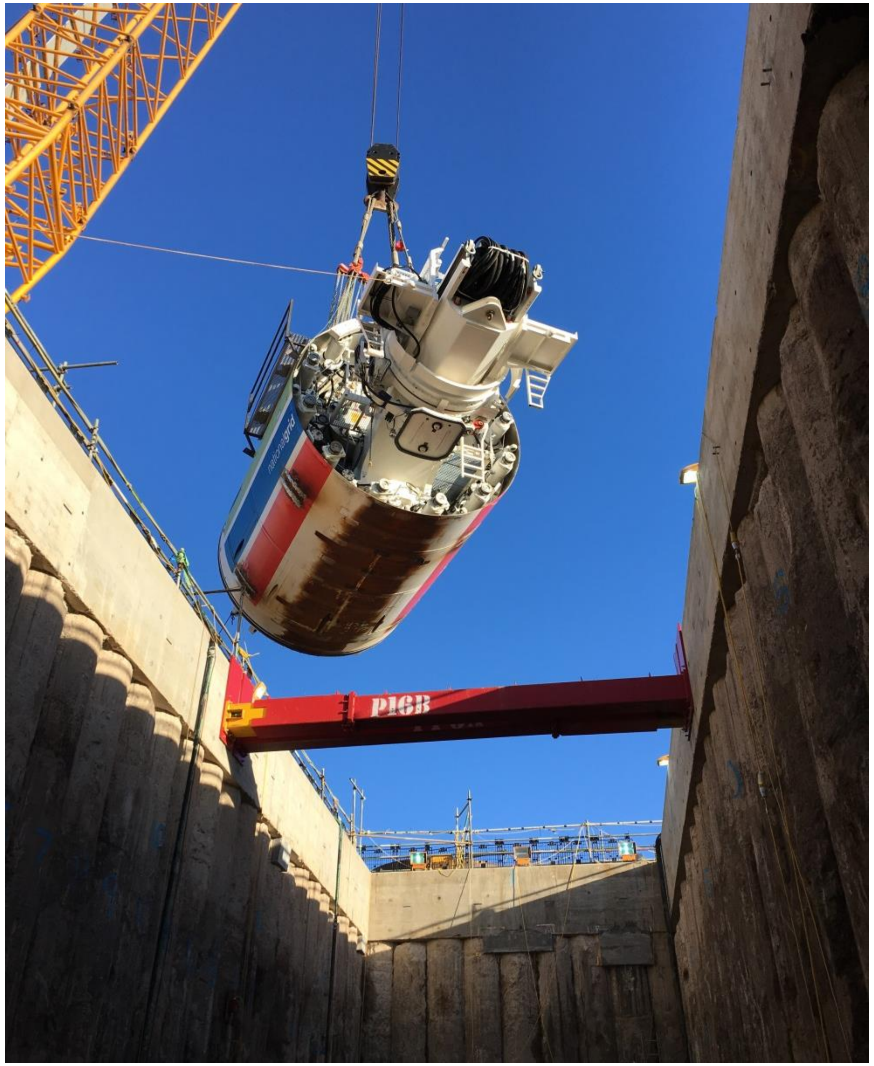
Timeline on regulatory filings



nationalgrid

Balanced portfolio to deliver value creating growth

- High quality growth at the top end of our 5-7% range for the medium term
- Assets to be over 20% larger by 2021
- Balanced portfolio with high quality growth
  - driven by customer needs, largely funded through regulatory mechanisms
  - consistent risk/reward balance
  - attractive returns
- Underpinned by an efficient balance sheet to deliver sustainable asset and dividend growth

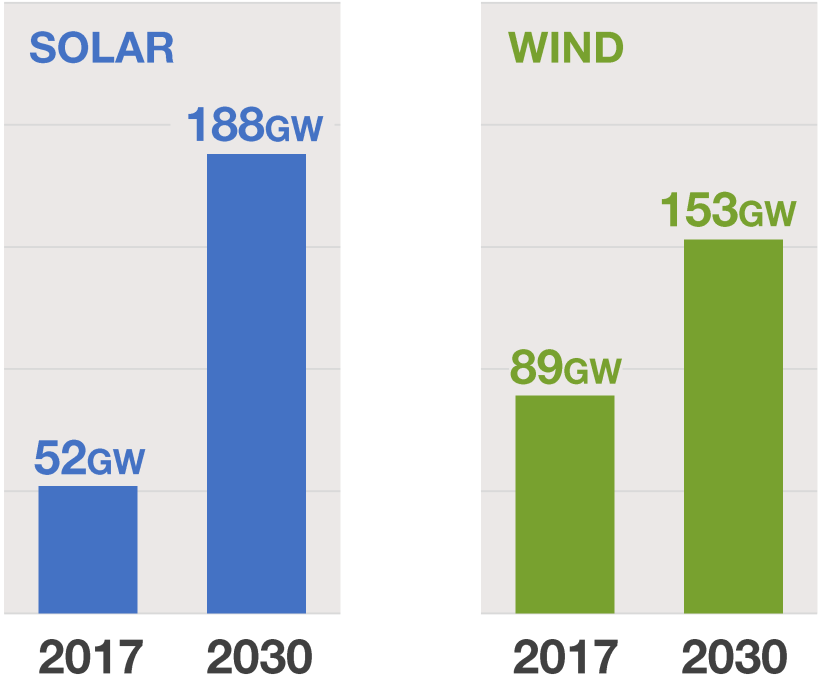


nationalgrid

Industry decarbonising at pace

- Both UK and US continue rapid decarbonisation
- 2017 Greenest year ever for the UK
- Many US states remain committed to aggressive CO_2 reduction targets
- Solar, Wind and Storage economics becoming increasingly attractive
- Significant growth in large scale renewables set to continue into the long-term

US RENEWABLES FORECAST GROWTH



Source: Bloomberg New Energy Finance

nationalgrid

Renewable generation creating new opportunities

- Pipeline of UK solar/storage connections at transmission level
- Scale of growth in utility scale renewables offering opportunities
  - Block Island offshore wind
  - Nantucket storage
- Generates further opportunities for incremental investment
  - long-term contracts / regulatory underpin makes them well-suited to our risk/reward profile
  - would leverage many of our core capabilities

nationalgrid

Electrification of transport

- Cost of batteries falling, EV price parity with ICE expected early to mid-2020s
- Discussing potential solutions with the UK Government
  - upfront investment needed to address customer “range anxiety” concerns
- 150 US public charging stations installed to date
- NG Ventures Technology and Innovation team set up
  - assessing new technologies across the sector

Summary

- Delivered strong financial and operational performance
  - 95% of allowed US returns
  - 200bps returns outperformance in the UK
- Well positioned to capitalise on significant medium term growth
- Focused on efficient delivery
  - to create long term value for customers and shareholders
  - whilst being a leader in the energy transition

Q&A

JOHN PETTIGREW
CHIEF EXECUTIVE

ANDREW BONFIELD
FINANCE DIRECTOR

Appendices

Appendix 1

UK Electricity Transmission operating profit

For the year ended 31 March (£m)	**2018**	2017
Revenue	**4,154**	4,439
Pass through costs	**(2,243)**	(2,293)
Net revenue	**1,911**	2,146
Depreciation & amortisation	**(475)**	(421)
Regulated controllable costs	**(321)**	(286)
Pensions	**(50)**	(43)
Other costs	**(24)**	(24)
Total UK Electricity Transmission operating profit	**1,041**	1,372

- Adjusted results, excluding exceptional items and remeasurements

Appendix 2

UK Gas Transmission operating profit

For the year ended 31 March (£m)	**2018**	2017
Revenue	**1,091**	1,080
Pass through costs	**(257)**	(223)
Net revenue	**834**	857
Depreciation & amortisation	**(194)**	(186)
Regulated controllable costs	**(146)**	(137)
Pensions	**(18)**	(19)
Other costs	**11**	(4)
Total UK Gas Transmission operating profit	**487**	511

- Operating profit includes a profit from LNG Storage of £19m in 2018 (2017: profit of £10m)
- Adjusted results, excluding exceptional items and remeasurements

Appendix 3
US Regulated operating profit

For the year ended 31 March (£m)	**2018**	2017
Revenue	**9,272**	8,397
Pass through costs	**(3,804)**	(3,207)
Net revenue	**5,468**	5,190
Depreciation & amortisation	**(635)**	(604)
Regulated controllable costs	**(1,720)**	(1,721)
Pensions & OPEBs	**(96)**	(98)
Bad debts	**(100)**	(113)
Other costs	**(1,219)**	(1,043)
Total US Regulated operating profit	**1,698**	1,611

- At constant currency
- Adjusted results, excluding exceptional items and remeasurements
- OPEBs = other post employment benefits

Appendix 4

Metering, Grain LNG, French interconnector and Property operating profit

For the year ended 31 March (£m)	**2018**	2017
Revenue	**279**	290
Depreciation & amortisation	**(60)**	(72)
Operating costs (excluding depreciation & amortisation)	**(64)**	(57)
Metering operating profit	**155**	161
Revenue	**209**	205
Depreciation & amortisation	**(66)**	(65)
Operating costs (excluding depreciation & amortisation)	**(67)**	(66)
Grain LNG operating profit	**76**	74
Revenue	**84**	93
Depreciation & amortisation	**(5)**	(5)
Operating costs (excluding depreciation & amortisation)	**(14)**	(16)
French interconnector operating profit	**65**	72
Revenue	**90**	85
Depreciation & amortisation	**(1)**	(1)
Operating costs (excluding depreciation & amortisation)	**(5)**	(19)
Property operating profit	**84**	65

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

Appendix 5
Exchange rates

For the year ended 31 March (£m)	**2018**	2017
Closing $ / £ rate	**1.40**	1.25
Average $ / £ rate for the period	**1.36**	1.28

For the year ended 31 March (£m)	2017
Impact on operating profit[1]	(98)
Impact on interest[1]	45
Impact on tax, JVs and minority interests[1]	23
Net impact on earnings[1]	**(30)**
Impact on net debt[2]	2,102
Impact on book value of assets[2]	(2,424)

[1] Currency impact calculated by applying the average 2017/18 rate to 2017 results
[2] Currency impact calculated by applying the closing March 2018 rate to March 2017 balances
• Adjusted results, excluding exceptional items and remeasurements

Appendix 6

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

	UK		US		
At 31 March 2018 (£m)	**ESPS**	**NGUK PS**	**Pensions**	**OPEBs**[1]	**Total**
Market value of assets	3,052	12,278	6,030	2,498	**23,858**
Present value of liabilities	(3,025)	(11,201)	(6,582)	(3,313)	**(24,121)**
Net (liability) / asset	27	1,077	(552)	(815)	**(263)**
Taxation	(5)	(183)	158	233	**203**
(Liability) / asset net of taxation	**22**	**894**	**(394)**	**(582)**	**(60)**
Discount rates	2.6%	2.6%	4.0%	4.0%	

[1] OPEBs = other post employment benefits

Appendix 7

Timing impacts

nationalgrid

£m	UK Electricity Transmission	UK Gas Transmission	US Regulated	Total (Continuing)
2017/18 Opening balance	(30)	112	312	**394**
2017/18 Opening balance restatement adjustment	-	(1)	(218)	**(219)**
2017/18 over / (under) recovery	(14)	(18)	136	**104**
2017/18 Closing balance[1]	**(44)**	**93**	**230**	**279**
2016/17 Opening balance	(167)	50	125	**8**
2016/17 over / (under) recovery	137	62	187	**386**
2016//7 Closing balance	(30)	112	312	**394**
Year on year timing variance	(151)	(80)	(51)	**(282)**

[1] USD closing balance stated using the closing 2018 rate ($1.40 to £1)

- 2017/18 opening balance restatement reflects finalisation of timing balances
- All USD balances excluding 2017/18 closing balance stated using the average 17/18 rate ($1.36 to £1.00)

Appendix 8

UK Transmission

Regulated asset values ('RAV') and returns

	UK Electricity Transmission	UK Gas Transmission
Regulator	Ofgem	Ofgem
RAV	£13,045m	£6,014m
Base allowed real return (assumed CoD 2.22%)	4.13% ('vanilla' WACC)	3.94% ('vanilla' WACC)
Allowed RoE (nominal)	10.2%	10.0%
Achieved RoE (nominal)	13.1%	10.0%
Equity / debt (assumed)	40 / 60	37.5 / 62.5
Sharing factors (shareholder retention at RoE)	46.9% plus incentive schemes	44.4% plus incentive schemes

- CoD = Cost of Debt

Appendix 9

New York jurisdiction

Regulated asset base (‘Rate base’) and returns

Rate bases are reported by regulatory entity as at 31 March 2018 *Returns are those for the fiscal year ended 31 March 2018*	**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	$2,346m	$3,004m	$1,163m	$4,980m
Base allowed return	9.00% (RoE)	9.00% (RoE)	9.00% (RoE)	9.00% (RoE)
Achieved return	10.1%	9.0%	7.9%	8.8%
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 January 2017	Effective from January 2017	Effective from April 2018	Effective from April 2018

Appendix 10

Massachusetts and Rhode Island jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity as at 31 March 2018 *Returns are those for the fiscal year ended 31 March 2018*	**Massachusetts Electric**[1]	**Massachusetts Gas**[2]	**Narragansett Distribution (Electric and Gas)**[3]
Regulator	Massachusetts DPU	Massachusetts DPU	Rhode Island PUC
Rate base	$2,448m	$2,479m	$1,479m
Base allowed return	9.90% (RoE)	9.75% (RoE)	9.50% (RoE)
Achieved return	9.0%	6.6%	6.9%
Equity / debt (assumed)	51 / 49	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 October 2016	Effective from October 2018	Effective from September 2018

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 11

FERC jurisdiction

Regulated asset base (‘Rate base’) and returns

Rate bases are reported by regulatory entity as at 31 March 2018 *Returns are those for the fiscal year ended 31 March 2018*	**New England Power**	**Narragansett Electric (Transmission)**	**Canadian interconnector[1]**	**Long Island Generation[2]**
Regulator	FERC	FERC	FERC	FERC
Rate base	$1,661m	$718m	$30m	$408m
Base allowed return	10.60% (RoE)	10.60% (RoE)	13.00% (RoE)	9.90% (RoE)
Achieved return	11.0%	11.5%	13.0%	13.5%
Equity / debt (assumed)	66 / 34	50 / 50	100/ 0	47 / 53
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 earns a return on its ~54% stake in the Canadian interconnector

[2] Long Island Generation rate base includes both baseload and peaking plant

Appendix 12
Value Added

For the year ended 31 March (£m)	**2018**	2017 (constant currency)	change
UK RAV[1]	**19,059**	18,234	825
US rate base	**14,762**	13,751	1,011
NG Ventures and other business invested capital	**2,167**	1,984	183
Other asset/liabilities[1]	**1,059**	748	311
Total Group regulated and other assets	**37,047**	34,717	2,330
Goodwill	**5,444**	5,444	-
Net debt[2]	**(23,002)**	(21,182)	(1,820)
Equity	**19,489**	18,979	510
Share buy-backs[2]			178
Dividend paid during the year[2]			1,316
Value Added			2,004
Value Added per share (pence)			57.9p

[1] Restated for opening balance adjustments following Regulatory Reporting Pack process in 2017

[2] 2017 Net debt, dividends and share buybacks adjusted for the impact of the £4bn return of capital

Appendix 13

Group Return on Equity

For the year ended 31 March (£m)	**2018**	2017	2016
Regulated financial performance	**3,392**	3,906	3,663
IFRS operating profit for non-regulated companies [1]	**255**	204	374
Share of post tax results of joint ventures [2]	**238**	63	59
Non-controlling interest	**(1)**	1	(3)
Treasury managed interest	**(980)**	(1,075)	(922)
Group tax charge	**(639)**	(808)	(753)
Tax on adjustments	**27**	166	4
Adjusted Group profit after tax for RoE	**2,292**	2,457	2,422
Opening rate base/RAV	**32,446**	40,435	36,998
Opening share of Cadent RAV	**512**	-	-
Opening net book value of non-regulated businesses	**1,328**	1,579	1,213
Opening investment in JV's and associate (excl cadent)	**459**	408	319
Opening goodwill	**5,626**	5,984	5,182
Opening capital employed	**40,371**	48,406	43,712
Opening net debt	**(21,770)**	(27,346)	(24,024)
Opening Equity	**18,601**	21,060	19,688
Group RoE – nominal (adjusted group profit after tax / group equity value)	**12.3%**	11.7%	12.3%

- Adjusted results, excluding exceptional items and remeasurements

[1] Adjusted to remove element of corporate centre costs included in regulated financial performance

[2] Adjusted to remove impact of timing and PPA depreciation on Cadent results and includes post-tax income from Cadent shareholder loan

Appendix 14

Weighted average number of shares

For the year ended 31 March	**2018**	2017
Number of shares (millions):		
Current period opening shares	**3,750**	
Scrip dividend shares (weighted issue)	**6**	
Other share movements (weighted from issuance/repurchase)	**(295)**	
Weighted average number of shares	**3,461**	3,763
Business performance earnings (£m) - continuing operations	**2,060**	2,141
Business performance EPS (restated) - continuing operations	**59.5p**	56.9p

- Business performance, excluding exceptional items and remeasurements

Appendix 15

Interest cover

For the year ended 31 March (£m)	**2018**	2017	2016
Interest expense (P&L)	**1,128**	1,082	1,035
Hybrid interest reclassified as dividend	**(51)**	(51)	(49)
Capitalised interest	**128**	109	112
Pensions interest adjustment	**(49)**	(60)	(60)
Interest on lease rentals adjustment	**16**	18	17
Unwinding of discounts on provisions	**(75)**	(73)	(73)
Other interest adjustments	**12**	1	1
Interest in discontinued operations	**-**	146	-
Adjusted interest expense	**1,109**	1,172	983
Net cash inflow from operating activities (2017 and 2018 continuing)	**4,710**	4,320	5,368
Interest income on financial instruments	**57**	51	23
Interest paid on financial instruments	**(853)**	(839)	(834)
Dividends received	**213**	99	72
Working capital adjustment	**(118)**	(151)	(456)
add back excess employer pension contributions	**211**	606	301
add back Hybrid interest reclassified as dividend	**51**	51	49
add back lease rentals	**86**	86	77
Difference in net interest expense in income statement to cash flow	**(178)**	(170)	(129)
Difference in current tax in income statement to cash flow	**(206)**	(47)	(42)
add back current tax related to prior years	**(22)**	(46)	(26)
Net cash inflow from discontinued operations	**(207)**	909	-
Interest in discontinued operations	**-**	(146)	-
Funds from operations (FFO)	**3,744**	4,723	4,403
Interest cover: Funds from operations + adjusted interest expense / adjusted interest expense)	**4.4x**	5.0x	5.5x

Appendix 16

RCF:Debt

nationalgrid

For the year ended 31 March (£m)	2018	2017	2016
Funds from operations (FFO)	**3,744**	4,723	4,403
Hybrid interest reclassified as dividend	**(51)**	(51)	(49)
Ordinary dividends paid to shareholders	**(1,316)**	(1,463)	(1,337)
Retained cash flow (RCF) (excluding share buybacks)	**2,377**	3,209	3,017
Purchase of treasury shares	**(178)**	(189)	(267)
RCF (net of share buybacks)	**2,199**	3,020	2,750
Bank Overdrafts	**-**	-	3
Borrowings	**26,625**	28,638	28,341
Less			
50% hybrid debt	**(1,050)**	(1,033)	(995)
Cash & cash equivalents	**(329)**	(1,139)	(127)
Restricted cash	**-**	2	2
Available for sale investments	**(2,304)**	(7,432)	(1,951)
Underfunded pension obligations	**857**	1,487	1,434
Operating leases adjustment	**408**	526	544
Derivative asset removed from debt	**(479)**	52	(183)
Currency swaps	**117**	72	55
Nuclear decommissioning liabilities reclassified as debt	**5**	36	38
Collateral - cash received under collateral agreements	**(878)**	(709)	(610)
Accrued interest removed from ST debt	**(195)**	(210)	(243)
Adjusted Net Debt (includes pension deficit)	**22,777**	20,290	26,308
FFO/Adjusted Net Debt	**16.4%**	23.3%	16.7%
RCF (excl share buybacks)/Adjusted Net Debt	**10.4%**	15.8%	11.5%
RCF (net of share buybacks)/Adjusted Net Debt	**9.7%**	14.9%	10.5%
Continuing RCF (net of share buybacks)/Adjusted Net Debt*	**10.6%**		

* Continuing RCF excludes the impact of discontinued cash flows related to the UK Gas Distribution sale

Appendix 17

UK Electricity Transmission net revenue

For the year ended 31 March (£m)		2018
Revenue		**4,154**
Net timing adjustment		**14**
Pass through costs		
Revenue collected on behalf of others	(1,027)	
BSIS costs	(1,012)	
Electricity Transmission Owner (ETO) pass through costs	(159)	
Electricity System Operator (ESO) pass through costs	(45)	
		(2,243)
Net revenue adjusted for timing		**1,925**

	£m
Incentives (excluding totex), true ups (non-controllable costs, pensions etc.) and revenue over/under recoveries	
Deferred for future recovery/(return):	
Incentives	19
True ups	36
Revenue under/(over) recovery	34
(Collection)/return of prior year deferrals	(75)
Net timing adjustment	**14**

Appendix 18

UK Electricity Transmission operating profit

nationalgrid

For the year ended 31 March (£m)		2018
Net Revenue adjusted for timing		
Transmission Owner (ETO) excluding incentives	**1,735**	
ETO incentives	17	
System Operator (ESO) excluding incentives	**172**	
ESO incentives	1	
Other (including legal settlements)	-	
		1,925
Depreciation & Amortisation		
Electricity Transmission Owner	(444)	
Electricity System Operator	(31)	
Other	-	
		(475)
Regulated Controllable costs, pensions and other costs		
Electricity Transmission Owner	(263)	
Electricity System Operator	(132)	
Other	-	
		(395)
Total UK Electricity Transmission operating profit adjusted for timing		
Electricity Transmission Owner	1,045	
Electricity System Operator	10	
Other	-	
Total UK Electricity Transmission operating profit adjusted for timing		**1,055**
Timing adjustment		**(14)**
Total UK Electricity Transmission operating profit: headline		**1,041**

	£m
Ofgem annual iteration TO revenue	1,302
- model non-controllable costs	(88)
+ inflate to actual 17/18 prices	333
Ofgem model net revenue	**1,547**
+ network innovation allowance, contributions, pensions true up and other	10
+ excluded services income	178
TO net revenue excluding timing and incentives	**1,735**

	£m
Ofgem annual iteration SO revenue	132
+ inflate to actual 17/18 prices	36
Ofgem model net revenue	**168**
+ other	4
SO net revenue excluding timing and incentives	**172**

Appendix 19

UK Gas Transmission net revenue

nationalgrid

For the year ended 31 March (£m)		2018
Revenue		**1,091**
Net timing adjustment		**18**
Pass through costs		
Revenue collected on behalf of others	(16)	
Gas Transmission Owner (GTO) pass through costs	(156)	
Gas System Operator (GSO) pass through costs	(85)	
		(257)
Net revenue adjusted for timing		**852**

	£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	(49)
Revenue under/(over) recovery	(14)
(Collection)/return of prior year deferrals	58
Net timing adjustment	**18**

Appendix 20

UK Gas Transmission operating profit

For the year ended 31 March (£m)		2018
Net Revenue adjusted for timing		
Transmission Owner (GTO) excluding incentives	**715**	
GTO incentives	5	
System Operator (GSO) excluding incentives	**99**	
GSO incentives (excluding revenue drivers)	25	
Other including LNG Storage	8	
		852
Depreciation & Amortisation		
Gas Transmission Owner	(170)	
Gas System Operator	(24)	
Other	-	
		(194)
Regulated Controllable costs, pensions and other costs		
Gas Transmission Owner	(105)	
Gas System Operator	(59)	
Other	11	
		(153)
Total UK Gas Transmission operating profit adjusted for timing		
Gas Transmission Owner	445	
Gas System Operator	41	
LNG Storage & Other	19	
Total UK Gas Transmission operating profit adjusted for timing		**505**
Timing adjustment		**(18)**
Total UK Gas Transmission operating profit: headline		**487**

	£m
Ofgem annual iteration TO revenue	665
- model non-controllable costs	(110)
+ inflate to actual 17/18 prices	152
Ofgem model net revenue	**707**
+ network innovation allowance, contributions, pensions true up and other	7
+ excluded services income	1
TO net revenue excluding timing and incentives	**715**

	£m
Ofgem annual iteration SO revenue	77
+ inflate to actual 17/18 prices	21
Ofgem model net revenue	**98**
+ other	1
SO net revenue excluding timing and incentives	**99**

Appendix 21

Reconciliation of adjusted EPS to statutory EPS

(including and excluding timing and major storms)

For the year ended 31 March (pence)	2018	2017
Underlying EPS from continuing operations	**60.4**	49.5
Timing and major storms	(0.9)	7.4
Adjusted EPS from continuing operations	**59.5**	56.9
Exceptional items after tax from continuing operations	38.1	(8.3)
Remeasurements after tax from continuing operations	6.2	(0.5)
EPS from continuing operations	**103.8**	48.1
Statutory EPS from discontinuing operations	(1.2)	17.6
Gain on disposal of UK Gas Distribution after tax	-	141.4
Total EPS	**102.6**	207.1