

## Debt

Investor Relations | May 2017

### Net debt

at 31 March 2017

£19.3bn

Interest cover for 16/17 was 5.0x, comfortably above our minimum target of 3x, which we believe is consistent with single A range credit ratings for our main UK operating companies.

<b>FFO / Adjusted Debt</b>	<b>23.3%</b> 2016/17	<b>RCF / Adjusted Debt</b>	<b>15.8%</b> 2016/17	<b>Committed Facilities</b> at 31 March 2017	<b>Average debt maturity</b>
<b>FFO Interest Cover</b>	<b>5.0x</b> 2016/17	<b>Gearing</b>	<b>65%</b> 2016/17	£5.3bn	~11 years
<p>Our metrics benefited from the low level of net debt at 31 March 2017, absent the receipt of proceeds from the 61% sale of UK Gas Distribution, we would expect our credit metrics to be broadly at a consistent level to the prior year and comfortably above our targets.</p> <p>FY15/16 reported metrics were:</p> <ul style="list-style-type: none"> <li>FFO/Adjusted Debt 16.7%</li> <li>RCF/Adjusted Debt 11.5%</li> <li>FFO Interest Cover 5.5x</li> <li>Gearing 62%</li> </ul>				<p>Group credit rating metrics comfortably within current ratings of the Group</p> <ul style="list-style-type: none"> <li>RCF/adjusted debt 11.1% excluding sale impact</li> <li>FFO interest &gt; 3x, RCF/adjusted debt &gt; 9%</li> </ul>	

### Debt issuance

On average, National Grid expects to issue £2-3bn of long-term debt each year, to fund capital expenditure 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 with £2.1bn of existing loans.

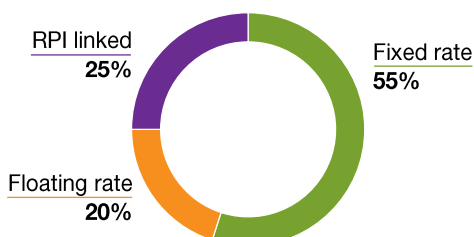
We can access multiple debt markets at any one time. As a result we benefit from flexibility, with access to the best value funding available. Debt can also be issued in any one of multiple currencies. Derivatives are used to manage the ultimate liability into Sterling or US Dollars.

### Interest rates

We seek to minimise the total interest rate charges to the Group, whilst maintaining a balanced and diversified portfolio of interest rate exposures. We manage our interest rate exposures by utilising fixed and floating rate debt, interest rate swaps and forward rate agreements.

### Interest rate profile

**Borrowings<sup>1</sup>** (at 31 March 2017)



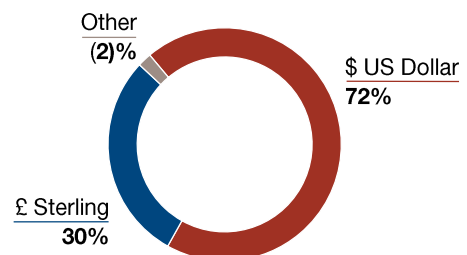
1. Interest rate profile includes associated derivatives and excludes cash and investments

### 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 \$24.6bn (as at 31 March 2017). As a result, net debt varies with GBP/USD exchange rates.

### Currency profile

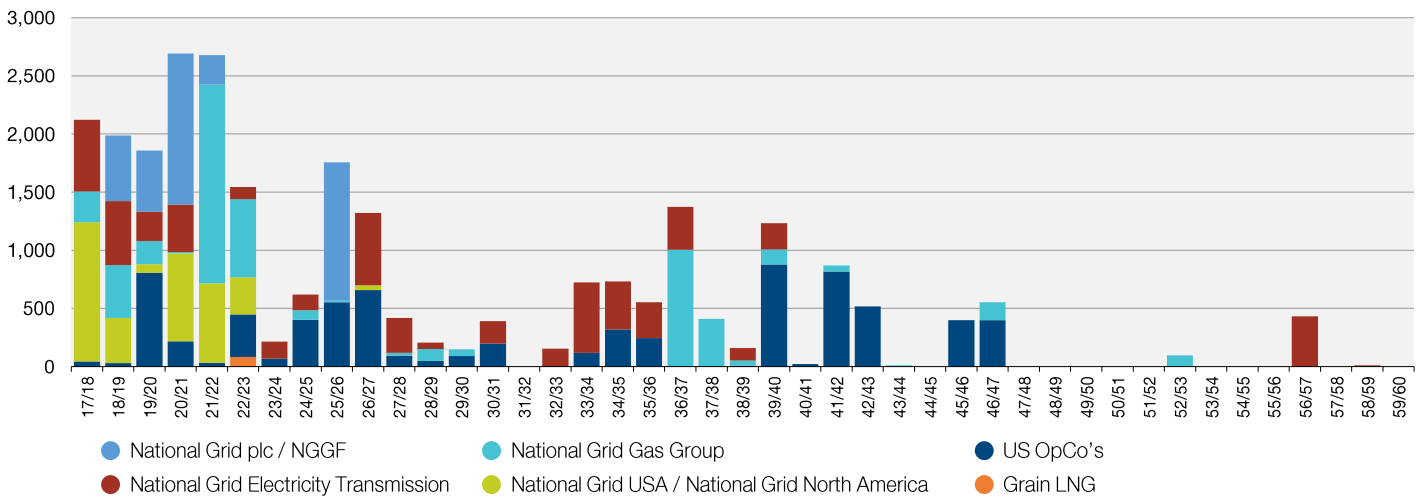
**Ultimate liability NOT currency of issue<sup>2</sup>** (at 31 March 2017)



2. Post derivative financial instruments and excluding assets

## National Grid long term debt maturity profile

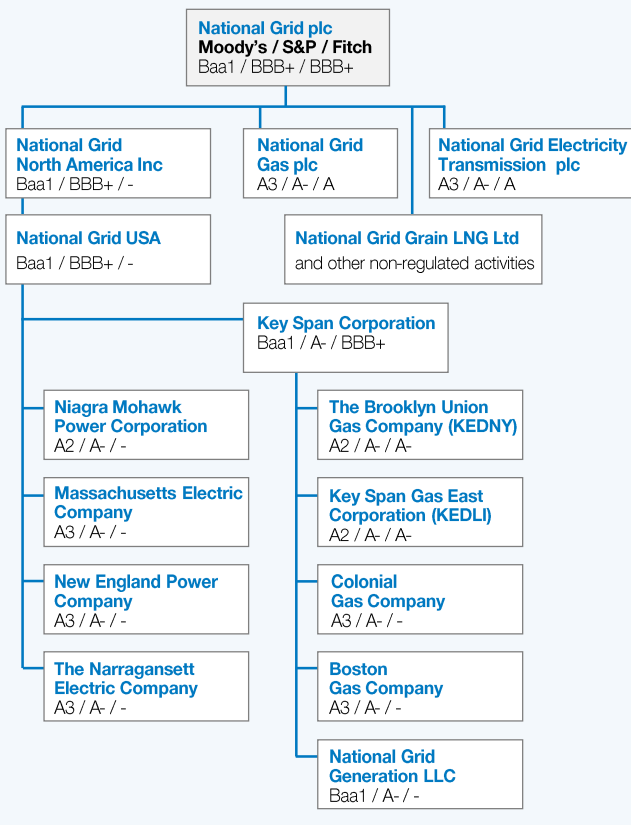
£m equivalent



Data as at 31 March 2017, GBP/USD exchange rate 1.253, Hybrid bond maturities to first call date

### Group debt issuing companies credit ratings

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



### Weighted average long term debt maturity

	Years
National Grid plc and NGG Finance	5
National Grid Gas Group	12
National Grid Electricity Transmission	13
US Group	12

### Record Sterling bond

On 13th September 2016 National Grid Gas Finance plc raised £3bn, spread across four tranches of 5-year, 12-year, 22-year and 30-year debt. These bonds represented the largest ever corporate Sterling issuance, and were joined on the following day by a €750m Euro issuance. The weighted average interest rate achieved was 2.2%. These bonds formed part of the capital structure of the National Grid Gas Distribution operating company, a 61% share of which was disposed of as at 31 March 2017.

#### 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 on pages 183 to 186 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.

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