2016/17 Full Year Results

18 May 2017

Bring Energy to Life

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, 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 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 the Company's potential sale of a majority stake in its gas distribution business and with joint ventures. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 183 to 186 of National Grid plc's most recent Annual Report and Accounts. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement.

FY 2016/17 financial performance

OPERATING PROFIT	EARNINGS PER SHARE	CAPITAL INVESTMENT
£4.7bn	73.0p	£4.5bn
FY16 £4.3bn	FY16 63.2p*	FY16 £4.2bn

RETURN ON EQUITY	ASSET GROWTH**	VALUE ADDED
11.7%	5%	£1.9bn
FY16 12.3%	FY16 4%	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

Successful completion of UK Gas Distribution sale

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- 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

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- 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%

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UK Electricity Transmission

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

OPERATING PROFIT	CAPITAL INVESTMENT	REGULATED ASSET VALUE
£1.4bn +17%	£1.0bn	£12.5bn
FY16 £1.2bn	FY16 £1.1bn	FY16 £11.8bn

Adjusted results, excluding exceptional items and remeasurements

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UK Gas Transmission

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

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%

OPERATING PROFIT	CAPITAL INVESTMENT	REGULATED ASSET VALUE
£898m +2%	£558m	£9.0bn
FY16 £878m	FY16 £549m	FY16 £8.7bn

Adjusted results, excluding exceptional items and remeasurements

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US Regulated

New York		Massachusetts		Rhode Island		FERC		ACHIEVED RETURN
8.4%	+	6.0%	+	7.7%	+	11.3%	=	8.2%
								CY15 8.0%

OPERATING PROFIT

£1.7bn +25%

FY16 £1.4bn

CAPITAL INVESTMENT

$2.9bn

FY16 $2.7bn

RATE BASE

$19.3bn

FY16 $18.3bn

Operating profit calculated at constant currency

Adjusted results, excluding exceptional items and remeasurements

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Other Activities & JVs

OTHER ACTIVITIES	£161m	£74m	£72m	£65m
	Metering	Grain LNG	IFA	Property

JVs	£53m	£15m	£(5)m
	BritNed	Millennium	St. William

TOTAL INVESTMENT

£404m*

OPERATING PROFIT £173m

FY16 £377m

POST TAX SHARE £63m

FY16 £61m

OTHER COSTS £100m

INCREASE YEAR ON YEAR

(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

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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

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Cash flow and Net debt

£m Period 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)

Credit metrics reported using Moody's methodology

Adjusted results, excluding exceptional items and remeasurements

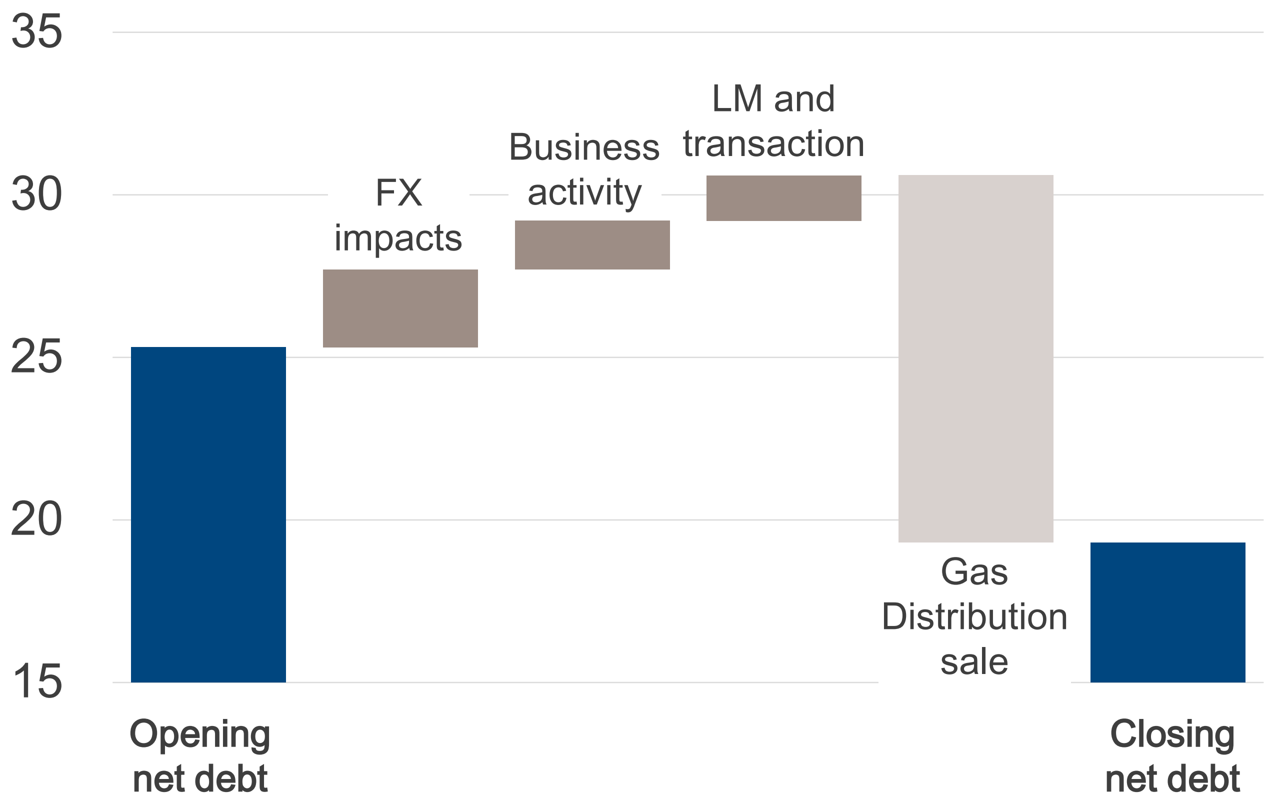
Closing net debt

+ **£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)



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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

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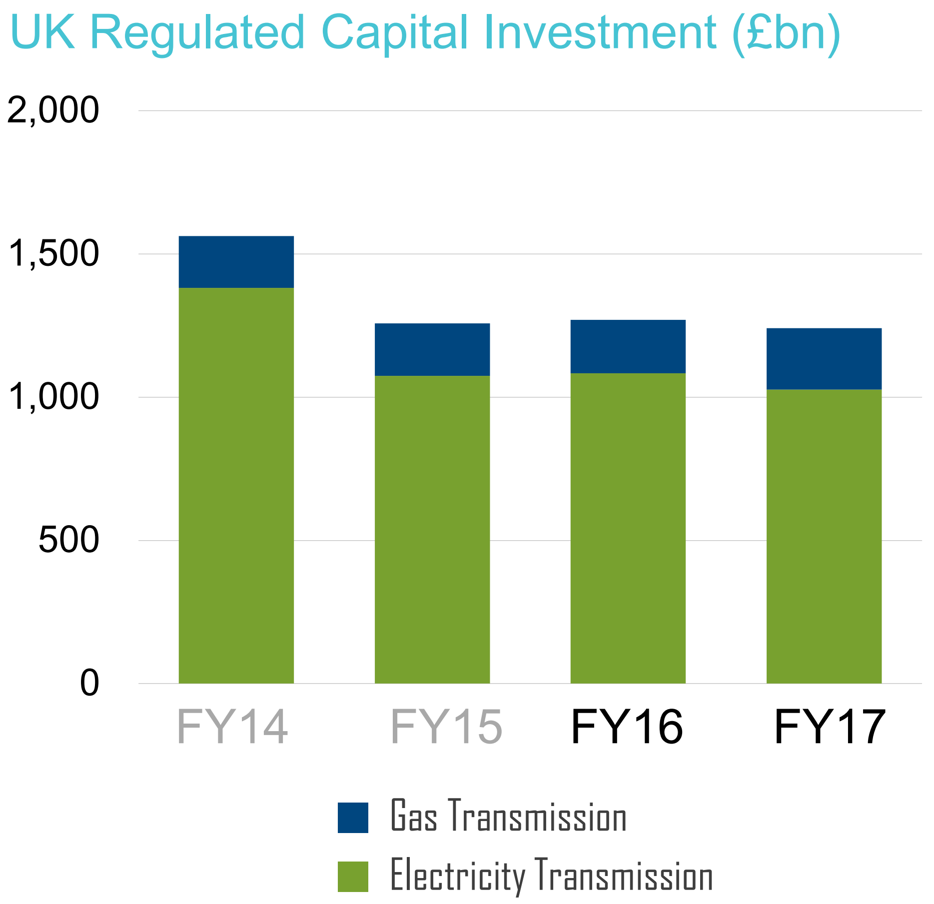
Maintaining investment levels under RIIO

- 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
- Started early for preparation for RIIO T2



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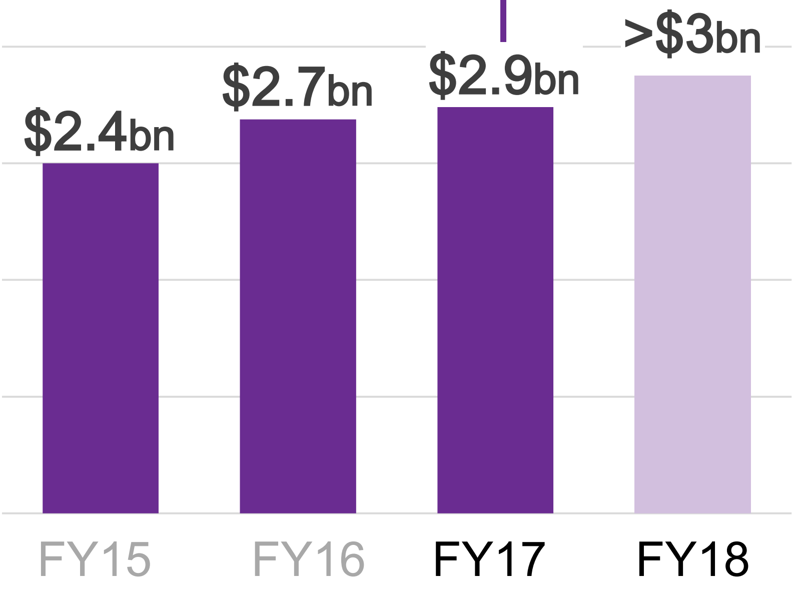
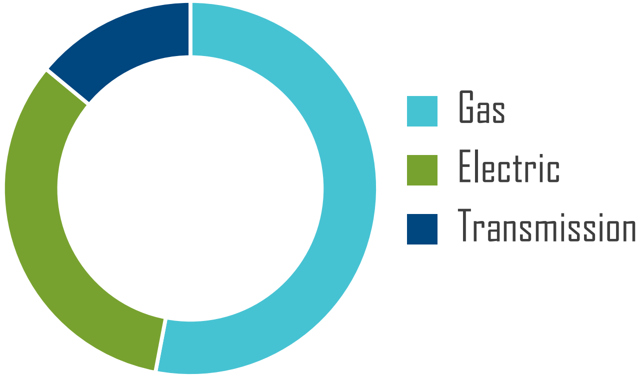
Delivering high-quality, organic growth

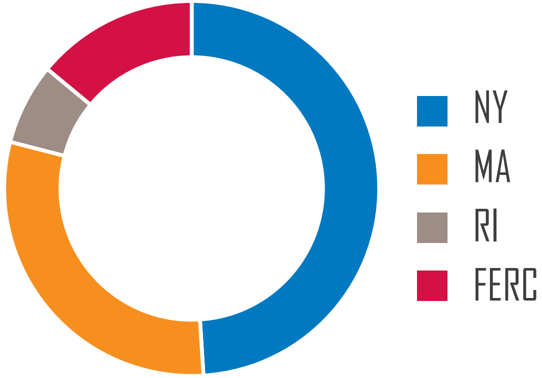
US Total Capex



By type



Jurisdictional split



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

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

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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

Debt Financing

- Focus on US funding in 2017/18
- UK operating companies not expected to issue in 2017/18
- £5bn of committed bank facilities, giving sufficient group liquidity

Summary – Continuing operations

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

OPERATING PROFIT	PROFORMA EPS*
£3.8bn	59.2p
CAPITAL INVESTMENT	**DIVIDEND PER SHARE**
£3.9bn	44.27p

DIVIDEND POLICY:
Growth at least in line with RPI

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

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Webex Q&A