

Debt

Investor Relations | November 2016

Net debt
at 30 September 2016

£29.2bn

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.

Committed Facilities at 30 September 2016 £4.8bn	Average debt maturity ~12 years	FFO / Adjusted Debt 16.7% 2015/16	RCF / Adjusted Debt 11.5% 2015/16
		FFO Interest Cover 5.5x 2015/16	Gearing 63% 2015/16
<ul style="list-style-type: none"> Undrawn bank facilities maintained as Commercial Paper (CP) backup and as general liquidity 	<ul style="list-style-type: none"> Limits the amount of debt falling due to refinancing in any given time frame 	<ul style="list-style-type: none"> Credit rating metrics comfortably within A range <ul style="list-style-type: none"> – FFO interest > 3x, RCF/adjusted debt > 9% – RCF/adjusted debt 10.5% after deducting share buyback costs 	

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 £2.6bn of existing agreed loans, of which £2.0bn has been drawn.

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

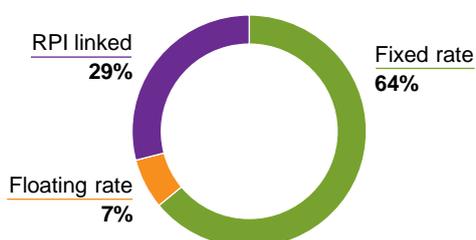
We seek to minimise the total interest rate charges to the Group, whilst maintaining a balanced and diversified portfolio of interest rate exposures. We actively manage our interest rate exposures by utilising fixed and floating rate debt, interest rate swaps and forward rate agreements.

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 2016). As a result, net debt varies with GBP/USD exchange rates.

Interest rate profile

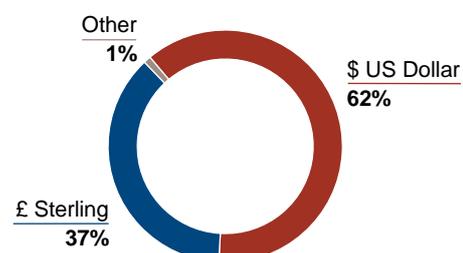
Net debt - future years¹ (at 31 March 2016)



1. Interest rate profile shows only the future years position excluding derivatives that mature within the next year

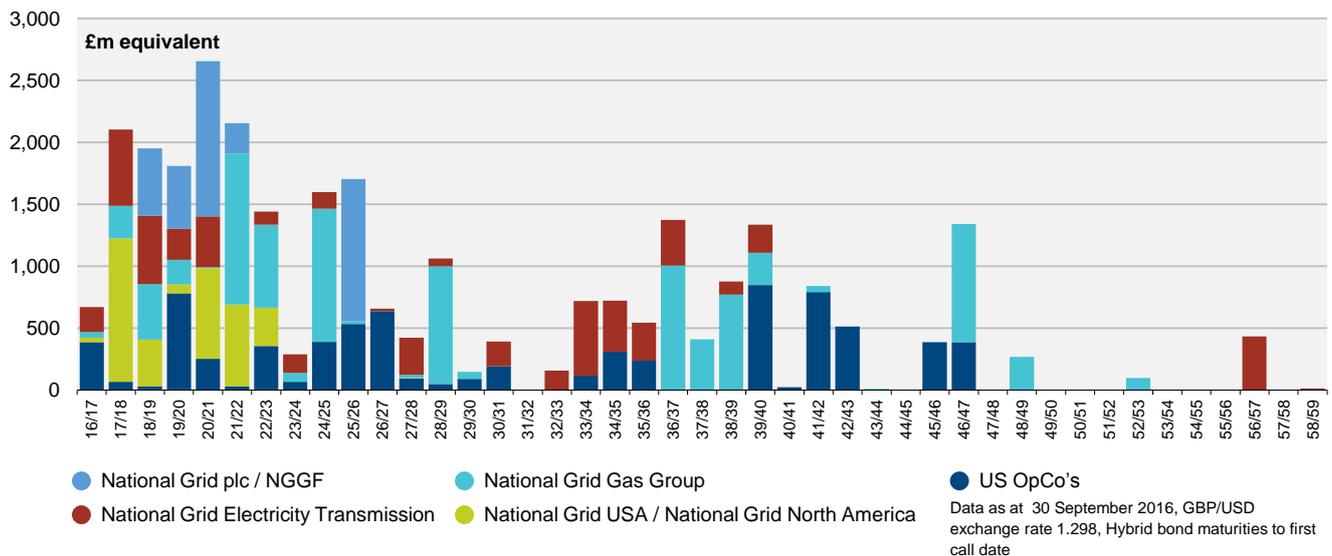
Currency profile

Ultimate liability NOT currency of issue² (at 31 March 2016)



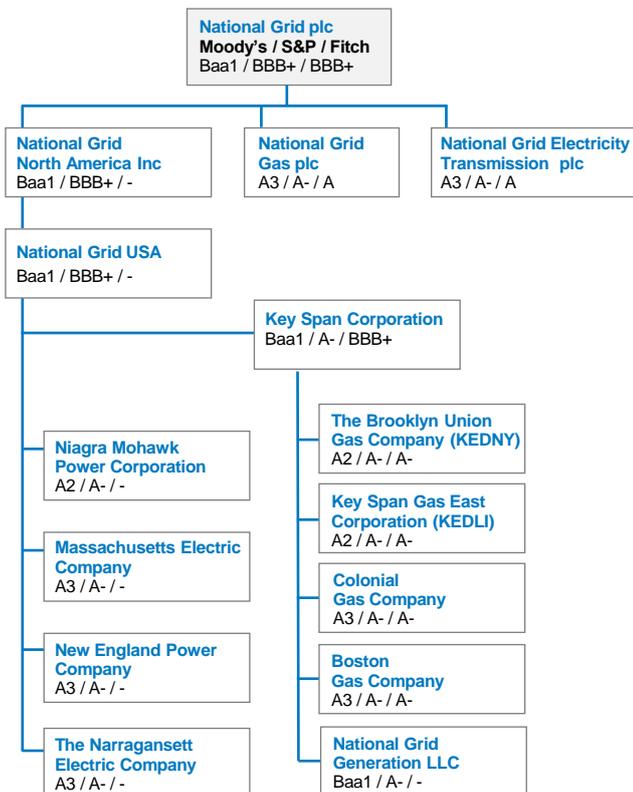
2. Post derivative financial instruments

National Grid long term debt maturity profile



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	14
National Grid Electricity Transmission	13
US Group	12

US OpCo bonds

On 5th August 2016, Key Span Gas East Corp (also known as KEDLI) and Massachusetts Electric Company raised \$1.2bn via two 144A debt issues. KEDLI issued a \$700m, 10-year, fixed rate bond at 2.742%, priced at a spread of US Treasuries plus 120bp. Massachusetts Electric issued a \$500m, 30-year, fixed rate bond at 4.004%, priced at a spread of US Treasuries plus 170bp. The proceeds on each were used for general corporate purposes.

Record Sterling bond

On 22nd 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 same day by a €750m Euro issuance. The weighted average interest rate achieved was 2.2%. These bonds have formed part of the capital structure of the new National Grid Gas Distribution operating company.

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 163 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 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

Aarti Singhal

Director of Investor Relations
T +44 (0) 20 7004 3170
M+44 (0) 7989 492447
aarti.singhal@nationalgrid.com

David Brining

Senior Investor Relations Officer
T +44 (0) 1926 656844
M+44 (0) 7816 847918
david.brining@nationalgrid.com

Mike Ioanilli

Investor Relations Officer
T +44 (0) 20 7004 3006
M+44 (0) 7789 878784
michael.ioanilli@nationalgrid.com

Tom Edwards

Investor Relations Officer
T +44 (0) 20 7004 3460
M+44 (0) 7976 962791
tom.edwards@nationalgrid.com

Caroline Dawson

Investor Relations Manager
T +44 (0) 20 7004 3172
M+44 (0) 7789 273241
caroline.dawson@nationalgrid.com

Richard Foster

Investor Relations Manager
T +44 (0) 20 7004 3169
M+44 (0) 7768 294017
richardfoster1@nationalgrid.com



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app free from the
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@nationalgridIR

National Grid plc

1-3 Strand
London WC2N 5EH
United Kingdom
www.nationalgrid.com