

*“National Grid delivered a solid year of financial performance, led by a good start to our eight year price controls in the UK and consolidation of underlying operational improvements in our US operations. During the year we invested over £3.4bn in essential infrastructure while delivering one of our best years ever in terms of network reliability and resilience. At the same time, we delivered strong cost efficiencies, particularly in the UK where around £70m of the savings will benefit customer bills starting in 2015/16.”*

## Highlights

### Good operational and strategic progress led by efficiencies and investment

UK: Early preparation helped to deliver a strong first year under new RIIO price controls

- ◆ Total expenditure ('totex') efficiencies earned in 2013/14 contributed 120 bps to overall UK Return on Equity outperformance of 260 bps
- ◆ Around £70m customer share of efficiencies will help to reduce future bills
- ◆ Regulated investment of £2.0bn contributed to 5% UK RAV growth; up £1.1bn to £24.9bn

US: Benefits from new rate plans in New York and Rhode Island and focused cost control helped to offset general inflationary pressures on underlying cost

- ◆ Return on Equity 9.0% (2012: 9.2%)
- ◆ Capital investment of \$2.0bn contributed to 9% US Rate Base growth of \$1.3bn to \$16.3bn (5% growth excluding working capital increases)

### Solid overall financial performance maintaining strong financial position

- ◆ Group Return on Equity 11.4% (2012/13: 11.7%)
- ◆ Value Added<sup>1</sup> of £2.1bn or 57.2p per share
- ◆ Adjusted operating profit up 1%, profit before tax up 2%
- ◆ Adjusted earnings per share up 5% to 54.0p
- ◆ Recommended final dividend of 27.54p/share (2012/13: 26.36p); full year dividend expected to be up 2.9% to 42.03p (2012/13: 40.85p), in line with inflation
- ◆ Good cash flow metrics, sustained A- credit ratings and stable gearing

## Group financial summary

(£m at actual exchange rate)

Business Performance <sup>1</sup>	Full year ended 31 March		
	2014	2013	% change
Operating profit	3,664	3,639	1
Operating cash flow	4,569	4,149	10
Profit before tax	2,584	2,533	2
Earnings	2,015	1,913	5
Earnings per share	54.0p	51.4p	5
Dividend per share	42.03p	40.85p	3

### Notes

<sup>1</sup> 'Adjusted results', 'Value Added' and a number of other terms and performance measures used in this document are not defined within accounting standards or may be applied differently by other organisations. Prior year numbers are restated for various items.

*“We finished the year in a strong position, delivering a robust cash flow performance, good growth in our asset base and lower gearing. This was supported by the increased clarity given by our new price controls and rate plans. By achieving strong efficiencies, we were able to offset the cost of US systems implementation and deliver good overall returns on equity. As a result, we continue to build a stronger business from which to deliver healthy returns, and good organic growth to support our commitment to sustainable dividend growth.”*

Steve Holliday, Chief Executive

### 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 '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 Review section and the 'Risk factors' on pages 176 to 178 of National Grid's latest Annual Report and Accounts, as updated by National Grid's unaudited half year financial information for the six months ended 30 September 2013 published on 21 November 2013. 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.

## Business review

Good operational performance highlights the benefits of recent investment in network resilience of £10bn over the past three years

### UK

- ◆ Good operational performance during very challenging winter weather conditions which resulted in extremely wet conditions and high winds
- ◆ Good safety performance achieving world-class standards in many areas
- ◆ Completed business wide review of structure and processes under the new RIIO agreements
- ◆ Significantly transformed UK operational approach which focuses on delivering the lowest sustainable cost solutions

### US

- ◆ Good underlying operating performance throughout the year including during a very cold winter in the North East
- ◆ Another good year of increased capital investment, led by increased investment in gas distribution
- ◆ Network reliability remained strong, benefitting from investments made in new infrastructure and emergency response

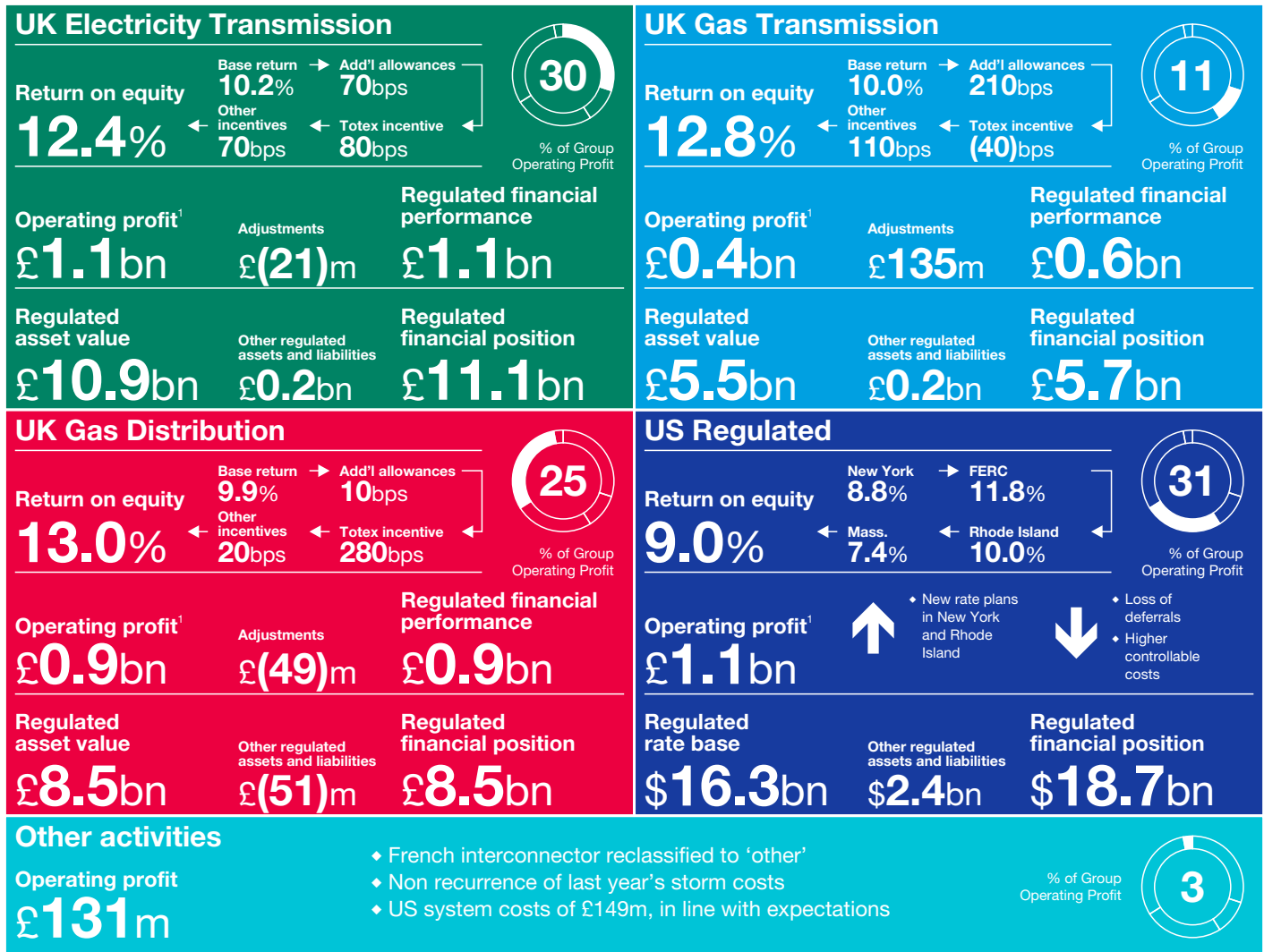
## 2014/15 priorities

UK Electricity Transmission	Significant investment program
UK Gas Transmission	Several important upgrades required
UK Gas Distribution	Challenge to improve customer service
US Regulated	Sustain returns and growth

## Conclusion and outlook

- ◆ Strong balance sheet
- ◆ Opportunities to improve returns
- ◆ Priority remains delivery of attractive total returns for shareholders

## Business performance in detail



<sup>1</sup> Visual representation only – not to scale. Business performance, excluding exceptional items, remeasurements and stranded cost recoveries. Prior period numbers adjusted for the implementation of IAS 19 (revised) 'Employee benefits'. Constant currency figures calculated by applying the average 2014 rate (\$1.62 to £1.00) to 2013 results (when the average rate was \$1.57 to £1.00). Post retirement costs represent pensions and other post employment benefits.

## Balance sheet and investment



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