

Financial review

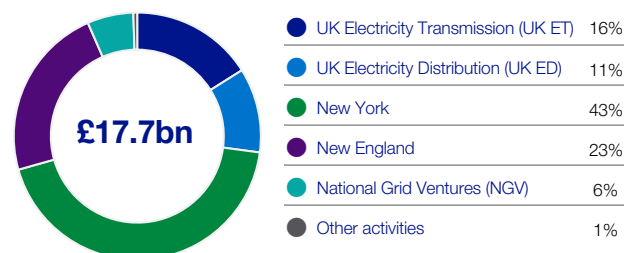
A solid financial return

Making the connection – delivering outputs efficiently and earning a solid financial return.

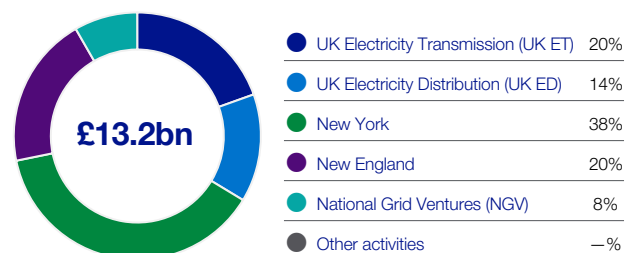
Revenue

The vast majority of our revenues are set in accordance with our regulatory agreements (see pages 220 – 225) and are calculated based on a number of factors, including investment in network assets, performance on incentives, allowed returns on equity and cost of debt, and customer satisfaction.

Statutory revenue (%)



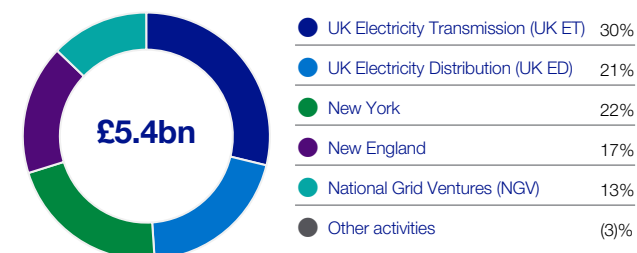
Underlying net revenue¹ (%)



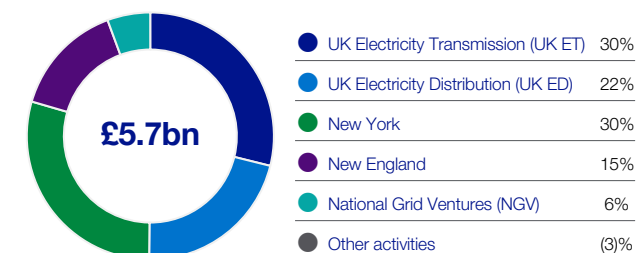
Profit and cash flows

Our ability to convert revenue to profit and cash is important. By managing our operations efficiently, safely and for the long term, we generate substantial operating cash flows. Coupled with long-term debt financing, as well as additional capital generated through the Rights Issue and take-up of the shareholder scrip dividend option during periods of higher investment, we are able to invest in growing our asset base and fund our dividends.

Statutory operating profit (%)



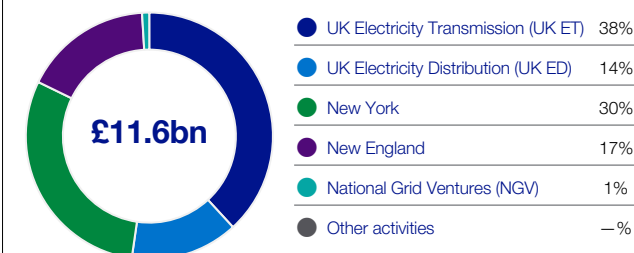
Underlying operating profit¹ (%)



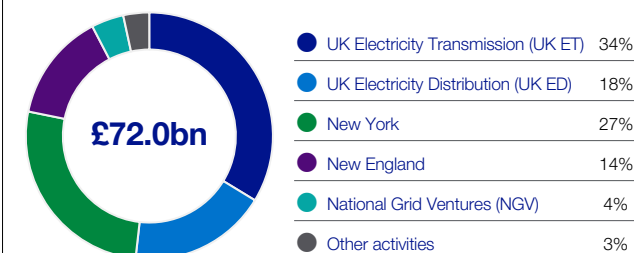
Investment

We invest efficiently in our networks to achieve strong and sustainable growth in our regulated asset base over the long term. We also invest in assets in our non-regulated businesses. We continually assess, monitor and challenge investment decisions so we can continue to run safe, reliable and cost-effective networks.

Capital investment (%)



Total assets (used for asset growth) (%)



1. Non-GAAP alternative performance measures (APMs). For further details and reconciliation to equivalent GAAP measures see Other unaudited financial information on pages 236 – 247.

Financial review cont.

Summary of Group financial performance for the year ended 31 March 2026

Statutory EPS¹

65.5p

2024/25	60.0p
2023/24	55.5p

Underlying EPS¹

78.0p

2024/25	73.3p
2023/24	72.1p

Group RoE

9.8%

2024/25	9.0%
2023/24	10.5%

Asset growth

10.9%

2024/25	9.0%
2023/24	9.7%

1. From continuing operations.

Financial summary for continuing operations

£m	2025/26	2024/25	Change
Accounting profit			
Gross revenue	17,687	18,378	(4)%
Other operating income	489	—	n/m
Operating costs	(12,745)	(13,444)	5%
Statutory operating profit	5,431	4,934	10%
Net finance costs	(1,325)	(1,357)	2%
Share of joint ventures and associates	76	73	4%
Tax	(939)	(821)	(14)%
Non-controlling interest	(2)	(3)	33%
Statutory earnings	3,241	2,826	15%
Exceptional items and remeasurements ¹	(333)	(171)	n/m
Tax on exceptional items and remeasurements ¹	(16)	(40)	60%
Adjusted earnings¹	2,892	2,615	11%
Timing and major storm costs ¹	636	592	n/m
Tax on timing and major storm costs ¹	(168)	(156)	n/m
Deferred tax on underlying profits in NGET and NGED ¹	499	401	24%
Underlying earnings¹	3,859	3,452	12%
Statutory EPS			
	65.5p	60.0p	9%
Adjusted EPS¹			
	58.5p	55.6p	5%
Underlying EPS¹			
	78.0p	73.3p	6%
Dividend per share ¹	48.49p	46.72p	3.8%
Dividend cover – underlying ¹	1.6x	1.6x	3%
Economic profit			
Group financial performance after interest and tax (Group RoE numerator) ¹	2,866	2,602	10%
Group RoE¹	9.8%	9.0%	80bps
Capital investment and asset growth			
Capital investment	11,576	9,847	18%
Regulated asset growth ¹	11.7%	10.5%	120bps
Asset growth¹	10.9%	9.0%	190bps
Balance sheet strength			
FFO/adjusted net debt ¹	13.0%	13.7%	-70bps
RCF/adjusted net debt ¹	9.3%	9.8%	-50bps
Net debt (note 29 to the financial statements)	44,160	41,371	7%
Add: held for sale net debt	—	(55)	n/m
Net debt (including held for sale) ¹	44,160	41,316	7%
Group regulatory gearing¹	61%	61%	0bps

1. Non-GAAP alternative performance measures (APMs) and/or regulatory performance measures (RPMs). For further details see Other unaudited financial information on pages 236 – 247.

Financial review cont.

Performance management framework

In managing the business, we focus on various non-IFRS alternative performance measures (APMs) and regulatory performance measures (RPMs) which provide meaningful comparisons of performance between years, monitor the strength of the Group's balance sheet and ensure profitability reflects the Group's regulatory economic arrangements. Such APMs and RPMs are supplementary to, and should not be regarded as a substitute for IFRS measures, which we refer to as statutory results.

Our business performance as set out in our regulatory agreements can differ from accounting under IFRS, principally because our regulators allow for regulatory deferral accounting. Our allowed revenues are set in accordance with our regulatory price controls or rate plans. Statutory IFRS does not allow us to recognise regulatory assets or liabilities (for the difference between collected and allowed regulatory revenues). As a result we use a suite of APMs (defined by us) to help measure and monitor our underlying regulated business performance. We explain the basis of these measures and, where practicable, reconcile these to statutory IFRS results (i.e. GAAP) in Other unaudited financial information on pages 236 – 247. Our RPMs have been calculated for the total Group (or individual entities where relevant) and these are not based on IFRS measures. Specifically, we measure the financial performance of the Group from different perspectives:

- **Accounting profit:** In addition to statutory IFRS measures we report adjusted results (i.e. before exceptional items and remeasurements), and underlying results, which further take account of: i) volumetric and other revenue timing differences arising from our regulatory contracts; (ii) major storm costs (net of in-year allowances and deductibles) which are recoverable in future periods when they exceed a \$100 million threshold; and (iii) deferred tax in our UK regulated businesses (NGET and NGED). In doing so, we intend to make the impact of such items clear to users of the financial information in this Annual Report.
- **Economic profit:** Group Return on Equity (RoE) takes account of the regulated value of our assets and of our regulatory economic arrangements to show the returns on shareholder equity.
- **Capital investment and asset growth:** Capital investment comprises our additions to PP&E and intangible assets (excluding acquisitions), equity investments in joint ventures and associates, along with net movements in capex prepayments. Asset growth represents the year-on-year increase in RAV and US rate base in our regulated businesses (referred to as 'regulated asset growth'), plus the increase in net assets (excluding certain balances such as pensions, net debt and deferred taxes) in our non-regulated businesses, but excluding the impact of currency movements.
- **Balance sheet strength:** Maintaining a strong investment grade credit rating allows us to finance our growth ambitions at a competitive rate. Hence, we monitor credit metrics used by the major rating agencies to ensure we are generating sufficient cash flow to service our debts. Group regulatory gearing measures our Group net debt as a proportion of the Group's assets that are used to measure asset growth. This includes balances for businesses classified as held for sale under IFRS.

This balanced range of measures of financial wellbeing informs our dividend policy which aims to grow annual DPS in line with UK CPIH, thus maintaining the DPS in real terms.

Financial summary for continuing operations

Accounting profit: Statutory IFRS earnings were £3,241 million in 2025/26, £415 million (15%) higher than the prior year. Statutory earnings benefited from pre-tax net exceptional gains of £376 million related to the sale of our two non-core businesses (Grain LNG and National Grid Renewables) in 2025/26; and pre-tax remeasurement losses of £43 million (2025: pre-tax net exceptional credits of £42 million and pre-tax remeasurement gains of £129 million). For details on exceptional items, refer to note 5 to the financial statements. Timing swings were £131 million adverse year-on-year, with a £636 million

net under-recovery in 2025/26 (2025: £505 million net under-recovery). These factors, the net impact of tax on these items and an improvement in underlying business performance meant that statutory EPS for continuing operations of 65.5p was 5.5p higher than the prior year.

Our 'adjusted' results exclude the impacts from exceptional items and remeasurements as explained on page 155. In 2025/26, adjusted earnings from continuing operations were £2,892 million, up £277 million (11%) from the prior year. Adjusted earnings in 2025/26 included a timing net under-recovery after tax of £468 million (2025: £372 million net under-recovery). As a result, adjusted operating profit of £5,044 million was up £279 million (2025: £4,765 million). Adjusted net finance costs of £1,271 million were £90 million lower, as a result of higher average net debt and higher interest rates being more than offset by higher capitalised interest and other interest income. Share of profits from joint ventures and associates of £76 million were broadly flat year-on-year. Adjusted tax of £955 million was £94 million higher, driven by the increase in profits, but resulted in a stable effective tax rate of 25.3% (2025: 25.3%).

Our policy is to exclude deferrable storm costs (net of allowances and deductibles) from underlying results if these exceed a \$100 million aggregate pre-tax threshold. In 2024/25, we included \$110 million (£87 million) of storm costs in our adjusted results, but excluded these from underlying results. In 2025/26, our allowances were higher and deferrable storm costs were below this threshold, so \$52 million (£39 million) of deferrable storm costs that are recoverable in future periods are included in our underlying results.

Underlying operating profit was up 6% driven by improved performance in New York (from updated rates and the collection of unremunerated costs in prior periods) along with higher allowed revenues in UK Electricity Transmission (RAV growth and increased ASTI-related 'fast money'). New England was lower with updated rates and capital trackers being more than offset by a FERC order on Transmission Owner RoEs across New England (mostly related to historical years). National Grid Ventures was lower mainly as a result of the sale of two businesses in the year (Grain LNG and National Grid Renewables). Other activities and the contribution from joint ventures and associates were broadly flat year-on-year. Regulated controllable costs were 2% higher (at constant currency), with inflation and workload increases being partly offset by efficiency savings. Depreciation and amortisation were higher than the prior year due to our growing asset base. Net debt-related financing costs were higher, driven by our ongoing investment programme. Other interest was favourable year-on-year driven by higher levels of capitalised interest. After accounting for non-controlling interests, underlying earnings increased by 12% and resulted in a 6% increase in underlying EPS to 78.0p.

Economic profit: Our Group RoE for 2025/26 was 9.8%, 80bps higher than the 9.0% achieved in the prior year, with the numerator increasing by £264 million, (up 10% year-on-year), primarily driven by higher regulatory business performance, compared with an increase in the denominator of £49 million (up 0.2% year-on-year), which includes the beneficial impact of asset growth being partly funded by higher gearing.

Capital investment and asset growth: Capital investment of £11,576 million was £1,729 million (18%) higher than 2024/25, driven by a step up in investment across our regulated businesses, partly offset by lower investment in National Grid Ventures. Higher capital investment and the impact of RAV indexation have helped deliver asset growth of 10.9% (2025: 9.0%).

Balance sheet strength: Net debt increased from £41.4 billion at March 2025 to £44.2 billion at March 2026. Operating cash inflows of £7.8 billion (2025: £6.8 billion) along with disposal proceeds from the sales of NG Renewables £1.5 billion and Grain LNG £1.3 billion helped to fund £10.6 billion (2025: £9.7 billion) of investing cash outflows. Regulatory gearing was maintained at 61% (2025: 61%) and our calculation of RCF/adjusted net debt credit metric was 9.3%, a decrease of -50bps compared with 2024/25 and remains above the current rating threshold of 7.0%.

Financial review cont.

Dividend

The recommended full-year dividend per ordinary share of 48.49p is in line with our policy of increasing the prior year dividend in line with UK CPIH inflation and is covered 1.6 times by underlying EPS.

Profitability and earnings

In calculating adjusted profit measures, where we consider it is in the interests of users of the financial statements to do so, we exclude certain discrete items of income or expense that we consider to be exceptional in nature. The table below reconciles our statutory profit measures for continuing operations, at actual exchange rates, to adjusted and underlying versions. Further information on exceptional items and remeasurements is provided in notes 2, 5 and 6 to the financial statements.

Reconciliation of profit and earnings from continuing operations

£m	Operating profit			Profit after tax			Earnings per share		
	2025/26	2024/25	Change	2025/26	2024/25	Change	2025/26	2024/25	Change
Statutory results	5,431	4,934	10%	3,243	2,829	15%	65.5p	60.0p	9%
Exceptional items	(376)	(42)	n/m	(384)	(118)	n/m	(7.7p)	(2.4p)	n/m
Remeasurements	(11)	(127)	n/m	35	(93)	n/m	0.7p	(2.0p)	n/m
Adjusted results	5,044	4,765	6%	2,894	2,618	11%	58.5p	55.6p	5%
Timing	636	505	n/m	468	372	n/m	9.5p	7.9p	n/m
Major storm costs	—	87	(100)%	—	64	(100)%	—p	1.3p	(96)%
Deferred tax in NGET and NGED	—	—	—%	499	401	24%	10.0p	8.5p	17%
Underlying results	5,680	5,357	6%	3,861	3,455	12%	78.0p	73.3p	6%

Timing over/(under)-recoveries

In calculating underlying profit, we exclude regulatory revenue timing over- and under-recoveries, major storm costs (defined below) and deferred tax on underlying results of our UK regulated business (NGET and NGED), also defined below. Under the Group's regulatory frameworks, most of the revenues we are allowed to collect each year are governed by regulatory price controls in the UK and rate plans in the US. If more than this allowed level of revenue is collected, an adjustment will be made to future prices to reflect this over-recovery; likewise, if less than this level of revenue is collected, an adjustment will be made to future prices in respect of the under-recovery. These variances between allowed and collected revenues and timing of revenue collections for pass-through costs give rise to 'timing' over- and under-recoveries.

The following table summarises management's estimates of such amounts for the two years ended 31 March 2026 and 31 March 2025 for continuing operations. All amounts are shown on a pre-tax basis and, where appropriate, opening balances are restated for exchange adjustments and to correspond with subsequent regulatory filings and calculations, and are translated at the 2025/26 average exchange rate of \$1.343:£1.

£m	2025/26	2024/25 ¹
Balance at start of year (restated)	60	1,018
UK Electricity Transmission	(77)	(151)
UK Electricity Distribution	(116)	407
UK Electricity System Operator (sold in 2024/25)	—	(479)
New England	94	57
New York	(537)	(323)
In-year under-recovery	(636)	(489)
Disposal of UK Electricity System Operator	—	(462)
Balance at end of year	(576)	67

1. March 2025 balances restated to correspond with 2024/25 regulatory filings and calculations.

In relation to timing under-recoveries, the estimated closing net under-recovered balance at 31 March 2026 (at an average exchange rate of \$1.34) was £576 million, comprising: a net £68 million asset to be recovered in UK Electricity Transmission; a net £2 million liability to be returned in UK Electricity Distribution; a net £274 million asset to be recovered in New England; and a net £236 million asset to be recovered in New York (for further details see page 240). In calculating the post-tax effect of these in-year timing recoveries, we impute a tax rate based on the regional marginal tax rates, consistent with the relative mix of UK and US balances.

Financial review cont.

Major storm costs (US)

We exclude the impact of major storm costs in the US where the aggregate amount is sufficiently material in any given year. Such costs (net of in-year allowances and deductibles) are recoverable under our rate plans but are expensed as incurred under IFRS. Accordingly, where the aggregate total US major storm costs incurred (net of in-year allowances and deductibles) exceeds \$100 million in any given year, we exclude the net costs from underlying earnings. In 2025/26, we incurred deferrable storm costs (net of allowances) which are eligible for future recovery of \$52 million, but this did not exceed our pre-set \$100 million threshold to be excluded from underlying results. In the prior year, we incurred \$110 million (£87 million) of deferrable storm costs (net of allowances) before tax, or £64 million post-tax and consequently these were all excluded from our reported underlying results.

Deferred tax in UK regulated businesses

We exclude deferred tax in our UK regulated businesses (NGET and NGED) in our underlying earnings measure. Tax is generally considered to be a pass-through cost by our UK regulator, with revenue tax allowances linked to the level of cash tax expected to be paid in the year. In 2025/26, we excluded £499 million (2025: £401 million) of deferred tax charges from our underlying results.

Segmental operating profit

The tables below set out operating profit on statutory, adjusted, and underlying bases.

Statutory operating profit

£m	2025/26	2024/25	Change
UK Electricity Transmission	1,605	1,277	26%
UK Electricity Distribution	1,122	1,598	(30)%
UK Electricity System Operator	—	(213)	100%
New England	947	1,008	(6)%
New York	1,184	1,269	(7)%
National Grid Ventures	715	5	n/m
Other activities	(142)	(10)	n/m
Total	5,431	4,934	10%

The notation 'n/m' is used throughout this section where the year-on-year percentage change is deemed to be 'not meaningful'.

Statutory operating profit increased in the year, primarily as a result of exceptional net gains of £376 million in 2025/26 compared with net gains of £42 million in the prior year. For details on exceptional items, refer to note 5 to the financial statements. This was largely offset by £131 million adverse year-on-year movements in timing, £116 million adverse year-on-year movements in commodity derivative remeasurements and the impact of a weaker exchange rate. Statutory operating profit was also supported by an improved underlying performance in our UK Electricity Transmission, UK Electricity Distribution and New York businesses, partially offset by the prior year including a contribution from the UK Electricity System Operator prior to its disposal, along with lower underlying profits in New England, adversely impacted by the FERC order (mainly related to historical periods) and lower underlying profits in National Grid Ventures, with the latter being driven by the sales of National Grid Renewables and Grain LNG in 2025/26.

Adjusted operating profit (a non-GAAP measure)

£m	2025/26	2024/25	Change
UK Electricity Transmission	1,605	1,277	26%
UK Electricity Distribution	1,122	1,610	(30)%
UK Electricity System Operator	—	(364)	100%
New England	960	982	(2)%
New York	1,172	1,023	15%
National Grid Ventures	327	380	(14)%
Other activities	(142)	(143)	1%
Continuing operations	5,044	4,765	6%

Underlying operating profit (a non-GAAP measure)

£m	2025/26	2024/25	Change
UK Electricity Transmission	1,682	1,428	18%
UK Electricity Distribution	1,238	1,203	3%
UK Electricity System Operator	—	115	(100)%
New England	866	924	(6)%
New York	1,709	1,450	18%
National Grid Ventures	327	380	(14)%
Other activities	(142)	(143)	1%
Continuing operations	5,680	5,357	6%

Financial review cont.

The following segmental commentaries describe the reasons for the movements in statutory, adjusted and underlying operating profit compared with the prior year. Unless otherwise stated, the discussion of performance in the remainder of this Financial review focuses on underlying results.

UK Electricity Transmission

£m	2025/26	2024/25	Change
Revenue	2,898	2,619	11%
Operating costs	(1,293)	(1,342)	4%
Statutory operating profit	1,605	1,277	26%
Exceptional items	—	—	—%
Adjusted operating profit	1,605	1,277	26%
Timing	77	151	n/m
Underlying operating profit	1,682	1,428	18%
Analysed as follows:			
Net revenue	2,507	2,164	16%
Regulated controllable costs (including pensions)	(290)	(293)	(1)%
Other operating costs	(62)	(54)	(15)%
Depreciation and amortisation	(550)	(540)	(2)%
Adjusted operating profit	1,605	1,277	26%
Timing	77	151	n/m
Underlying operating profit	1,682	1,428	18%

UK Electricity Transmission statutory operating profit was £328 million higher in the year. Timing under-recoveries were £77 million in 2025/26 compared with an under-recovery of £151 million in 2024/25. This year-on-year less adverse under-recovery is mainly the impact of the return in 2024/25 of prior period balances (primarily tax allowances), a lower inflation true-up and a lower in-year recovery on volumes and pass-through costs than 2024/25.

UK Electricity Transmission underlying operating profit increased by 18%. Underlying net revenues were £269 million (12%) higher principally from higher totex allowances (including fast money on ASTI spend) but also the impact of inflationary increases linked to RAV growth.

Regulated controllable costs including pensions were £3 million lower with the impact of inflationary and workload increases, due to a larger workforce to support the growing asset base, being more than offset by efficiency savings, non-recurring benefits related to IT and support service recharges and the reclassifications of insurance recharges. Other costs were slightly higher than the prior year at £62 million, including cost reclassifications, but this was partly offset by lower customer-funded diversions and favourable gains on disposals of assets compared with 2024/25.

The higher depreciation and amortisation principally reflects a higher asset base as a result of continued investment.

UK Electricity Distribution

£m	2025/26	2024/25	Change
Revenue	1,937	2,424	(20)%
Operating costs	(815)	(826)	1%
Statutory operating profit	1,122	1,598	(30)%
Exceptional items	—	12	(100)%
Adjusted operating profit	1,122	1,610	(30)%
Timing	116	(407)	n/m
Underlying operating profit	1,238	1,203	3%
Analysed as follows:			
Net revenue	1,753	2,239	(22)%
Regulated controllable costs (including pensions)	(311)	(302)	3%
Other operating costs	(49)	(78)	37%
Depreciation and amortisation	(271)	(249)	(9)%
Adjusted operating profit	1,122	1,610	(30)%
Timing	116	(407)	n/m
Underlying operating profit	1,238	1,203	3%

UK Electricity Distribution statutory operating profit was £476 million lower in the year, reflecting the impact of £523 million adverse year-on-year timing movements. Timing under-recoveries of £116 million in 2025/26 were mainly due to the return of prior period balances, principally driven by an over-collection in K-factor (i.e. volumes/prices) in 2024/25 which was effectively returned in 2025/26, partly offset by true-ups for pass-through costs and inflation. This compares with a timing over-recovery of £407 million in the prior year, which was favourably driven by an over-collection of K-factor.

Financial review cont.

In 2025/26 there were no exceptional costs compared with £12 million of exceptional costs in 2024/25 related to our major transformation programme.

UK Electricity Distribution underlying operating profit increased by £35 million (3%). Underlying net revenues were £37 million higher than the prior year due to the impact of higher inflation, higher totex allowances and improved DSO incentives performance partly offset by lower engineering recharge income.

Regulated controllable costs including pensions were £9 million (3%) higher than the prior year from the impact of increased inspection and maintenance work, combined with investment in capability build and inflation impacts, partly offset by efficiencies achieved. Other costs were £29 million lower, reflecting costs incurred in the prior year associated with Storm Darragh and lower engineering recharges.

Depreciation and amortisation increased by £22 million compared with the prior year due to the increasing asset base.

UK Electricity System Operator

£m	2025/26	2024/25	Change
Revenue	—	1,029	(100)%
Operating costs	—	(1,242)	100%
Statutory operating loss	—	(213)	100%
Exceptional items	—	(151)	n/m
Adjusted operating loss	—	(364)	100%
Timing	—	479	n/m
Underlying operating profit	—	115	(100)%
Analysed as follows:			
Net revenue	—	(188)	100%
Controllable costs	—	(159)	100%
Post-retirement benefits	—	(10)	100%
Other operating costs	—	(7)	100%
Depreciation and amortisation	—	—	—%
Adjusted operating loss	—	(364)	100%
Timing	—	479	n/m
Underlying operating profit	—	115	(100)%

UK Electricity System Operator was purchased by the UK Government on 1 October 2024 and had been classified as 'held for sale' since October 2023. Based on the scale and pass-through nature of the UK Electricity System Operator, it was not considered to be a separate major line of business and hence, did not meet the definition of a discontinued operation under IFRS 5.

UK Electricity System Operator had a statutory operating loss of £213 million in 2024/25 as a result of adverse timing (net of provisions for regulatory liabilities recognised under IFRS). In 2023/24 a £498 million exceptional provision was made for the return of the estimated remaining balance of over-collected revenues at the expected date of disposal (at that time, expected to be June 2024). This provision was partially reversed in 2024/25 generating an exceptional credit of £151 million. Under IFRS, a regulatory liability is not usually recognised on balance sheet for the return of such over-recoveries, however due to the intended disposal of this business during 2024/25, a liability was recognised given these amounts were expected to be settled through the planned sale process as opposed to reduced future revenues. The remaining £347 million exceptional provision at the disposal date was reflected in the reported gain on disposal of this business.

During 2024/25, UK Electricity System Operator had a timing under-recovery of £479 million arising from the return of prior period over-recovered balances. The over-recovery was the result of higher revenues collected through the BSUoS fixed price charges compared with total system balancing costs incurred. At the disposal date, the impact of the residual net over-recovered position was assessed when calculating the overall net disposal proceeds.

UK Electricity System Operator underlying operating profit in 2024/25 was £115 million. No depreciation and amortisation was charged while the business was classified as 'held for sale'.

New England

£m	2025/26	2024/25	Change
Revenue	4,174	4,306	(3)%
Operating costs	(3,227)	(3,298)	2%
Statutory operating profit	947	1,008	(6)%
Exceptional items	—	3	n/m
Remeasurements	13	(29)	n/m
Adjusted operating profit	960	982	(2)%
Timing	(94)	(61)	n/m
Major storm costs	—	3	(100)%
Underlying operating profit	866	924	(6)%
Analysed as follows:			
Net revenue	2,723	2,648	3%
Regulated controllable costs	(668)	(706)	5%
Post-retirement benefits	(9)	(21)	57%
Bad debt expense	(84)	(62)	(35)%
Other operating costs	(509)	(408)	(25)%
Depreciation and amortisation	(493)	(469)	(5)%
Adjusted operating profit	960	982	(2)%
Timing	(94)	(61)	n/m
Major storm costs	—	3	(100)%
Underlying operating profit	866	924	(6)%

Financial review cont.

New England's statutory operating profit was £61 million lower (or £3 million lower on a constant currency basis). This included commodity derivative remeasurement losses of £13 million (£42 million adverse year-on-year), partially offset by £33 million favourable year-on-year timing movements. Timing over-recoveries of £94 million in 2025/26 are mainly due to the recognition of a receivable for FERC RoE refunds in Mass Electric from New England Transmission Owners (which will be returned to customers in future periods). In 2024/25, timing was over-recovered by £61 million mainly due to phasing of energy efficiency programme spend and commodity costs. In 2024/25, there were £3 million of exceptional items related to £7 million of charges for our major transformation progress and a £4 million gain related to environmental provision movements.

New England's underlying operating profit decreased by £58 million (6%) or £5 million (1%) on a constant currency basis. Underlying net revenue was £42 million higher (£190 million higher at constant currency) driven by updated rates, higher revenues from capital trackers and storm recoveries, partly offset by the adverse impact of the FERC order. New England controllable costs were lower by £38 million (£3 million higher at constant currency) as a result of additional workload and inflation, which were offset by efficiency savings. Bad debt expense increased by £22 million (£25 million at constant currency) as a result of higher accounts receivables and higher reserve rates. Depreciation and amortisation increased by £24 million (£51 million at constant currency) as a result of higher investment. Other costs (on an underlying basis) were £101 million higher (£124 million higher at constant currency) due to higher investment-related expenses and higher property taxes, both driven by the growth in asset base along with higher funded programme costs.

New York

£m	2025/26	2024/25	Change
Revenue	7,618	6,689	14%
Operating costs	(6,434)	(5,420)	(19)%
Statutory operating profit	1,184	1,269	(7)%
Exceptional items	—	(133)	n/m
Remeasurements	(12)	(113)	n/m
Adjusted operating profit	1,172	1,023	15%
Timing	537	343	n/m
Major storm costs	—	84	(100)%
Underlying operating profit	1,709	1,450	18%
Analysed as follows:			
Net revenue	4,505	4,202	7%
Regulated controllable costs	(1,032)	(1,049)	2%
Post-retirement benefits	(19)	(33)	n/m
Bad debt expense	(156)	(141)	(11)%
Other operating costs	(1,357)	(1,225)	(11)%
Depreciation and amortisation	(769)	(731)	(5)%
Adjusted operating profit	1,172	1,023	15%
Timing	537	343	n/m
Major storm costs	—	84	(100)%
Underlying operating profit	1,709	1,450	18%

New York statutory operating profit was lower by £85 million (or £12 million lower at constant currency). In the prior year New York incurred £133 million of net exceptional credits (a £142 million credit on environmental provision movements, partly offset by a £9 million charge on our major transformation programme). Timing under-recoveries in 2025/26 were £537 million (principally related to revenue decoupling in KEDNY/KEDLI and the impact of levelisation of new rate increases in NIMO, along with lower auction sale prices on transmission wheeling). In 2024/25, timing under-recoveries were £343 million (driven by transmission wheeling and commodity under-recoveries due to colder weather and KEDNY/KEDLI rate levelisation under-recoveries). This resulted in a £194 million adverse year-on-year timing swing (£214 million adverse at constant currency).

New York underlying operating profit increased by £259 million (18%), or £342 million (25% at constant currency). This was driven by higher net underlying revenues which increased by £497 million (11%), or £757 million at constant currency, principally driven by updated rates including higher storm cost allowances and the recovery of previously unremunerated costs (e.g. environmental and property taxes). Regulated controllable costs were £17 million lower (£43 million higher at constant currency) year-on-year, primarily as a result of increased workload (gas safety and reliability initiatives, CLCPA and increased IT spend on new digital platforms) plus the impact of inflation, partly offset by efficiency savings. Bad debt expense increased by £15 million (£23 million at constant currency) driven by increased customer billings. Depreciation and amortisation increased due to the growth in assets. Other costs (on an underlying basis) increased due to higher storm costs (partly offset by increased storm cost allowances in revenues), higher property taxes, inflation-related environmental costs and investment-related costs.

National Grid Ventures

£m	2025/26	2024/25	Change
Revenue	1,098	1,397	(21)%
Operating costs	(232)	(1,220)	81%
Depreciation and amortisation	(151)	(173)	13%
Statutory operating profit	715	5	n/m
Exceptional items	(376)	360	n/m
Remeasurements	(12)	15	n/a
Adjusted/underlying operating profit	327	380	(14)%

National Grid Ventures' statutory operating profit improved by £710 million, principally as a result of a £489 million exceptional gain on sale on the disposal of Grain LNG in November 2025, partly offset by a £96 million exceptional loss on disposal of National Grid Renewables sold in May 2025 (mainly driven by the recycling of cumulative exchange rate adjustments since 2019/20 when this business was originally acquired). This compared with exceptional charges in 2024/25 of £303 million (impairment of our Community Offshore Wind investment), along with £57 million of transaction and separation costs for the planned disposal of National Grid Renewables. Commodity remeasurements were gains of £12 million in 2025/26 compared with losses of £15 million in 2024/25.

National Grid Ventures' underlying operating profit was £53 million lower than 2024/25. On 29 May 2025 the sale of National Grid Renewables was completed, and on 28 November 2025 the sale of Grain LNG was completed. The sale of Grain LNG in 2025/26 reduced underlying operating profit by £35 million year-on-year. In the UK, interconnector profits decreased versus the prior year primarily as a result of lower interconnector revenues as market spreads remained low. In the US, profit was lower, due to a £24 million Revolution Wind gain on sale recognised in 2024/25, partly offset by lower development expenditure.

Financial review cont.

Other activities

£m	2025/26	2024/25	Change
Statutory operating loss	(142)	(10)	(1,330)%
Exceptional items	—	(133)	n/m
Adjusted/underlying operating loss	(142)	(143)	1%
Analysed as follows:			
Property	46	54	(15)%
Corporate and Other activities	(188)	(197)	5%
Adjusted/underlying operating loss	(142)	(143)	1%

Other activities incurred a statutory operating loss of £142 million (2025: £10 million loss, which included a £187 million exceptional gain on disposal of UK Electricity System Operator, £46 million of exceptional charges related to our major transformation programme and £8 million of exceptional transaction and separation costs incurred by our corporate function related to the planned disposal of our Grain LNG business). Following a review of strategic priorities in 2025/26, the major transformation programme launched in 2024 has been reshaped and the associated programme costs in the current year no longer meet the quantitative threshold to be treated as exceptional.

Other activities' underlying operating loss was £142 million (including corporate costs) in 2025/26 compared with £143 million loss in 2024/25. This improvement was driven by favourable year-on-year fair value movements in our NG Partners investment portfolio and higher insurance captive profits, mostly offset by increases in central costs to help deliver our overall group efficiency programme and other corporate centre cost increases along with lower UK property sales in 2025/26 compared with the prior year.

Exceptional items and remeasurements in operating profit – continuing

In 2025/26, we classified a number of items as exceptional, which has the net impact of increasing our statutory operating profit by £376 million (2025: £42 million increase) compared with our adjusted and underlying operating profit measures. These items comprise an exceptional gain of £489 million on the sale of Grain LNG; an exceptional loss of £96 million on the sale of National Grid Renewables; transaction, separation and integration costs of £17 million (2025: £65 million). The prior year included a £146 million credit related to changes in environmental provisions; a £151 million provision release and a £187 million gain on sale (both linked to UK Electricity System Operator); and a £303 million impairment of an investment in National Grid Ventures. For further details see note 5 to the financial statements. In 2024/25, we embarked on a new four-year major transformation programme designed to implement our 'pureplay networks business' strategy, incurring £74 million of exceptional costs. In 2025/26, it was determined that this programme no longer met the exceptional items criteria and current year costs have not been treated as exceptional.

We also exclude certain unrealised gains and losses on mark-to-market financial instruments ('remeasurements') from adjusted and underlying profit. In 2025/26, net remeasurement gains on commodity contract derivatives (i.e. 'mark-to-market' movements on derivatives used to hedge the cost of buying wholesale gas and electricity on behalf of US customers and derivatives in our UK interconnectors business) were £11 million, compared with net remeasurement gains of £127 million in 2024/25.

Financing costs and taxation – continuing

Net finance costs

Statutory net finance costs of £1,325 million were down from £1,357 million in 2024/25 and included derivative remeasurement net losses of £54 million (2025: £4 million net gains). Underlying net finance costs of £1,271 million for 2025/26 were £90 million or 7% lower (£37 million or 3% lower at constant currency) than 2024/25. Net debt related finance costs were £89 million higher (£146 million higher at constant currency), driven by higher levels of average net debt (to fund our capex programme) and slightly higher interest rates, partly offset by gains on favourable debt buy-backs. The effective interest rate for continuing operations of 4.3% is 20bps higher than the prior year rate. Other interest was favourable year-on-year reflecting £122 million higher capitalised interest, principally attributable to the step up in ASTI investment in UK Electricity Transmission, along with favourable pension and OPEB interest income, lower discount unwind on provisions and higher other interest income.

Joint ventures and associates

The Group's share of net profits from joint ventures and associates on a statutory basis increased to £76 million (2025: £73 million). Due to the sale of our Emerald joint venture on 29 May 2025, there are no derivative remeasurements in the current year (2025: £2 million of losses). On an adjusted basis, the share of net profits from joint ventures and associates increased by £1 million compared with 2024/25, mostly reflecting higher BritNed revenues driven by higher auction prices, offset by a shorter ownership period of our Emerald joint venture, which was sold as part of the National Grid Renewables disposal.

Tax

The statutory tax charge for continuing operations was £939 million (2025: £821 million) including the impact of tax on exceptional items and remeasurements of £16 million credit (2025: £40 million credit). The adjusted tax charge for continuing operations was £955 million (2025: £861 million), resulting in an adjusted effective tax rate for continuing operations (excluding profits from joint ventures and associates) of 25.3% (2025: 25.3%).

The underlying tax charge for the year (a non-GAAP measure) was £624 million (2025: £616 million). The underlying effective tax rate (excluding joint ventures and associates) of 14.2% was 120bps lower than last year (2025: 15.4%). This is mainly due to profit mix within the Group being more weighted towards NGET and higher levels of capital investment in NGED leading to a lower underlying tax charge. Our definition of underlying tax excludes deferred tax for NGET and NGED (as these entities do not receive a regulatory revenue allowance for tax that has not yet been paid i.e. current tax is effectively a pass-through from a regulatory perspective). The Group's tax strategy is detailed later in this review.

Financial review cont.

Capital investment and asset growth

Capital investment

Capital investment comprises capital expenditure in critical energy infrastructure, equity investments, equity funding contributions to joint ventures and associates, and net movements in capital expenditure-related prepayments to secure delivery of future capital investment projects.

£m	At actual exchange rates			At constant currency		
	2025/26	2024/25	Change	2025/26	2024/25	Change
UK Electricity Transmission	4,372	2,999	46%	4,372	2,999	46%
UK Electricity Distribution	1,617	1,426	13%	1,617	1,426	13%
New England	2,043	1,751	17%	2,043	1,650	24%
New York	3,428	3,289	4%	3,428	3,101	11%
National Grid Ventures	109	378	(71)%	109	362	(70)%
Other activities	7	4	75 %	7	4	75 %
Total Group	11,576	9,847	18%	11,576	9,542	21%

UK Electricity Transmission investment was £1,373 million higher than 2024/25 with this 46% increase primarily driven by expenditure on strategic investment (both Wave 1 and Wave 2 projects) including offshore spend on EGL4 and Sea Link capacity reserve advance payments, and increased onshore spend including North London Reinforcement, Yorkshire Green, Tilbury-Grain and Norwich-Tilbury along with other smaller projects. In addition, investment was higher from progress on projects such as Uxbridge Moor, Wallend and Margam and also increased for IT and cyber including a new state-of-the-art control room and Supervisory Control and Data Acquisition (SCADA) system. Capitalised interest and interest on prepayments of £229 million was £86 million higher than the prior year due to higher levels of assets under construction.

UK Electricity Distribution increased by £191 million primarily due to increased asset replacement and refurbishment, higher reinforcement works (in line with the scale up under RIIO-ED2), along with higher non-load capex driven by higher volumes across overhead lines and diversions and increased investment in IT and telecoms.

In New England capital investment increased by £292 million (up £393 million at constant currency) compared with the prior year. This was driven by spend on electric distribution including increases in asset condition and system capacity, as well as grid modernisation through Advanced Metering Infrastructure and Fault Location Isolation and Service Restoration (FLISR), higher electric transmission investment primarily from asset condition and system capacity work, along with an increase in IT investment. Investment in gas distribution remained relatively stable, with lower Gas System Enhancement Plan activity being partly offset by increased enhanced safety regulation compliance investment.

Capital investment in New York was £139 million higher (up £327 million at constant currency) compared with the prior year. The principal driver of this was higher electric investment, driven by system reinforcement and increasing capacity to fulfil clean energy investment commitments (Upstate Upgrade and Climate Leadership and Community Protection Act programmes) but also higher from an increase in the level of IT system development. Investment in our gas networks was lower than in the prior year, with reduced investment on our mains replacement programme, partly offset by higher spend on city state construction and other mandated programme spend.

Capital investment in National Grid Ventures was £269 million lower (£253 million lower at constant currency) with £210 million of this decrease attributable to the disposals of NG Renewables and Grain LNG, and £53 million reflects the completion of construction of Viking Link interconnector during 2024/25.

UK Electricity System Operator reported no capital investment since being classified as held for sale during 2023/24.

Asset growth and regulated asset growth (non-GAAP measures)

A key part of our investor proposition is growth in our regulated asset base. The regulated asset base is a regulatory construct, representing the invested capital on which we are authorised to earn a cash return. By investing efficiently in our networks, we add to our regulatory asset base over the long term and this in turn contributes to delivering shareholder value. Our regulated asset base comprises our regulatory asset value (RAV) in the UK, plus our rate base in the US (these are used to measure our 'regulated asset growth'). We also invest in related activities that are not subject to network regulation and this further contributes to 'asset growth'.

In total, asset growth in 2025/26 was 10.9% (2025: 9.0%). Asset growth tracks the overall increase in assets (excluding foreign exchange movements and the impact of significant increases or decreases from business acquisition or disposal transactions) using a combination of UK RAV and US rate base for our regulated businesses, and IFRS balances for our non-regulated businesses. Asset growth excludes the impact of the reduction in assets in our National Grid Ventures businesses as a result of the disposal of our Grain LNG and National Grid Renewables businesses during 2025/26. A detailed calculation of asset growth is provided on page 247.

In terms of asset growth by business sector, UK RAV growth was 12.8% (2025: 9.8%) driven by increased 'slow money' additions and RAV indexation, along with higher RAV depreciation. US rate base grew strongly by 10.3% (2025: 11.5%), with continued high levels of capital expenditure (as measured under US GAAP) and more assets coming into service during the year resulting in increased rate base at 31 March 2026. On a combined basis, the increase in our UK RAV and US rate base (at constant currency) produced 'regulated asset growth' of 11.7% (2025: 10.5%).

Non-regulated businesses' growth was 4.3% (2025: (2.1)%) primarily as a result of ongoing investment in our US Servco on IT, which will support our US regulated businesses, partly offset by lower assets held in our UK Property business.

Financial review cont.

Cash flow, net debt and funding

Net debt is the aggregate of cash and cash equivalents, borrowings, current financial and other investments and derivatives (excluding commodity contract derivatives) as disclosed in note 29 to the financial statements. 'Adjusted net debt' used for the RCF/adjusted net debt calculation is principally adjusted for pension deficits and hybrid debt instruments. For a full reconciliation, see page 242. The following table summarises the Group's cash flow for the year, reconciling this to the change in net debt.

Summary cash flow statement

£m	2025/26	2024/25	Change
Cash generated from continuing operations	7,861	6,991	12%
Purchase of intangibles, PP&E, investments in JVs and acquisition of financial investments (net of disposals)	(10,601)	(9,713)	(9)%
Dividends from JVs and associates	105	126	(17)%
Business net cash outflow from continuing operations	(2,635)	(2,596)	(2)%
Net interest paid	(1,701)	(1,588)	(7)%
Net tax paid	(32)	(183)	83%
Cash dividends paid	(1,623)	(1,529)	(6)%
Other cash movements	39	11	255%
Net cash outflow (continuing)	(5,952)	(5,885)	(1)%
Disposals of subsidiaries and associates ¹	2,809	1,263	122 %
Discontinued operations	—	22	(100)%
Rights Issue (net of costs)	—	6,839	(100)%
Other, including net financing raised/(repaid) in year	2,195	(1,474)	n/m
(Decrease)/increase in cash and cash equivalents	(948)	765	n/m
Reconciliation to movement in net debt			
(Decrease)/increase in cash and cash equivalents	(948)	765	n/m
Less: other net cash flows from investing and financing transactions	(2,195)	1,474	n/m
Net debt reclassified to held for sale	—	(55)	100%
Impact of foreign exchange movements on opening net debt	624	528	18%
Other non-cash movements	(270)	(476)	43%
(Increase)/decrease in net debt	(2,789)	2,236	n/m
Net debt at start of year	(41,371)	(43,607)	5%
Net debt at end of year	(44,160)	(41,371)	(7)%

1. Cash proceeds of £1,499 million for Grain LNG (less £163 million balance of cash and cash equivalents disposed) and £1,531 million for National Grid Renewables (less £58 million balance of cash and cash equivalents disposed) (2025: cash proceeds of £628 million for ESO (less £51 million balance of cash and cash equivalents disposed) and £686 million for the disposal of 20% retained interest in National Gas Transmission).

Cash flow generated from continuing operations was £7.9 billion, £870 million higher than last year, mainly due to higher net revenues (i.e. after deducting pass-through costs) increasing operating profit and favourable working capital inflows. Cash expended on investment activities increased as a result of continued growth in our regulated businesses including a significant step-up of cash capital investment in UK Electricity Transmission, which was £1.1 billion higher than the prior year, along with higher investment in New York, New England and UK Electricity Distribution. This includes ongoing cash investment in Grain LNG and National Grid Renewables, subsequent to these businesses being reclassified as held for sale.

Net interest paid increased mainly as a result of lower interest income following Rights Issue proceeds being utilised to fund the capital investment programme across the Group, along with the impact of the timing of cash interest payments (accrued interest movements), partly offset by a higher average level of net debt. The Group made net tax payments of £32 million (2025: £183 million) during 2025/26. This decrease mainly related to lower cash tax payable in our US business as a result of offsetting losses and lower cash tax payable in the UK as a result of our expanding capital programme.

The higher cash dividend reflected a lower weighted average scrip uptake of 28% in the current year (2025: 31%) along with the annual inflationary increase and a higher share count.

In 2025/26, we completed the sale of our National Grid Renewables business for net cash proceeds of £1,473 million and also sold our UK Grain LNG business for net cash proceeds of £1,336 million. These net cash proceeds exclude cash balances sold with these businesses and exclude a provision for estimated post closing capital expenditure obligations (see note 10 of the financial statements). In 2024/25, we had cash inflows of £628 million from the sale of our UK Electricity System Operator business to the UK. We also sold our final 20% interest in National Gas Transmission for proceeds of £686 million.

During the year, we raised £4.2 billion of new long-term senior debt to refinance maturing debt and to fund a portion of our significant capital programme. In addition, we signed £2.4 billion of new loan facilities, undrawn as at 31 March 2026, which we expect to draw in the future, including £1.7 billion across two loan facilities that are guaranteed by European Export Credit Agencies and which are aligned with our Green Financing Framework. Finally, on 13 April 2026, National Grid North America Inc. signed a new £0.7 billion equivalent term loan.

Other cash movements principally relate to net financing inflows or outflows to maintain our cash balances at an appropriate level in accordance with the Group liquidity policy, but do not have an impact on the Group's net debt. Other non-cash movements which do impact net debt, primarily reflect changes in the sterling-dollar exchange rate, accretions on index-linked debt, lease additions and other derivative fair value movements, offset by the amortisation of fair value adjustments on acquired debt.

As at 13 May 2026, we have £8.0 billion of undrawn committed facilities available for general corporate purposes, all of which have expiry dates no earlier than May 2027. National Grid's balance sheet remains robust, with strong overall investment grade ratings from Moody's, Standard & Poor's (S&P) and Fitch.

The Board has considered the Group's ability to finance normal operations as well as funding a significant capital programme. This includes stress testing of the Group's finances under a 'reasonable worst-case' scenario, assessing the timing of the sale of businesses held for sale and the further levers at the Board's discretion to ensure our businesses are adequately financed. As a result, the Board has concluded that the Group will have adequate resources to do so.

Financial review cont.

Financial position

The following table sets out a condensed version of the Group's IFRS balance sheet.

Summary balance sheet

£m	31 March 2026	31 March 2025	Change
Goodwill and intangibles	13,296	13,096	2%
Property, plant and equipment	81,520	74,091	10%
Assets and liabilities held for sale	—	2,194	(100)%
Other net liabilities	(1,663)	(805)	(107)%
Tax balances	(9,049)	(8,246)	(10)%
Net pension assets	2,147	1,916	12%
Provisions	(2,761)	(3,049)	9%
Net debt	(44,160)	(41,371)	(7)%
Net assets	39,330	37,826	4%

Goodwill and intangibles increased mainly as a result of additional investment in IT systems, partly offset by amortisation and exchange rate movements. Property, plant and equipment increased mainly as a result of the continuing capital investment programme offset by depreciation and exchange rate movements. Assets and liabilities held for sale at 31 March 2025 comprised our UK Grain LNG business and our US National Grid Renewables business, both of which were sold during 2025/26. Tax balances increased principally from accelerated tax depreciation due to ongoing capital investment and movements in other net temporary differences, partly offset by exchange rate movements. Net pension assets increased mainly as a result of returns on investments and actuarial gains on scheme net assets. Provisions were reduced principally as a result of utilisation of US environmental and UK interconnector revenue provisions, exchange rate movements, partly offset by the impact of the discount unwind. Other movements are largely explained by net working capital inflows and changes in the sterling–dollar exchange rate.

Regulatory gearing was maintained at 61% as at 31 March 2026 (2025: 61%). Regulatory gearing is a non-GAAP measure and is calculated as net debt as a proportion of total regulatory asset value and other business invested capital. Beneficial inflows from the proceeds for the sales of businesses (National Grid Renewables and Grain LNG) were offset by financing outflows for net interest and dividend payments. Taking into account the benefit of our hybrid debt, adjusted gearing as at 31 March 2026 was 61% (2025: 60%), with the current overall Group credit rating of BBB+/Baa1 (S&P/Moody's).

Retained cash flow as a proportion of adjusted net debt was 9.3%, 50bps lower than 2024/25 but well above the long-term average level of 7.0% indicated by Moody's, as consistent with maintaining our current Group rating.

Off-balance sheet items

There were no significant off-balance sheet items other than the commitments and contingencies detailed in note 30 to the financial statements. In accordance with IFRS, regulatory assets and regulatory liabilities are not recognised on the balance sheet. Further information in respect of certain of the Group's energy purchase contracts and commodity price risk is disclosed in note 32(f) to the financial statements.

Economic returns (non-GAAP measures)

A principal way in which we measure our performance in generating value for shareholders is to divide regulated financial performance by regulatory equity, to produce RoE.

As explained on page 242, regulated financial performance adjusts reported operating profit to reflect the impact of the Group's various regulatory economic arrangements in the UK and US. In order to show underlying performance, we calculate RoE measures excluding exceptional items of income or expenditure.

Group RoE is used to measure our performance in generating value for our shareholders by dividing regulated and non-regulated financial performance, after interest and tax, by our measure of equity investment in all our businesses, including the regulated businesses, NGV and other activities and joint ventures. For further details, please see page 244.

Regulated businesses' RoEs are measures of how the businesses are performing compared with the assumptions and allowances set by our regulators. US jurisdictional and UK entity regulated returns are calculated using the capital structure assumed within their respective regulatory arrangements and, in the case of the UK, assuming long-run inflation of 2% CPIH under RIIO-2. As these assumptions differ between the UK and the US, RoE measures are not directly comparable between the two geographies. In our performance measures, we compare achieved RoEs to the level assumed when setting base rate and revenue allowances in each jurisdiction.

Return on Equity 'RoE' (non-GAAP measures)

%	2025/26	2024/25	Change
UK Electricity Transmission	8.2%	8.3%	-10bps
UK Electricity Distribution	8.1%	7.9%	20bps
New England	9.2%	9.1%	10bps
New York	9.0%	8.7%	30bps
Group RoE	9.8%	9.0%	90bps

In 2025/26, UK Electricity Transmission achieved operational returns of 8.2%, delivering 100bps of outperformance under RIIO-T2, mainly from totex performance related to savings on capital delivery (2025: 8.3% achieved return, or 100bps above the allowed base return). UK Electricity Distribution achieved an operational return of 8.1% in 2025/26, including 50bps outperformance, mostly consisting of non-totex DSO performance incentives (2025: 7.9% achieved return, or 20bps above the allowed base return).

New England's achieved return of 9.2% was 96% of the allowed return in 2025/26 compared with an achieved return of 9.1% in 2024/25. New York's achieved return of 9.0% was 96% of the allowed return in 2025/26 compared with an achieved return of 8.7% in 2024/25. The quoted returns for New England and New York represent the weighted average return across operating companies within each jurisdiction.

Overall Group RoE, which incorporates NGV, property, corporate and other activities, and financing and tax performance, was 9.8% in 2025/26 compared with 9.0% achieved in 2024/25.

Financial review cont.

Tax transparency

As a responsible taxpayer, we have voluntarily included additional tax disclosures, which we believe are of interest to our stakeholders. For information on the Company's activities, please see page 4, and for a definition of discontinued operations, please see note 10 to the financial statements.

Tax strategy

National Grid is a responsible taxpayer. Our approach to tax is consistent with the Group's broader commitments to doing business responsibly and upholding the highest ethical standards. This includes managing our tax affairs, as we recognise not only that our tax contribution supports public services but also that responsible tax practices are part of our social licence and are a key enabler of stakeholder trust, especially for customers, regulators and tax authorities. We endeavour to manage our tax affairs so that we pay and collect the right amount of tax, at the right time, in accordance with the tax laws in all the territories in which we operate. We will claim valid tax reliefs and incentives where these are applicable to our business operations, but only where they are widely accepted through the relevant tax legislation such as those established by government to promote investment, employment and economic growth. We do not have operations in tax havens or low-tax jurisdictions without commercial purpose.

We have a strong governance framework and our internal control and risk management framework helps us manage risks, including tax risk, appropriately. We take a conservative approach to tax risk. While there is no prescribed limit to the amount of acceptable tax risk, any material tax judgements are subject to review and monitoring under our risk management framework with escalation to the Audit & Risk Committee as appropriate.

Our financial statements have been audited. The figures in the tax transparency disclosures in the Annual Report and Accounts have been taken from our financial systems, which are subject to our internal control framework.

We act with openness and honesty when engaging with relevant tax authorities and seek to work with tax authorities on a real-time basis. We engage proactively in developments of external tax policy and engage with relevant bodies where appropriate. Ultimate responsibility and oversight of our tax strategy and governance rests with the Audit & Risk Committee, with executive management delegated to our Chief Financial Officer who oversees and approves the tax strategy on an annual basis. For more detailed information, please refer to our published tax strategy on our website.

Country-by-country reporting summary

We have disclosed in the table below data showing the scale of our activities in each of the countries we operate in. This allows our stakeholders to see the profits earned, taxes paid and the context of those payments. The Group's entities are tax resident in their jurisdiction of incorporation other than where indicated in the footnotes to note 34 to the financial statements.

2025/26	Revenue			Profit/(loss) before income tax ³ £m	Income tax accrued – current year ⁴ £m	Tangible assets/(liabilities) other than cash and cash equivalents ⁵ £m
	Unrelated party ¹ £m	Related party ² £m	Total £m			
Tax jurisdiction						
United Kingdom	5,472	197	5,669	3,014	9	39,155
United States	12,215	51	12,266	1,104	—	42,365
Isle of Man	—	62	62	64	9	—
Luxembourg	—	—	—	—	—	—
Belgium	—	—	—	—	—	—
Total	17,687	310	17,997	4,182	18	81,520

2024/25	Revenue			Profit/(loss) before income tax ³ £m	Income tax accrued – current year ⁴ £m	Tangible assets/(liabilities) other than cash and cash equivalents ⁵ £m
	Unrelated party ¹ £m	Related party ² £m	Total £m			
Tax jurisdiction						
United Kingdom	6,707	241	6,948	2,703	67	34,680
United States	11,671	58	11,729	947	47	39,411
Isle of Man	—	51	51	51	—	—
Luxembourg	—	—	—	—	—	—
Belgium	—	—	—	1	—	—
Total	18,378	350	18,728	3,702	114	74,091

1. Unrelated party revenue comprises revenue from continuing operations of £17,687 million (2025: £18,378 million) (see note 2 to the financial statements) and revenue from discontinued operations of £nil (2025: £nil) (see note 10 to the financial statements).
2. Related party revenue only includes cross-border transactions and comprises related party revenue from continuing operations of £310 million (2025: £350 million) and related party revenue from discontinued operations of £nil (2025: £nil).
3. Profit/(loss) before income tax (PBT) from operations after exceptionals comprises continuing operations PBT of £4,182 million (2025: £3,650 million) (see consolidated income statement) and discontinued operations PBT of £nil million (2025: £52 million) (see note 10 to the financial statements).
4. Current year income tax accrued comprises current year income tax from continuing operations of £18 million (2025: £113 million) (see note 7 to the financial statements) and current year income tax from discontinued operations of £nil million (2025: £1 million). See the tax charge to tax paid reconciliation below for further information.
5. Tangible assets comprises property, plant and equipment (see consolidated statement of financial position) and excludes tangible fixed assets for businesses classified as 'held for sale' or disposed of during the year of £962 million (Grain LNG £962 million) (2025: £1,359 million UK Electricity System Operator (ESO) £121 million, National Grid Renewables £340 million, Grain LNG £898 million) (see note 10 to the financial statements).

Financial review cont.

Our Isle of Man company is a captive insurance company and pays taxes in the Isle of Man as applicable. The company is treated as a controlled foreign company for UK tax purposes and, as such, additional UK corporation tax is paid on its profits under the UK controlled foreign company rules.

Our presence in Luxembourg is to address a nationalisation risk which arose from a Labour Party proposal in 2019 to nationalise nearly all of National Grid's UK assets.

Transfer pricing is not a significant issue for the Group given the nature of our core businesses and the number of jurisdictions we operate in. Where there are related party transactions, these are taxed on an arm's length basis in accordance with the Organisation for Economic Co-operation and Development (OECD) principles.

Group's total tax charge to tax paid

The total tax charge for the year disclosed in the financial statements in accordance with accounting standards and the equivalent total corporate income tax paid during the year will differ.

The principal differences between these two measures are as follows:

Reconciliation of Group's total tax charge to tax paid

£m	2025/26	2024/25
Total Group tax charge¹	939	822
Adjustment for Group non-cash deferred tax	(1,093)	(783)
Adjustments for Group current tax (charge)/credit in respect of prior years	172	75
Group current tax charge	18	114
Group tax charge not payable in the current year	(9)	(46)
Group tax instalment payments (repayable)/payable in respect of the prior year	—	25
Tax instalment payments over/(under) paid in the current year	3	(27)
Tax recoverable offset against current tax payments due	—	—
Tax instalment payments over/(under) paid due in the following year	—	—
Group tax payment/(refunds) in respect of prior years paid in the current year	22	—
Tax charge/(credit) included elsewhere in the accounts ²	(2)	117
Group tax paid	32	183
Profit before income tax³	4,182	3,702
	%	%
Effective cash tax rate	0.8	4.9
Effective tax rate ⁴	22.5	22.2

1. Total Group tax charge from operations after exceptionals is comprised of tax charge of continuing operations of £939 million (2025: £821 million) and discontinued operations of £nil (2025: £1 million).

2. Relates to amounts charged through OCI (2025: relates to amounts charges in other liabilities in note 10).

3. Profit/(loss) before income tax (PBT) from continuing operations after exceptionals is comprised of continuing operations PBT of £4,182 million (2025: £3,651 million) and discontinued operations PBT of £nil (2025: £52 million).

4. Effective tax rate for continuing operations after exceptionals is 22.5% (2025: 22.5%) and discontinued operations is nil% (2025: 2.1%).

Effective cash tax rate

The effective cash tax rate for the total Group is 0.8%. The difference between this and the accounting effective rate of 22.5% is primarily due to the following factors.

National Grid is a capital-intensive business, across both the UK and the US, and invests significant sums each year in its networks. In 2025/26, the Group's total capital expenditure was £11,549 million (excluding JV investment). To promote investment, tax legislation allows a deduction for qualifying capital expenditure at a faster rate than the associated depreciation in the statutory accounts. The impact of this is to defer cash tax payments into future years.

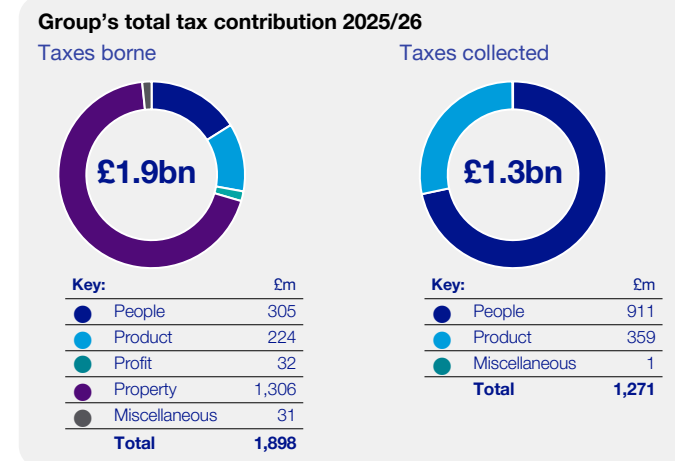
Within the UK, tax relief for capital expenditure on property, plant and machinery is given in law via capital allowances. From 1 April 2023, HM Treasury have increased the rates of capital allowances on in year capital expenditure spend to 100%/50% (previously 18%/6%). This accelerated tax relief, combined with the increased capital expenditure in the UK, significantly reduces the Group's UK cash tax liability and as a consequence reduces the effective cash tax rate for the year. This trend is expected to continue while UK capital expenditure remains at current levels and capital allowance rates remain as they are.

The sale of Grain LNG in the year gave rise to a non-taxable gain as it met the conditions of the UK Substantial Shareholding Exemption. This also reduced the effective cash tax rate for the year.

The Group continued to make payments into the UK defined benefit pension schemes, National Grid Electricity Group section of the Electricity Supply Pension Scheme and the Western Power Pension Scheme during the course of the year. These payments have further reduced the overall cash tax paid in the UK.

Group's total tax contribution

The total amount of taxes we pay and collect globally year-on-year is significantly more than just the tax which we pay on our global profits. To provide a full picture, we have disclosed the Group's global total tax contribution which includes contributions from both continuing and discontinued businesses.



Financial review cont.

Taxes borne are a cost to the Group. Taxes collected are taxes generated by the operations of the Group which we are obliged to administer on behalf of the government (e.g. income tax under PAYE, employees' national insurance contributions).

Tax jurisdiction	Tax contribution					Number of employees ³ as at 31 March 2026
	Income tax paid/ (repaid) on cash basis ¹ £m	Property taxes £m	Other taxes borne ² £m	Taxes collected £m	Total tax contribution £m	
United Kingdom	36	247	162	428	873	14,554
United States	(4)	1,060	397	843	2,296	18,472
Ireland	—	—	—	—	—	—
Isle of Man	—	—	—	—	—	—
Luxembourg	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—
Total	32	1,307	559	1,271	3,169	33,026

Tax jurisdiction	Tax contribution					Number of employees ³ as at 31 March 2025
	Income tax paid/ (repaid) on cash basis ¹ £m	Property taxes £m	Other taxes borne ² £m	Taxes collected £m	Total tax contribution £m	
United Kingdom	156	247	140	858	1,401	13,477
United States	27	990	382	788	2,187	18,177
Ireland	—	—	—	—	—	—
Isle of Man	—	—	—	—	—	—
Luxembourg	—	—	—	—	—	—
Netherlands	—	—	—	—	—	—
Total	183	1,237	522	1,646	3,588	31,654

1. See the tax charge to tax paid reconciliation above for further information.

2. Other taxes borne is made up of People, Product and Miscellaneous taxes.

3. Number of employees is calculated as the total National Grid workforce across all parts of the business, including Non-executive Directors and Executive Directors and employees of the discontinued operations. All are active, permanent employees as well as both full-time and part-time employees.

For 2025/26, our total tax contribution was £3,169 million (2024/25: £3,588 million), taxes borne were £1,898 million (2024/25: £1,942 million) and taxes collected were £1,271 million (2024/25: £1,646 million).

The reduction in taxes borne is primarily the result of reduced income taxes paid because of increased capital spend and an increase in UK capital allowance rates. This reduction is partially offset by an increase in US property taxes which is paid to over 1,200 cities and towns in Massachusetts, New Hampshire, New York, Rhode Island and Vermont to help fund local services.

The reduction in taxes collected is primarily the result of a reduction in our net VAT position because of higher input VAT on our increased capital spend.

In the UK, we participate in the 100 Group's Total Tax Contribution Survey. The survey ranks the UK's biggest listed companies in terms of their contribution to the total UK Government's tax receipts. The most recent result of the survey for 2024/25 ranks National Grid as the 20th highest contributor of UK taxes (2023/24: 15th), the 18th highest in respect of taxes borne (2023/24: 12th) and 2nd (2022/23: 2nd) in respect of capital expenditure of £3,947 million (2022/23: £3,052 million) on fixed assets. Our ranking in the survey is proportionate to the size of our business and capitalisation relative to the other contributors to the survey.

However, National Grid's contribution to the UK and US economies is broader than just the taxes it pays over to and collects on behalf of the tax authorities.

Both in the UK and the US, we employ thousands of individuals directly. We also support jobs in the construction industry through our capital expenditure, which in 2025/26 was £11,549 million (excluding JV investment), as well as supporting a significant number of jobs in our supply chain. Furthermore, as a utility we provide a core essential service which allows the infrastructure of the country/states we operate in to run smoothly. This enables individuals and businesses to flourish and contribute to the economy and society.

Development of future tax policy

We believe that the continued development of a coherent and transparent tax policy across the Group is critical to help drive growth in the economy.

We continue to engage on consultations with policymakers where the subject matter impacts taxes borne or collected by our business, with the aim of openly contributing to the debate and development of tax legislation for the benefit of all our stakeholders.

To ensure that the needs of our stakeholders are considered in the development of tax policy, we are a member of a number of industry groups which participate in the development of future tax policy, such as the Electricity Tax Forum, together with the 100 Group in the UK, which represents the views of Finance Directors of FTSE 100 companies and several other large UK companies. We undertake similar activities in the US, where the Group is an active member in the Edison Electric Institute, the American Gas Association, the Global Business Alliance, the American Clean Power Association, the Business Council for Sustainable Energy and the Solar Energy Industries Association.

Feedback from these groups, such as the results of the 100 Group Total Tax Contribution survey, helps to ensure that we consider the needs of our stakeholders and are engaged at the earliest opportunity on tax issues which affect our business.

Financial review cont.

Pensions

In 2025/26, defined contribution pensions, defined benefit pensions and other post-employment benefit operating costs were slightly lower than prior year at £279 million (2025: £305 million).

During the year, our pensions and other post-retirement benefit plans increased from a net surplus position of £1,916 million at 31 March 2025 to a net surplus of £2,147 million at 31 March 2026.

This was principally the result of actuarial gains on plan assets of £72 million (higher investment returns) and actuarial gains on plan liabilities of £215 million (including changes in US post-retirement demographic assumptions). Employer contributions during the year were £120 million (2025: £282 million), including £4 million (2025: £12 million) of deficit contributions. As at 31 March 2026, the total UK and US assets and liabilities and the overall net IAS 19 (revised) accounting surplus (2025: surplus) is shown below. Further information can be found in note 25 to the financial statements.

We continue to actively manage our defined benefit pension obligations, including by transferring defined benefit pensions risk to insurers where appropriate. During the year, £0.9 billion of UK pension liabilities and £0.5 billion of US pension liabilities were secured with insurers via bulk annuity transactions.

Net defined benefit asset

	UK pensions		US pensions		US other post-retirement benefits		Total	
	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m	2026 £m	2025 £m
Liabilities	(51)	(51)	(186)	(196)	(123)	(326)	(360)	(573)
Assets	1,122	1,179	599	672	786	638	2,507	2,489
Net defined benefit asset	1,071	1,128	413	476	663	312	2,147	1,916

Dividend

The Board has recommended a final dividend of 32.14p per ordinary share (\$2.1738 per American Depository Share), which will be paid on 23 July 2026 to shareholders on the register of members as at 29 May 2026. If approved, this will bring the full-year dividend to 48.49p per ordinary share, representing an increase of 3.8% to the dividend per share for 2024/25. This is in line with the increase in average UK CPIH inflation for the year ended 31 March 2026 as set out in our dividend policy.

The Board aims to grow annual dividend per share (DPS) in line with UK CPIH, thus maintaining the DPS in real terms. The Board will review this policy regularly, taking into account a range of factors including expected business performance and regulatory developments.

At 31 March 2026, National Grid plc had £17.0 billion of distributable reserves, which is sufficient to cover more than five years of forecast Group dividends. If approved, the final dividend will absorb approximately £1,598 million of shareholders' funds. The 2025/26 full dividend is covered approximately 1.6x by underlying earnings.

The Directors consider the Group's capital structure at least twice a year when proposing an interim and final dividend and aim to maintain distributable reserves that provide adequate cover for dividend payments.

A scrip dividend alternative will again be offered in respect of the 2025/26 final dividend.

New accounting standards

We did not adopt any new accounting standards in 2025/26. Amendments to certain existing accounting standards were adopted during the year, but these had no material impact on the Group's results or financial statement disclosures.

Post balance sheet events

For further details, see note 36 to the financial statements.