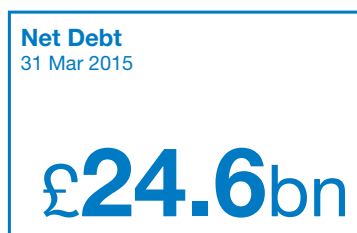


We have a continued commitment to A range ratings at our UK operating companies which allows us to finance our business in a manner consistent with maintaining an efficient balance sheet and optimising our cost of capital. We typically aim to hold an amount of debt in each of our regulated operating companies that maintains a debt to equity ratio consistent with that assumed by the relevant regulator.



<b>Committed Facilities</b> 31 Mar 2015  <b>£3.2bn</b>	<b>Average Debt Maturity</b>  <b>~12 years</b>	<b>FFO Interest Cover</b> 2014/15 <b>5.1x</b>	<b>RCF/Adjusted Debt</b> 2014/15 <b>11.2%</b>
		<b>FFO/Adjusted Debt</b> 2014/15 <b>16.4%</b>	<b>Gearing</b> 2014/15 <b>62%</b>
<ul style="list-style-type: none"> <li>Undrawn bank facilities maintained as Commercial Paper (CP) backup and as general liquidity</li> </ul>	<ul style="list-style-type: none"> <li>Limits the amount of debt falling due to refinancing in any given time frame</li> </ul>	<ul style="list-style-type: none"> <li>Credit rating metrics comfortably within A range                             <ul style="list-style-type: none"> <li>- FFO interest &gt; 3x, RCF/adjusted debt &gt; 9</li> <li>- %RCF/adjusted debt 9.9% after deducting share buyback costs</li> </ul> </li> </ul>	

## Debt issuance

On average, National Grid expects to issue £2–3bn of long-term debt each year to fund the expansion of the business and to refinance maturing debt.

External debt is raised by our operating companies, intermediate holding companies and by the Group parent company, National Grid plc. The vast majority of our debt is raised in the capital markets. We also maintain some long term bank borrowings. Our largest bank lender is the European Investment Bank (£1.2bn of existing and £1.5bn of agreed loans).

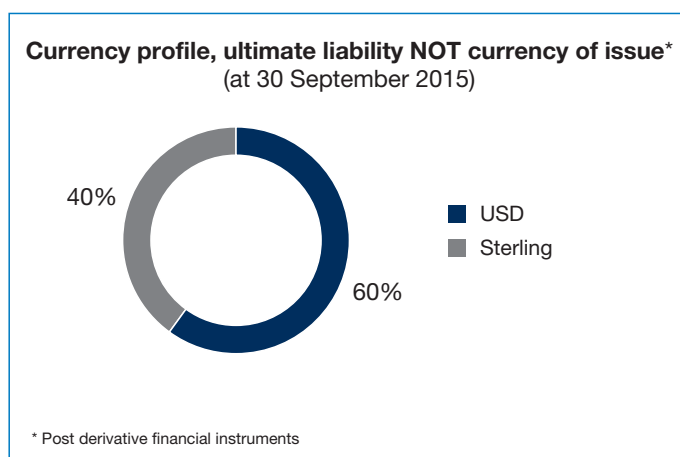
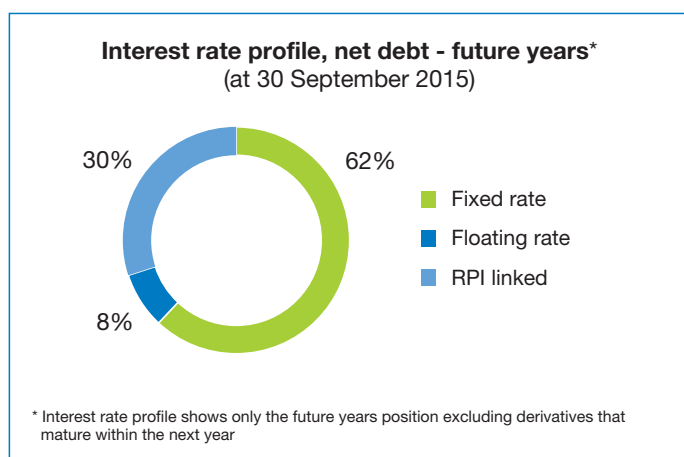
We can access multiple debt markets at any one time, maintaining flexibility and accessing the best value funding available. Debt can be issued in any one of multiple currencies. Derivatives are used to manage the ultimate liability into Sterling or US Dollars.

## Interest rates

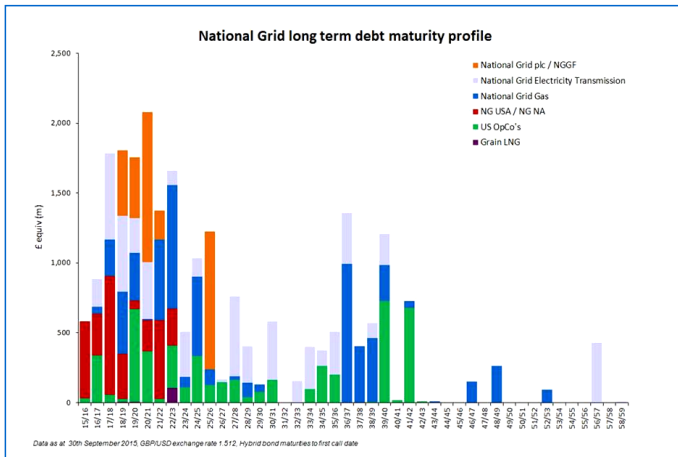
We seek to minimise the total financing charges to the Group, with risk limits that are set in accordance to prevailing interest rate environments. This allows us to monitor our risk management performance relative to a benchmark. We actively manage our interest rate exposures by utilising fixed and floating rate debt, interest rate swaps, swap options and forward rate agreements.

## Exchange rates

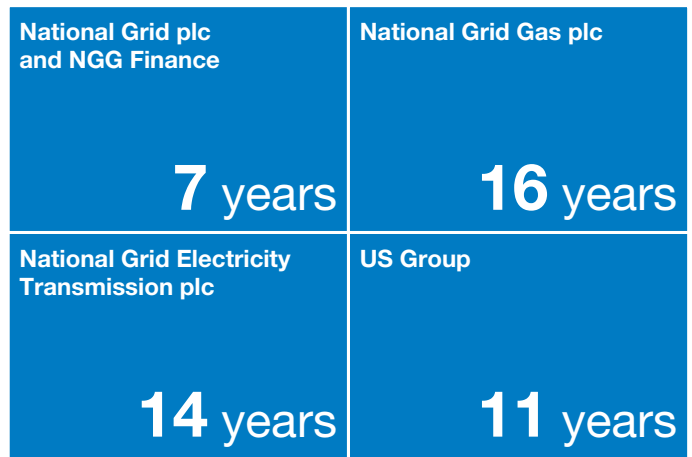
As a partial currency hedge of our investment in US businesses, US Dollar borrowings and derivatives are employed to maintain net US dollar debt liabilities at approximately \$24bn (as at 31 March 2015). As a result, net debt varies with GBP/USD exchange rates.



## Funding

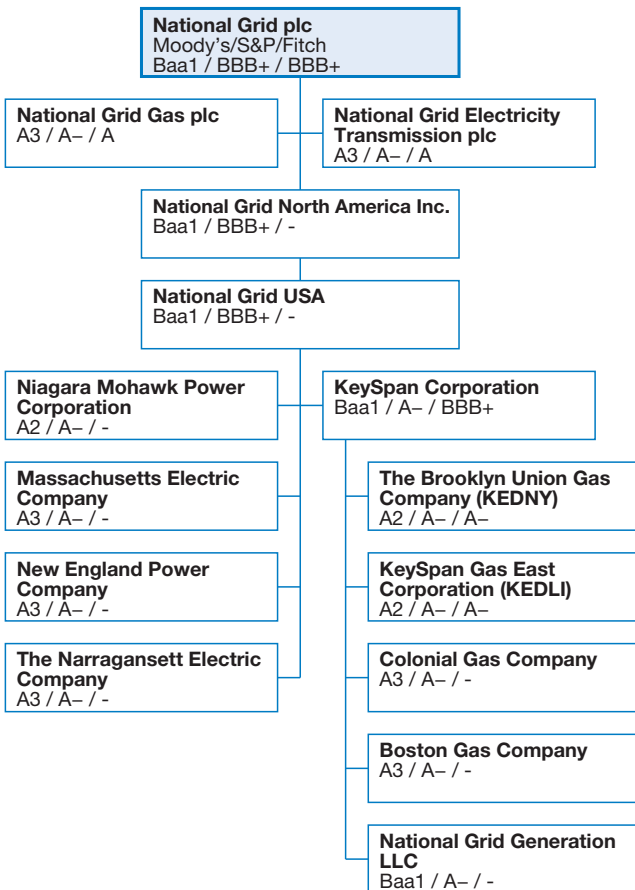


## Weighted average long term debt maturity



## Group debt issuing companies credit ratings

We have credit ratings from at least two agencies for all of our current debt issuing companies.



## Hybrid bond

In March 2013 NGG Finance, a financing subsidiary of NG plc, issued our first hybrid bonds amounting to circa £2bn (€1.25bn, 4.25% coupon, maturity June 2076, first call June 2020; £1bn 5.625% coupon, maturing June 2073, first call June 2025).

A hybrid bond has certain characteristics of both debt and equity, and as a result, is treated by our rating agencies as half equity and half debt. It is treated as debt in our financial statement.

This in turn helps us strengthen our balance sheet and ratings, whilst securing the funding we need for our investment and growth programmes.

## Convertible bond

In September 2015, National Grid North America Inc. raised £400m of convertible debt at a fixed rate of 0.9% to 2020. The cash settled conversion option, references the National Grid plc share price. At the same time the debt was issued, cash-settled call options on equal but opposite terms were purchased, fully hedging any exposure to share price movements.

The net effect resulted in National Grid North America Inc. raising fixed rate debt at an effective interest rate materially lower than conventional debt. This is the first time anyone has accessed the Sterling convertible bond market with no equity dilution and no share price risk.

For further Information please click:  
<http://www.nationalgrid.com/corporate/Investor+Relations/DebtInvestors/>

### Important notice

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include information with respect to National Grid's financial condition, its results of operations and businesses, strategy, plans and objectives. Words such as 'aims', 'anticipates', 'expects', 'should', 'intends', 'plans', 'believes', 'outlook', 'seeks', 'estimates', 'targets', 'may', 'will', 'continue', 'project' and similar expressions, as well as statements in the future tense, identify forward-looking statements. Furthermore, this document, which is provided for information only, does not constitute summary financial statements and does not contain sufficient information to allow for as full an understanding of the results and state of affairs of National Grid, including the principal risks and uncertainties facing National Grid, as would be provided by the full Annual Report and Accounts, including in particular the Strategic Report section and the 'Risk factors' section of National Grid's most recent Annual Report and Accounts as updated by National Grid's unaudited half-year financial information for the six months ended 30 September 2015 published on 10 November 2015. Copies of the most recent Annual Report and Accounts are available online at [www.nationalgrid.com](http://www.nationalgrid.com) or from Capita Registrars. Except as may be required by law or regulation, National Grid undertakes no obligation to update any of its forward looking statements, which speak only as of the date of this document. The content of any website references herein do not form part of this document.

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