

Bring Energy to Life



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For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 183 to 186 of National Grid's most recent Annual Report and Accounts, as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2016 published on 10 November 2016. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this presentation.

Agenda

Highlights

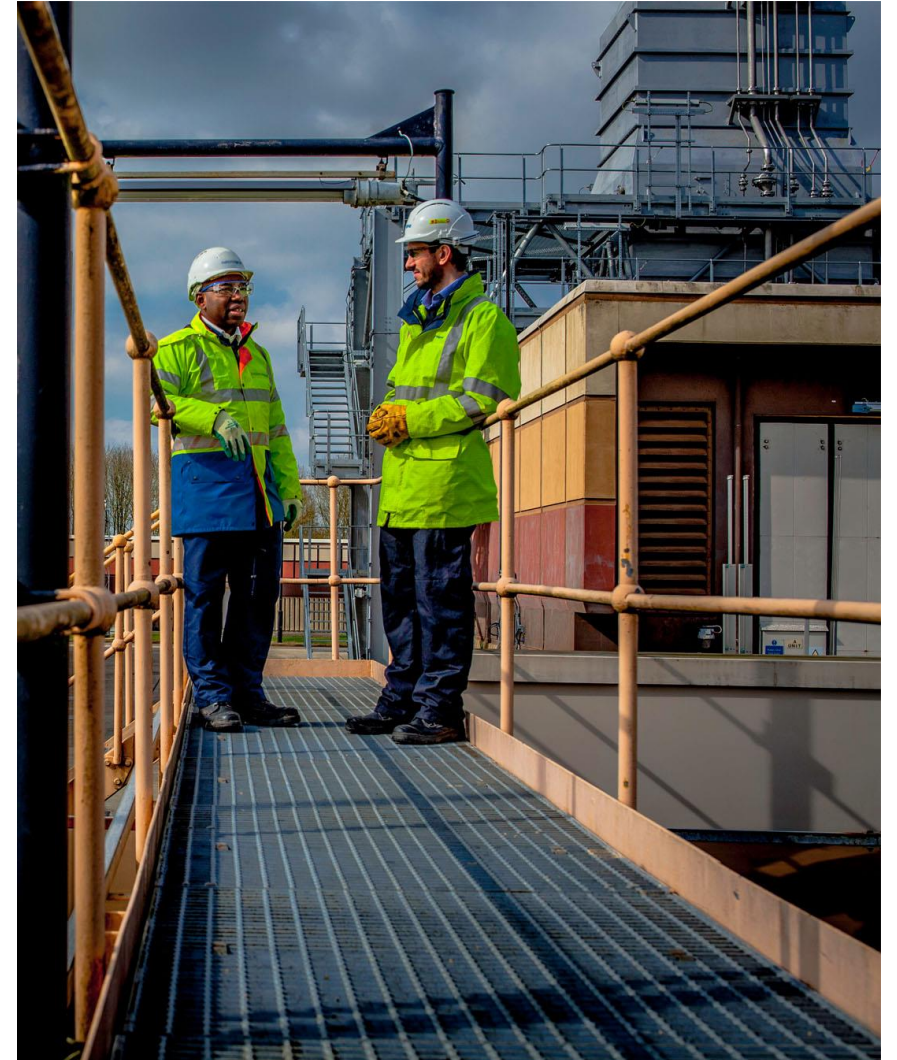
John Pettigrew

Financial review

Andrew Bonfield

Priorities and outlook

John Pettigrew



Highlights

JOHN PETTIGREW
CHIEF EXECUTIVE



Safety remains core to National Grid

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



FY 2016/17 financial performance

OPERATING PROFIT
Excluding Timing

£4.3bn

FY16 **£4.1bn**

EARNINGS PER SHARE
Excluding Timing

66.1p

FY16 **62.3p**

DIVIDEND PER SHARE

44.27p

FY16 **43.34p**

CAPITAL INVESTMENT

£4.5bn

FY16 **£3.9bn**

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

Strong reliability across networks

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



Successfully delivering on key priorities

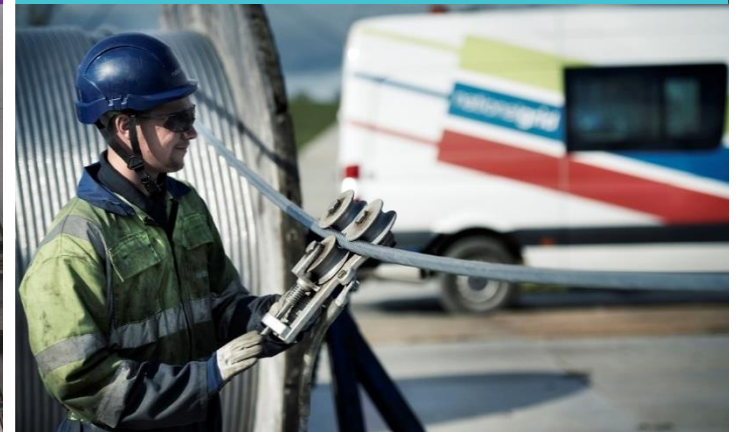
UK Gas Distribution
sale and returning
£4 billion to
shareholders



US rate filings
supporting improved
performance and
increased investment



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



Successful completion of UK Gas Distribution sale

- 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

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



Outperformance in the UK

- £460m in customer savings generated under RII0 through efficiency and innovation
- Strong operational performance drives outperformance above base return
 - 300 basis points
- Mid-period review complete
- Further clarity on System Operator role



Financial performance

ANDREW BONFIELD
FINANCE DIRECTOR



Financial highlights

OPERATING PROFIT

£4.7bn

FY16 **£4.3bn**

EARNINGS PER SHARE

73.0p

FY16 **63.2p***

CAPITAL INVESTMENT

£4.5bn

FY16 **£4.2bn**

RETURN ON EQUITY

11.7%

FY16 **12.3%**

ASSET GROWTH**

5%

FY16 **4%**

VALUE ADDED

£1.9bn

FY16 **£1.8bn**

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

Operating profit and capital investment presented at constant currency

Adjusted results, for combined business excluding exceptional items and remeasurements

*EPS restated for the impact of scrip issuances

** Regulated asset base growth calculated at constant currency

UK Electricity Transmission

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

OPERATING PROFIT

£1.4bn +17%

FY16 £1.2bn

CAPITAL INVESTMENT

£1.0bn

FY16 £1.1bn

REGULATED ASSET VALUE

£12.5bn

FY16 £11.8bn

Adjusted results, excluding exceptional items and remeasurements

UK Gas Transmission

$$\begin{array}{r}
 \mathbf{10.0\%} \quad + \quad \mathbf{(80)bps} \quad + \quad \mathbf{110bps} \quad + \quad \mathbf{50bps} \quad = \quad \mathbf{ACHIEVED} \\
 \text{Base return} \quad \text{Totex incentive} \quad \text{Other incentives} \quad \text{Additional allowances} \quad \mathbf{RETURN} \quad \mathbf{10.8\%} \\
 \text{FY16} \quad \mathbf{12.5\%}
 \end{array}$$

OPERATING PROFIT

£511m +5%

FY16 £486m

CAPITAL INVESTMENT

£214m

FY16 £186m

REGULATED ASSET VALUE

£5.8bn

FY16 £5.6bn

UK Gas Distribution

$$\begin{array}{r}
 \mathbf{9.9\%} \quad + \quad \mathbf{280bps} \quad + \quad \mathbf{120bps} \quad + \quad \mathbf{10bps} \quad = \quad \mathbf{ACHIEVED} \\
 \text{Base return} \quad \text{Totex incentive} \quad \text{Other incentives} \quad \text{Additional allowances} \quad \mathbf{RETURN} \quad \mathbf{14.0\%} \\
 \text{FY16 } \mathbf{13.0\%}
 \end{array}$$

OPERATING PROFIT

£898m +2%

FY16 £878m

CAPITAL INVESTMENT

£558m

FY16 £549m

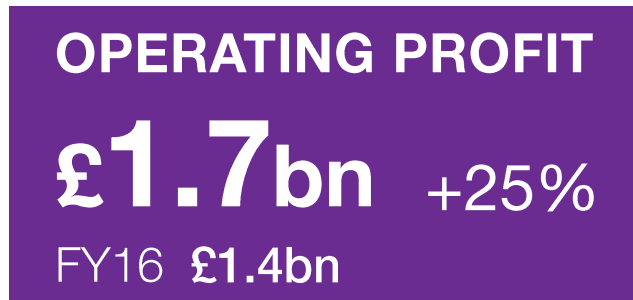
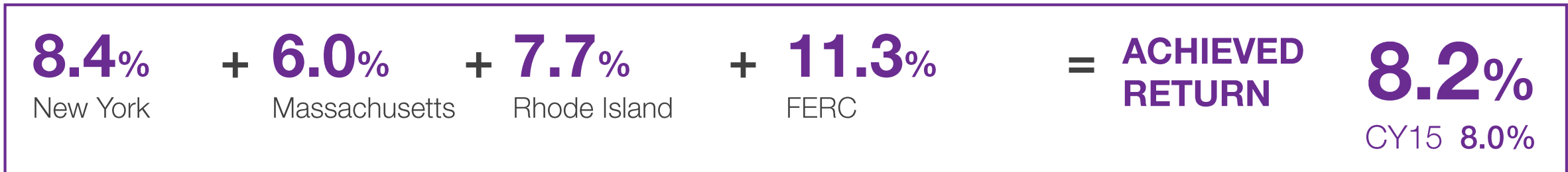
REGULATED ASSET VALUE

£9.0bn

FY16 £8.7bn

Adjusted results, excluding exceptional items and remeasurements

US Regulated



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

Other Activities & JVs

OTHER ACTIVITIES

£161m
Metering

£74m
Grain LNG

£72m
IFA

£65m
Property

JVs

£53m
BritNed

£15m
Millennium

£(5)m
Other

TOTAL INVESTMENT

£404m*

OPERATING PROFIT

£173m
FY16 £377m

POST TAX SHARE

£63m
FY16 £61m

OTHER COSTS INCREASE YEAR ON YEAR (included in operating profit)

£100m

* Excludes investment in St. William JV

Operating profit, share of joint venture profit after tax and investment calculated at constant currency

Adjusted results, excluding exceptional items and remeasurements

Interest, tax and earnings

FINANCE COSTS

£1,175m

6% higher than 2016

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

EFFECTIVE TAX RATE

22.7%

at £(808)m

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

EARNINGS

£2,748m

PY £2,386m

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

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

Cash flow and Net debt

£m

Year ended 31 March 2017

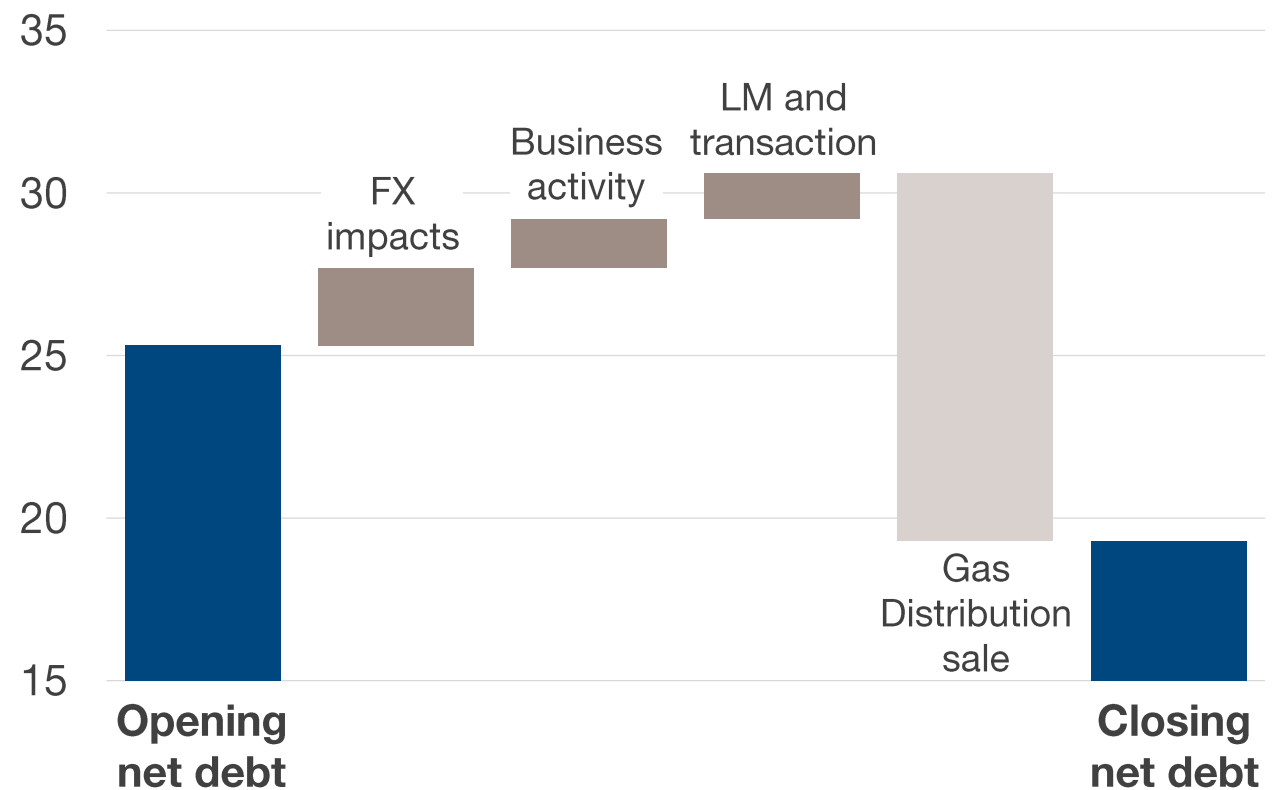
Operating profit	4,667
Depreciation & amortisation	1,698
Pensions	(801)
Working capital & other	50
Net operating cash flow	5,614
Net debt	(19,274)

Adjusted results, excluding exceptional items and remeasurements

Closing net debt

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

Movement in net debt (£bn)



Cash flow and Net debt

£m

Year ended 31 March 2017

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

RCF / NET DEBT

15.8%

EXCL. SALE IMPACT

11.1%

FFO / NET DEBT

23.3%

EXCL. SALE IMPACT

16.1%

INTEREST COVER

5.0x

EXCL. SALE IMPACT

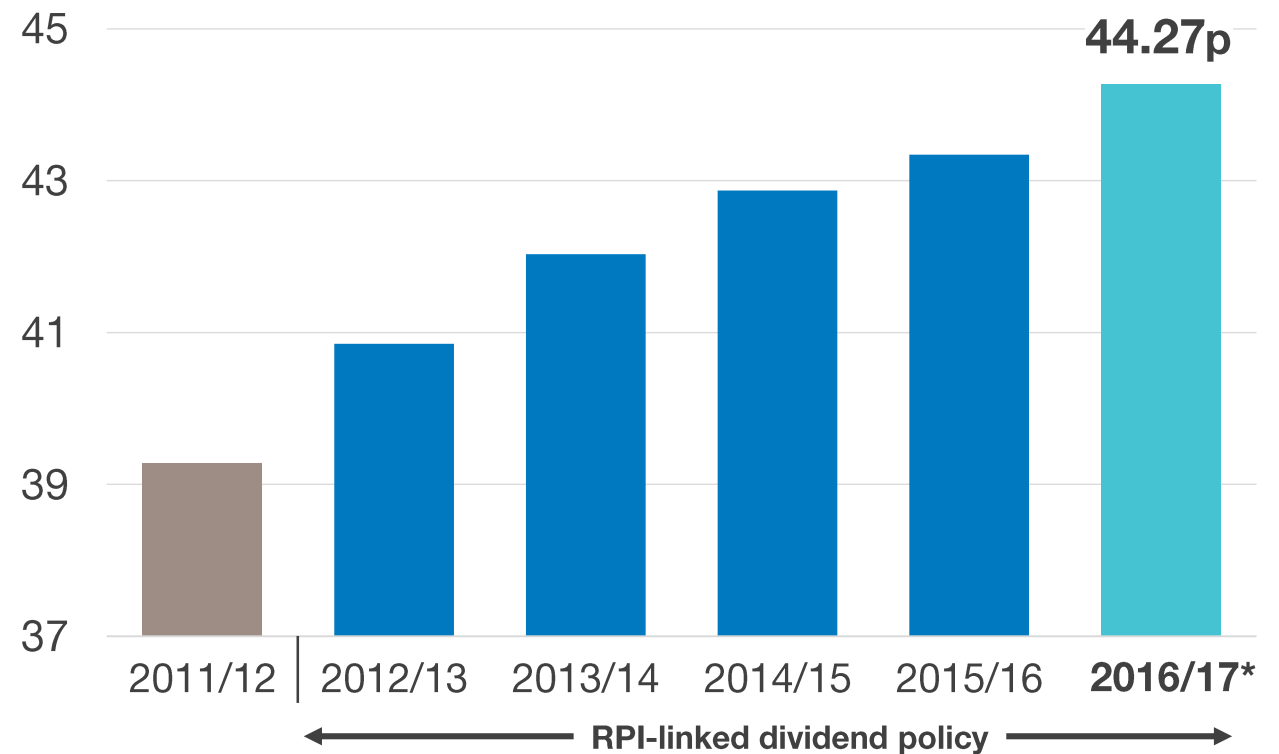
5.1x

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

Dividend and scrip

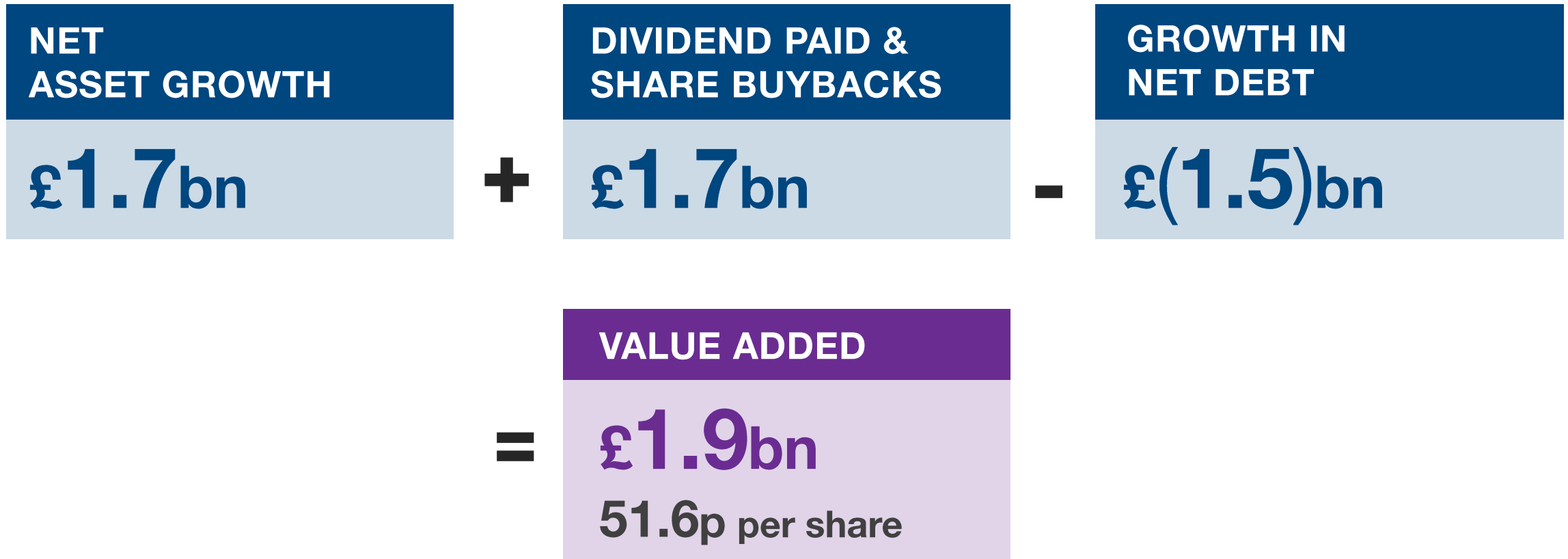
- Proposed dividend increase of 2.1% in line with UK RPI
- Scrip option to continue
- Continue to manage dilution

Dividend per share (p)



* Excludes special dividend of 84.375p

Value Added supporting long-term returns

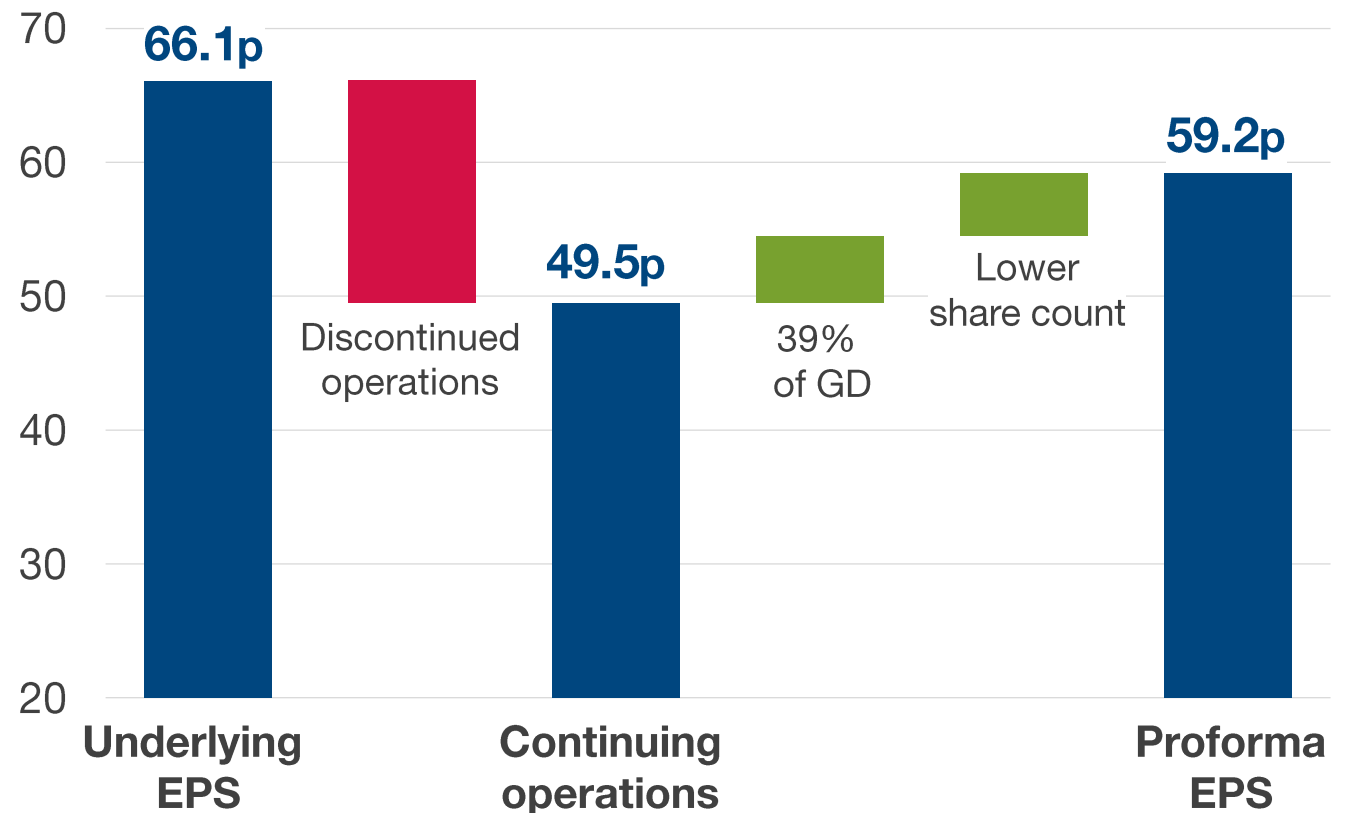


Net asset growth and growth in net debt are calculated at constant currency

FY17 Continuing operations

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

FY17 Proforma EPS excluding timing



Technical guidance – Continuing operations

UK Regulated:

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

US Regulated:

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

Other activities and Ventures

- Overall contribution expected to increase

Net debt

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

Interest charge

- Expected to increase slightly

Summary – Continuing operations

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

OPERATING PROFIT

£3.8bn

PROFORMA EPS*

59.2p

CAPITAL INVESTMENT

£3.9bn

DIVIDEND PER SHARE

44.27p

DIVIDEND POLICY:

Growth at least in line with RPI

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

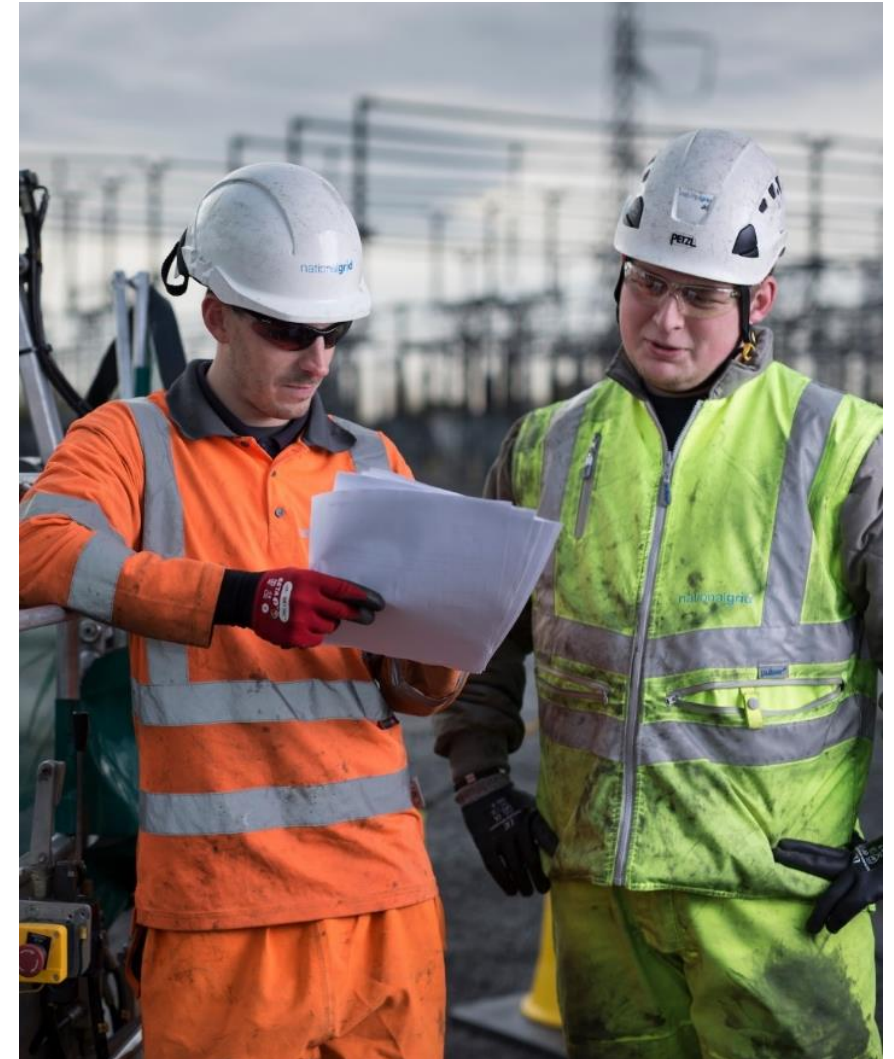
Priorities & Outlook

JOHN PETTIGREW
CHIEF EXECUTIVE



Building a strong foundation for the future

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



Clear strategic focus

CUSTOMER FIRST



Performance optimisation



Growth



Evolve for the future

Responding to customer needs

Affordability is at the top of the agenda

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



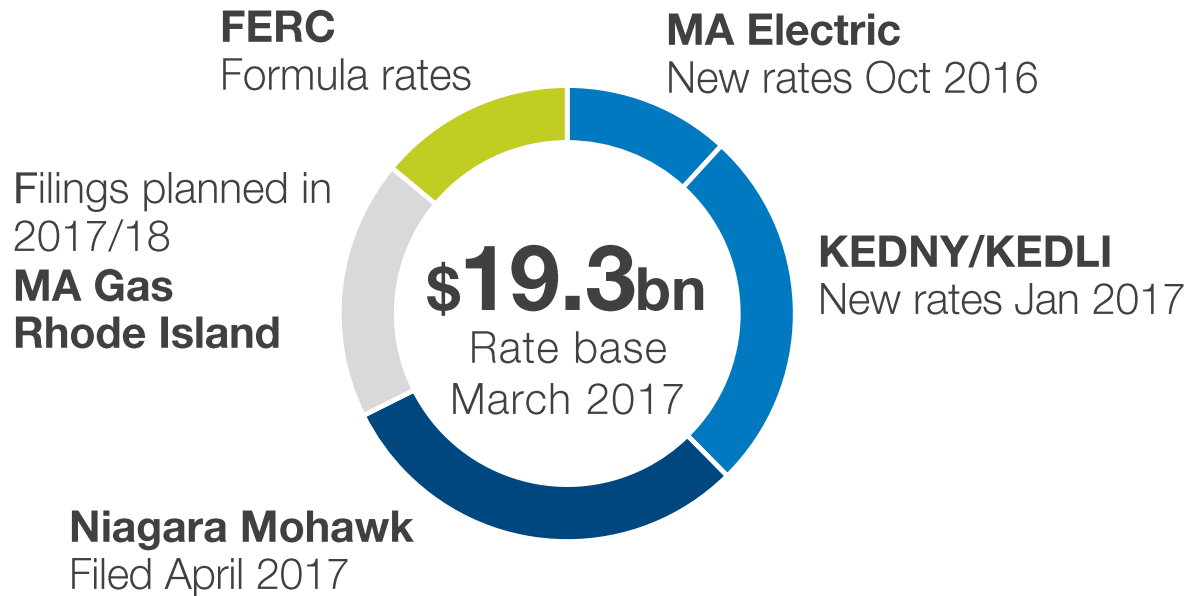
Outperformance through efficient delivery

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



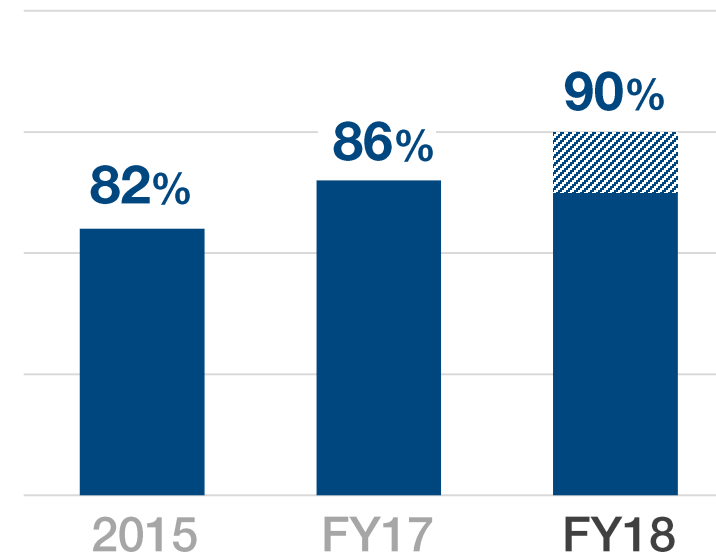
Modular kit -
Wimbledon Sub-Station

Improving returns performance



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

Achieved RoE as % of allowed returns

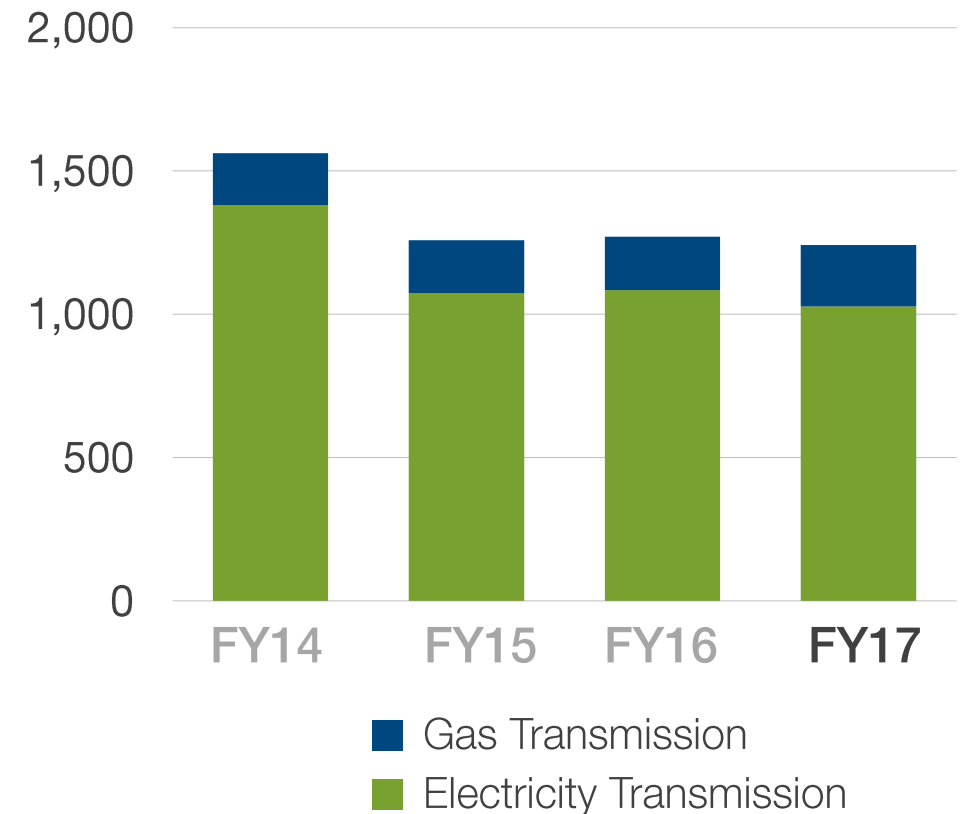


- Targeting 90% of allowed returns in FY18

Maintaining investment levels under RII0

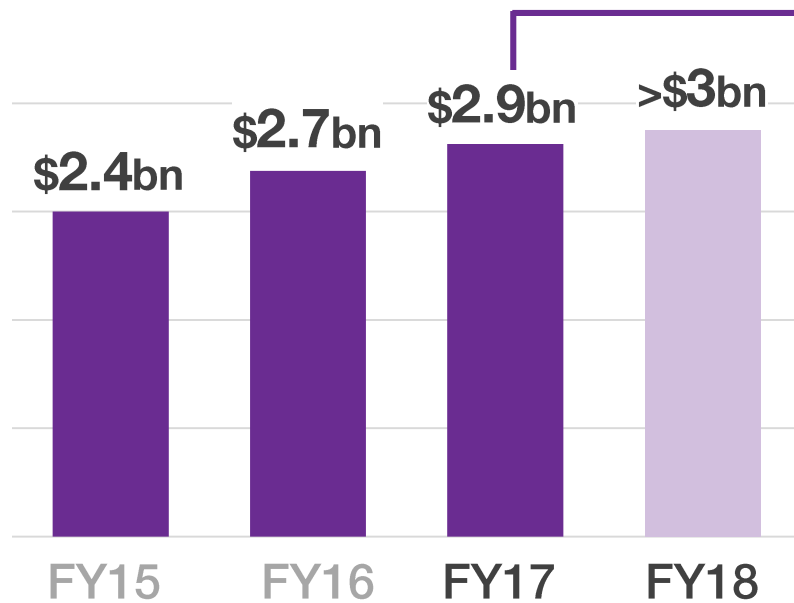
- Investment in second-half of RII0 comparable to first-half
- ET spend driven by non-load related investments
- GT investment expected to increase to support asset health
- Early preparation for RII0 T2 started

UK Regulated Capital Investment (£m)

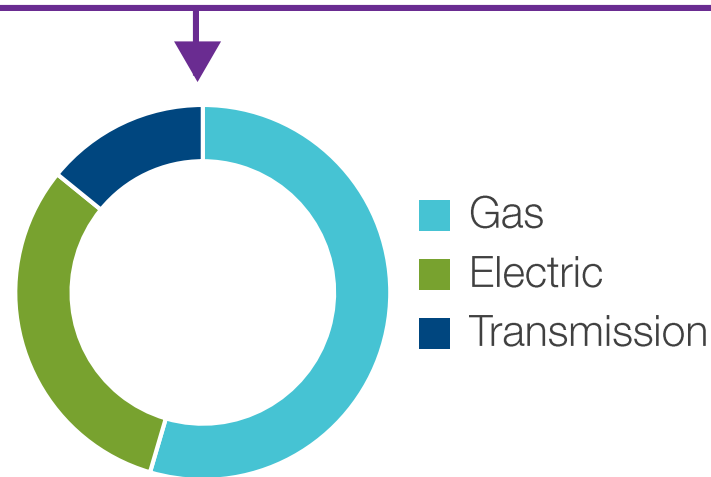


Delivering high-quality, organic growth

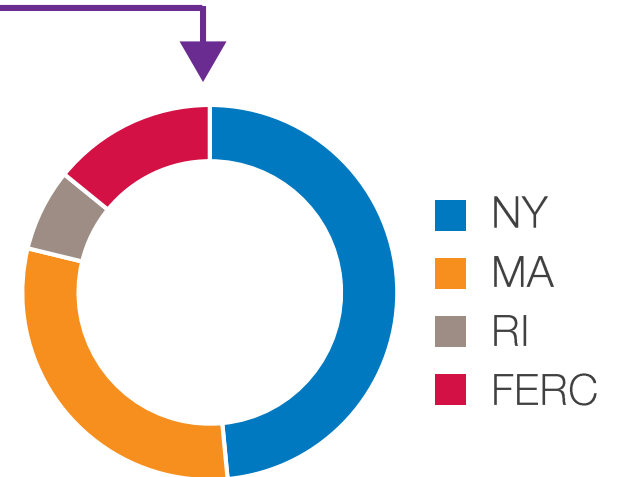
US Regulated Capex



By type



Jurisdictional split



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

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

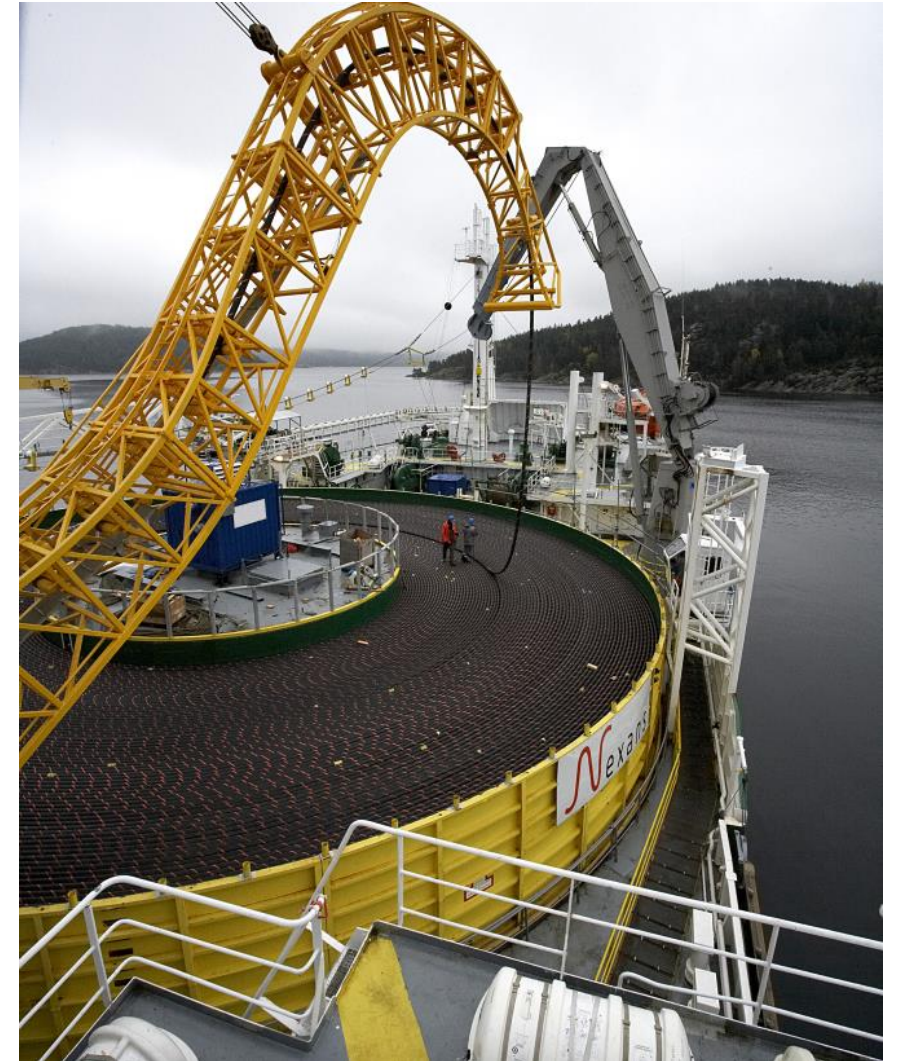
Progress on committed capex and new projects

Projects under construction

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

Progressing on development pipeline

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



Summary

A strong portfolio for the future

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

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

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

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

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

Appendix 2

UK Gas Transmission operating profit

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

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

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

Appendix 3

UK Gas Distribution operating profit

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

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

Appendix 4

US Regulated operating profit

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

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

Appendix 5

Metering, Grain LNG, French interconnector and Property operating profit

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

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

Appendix 6

Exchange rates

For the year ended 31 March (£m)	2017	2016
Closing \$ / £ rate	1.25	1.44
Average \$ / £ rate for the period	1.28	1.47

For the year ended 31 March (£m)	2017
Impact on operating profit ¹	187
Impact on interest ¹	(99)
Impact on tax, JVs and minority interests ¹	(39)
Net impact on earnings¹	49
Impact on net debt ²	(2,360)
Impact on book value of assets ²	2,679

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

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

• Adjusted results, excluding exceptional items and remeasurements

Appendix 7

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

At 31 March 2017 (£m)	UK		US		Total
	ESPS	NGUK PS	Pensions	OPEBs ¹	
Market value of assets	2,916	12,573	6,322	2,564	24,375
Present value of liabilities	(3,423)	(12,222)	(7,050)	(3,613)	(26,308)
Net (liability) / asset	(507)	351	(728)	(1,049)	(1,933)
Taxation	86	(60)	290	431	747
(Liability) / asset net of taxation	(421)	291	(438)	(618)	(1,186)
Discount rates	2.4%	2.4%	4.3%	4.3%	

¹ OPEBs = other post employment benefits

Appendix 8

Timing impacts

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

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

Appendix 9

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

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

• CoD = Cost of Debt

Appendix 10

New York jurisdiction

Regulated asset base ('Rate base') and returns

*Rate bases are reported by regulatory entity
as at 31 March 2017*

*Returns are those for the fiscal year ended
31 March 2017*

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

Appendix 11

Massachusetts and Rhode Island jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity
as at 31 March 2017

Returns are those for the fiscal year ended
31 March 2017

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

¹ Includes Nantucket Electric. The rate base includes transmission assets

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

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

Appendix 12

FERC jurisdiction

Regulated asset base ('Rate base') and returns

Rate bases are reported by regulatory entity as at 31 March 2017

Returns are those for the fiscal year ended 31 March 2017

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

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

² Long Island Generation rate base includes peaking plant

Appendix 13

Value Added

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

¹ Includes 100% of Gas Distribution RAV

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

Appendix 14

Group Return on Equity

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

• Adjusted results, excluding exceptional items and remeasurements

Appendix 15

Weighted average number of shares

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

• Business performance, excluding exceptional items and remeasurements

Appendix 16

Interest cover

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

¹ Proforma adjusted to remove impact of Gas Distribution sale

Appendix 17

RCF:Debt

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

¹ Proforma adjusted to remove impact of Gas Distribution sale

Appendix 18

UK Electricity Transmission net revenue

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

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

Appendix 19

UK Electricity Transmission operating profit

For the year ended 31 March (£m)

2017

Net Revenue adjusted for timing

Transmission Owner (ETO) excluding incentives

ETO incentives 16

System Operator (ESO) excluding incentives

ESO incentives 28

Other (including legal settlements) 35

2,009

Depreciation & Amortisation

Electricity Transmission Owner (403)

Electricity System Operator (18)

Other -

(421)

Regulated Controllable costs, pensions and other costs

Electricity Transmission Owner (245)

Electricity System Operator (108)

Other -

(353)

Total UK Electricity Transmission operating profit adjusted for timing

Electricity Transmission Owner 1,143

Electricity System Operator 58

Other 34

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

Timing adjustment 137

Total UK Electricity Transmission operating profit: headline 1,372

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

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

Appendix 20

UK Gas Transmission net revenue

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

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

Appendix 21

UK Gas Transmission operating profit

For the year ended 31 March (£m)

2017

Net Revenue adjusted for timing

Transmission Owner (GTO) excluding incentives	589	
GTO incentives	6	
System Operator (GSO) excluding incentives and revenue drivers	89	
GSO incentives (excluding revenue drivers)	23	
Revenue drivers income	72	
Other including LNG Storage	16	
		795
Depreciation & Amortisation		(186)
Gas Transmission Owner	(166)	
Gas System Operator	(20)	
Other	-	
		(160)
Regulated Controllable costs, pensions and other costs		(160)
Gas Transmission Owner	(103)	
Gas System Operator	(56)	
Other	(1)	
		(160)
Total UK Gas Transmission operating profit adjusted for timing		449
Gas Transmission Owner	326	
Gas System Operator	108	
LNG Storage & Other	15	
Total UK Gas Transmission operating profit adjusted for timing		449
Timing adjustment		62
Total UK Gas Transmission operating profit: headline		511

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

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

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

Appendix 22

UK Gas Distribution net revenue and operating profit

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

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

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

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

Appendix 23

Continuing, discontinued and total Group profits and earnings

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

Appendix 24

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

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

continued →

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

Appendix 24 continued

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

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

continued →

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

Appendix 24 continued

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

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

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

Appendix 25

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

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

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

Appendix 26

Capital investment

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

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