

# Debt financing

Investor Relations | National Grid

- ◆ 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
- ◆ Debt Investors are key stakeholders in the National Grid Group providing around half of the total capital of the Group

Net Debt <small>30 Sep 2014</small>	FFO Interest Cover <small>2013/14</small>	Committed Facilities <small>30 Sep 2014</small>	Average Debt Maturity
<b>£21.7bn</b>	<b>4.1x</b>	<b>£2.9bn</b>	<b>~13 years</b>
<ul style="list-style-type: none"> <li>◆ Expect to raise around £3bn of long-term debt financing each year including refinancing</li> <li>◆ Funding capital investment programme and the resulting growth in the Group</li> </ul>	<ul style="list-style-type: none"> <li>◆ At a Group level, we target a Funds from Operations (FFO) interest cover credit metric in excess of 3x</li> <li>◆ Consistent with A range credit rating of operating companies</li> </ul>	<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>

## Debt issuance

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 (~£2.7bn of loans).

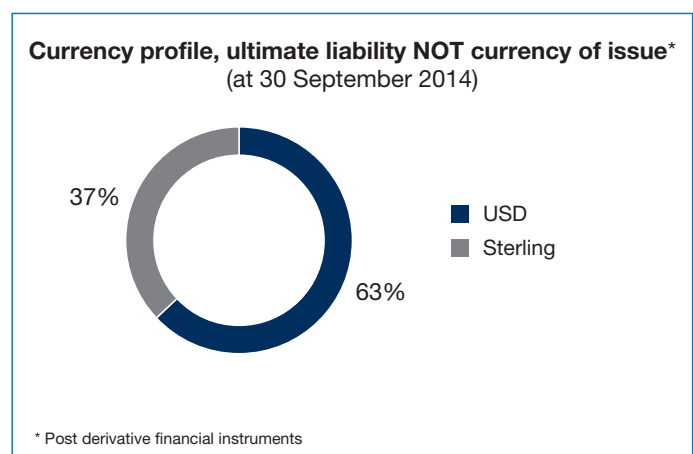
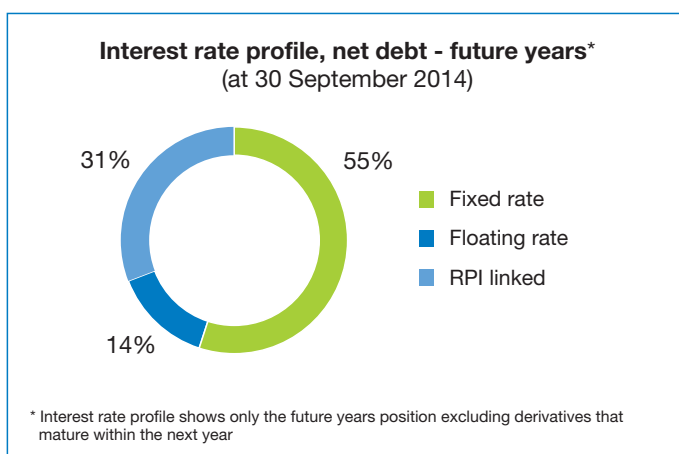
We can access multiple debt markets at any one time, maintaining flexibility and accessing the best value funding available. Debt can be issued in any one of multiple currencies. Derivatives are used to manage the ultimate liability into Sterling or US Dollars.

## Interest rates

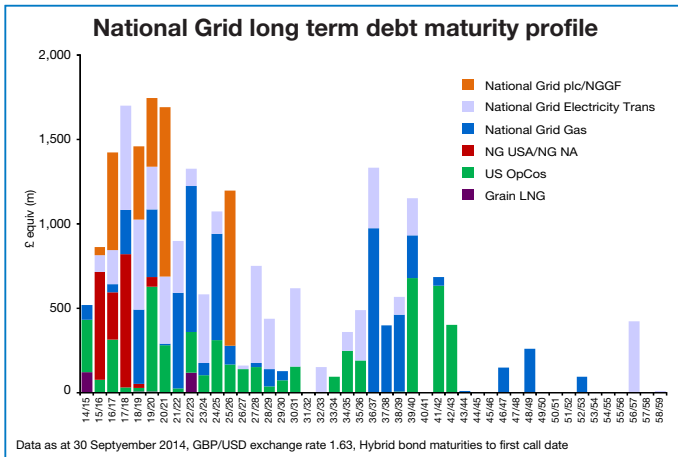
We seek to minimise the total financing charges to the Group, with risk limits that are set in accordance to prevailing interest rate environments. This allows us to monitor our risk management performance relative to a benchmark. We actively manage our interest rate exposures by utilising fixed and 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 \$23bn (as at 31 March 2014). As a result, net debt varies with GBP/USD exchange rates.



## Funding

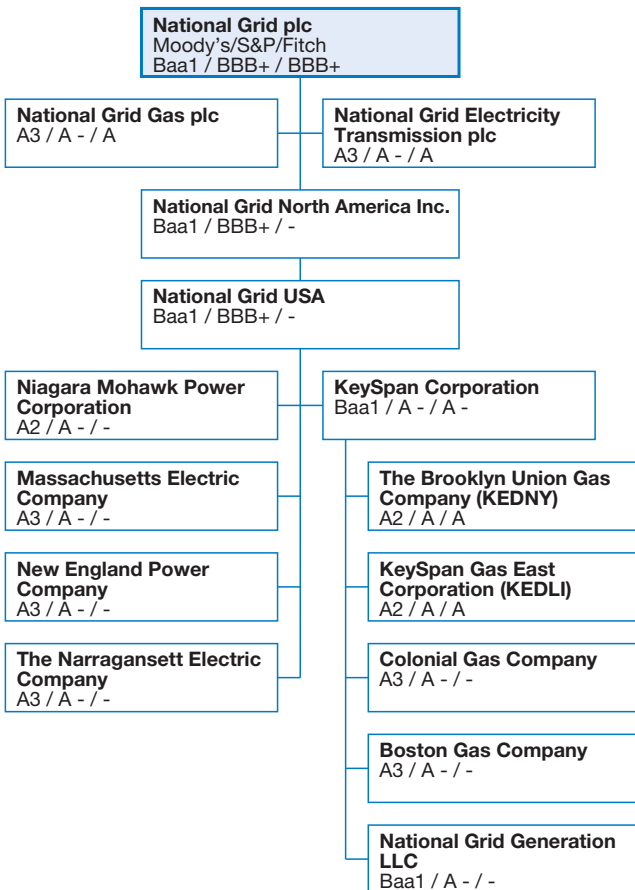


## Weighted average debt maturity

<b>National Grid plc</b> <b>4 years</b>	<b>National Grid Gas plc</b> <b>16 years</b>
<b>National Grid Electricity Transmission plc</b> <b>14 years</b>	<b>US Group</b> <b>12 years</b>

## 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.

## Retail bond

Starting in September 2011 National Grid plc issued a total of c. £280m index-linked retail bonds (10 year sterling bonds at a rate of RPI plus 1.25%, maturing in October 2021).

This was the largest retail bond issued in the UK and the first index-linked retail bond ever issued by a company in the UK debt markets.

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' on pages 167 to 169 of National Grid's most recent Annual Report and Accounts. 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.

## Further information

**John Dawson**  
 Director of Investor Relations  
 T +44 (0)20 7004 3170  
 M +44 (0)7810 831944  
[john.dawson@nationalgrid.com](mailto:john.dawson@nationalgrid.com)

**George Laskaris**  
 US Investor Relations Director  
 T +1 929 324 4170  
 M +1 917 375 0989  
[george.laskaris@nationalgrid.com](mailto:george.laskaris@nationalgrid.com)

**Andy Mead**  
 Senior Investor Relations Officer  
 T +44 (0)20 7004 3166  
 M +44 (0)7752 890787  
[andy.mead@nationalgrid.com](mailto:andy.mead@nationalgrid.com)

**Victoria Davies**  
 Investor Relations Officer  
 +44 (0)20 7004 3171  
 +44 (0)7771 973447  
[victoria.davies@nationalgrid.com](mailto:victoria.davies@nationalgrid.com)

**Tom Hull**  
 Investor Relations Manager  
 M +1 917 524 4099  
[tom.hull@nationalgrid.com](mailto:tom.hull@nationalgrid.com)

**Caroline Dawson**  
 Investor Relations Manager  
 T +44 (0)20 7004 3169  
 M +44 (0)7789 273241  
[caroline.dawson@nationalgrid.com](mailto:caroline.dawson@nationalgrid.com)

**Mike Ioanilli**  
 Investor Relations Manager  
 T +44 (0)20 7004 3006  
 M +44 (0)7789 878784  
[michael.ioanilli@nationalgrid.com](mailto:michael.ioanilli@nationalgrid.com)

Download our Investor Relations app free from the App Store

@nationalgridIR

**National Grid plc**  
 1-3 Strand  
 London WC2N 5EH  
 United Kingdom  
[www.nationalgrid.com](http://www.nationalgrid.com)