

The Narragansett Electric Company
d/b/a Rhode Island Energy

APPLICATION FOR APPROVAL
OF A CHANGE IN ELECTRIC AND
GAS BASE DISTRIBUTION RATES

Rhode Island Energy's Responses to
the First Set of Data Requests from the
Public Utilities Commission

Book 6 (Part 4) of 12

January 5, 2026

Submitted to:
Rhode Island Public Utilities Commission
Docket No. 25-45-GE

Submitted by:



Rhode Island Energy™
a PPL company

nationalgrid

Debt Investor Update

Full Year Results 2021/22

Alexandra Lewis, Group Treasurer





Cautionary statement

This presentation 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 (the Company) 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. This presentation also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long term scenarios which are subject to significant uncertainty and change. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements or targets. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control, predict or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union, announcements from and decisions by governmental bodies or regulators, including those relating to the RIIO-T2 and RIIO-ED2 price controls; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption (including any that result in safety and/or environmental events), the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supply; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to deliver net zero; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this presentation include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in National Grid's regulated businesses, including as a result of the COVID-19 pandemic, and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, develop and retain employees with the necessary competencies, including leadership and business capabilities, and any significant disputes arising with National Grid's employees or the breach of laws or regulations by its employees; the failure to respond to market developments, including competition for onshore transmission; the threats and opportunities presented by emerging technology; the failure by the Company to respond to, or meet its own commitments as a leader in relation to, climate change development activities relating to energy transition, including the integration of distributed energy resources; and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including the integration of WPD, the sale of the Company's Rhode Island gas and electricity business and the announced sale of a 60% stake in its UK gas transmission and metering business. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 236 to 239 of National Grid's most recent Annual Report and Accounts, as updated by the Company's unaudited half-year financial information for the six months ended 30 September 2021. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this presentation.



The Energy Transition Company

Green investment in the decarbonisation of energy systems

c.£24bn¹

from FY2022 - 2026

more than 70%
of our 5 year framework

**One of the FTSE's
biggest investors
in the delivery
of net zero**

Investing for the **clean energy future**

£30-35bn
capital investment FY2022-26

6-8%
group asset growth CAGR²

5-7%
EPS CAGR²

c.£24bn
Green capex aligned to EU Taxonomy¹

Whilst maintaining a strong balance sheet and aim to grow dividend per share growth in line with CPIH

1. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting, and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.

2. Compound annual growth rate FY2022-26. Based upon GBP/USD FX rate of 1.3; long run CPIH and RPI inflation assumptions, and scrip uptake of 25%, as well as completion of sale of Rhode Island business and 60% majority interest in UK Gas Transmission and Metering

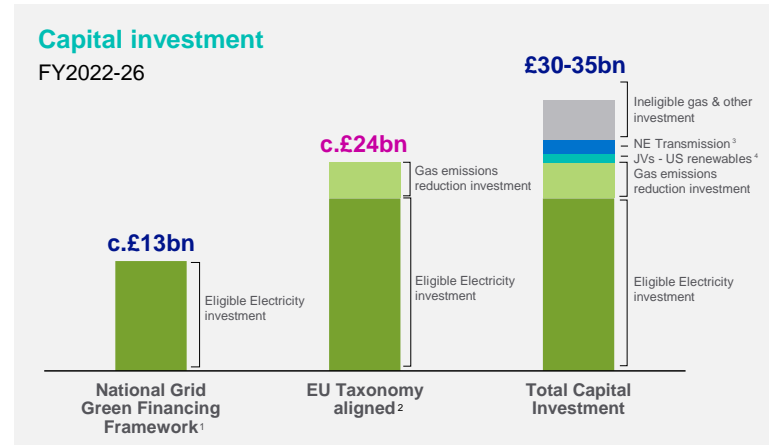


Investing to decarbonise energy systems

c.£24bn²
 from FY2022 - 2026

£14bn
 in the UK

£10bn
 in the US



1. Capital expenditure that meets the criteria in National Grid’s Green Financing Framework. This framework is used to issue Green Financing Instruments and further detail on the framework can be found here: <https://www.nationalgrid.com/investors/debt-investors/green-financing>

2. Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks.

3. Estimated investment in New England transmission excluded as it does not meet the EU Taxonomy criterion of over 67% of newly enabled generation capacity being below the 100 gCO₂e/kWh threshold over a rolling five year period, on the basis that there have been no new connections to the New England transmission network within the past five years.

4. Estimated investment in US onshore and offshore renewables joint ventures. EU Taxonomy excludes investment in joint ventures

Our strategic vision

Enabling the energy transition for all

- COP26 Principal Partner
- Our strategy further underpinned by
 - British Energy Security Strategy
 - US Infrastructure Investment and Jobs Act



PRINCIPAL PARTNER
**COP26
PRESIDENCY
UK 2022**
DELIVERING THE
GLASGOW CLIMATE PACT

Delivering for customers efficiently

- \$1.3bn in energy efficiency measures in Massachusetts over last 3 years
- Returning £200m from interconnector business to customers early
- £400m cost efficiency programme





Repositioning of our portfolio

Greater visibility and certainty of long term growth

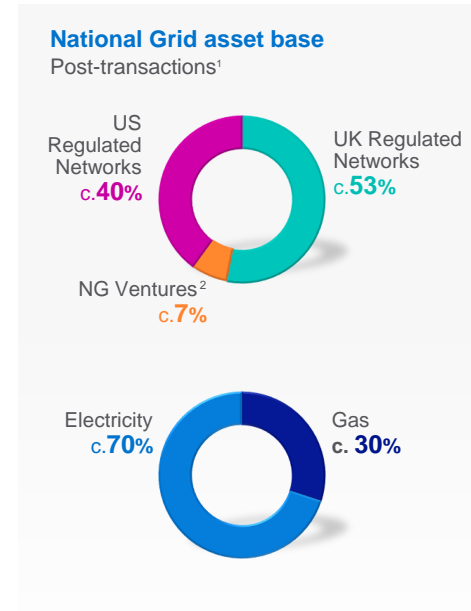
- WPD acquired and integration progressing
- UK Gas Transmission and Metering
 - Sale of 60% expected to complete in Q3 FY23
 - Consortium option on the remaining 40%
- Rhode Island sale expected to complete in Q1 FY23

Other transactions

- Sale of our 50% stake in St William JV
- Preparing for new Future System Operator

1. Calculated as proportion of actual FY22 asset base post completion of acquisition of Western Power Distribution, and sale of Rhode Island business and 60% majority interest in UK Gas Transmission and Metering

2. Includes 'Other activities'



Financial performance highlights

Strong delivery in 2022

Underlying operating profit

£3,992m ↑11%

FY21: £3,600m

Underlying EPS

65.3p ↑10%

FY21: 59.1p

Return on Equity

11.4% ↑80bps

FY21: 10.6%

Capital investment

£6,739m ↑19%

FY21: £5,680m

Asset growth

8.7% ↑310 bps

FY21: 5.6%

Cost efficiency
programme delivery

c.£140m

Target over 3 years: £400m

Pro forma underlying 2020/21 figures include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m), timing and the contribution from UK gas transmission and metering, which are classified as a discontinued operation for accounting purposes

Capital investment includes investment in JVs and NG Partners Investments (excluding equity contributions to St William property JV)

Operating profit and capital investment calculated at constant currency

Safety and reliability

Safety

- Another good year of safety performance
 - Lost Time Injury Frequency rate: 0.13
- Slight increase in minor incidents

Reliability

- Over 99.9% availability across regulated networks
- Excellent performance despite challenging storms in UK and US





Progress on operational priorities

Underlying operational delivery

- Achieved RoE 8.8%
 - 99% of allowed return
- \$2.6bn investment
 - Rate base growth of 7.6%
 - 237 miles gas pipeline replaced, reducing methane emissions

Regulatory progress

- 3-year rate plan for KEDNY / KEDLI extended by an additional year
- 3-year rate plan for Niagara Mohawk
- Progressing clean energy policy
 - Co-authored Future of Heat report

New York
Regulatory Overview

KEDNY/ KEDLI
(2020-23*)

Allowed return on equity	8.8%
CAPEX (backdated to 2020)	c.\$3.3bn

NIMO Gas & Electric
(2021-24)

Allowed return on equity	9.0%
CAPEX	c.\$3.3bn



Progress on operational priorities

Underlying operational delivery

- Achieved RoE 8.3%
 - 80 basis points above prior year
- \$2.1bn investment
 - Rate base growth of 6.7%
 - Replacing ageing infrastructure

Regulatory progress

- DPU 20-80 proposal filed on Future of Gas
 - Clean Energy Vision sets out plan for fossil free gas and electric networks to deliver net zero

New England
Regulatory Overview

Massachusetts Gas
(2021-26)

Allowed return on equity	9.7%
CAPEX (2020/21 prices)	c.\$1.3bn

Massachusetts Electric
(2019-24)

Allowed return on equity	9.6%
CAPEX (2019/20 prices)	c.\$1.5bn

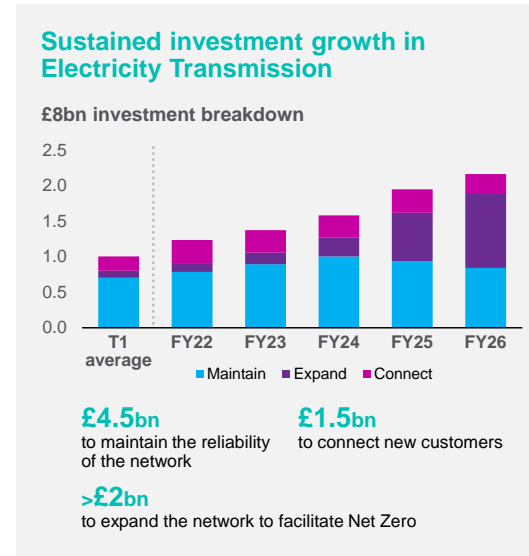
UK – Electricity Transmission



Progress on operational priorities

Successful start to RIIO-T2

- Achieved RoE: 7.7%
 - 140bps outperformance
- £1.2bn capital investment
 - Commenced LPT2 tunnel boring
 - Hinkley T-pylon construction
- Provisional approval for two subsea ‘Green Link’ interconnectors between Scotland and North of England
- 16 major projects identified in ESO’s latest Network Options Assessment





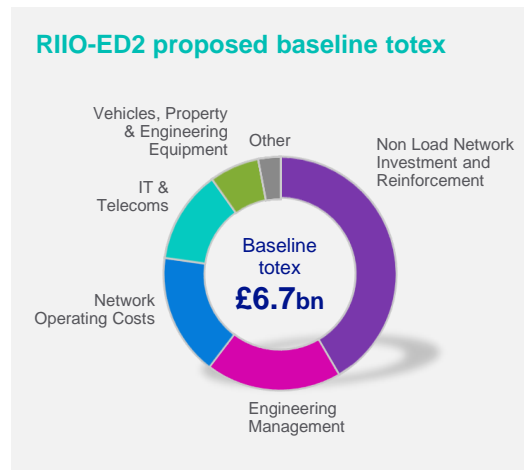
Progress on operational priorities

Continuing to perform in RIIO-ED1

- Achieved RoE: 13.6%
 - 400bps above allowed level
- £899m capital investment¹

ED2 business plan submission²

- Proposed totex of £6.7bn enabling connections for
 - 1.5m new EV's, 600,000 heat pumps and 2.6GW of renewables
 - Supporting our most vulnerable customers
- More than £700m of embedded efficiencies
 - More than 20% increase in investment



1. Capital Investment for 9.5 months of WPD
2. Draft determinations expected in June and final determinations in December

NG Ventures and Joint Ventures

Progress on operational priorities

Capital expenditure: £452m

- Viking Link to complete in FY24
- Isle of Grain LNG Phase 4 construction

Interconnector progress

- IFA2 first full year of operation
- North Sea Link commissioned early
- 1GW restored to IFA, remaining 1GW by end 2022

Investment in joint ventures: £461m

- Community Offshore Wind JV seabed success
- Started operation of 200MW Prairie Wolf Solar project



UK – Gas Transmission & Metering

Progress on operational priorities

Strong start to RIIO-T2

- Achieved RoE of 7.8%
 - 120bps outperformance
- Capital investment of £261m
 - £57m above prior year





Investment driving asset growth

Capital investment¹

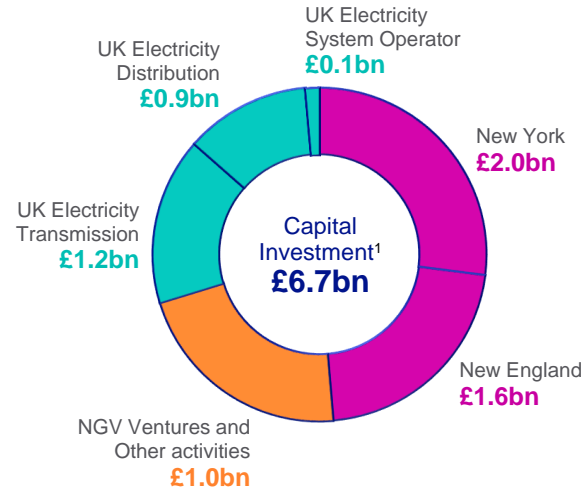
£6,739m ↑19%

FY21: £5,680m

Asset growth²

8.7% ↑310bps

FY21: 5.6%



FY21 Proforma figures displayed for comparative purposes. Includes estimate of 9.5 months of WPD capital investment

1. Capital investment from continuing operations, at constant currency, including investment in JV's and NG Partners Investments (excluding equity contributions to St William property JV)

2. Asset growth includes UK Gas Transmission & Metering



Interest, tax and earnings

Finance costs

£1.1bn

4% higher than FY21³

- Higher impact from interest on index linked debt
- Partly offset by pension interest and a property tax refund

Underlying effective tax rate¹

24.3%

Underlying tax charge: **£708m**

- 260 bps higher than prior year
- UK rate change and US state deferred tax remeasurement due to Rhode Island sale

Underlying earnings²

£2,350m

FY21³: **£2,081m**

- 65.3p/share – 10% up on prior year compared to proforma basis

1. Excluding joint ventures and associates.

2. Underlying results attributable to equity shareholders.

3. Pro forma underlying 2020/21 figures include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts

Underlying results, excluding timing, major storms, exceptional items and remeasurements.



Cash flow and net debt

Cash generated from operations¹

£5.8bn

FY21: **£4.0bn**

Net cash outflow²

£1.6bn

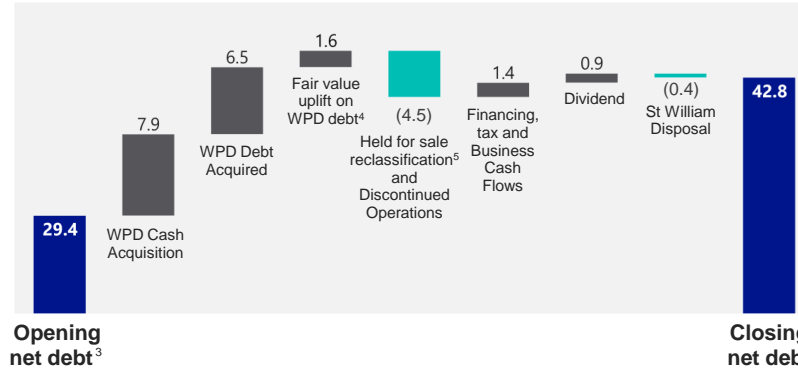
FY21: **£2.9bn**

Net Debt³

£42.8bn

FY21: **£29.4bn**

Net debt (£bn)



RCF / Net debt
8.9%

1. From continuing operations
 2. Net cashflow from continuing operations, excluding acquisitions of WPD and other investing and financing transactions with nil impact on net debt
 3. FY21 net debt presented at constant currency
 4. Non-cash fair value acquisition accounting adjustment
 5. NGG debt reclassified as 'held for sale' is £(4.1)bn – cash inflow from discontinued operations £(0.4)bn

Inflation and supply chain

- Impact on UK regulated revenues broadly offset by RPI linked debt in FY22
- Controllable costs held flat
- Similar inflation impacts expected for FY23
- Improved earnings momentum in medium term as inflation moderates
- No material impact to our supply chain to date





5-year outlook and guidance

FY22-26									
Capital investment	£30-35bn – c.£24bn green¹ , aligning to EU taxonomy								
	<table border="0"> <tr> <td>c.£8bn</td> <td>c.£5bn</td> </tr> <tr> <td>UK Electricity Transmission</td> <td>Western Power Distribution</td> </tr> <tr> <td>c.£17bn</td> <td>c.£2-3bn</td> </tr> <tr> <td>US Regulated Businesses</td> <td>NG Ventures</td> </tr> </table>	c.£8bn	c.£5bn	UK Electricity Transmission	Western Power Distribution	c.£17bn	c.£2-3bn	US Regulated Businesses	NG Ventures
c.£8bn	c.£5bn								
UK Electricity Transmission	Western Power Distribution								
c.£17bn	c.£2-3bn								
US Regulated Businesses	NG Ventures								
Group asset growth	6-8% CAGR²								
Gearing	Settles slightly above 70% Credit metrics within current rating band								
EPS	5-7% CAGR² , a strong first year								
Dividend	Aim to grow dividend per share in line with CPIH								
FY23	<ul style="list-style-type: none"> Underlying operating profit growth Returning c.£150m to customers Broadly flat EPS profile								

1. Aligned to EU Taxonomy

2. Compound annual growth rate FY2022-26. Based upon GBP/USD FX rate of 1.3; long run CPIH and RPI inflation assumptions, and scrip uptake of 25%, as well as completion of sale of Rhode Island business and 60% majority interest in UK Gas Transmission and Metering



Growth opportunities further underpinned

- New policies and increased clean energy targets
 - British Energy Security Strategy (BESS) announced
 - UK Energy Bill announced in Queen’s Speech
 - US Infrastructure Investment and Jobs Act signed into law
- Coupled with pivot to electricity provide greater certainty of medium term growth



UK Focus

- Continue to deliver world class network reliability
- 60% sale of UK Gas Transmission & Metering expected in 3rd quarter of FY23
- WPD integration and RIIO-ED2 process
- Progress plans to support BESS ambitions
 - East Coast transmission projects
- Support development of Holistic Network Design onshore and offshore network

**A critical year
to create the right regulatory
and planning framework**



US Focus

- Infrastructure Investment and Jobs Act focused
 - Grid modernization and resilience
 - Electric transportation infrastructure
 - Northeast Hydrogen Hub
- Massachusetts regulatory decisions
 - Electric grid modernization
 - Advanced metering infrastructure
 - Phase 3 Electric vehicle proposal
 - DPU Future of Gas proceedings
- New York Long Island transmission project bid outcome expected by end of 2022



Clean Energy Vision

**Utilising our existing networks
to enable clean gas**
by 2050

4 key pillars

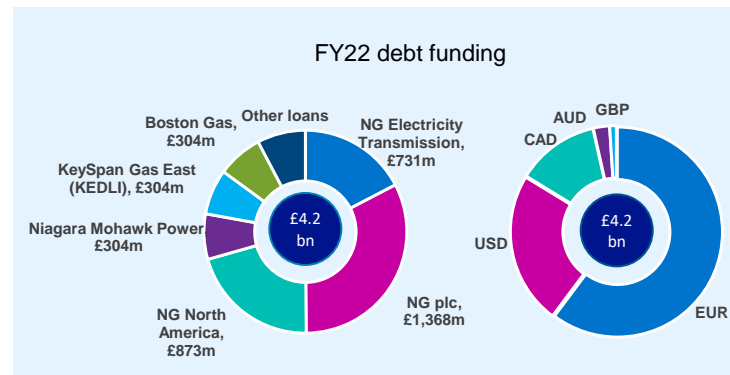
- 01 Increase energy efficiency
- 02 Eliminate fossil fuels by from our gas networks by 2050
- 03 Maximise customer benefits of pairing electric and clean gas solutions
- 04 Support targeted electrification of heating





Debt Funding

- FY22 debt funding totalled £4.2bn across the group. Benchmark bonds issued in EUR, USD and CAD.
- NG plc issued a €850m 8yr green bond in August 2021
 - Proceeds allocated to projects in NG Ventures and New England
 - Majority of allocation will be for Renewable Energy and Energy Efficiency categories
 - Green Financing Report to be published in June 2022 as part of the Responsible Business Report



- FY23 debt funding expected to be **c.£5bn** (excluding any bridge take-out)
 - c.50% at HoldCo (NG plc / NGNA)
 - c.25% at UK OpCo (NGET / WPD)
 - c.25% at US OpCo

- Access to committed facilities:
 - £6.0bn of general liquidity facilities
 - The UK Electricity System Operator also maintains £550m of committed facilities
 - WPD has £845m of committed facilities
 - **All undrawn as at 31 March 2022**

£4.2bn is post swap amount, using \$ / £ rate at 1.31

Summary

- Our pivot to electricity is nearly complete
- Focus on Massachusetts and RIIO-ED2 rate settlements
- Working with regulators and politicians to define 2050 clean energy roadmaps
- **£24 billion**¹ of green investment to decarbonise energy systems in our **five year** framework



¹ Capital expenditure considered to be aligned with the principles of the EU Taxonomy Legislation at the date of reporting, and includes most electricity investment, including connecting clean sources of generation such as renewables and nuclear, as well as investment which reduces emissions in our gas networks

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Q&A



debtinvestors@nationalgrid.com



Appendices



UK Electricity Distribution



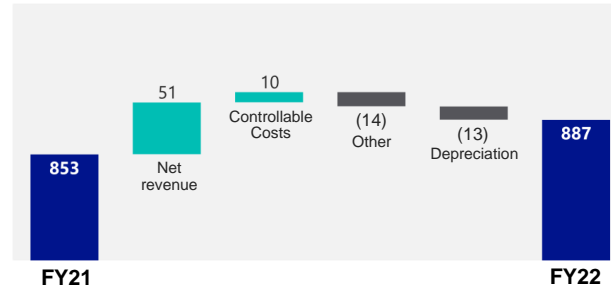
**Return on equity
Outperformance**

300bps
Customer incentives

100bps
Totex performance

Achieved
return on equity
13.6%

Underlying operating profit vs FY21 proforma (£m)



- Greater spend on network reinforcement and connections
- Improved customer experience incentives

Capital investment
£899m
 FY21 Proforma: **£854m**

Regulated asset value
£9.3bn
 At acquisition¹: **£8.5bn**

1. Estimated rate base on acquisition (14 June 2021)

Underlying results, excluding timing, exceptional items and remeasurements.

Pro forma underlying 2020/21 figures include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts



UK Electricity Transmission

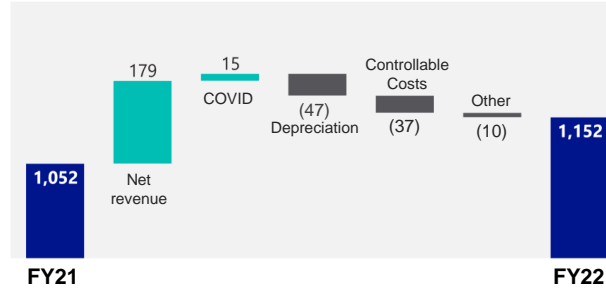


**Return on equity
Outperformance**

140bps
Totex incentive

Achieved
return on equity
7.7%

Underlying operating profit (£m)



- Higher base revenues in the first year of RIIO-T2
- Partially offset by lower returns

Capital investment
£1.2bn
 FY21: £984m

Regulated asset value
£15.5bn
 FY21: £14.3bn

Electricity System Operator

Underlying operating profit
£54m
 FY21: £70m

Underlying results, excluding timing, exceptional items and remeasurements.



US Regulated – New York



Return on equity

99%
of our allowed baseline return

Achieved return on equity
8.8%

Underlying operating profit (£m)



- Increase in environmental reserves
- Higher depreciation
- Partially offset by rate case increases and bad debt reductions

Capital investment
£2.0bn
 FY21: £1.7bn

Rate base
\$17.0bn
 FY21: \$15.8bn

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing
 Operating profit and capital investment presented at constant currency



US Regulated – New England

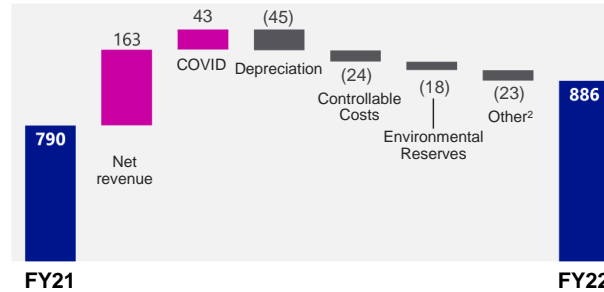


Return on equity

85%
of our allowed baseline return

Achieved return on equity
8.3%

Underlying operating profit vs FY21 proforma¹ (£m)



Capital investment
£1.6bn
 FY21: £1.4bn

Rate base
\$12.2bn
 FY21: \$11.4bn

- Higher rates under new rate settlement
- Resumed collection activities for outstanding receivables

Underlying results from continuing operations excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing
 Operating profit and capital investment presented at constant currency
 1. FY21 Operating Profit has been restated on proforma basis with the current year beneficial earnings impact of not depreciating our Rhode Island business also applied in the FY21 comparative amounts
 2. Other includes non COVID bad debts and property taxes



NG Ventures

Operating profit (£m)	Year ended	
	31 March 2022	31 March 2021
Genco	33	37
Grain LNG	113	104
Interconnectors	135	60
NG Renewables	11	(9)
Other	(6)	(7)
	286	185
Post tax share of JVs (£m)		
Interconnectors ¹	91	26
Millennium	22	22
Other	9	8
	122	56
Total NGV	408	241

¹ Includes BritNed and Nemo.

² Underlying operating profit in FY 2021/22 only includes amount earned up to regulatory cap

Operating profit, share of joint venture profit after tax and investment presented at constant exchange rates.

Underlying results, excluding timing, exceptional items and remeasurements.

Operating profit and post tax share of JVs:

- First time contribution from NSL and full year from IFA2
- £200m from interconnector business to be repaid to consumers²
- Higher development income in US Onshore renewables

Capital
investment

£913m

FY21: **£530m**



Other

nationalgrid

Other activities

Operating profit (£m)	Year ended	
	31 March 2022	31 March 2021
Property	40	22
NG Partners	66	1
Corporate & other	(85)	(91)
	21	(68)

Post tax share of JVs (£m)

St William	11	5
NG Partners	15	5
	26	10

Increase in operating profit:

- Fair value gains in National Grid Partners
- Release of historical unclaimed dividends

Capital
investment¹

£103m

FY21: **£66m**

Operating profit, share of joint venture profit after tax and investment presented at actual exchange rates.

Underlying results, excluding timing, exceptional items and remeasurements.

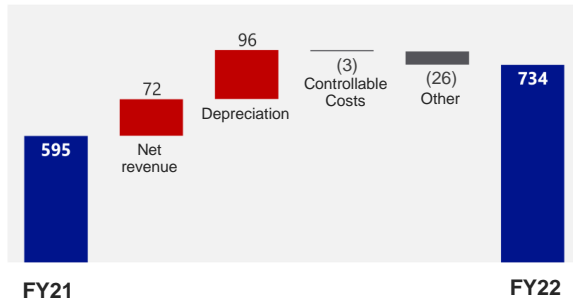
1. Capital investment includes investment in JVs (excluding equity contributions to St William property JV) and investment in NG Partners.



Discontinued operations¹ UK Gas Transmission & Metering

- **Achieved RoE: 7.8%**

Operating profit (£m)



Capital investment

£261m

£57m higher than prior year

Operating profit **£139m** higher than prior year

- Higher base revenues
- Cessation of depreciation on classification as held for sale

Operating profit excluding timing, exceptional items and remeasurements

1. 100% of UK Gas Transmission & Metering to be treated as a discontinued operation until the sale of the 60% stake to the Macquarie consortium completes



A record year of investment to enable the energy transition

London | 19 May 2022: National Grid, a leading energy transmission and distribution company, today announces its Full Year results for the period ending 31 March 2022.

John Pettigrew, Chief Executive, said:

“The world has changed dramatically over the last year, with the tragic war in Ukraine, a global economic slowdown, and rapidly rising inflation. The UK and US communities we serve are facing significant cost of living challenges, at a time when further urgency is needed to address climate change. Against this backdrop, National Grid remains focused on positioning our business, through acquisitions and investment, to deliver net zero while continuing to safely ensure security of supply at the lowest possible cost to consumers. And our results today reflect the strength of this strategy.

Our purchase of WPD has pivoted our business to a much greater focus on electricity infrastructure, putting us at the heart of delivering the energy transition. We’ve invested a record £6.7 billion in critical energy infrastructure, part of our five-year £30-35 billion investment programme. Over 70% of our five-year investment is aligned to EU taxonomy principles making us one of the FTSE’s largest investors in the delivery of net zero. And we’ve made good progress on our £400 million cost efficiency programme, as we continue to focus on affordability for all of our customers.”

Successful portfolio repositioning

Last year, National Grid announced a strategic repositioning of its portfolio. Since then, we have:

- Completed the £7.9 billion acquisition of Western Power Distribution (WPD), the UK’s largest distributor;
- Obtained regulatory clearances and are awaiting the conclusion of the legal process for the sale of the Narragansett Electric Company (Rhode Island) which we expect to complete in Q1 2022/23;
- Agreed the sale of a 60% stake in National Grid Gas to Macquarie Asset Management and British Columbia Investment Management Corporation, expected to complete in the third quarter of 2022/23 (continued to be held as a discontinued operation); and
- Increased the focus on our core business following the sale of our 50% stake in the St William Homes joint venture to The Berkeley Group plc, for a cash consideration of £413 million.

Financial Summary – Year ended 31 March

Continuing operations only (not including UK Gas Transmission)

	Statutory results			Underlying ¹			
	2022	2021	% change	Actual		Pro forma ²	
				2022	2021	2021	% change
Operating profit (£m)	4,371	2,401	82%	3,992	2,688	3,608	11%
Profit before tax (£m)	3,441	1,664	107%	3,059	1,889	2,626	16%
Earnings per share (p)	60.6	37.0	64%	65.3	42.4	59.1	10%
Dividend per share (p)	50.97	49.16	4%	50.97	49.16	49.16	4%
Capital investment (£m)	6,739	4,843	39%	6,739	4,843	5,697	18%

3,599 million weighted average shares for 2021/22 (2020/21: 3,523 million).

1. ‘Underlying’ represents statutory results from continuing operations, but excluding exceptional items, remeasurements, major storm costs (when greater than \$100m) and timing. These and a number of other terms and performance measures used in this document are not defined within accounting standards and may be applied differently by other organisations. We have provided definitions of these terms on page 91 and 92 and reconciliations of these measures on pages 91 to 106. These measures are not a substitute for IFRS measures, however the Group believes such information is useful in assessing the performance of the business on a comparable basis.
2. Pro forma underlying (continuing) 2020/21 figures are provided to help compare performance between reporting periods and include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts. A reconciliation between these measures is provided on page 93.

Highlights

Financial delivery

- Underlying operating profit of £4.0 billion was up 11% on a pro forma basis. This reflects higher UK Electricity Transmission (UK ET) net revenue to fund higher investment agreed as part of RIIO-T2, higher revenues following our rate order in our Massachusetts Gas business, the first year of operation of IFA2 and North Sea Link interconnectors, gains on investments in National Grid Partners which invests in companies innovating to accelerate the energy transition, and a lower adverse impact from COVID-19 compared to 2020/21.
- Reflecting changes to our portfolio, including the first time contribution from WPD, the sale of our 50% St William JV to The Berkeley Group, a first year of operation from the North Sea Link and IFA2 interconnectors, and mark-to-market movements on US derivatives, statutory operating profit was up 82% to £4.4 billion.
- Recommended final dividend to bring full year dividend to 50.97p, up 3.7% and in line with policy.

Record capital investment to support our critical role in the energy transition

- Capital investment of £6.7 billion for continuing operations up 18% on a pro forma basis. This reflects increased capex activity following COVID-19, increased WPD network connections, increased investment in UK ET and in our New York offshore wind joint venture.
- Over £300 million interconnector investment across the year.
- Welcomed the British Energy Security Strategy (BESS) which sets out how the UK Government plans to increase security of supply and lower energy costs.
- Investments supporting world-class network reliability, security of supply and the energy transition.

Delivering for our customers and communities

- Reliability of over 99.9% across our electricity and gas networks.
- Returning £200 million interconnector revenues several years ahead of schedule to help customers now.
- On track to deliver cost efficiency targets of £400 million by the end of 2023/24 with around £140 million delivered to date, helping to minimise customer bills while delivering regulated asset growth of over 20%.
- New operational structure enabling closer engagement with our customers, regulators, and communities.

Good regulatory progress

- Over two thirds of planned investment already committed and visible through rate settlements and in our non-regulated businesses across our five-year financial framework.
- Completed first year of RIIO-T2 price regulation in our UK ET and GT businesses delivering outperformance in line with expectations.
- Successfully appealed to the CMA against inclusion of the outperformance wedge in RIIO-T2.
- RIIO-ED2 business plan submitted to Ofgem in December following largest ever consultation process.
- Creation of a new Future System Operator (FSO) announced by the UK Government and Ofgem. Appropriate compensation for transfer of the ESO to be agreed between the Government and National Grid.
- New rates agreed for our KEDNY-KEDLI, NIMO and Massachusetts Gas businesses. Filings made requesting \$1 billion of investment for Grid Modernisation and Electric Vehicle infrastructure in Massachusetts.
- Progress on COVID-19 cost recovery in New York and Massachusetts.

Committed to realising net zero

- Around £24 billion of investment in our five-year financial framework is considered to be aligned with the principles of the EU Taxonomy legislation as at the date of reporting.
- COP26 principal partner and new Scope 3 SBTi (Science Based Targets initiative) aligned targets set for the Group.
- Supported the Green Grids Initiative launch, aiming to accelerate the modernisation of global energy grids.
- Clean Energy Strategy for our US networks launched – a vision to replace fossil fuels with clean energy across our gas and electric systems by 2050, helping to keep energy costs more affordable for customers whilst enabling us to deliver net zero.
- Extensive programme of work underway delivering the connections and upgrades needed to help meet the UK Government's 50GW offshore wind ambition by 2030.

- Offshore wind venture with RWE successful in winning a seabed lease with New York Bight.
- First year of IFA2 and North Sea Link interconnectors, saving more than 2 million tonnes of CO₂ per annum.

Financial Outlook and Guidance

- Guidance includes WPD, assumes that the sale of the Narragansett Electric Company (Rhode Island) completes in Q1 of FY2022/23 and the sale of a 60% stake in National Grid Gas completes in the third quarter of this financial year.
- Financial outlook over the five year period 2020/21 to 2025/26 remains unchanged:
 - Total cumulative capex of £30-£35 billion;
 - Asset Growth CAGR² of 6-8% backed by strong balance sheet;
 - Driving underlying EPS CAGR of 5-7% from the 2020/21 EPS baseline of 54.2 pence per share¹;
 - Credit metrics consistent with current Group rating;
 - Regulatory gearing to settle slightly above 70% once all three transactions are completed.
- Following strong earnings growth in the first full year of the plan, we expect earnings for 2022/23 to be broadly flat on 2021/22, assuming an exchange rate of £1:\$1.30.

1. Full-Year underlying EPS (2020/21) as reported on 20 May 2021. Prior year comparatives in this document have been restated for treatment of UK Gas Transmission as a discontinued operation.
2. Compound Annual Growth Rate.

National Grid

2021/22 Full Year Results Statement







Operational Key Performance Indicators

Year ended 31 March 2022 (£ million)	Actual		Pro forma ¹	
	2022	2021 ²	2021 ²	change %
Underlying operating profit (continuing):				
UK Electricity Transmission	1,152	1,052	1,052	10%
UK Electricity Distribution	887	—	853	4%
UK Electricity System Operator	54	70	70	(23%)
New England	886	727	794	12%
New York	706	722	722	(2%)
NGV and Other	307	117	117	162%
Underlying operating profit (continuing)	3,992	2,688	3,608	11%
Capital investment (continuing):				
UK Electricity Transmission	1,195	984	984	21%
UK Electricity Distribution	899	—	854	5%
UK Electricity System Operator	108	88	88	23%
New England	1,561	1,437	1,437	9%
New York	1,960	1,738	1,738	13%
NGV and Other	1,016	596	596	70%
Capital investment (continuing)	6,739	4,843	5,697	18%
RCF/Net debt	8.9	6.6	n/a	230bps
As at 31 March				
Net debt (excludes businesses 'held for sale')	(42,809)	(28,546)		50%
UK RAV – including UK Gas Transmission (£m)	31,593	20,876		51%
US rate base (£m at constant currency)	22,178	20,687		7%
Total Group RAV and rate base (£m)	53,771	41,563		29%
NGV and Other businesses (£m)	5,226	4,920		6%
Total (£m)	58,997	46,483		27%
Regulated asset growth	8.7%	5.6%		310bps
Group return on equity	11.4%	10.6%		80bps


1. Pro forma underlying (continuing) 2020/21 figures are provided to help compare performance between reporting periods and include adjustments for an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD. In addition, the current year beneficial earnings impact of not depreciating our Rhode Island business has also been applied in these comparative amounts. A reconciliation between these measures is provided on page 93.

2. March 2021 opening balances restated for segmental changes and to correspond with 2020/21 regulatory filings and calculations.

ESG Key Performance Indicators¹

	PwC assurance ²	2022	2021	change
Scope 1 & 2 greenhouse gas emissions (ktonnes CO ₂ e)		7,465	6,943	8%
Scope 3 greenhouse gas emissions (ktonnes CO ₂ e)		30,088	28,948	4%
Renewable energy connected to the UK Transmission Grid (MW)		1,869	360	n/a
Renewable energy connected to the US Transmission and Distribution Grids (MW)		629	590	7%
Group Lost Time Injury Frequency Rate (LTIFR)		0.13	0.10	0.03
Employee engagement index		81%	81%	—
Diversity % of the workforce		39%	38%	1%

1. Data does not include WPD, but does include National Grid Gas (NGG) and the Narragansett Electric Company (NECO).

2. In 2022, as represented by , we engaged PricewaterhouseCoopers LLP (PwC) to undertake a limited assurance engagement using the International Standard on Assurance Engagements (ISAE) 3000 (Revised): 'Assurance Engagements Other Than Audits or Reviews of Historical Financial Information' and ISAE 3410: 'Assurance Engagements on Greenhouse Gas Statements'. Details of PwC's full limited assurance opinion and National Grid's Reporting Methodology are set out within National Grid's Responsible Business Report.

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Management presentation and Q&A

John Pettigrew (CEO) and Andy Agg (CFO) will host the results presentation at the London Stock Exchange, 10 Paternoster Square, London EC4M 7LS at 09:15 (BST) today. There will be a live webcast of the presentation available to view at nationalgrid.com/investors. Participants can ask a question via the webcast screen or via conference call (dial-in details below). A replay will be available soon after the event ends.

For participants unable to join the webcast the presentation is available using the following details:

UK dial-in numbers	+44 (0) 203 936 2999 (Local) +44 (0) 800 640 6441 (Toll Free)
US dial-in numbers	+1 646 664 1960 (Local)
All other locations	+44 20 3936 2999
Access Code	038435

Press *1 to ask a question, *2 to withdraw a question, or *0 for operator assistance

The Annual Report and Accounts 2021/22 (ARA) is expected to be publicly available on 7 June 2022. You can view or download the ARA from National Grid's website at nationalgrid.com/investors

Use of Alternative Performance Measures

Throughout this release we use a number of alternative (or non-IFRS) and regulatory performance measures to provide users with a clearer picture of the regulated performance of the business. This is in line with how management monitor and manage the business day-to-day. Further detail and definitions for all alternative performance measures are provided on pages 91 to 106.

STRATEGIC OVERVIEW

Good operational performance in a year of significant strategic change

In 2021/22, National Grid delivered good operational performance with high levels of network reliability across all our service territories.

During the year, we achieved a Lost Time Injury Frequency Rate (LTIFR)¹ of 0.13, slightly above our industry leading Group target of 0.10. Our focus on safety has been unrelenting through the pandemic and our leading safety indicators performance remain strong. The slight increase in Group LTIFR was driven by a number of slips, trips and falls and minor incidents. We have continued to focus on our safety performance, and towards the end of the year we completed a full review of safety. We are using the outputs to inform our Group-wide priority actions to further improve our safety performance.

A record year of investment: full-year financial performance (on a pro forma basis)

The full-year financials provided in the following two paragraphs compare underlying performance on a pro forma basis (adjusted in 2020/21 to include an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including estimated incremental finance costs to acquire WPD; and the equivalent current year beneficial earnings impact of not depreciating our Rhode Island business applied to the comparative period). A full reconciliation can be found on page 93.

Across the Group, capital investment for continuing operations increased by £1,059 million at constant currency to a record £6,739 million, an increase of 19% on the prior year (18% at actual exchange rates). This increase was principally due to higher UK ET capital spend on London Power Tunnels 2 (LPT2), the world's first T-Pylon construction at Hinkley-Seabank, increased activities on Visual Impact Provision (VIP); higher spend on reinforcements and connections in UK Electricity Distribution (WPD); higher capital spend in New York and New England versus prior year when COVID-19 related work suspensions were in place; and the successful purchase of an offshore wind seabed lease in New York through National Grid Ventures (NGV).

Underlying operating profit for continuing operations increased by £392 million at constant currency to £3,992 million, an increase of 11% on the prior year. This was principally driven by higher UK ET net revenue that funds higher investment levels; higher revenues following our rate order in our Massachusetts Gas business; the first year of operation of IFA2 and North Sea Link interconnectors; higher revenue from interconnector arbitrage; gains on investments in National Grid Partners which invests in companies innovating to accelerate the energy transition; and a lower adverse impact from COVID-19 compared to 2020/21.

When combined with RAV indexation², capital expenditure drove Group asset growth of 8.7%, slightly above the 6-8% Compound Annual Growth Rate (CAGR) we published as part of our five-year financial guidance in March 2021.

Transforming our business – delivering for our customers

This year has marked a significant strategic and structural shift for National Grid as we reach record levels of investment, enable the energy transition and deliver for our customers.

The transactions we announced last year will be transformational for our business, providing clear visibility and certainty of investment that will help deliver the journey to net zero in the jurisdictions where we operate. When complete, the transactions will enhance our role in the energy transition, drive long-term shareholder value, and pivot our asset base towards 70% electricity, up from around 60% in 2021.

Through our track record of delivery, and our drive for greater efficiencies and focus on digitalisation, our objective is to deliver a fair energy transition with affordability at the heart of our strategy and decision making. The recent rise in energy prices and increased focus on the cost of living has made this an even greater priority. This year, we have managed to keep bill rises minimised through new rate agreements; we have made good progress on our £400 million cost efficiency programme across the Group; and we have recently agreed the early return of £200 million of interconnector revenues to customers in the UK. We have continued to proactively support our communities with practical and financial support and we have realigned our organisational structure

¹ Employee and contractor lost time injury frequency rate per 100,000 hours worked.

² UK Transmission RAV indexed at CPIH in RIIO-T2; UK Electricity Distribution RAV indexed at RPI during RIIO-ED1.

to move us closer to customers to enhance the service we provide. Longer term, our Clean Energy Vision that we recently announced aims to deliver fossil free gas to our US customers by 2050, meaning that home heating costs could be 15-20% lower than under a high electrification approach, helping to keep energy costs more affordable for our customers whilst enabling us to deliver net zero.

Repositioning our portfolio – enabling the energy transition

We have made significant progress during the year on the transactions we announced in March 2021.

Our £7.9 billion acquisition of Western Power Distribution (WPD), the UK's largest electricity distribution network, completed in June and approval was received from the Competition and Markets Authority (CMA) in September. The acquisition, which creates our UK Electricity Distribution (UK ED) business, pivots us further towards electricity, places us at the centre of the energy transition and underpins the certainty of growth in the longer-term.

The sale of the Narragansett Electric Company (Rhode Island) to PPL continues to make progress. We have obtained regulatory clearances and are awaiting the conclusion of the legal process for the sale of the business. We remain confident that the transaction will complete in the first quarter of 2022/23.

In March 2022, we announced the sale of a 60% stake in National Grid Gas (NGG – UK Gas Transmission and Metering) to a consortium of long-term infrastructure investors comprised of Macquarie Asset Management and British Columbia Investment Management Corporation (BCI). The terms of the transaction imply an enterprise value for NGG of approximately £9.6 billion. On completion, National Grid will receive £2.2 billion in cash consideration, subject to customary completion adjustments. Following the transaction, we will own a 40% minority equity interest in NGG through a new holding company. In addition, we will receive approximately £2.0 billion from additional debt financing in NGG at completion. The transaction is subject to certain antitrust and regulatory conditions. Subject to these clearances, National Grid expects the transaction to complete in the third quarter of this financial year.

National Grid has also entered into an option agreement with the consortium for the potential sale of our remaining 40% equity stake in NGG once the initial 60% stake sale completes. The option may be exercised by the consortium between 1 January 2023 and 30 June 2023. If the option is exercised, the consideration is expected to be paid in cash to National Grid on broadly similar terms to the transaction, subject to adjustment for dividends paid in the business at the time of exercise.

In March 2022, we completed the sale of our 50% stake in the St William Homes LLP (St William) joint venture to The Berkeley Group plc, for a cash consideration of £413 million. This resulted in an exceptional gain on disposal of £228 million and a further exceptional gain from the release of £189 million of deferred income arising on historical site sales made to that joint venture. Alongside this sale, National Grid and The Berkeley Group entered into a series of sale and purchase agreements for a number of additional sites we own which are expected to complete over the period to 2025 for a total additional consideration of approximately £270 million. Deferred consideration of £230 million in respect of sites previously sold to St William will be payable by The Berkeley Group to National Grid over the period to 2031. The sale is in line with our existing plans to focus on our core business and demonstrates our ability to crystallise the value of our portfolio of non-operational land.

Finally, in April 2022, the Department for Business, Energy and Industrial Strategy (BEIS) and Ofgem announced their joint decision to create a new Future System Operator (FSO) that builds on the track record and skills of the Electricity System Operator (ESO) whilst creating an impartial body with responsibilities across both the electricity and gas systems. The ESO will continue to work closely with all parties involved in the coming months to enable a smooth and successful transition. Appropriate compensation for transfer of the ESO will need to be agreed between the UK Government and National Grid.

Our new operating model – bringing our business closer to customers, regulators and communities

In April 2021, we moved to a new organisational structure that positions the Group strategically for the opportunities that net zero and the energy transition will bring. The business model is now based on seven business units, each of which are now run as end-to-end enterprises with financial responsibility with their executive teams, increasing the focus on efficient operational delivery. These units are UK Electricity Transmission, UK Electricity Distribution, UK Gas Transmission (treated as a discontinued operation), UK Electricity System Operator, New England, New York, and National Grid Ventures.

This new structure enables us to be closer to our customers, our regulators, and our communities, with a best in class service in a locally-focused manner. In addition, it will drive decision making down to the local level making us a more agile business, helping to develop new processes and digital solutions. Together with our strong track record of delivering efficiently, our new operating model will deliver a step change in productivity improvements right across the business for the benefit of our customers and communities we serve.

Progressing our Cost Efficiency Programme

In November 2021, we announced our cost efficiency programme targeting at least £400 million savings³ per annum across the Group by the end of 3 years, even while our regulated assets continue to grow by over 20% over the same period. As we deliver this savings programme, as well as the new organisational structure, we expect to incur further implementation costs of around £100 million. In relation to the sale of our Rhode Island and UK Gas Transmission businesses, we expect to have further transaction and separation costs of around £95 million.

Since the beginning of the programme, which includes some efficiency savings in 2020/21, we have delivered around £140 million of savings across the Group. These are across four main areas:

1. Process improvements – where we are reviewing work processes, particularly across the field workforce, to update and close out more jobs during the day which helps to increase productivity;
2. Organisation restructuring – where we are restructuring our management organisation allowing for greater decision making in the field;
3. Digital improvements – where we are increasing the use of drones rather than labour for network inspections, and utilising Vegetation Management software with satellite imagery to map the areas where vegetation poses a high risk to our networks; and
4. Supply chain and contract efficiencies – where we are identifying savings on contractor costs by prioritising internal resource more effectively, reducing expenditure on third party vendors, and reassessing the number of licenses we need to procure for various systems.

We remain on track to deliver the £400 million savings target by the end of 2023/24.

Regulatory Progress

During the year, we made very good regulatory progress on our rate plans. Across the Group, over two thirds of our investment out to 2025/26 is now committed through rate settlements in our regulated businesses. This gives us good visibility for capital spend over the next five years as we invest to maintain network reliability and help enable the energy transition.

Our final RIIO-ED2 Business Plan (UK ED) was submitted in December 2021 and proposed £6.7 billion investment between 2023 and 2028. This represents a 27% increase on annual average expenditure in RIIO-ED1, whilst maintaining affordability for our customers. The Business Plan was co-created with more than 25,000 stakeholders, with 96% of customers finding the plan fully acceptable. We anticipate Ofgem's Draft Determination around the end of June 2022, followed by the Final Determination in Winter 2022.

Across the Group, we achieved a Return on Equity (RoE) of 11.4% in 2021/22 up 80bps on the prior year driven by the acquisition of UK ED, and higher interconnector revenues in our National Grid Ventures non-regulated businesses. This was partially offset by a lower RIIO-T2 return in UK ET as well as higher interest costs.

We completed the first year of the RIIO-T2 price regulation in our UK ET and GT businesses. For UK ET, we delivered an RoE of 7.7%, 140bps ahead of the baseline allowance as we completed projects started under the RIIO-T1 framework. For UK GT, we delivered an RoE of 7.8%, 120bps ahead of the baseline allowance. For UK

³ Not including UK Electricity Distribution

ED, in the penultimate year of RIIO-ED1, we delivered an RoE of 13.6%, 400bps ahead of the allowed return. The ESO also successfully completed the first year of its RIIO-T2 price control under its new bespoke regulatory funding framework. This allows recovery of all efficiently incurred costs as well as incentivisation of the ESO to deliver an ambitious business plan and value for money for consumers.

In the US, New York achieved an RoE of 8.8%, or 99% of the allowed RoE; New England achieved an RoE of 8.3%, or 85% of the allowed RoE, slightly above our Half-Year guidance. During the year, we agreed rate settlements for our New York businesses, KEDNY-KEDLI and NIMO, and received a new rate order for our gas business in Massachusetts. We also filed for funding in Massachusetts to help modernise our electric grid network and made one of the largest US filings for EV charging infrastructure outside the state of California. We expect to hear the outcome of these filings in the second half of calendar year 2022.

For further information on RoEs for each of our business entities, please refer to the Business Review section on pages 27 to 52.

Delivering on our ESG commitments – progress through our Responsible Business Charter

We have made good progress in the first full year of delivery against the commitments in our Responsible Business Charter. At our core, we are The Energy Transition Company and we are determined to successfully deliver the transition to net zero and do right by the communities we serve.

In our role as a Principal Partner for COP26 in Glasgow, we launched a programme of events to raise public awareness of the progress and future change needed to fight climate change. In addition, we engaged widely to support the global diplomatic effort to build momentum for change, including our involvement in launching the UK and Indian governments' new initiative, 'Green Grid Initiative – One Sun One World One Grid'. Throughout COP26 we provided a clear message, which is that net zero is achievable, affordable and we need to accelerate action to reach net zero in line with International Energy Agency (IEA) milestone dates in the 2030s for electricity grids.

To help map out our future actions we plan to publish our first Climate Transition Plan as part of this year's Responsible Business Report (RBR). We are clear that energy needs to remain affordable through the transition in the long term, and to support our work in this we will publish our Fair Transition Statement this summer, an important step to set out and engage on the key challenges the transition presents to communities and customers.

Within the year, we saw an increase in Group Scope 1 & 2 emissions. This was driven mainly by Scope 1 generation emissions exceeding projected levels through increased operating hours at our Long Island generation plant. The plant is contracted to the Long Island Power Authority (LIPA) and was required to replace shortfalls in off-island generation and transmission during the year. Our total Scope 3 emissions increased slightly on the prior year, driven principally by higher customer gas demand as pandemic-related restrictions were eased.

However, looking forward, we now have an extensive programme of work committed to delivering the connections and network upgrades needed to help hit the UK Government's 50GW by 2030 offshore wind ambition, and in New York our joint venture with RWE was successful in securing a new offshore wind seabed lease. We have also announced new partnerships with Hitachi, and with Cardiff and Manchester Universities, on projects to help remove SF₆ gases from our networks. Across the Group, we have committed to a green car and light duty vehicle fleet across the Group by 2030.

In New York, we launched our Project C for community programme which aims to provide additional funds and volunteering to ensure we play our part as a responsible member of the community. We are funding this growth in activity through the conversion of unclaimed shares and dividends. This has allowed us to inject an additional £5 million through the year into community and environmental causes to help support economic growth, diversity, opportunity and nature in the communities we serve. We are providing this support through workforce development programmes, grants for neighbourhood improvement, STEM education funding, and urban greening programmes such as community gardens and large-scale tree plantings.

In the UK, the completion of our WPD acquisition brings a strong culture of commitment and action for customers and communities which we will fully incorporate into adjusted targets for next years' RBR. Our wider actions to deliver a diverse workforce remain on course to hit our 2025 diversity commitments, and we will aim

to revise these commitments further to ensure we can hit our ambition to reflect the communities we serve in each region.

Finally, the recent rise in energy prices, coupled with the wider cost of living crisis, pose a significant challenge. This is particularly acute in the UK where we have taken initial actions to support the important frontline work of Citizens Advice. Our first actions have been to provide financial support of £1 million to develop the systems and tools to provide advice and guidance to more people, and, separately, a further grant of £1 million to provide energy bill payment vouchers direct to those most in need.

We will continue these levels of community support and take the actions needed to accelerate the path away from fossil fuels towards net zero, in terms of both energy efficiency and connection of low carbon supply sources. We demonstrated this in April through the announcement of our Clean Energy Vision in the US where we aim to fully decarbonise our electric and gas networks by 2050.

Our Clean Energy Vision – decarbonising our networks, keeping energy affordable for customers

On 19 April 2022, we announced our Clean Energy Vision, our plan to decrease our reliance on fossil fuels from our US gas and electric systems over time, enabling homes and businesses we serve to meet their heating needs without the use of fossil fuels by 2050. The announcement recognises our critical role in leading the clean energy transition for our customers and communities.

We plan to achieve this goal through four pillars. Firstly, we will continue to provide programmes for our customers to accelerate weatherproofing and energy efficiency improvements to buildings, including deep retrofits and measures that reduce peak gas and electric demand; secondly, we will eliminate fossil fuels from our existing gas network no later than 2050 by delivering renewable natural gas and green hydrogen to our customers; thirdly, we will support our customers by providing them with strategies and tools to capture and maximise the benefits of pairing electric heat pumps with their gas appliances; finally, we will support cost-effective targeted electrification on our gas network, including piloting new solutions like networked geothermal.

We acknowledge that Massachusetts and New York have ongoing public proceedings to help guide implementation of the critical plans needed to fight climate change. The Company is actively participating in those proceedings and will continue to engage in the public feedback sessions for our state climate action plans, highlighting the benefits of our fossil-free vision for all residents and businesses. Our vision, which will require legislative and regulatory changes to implement, proposes a hybrid approach that enables customers to have more affordable energy solutions and allows customers to retain choice in how to achieve net zero. Through this hybrid approach we estimate that home heating costs could be 15-20% lower than under a high or full electrification approach, helping to keep energy costs more affordable for our customers. In addition, it leverages existing infrastructure and requires less fossil gas generation, strengthens resiliency and reliability by decarbonising the gas system in parallel with the electric system, and it puts the skills of our existing workforce at the heart of the clean energy transition.

Our roadmap to achieving these goals sets milestones out to 2050. We will work with regulators to ensure that support legislation and regulatory policies are in place by 2025. By 2030, we aim to serve 10-20% of customer gas demand with RNG whilst running community scale projects blending hydrogen into the system. By 2040, we aim to blend 20% green hydrogen and 30% Renewable Natural Gas (RNG) into the gas network, further laying foundations to supply 100% fossil-free gas to our customers by 2050. We anticipate that, by 2050, 50% of heating will be through heat pumps, 25% through fossil-free gas, and 25% through a hybrid of electric and fossil-free systems.

Our vision is a more resilient and reliable solution for the states where we operate. A high electrification approach relies heavily on one system for power, transport, and heating. In addition, the weather characteristics of the Northeast make full-electrification less desirable, with a significant portion of the building stock categorised as 'hard to electrify'. By decarbonising the gas system in parallel with the electric system, we can create a more resilient energy network. Our vision also supports equitable outcomes for disadvantaged communities. By avoiding large upfront investments, our vision enables all customers to have access to clean energy in the future.

Board changes

Sir Peter Gershon stepped down from the Board with effect from 31 May 2021. Paula Rosput Reynolds, who joined the Board on 1 January 2021 as Non-executive Director and Chair Designate, assumed the position of Chair effective 31 May 2021.

Nicola Shaw, UK Executive Director, and Paul Golby, Non-executive Director stepped down from the Board at the conclusion of the Company's 2021 Annual General Meeting (AGM) on 26 July 2021. Nicola continued supporting the Company until the conclusion of the RIIO-T2 Competition and Markets Authority (CMA) appeal process.

Lord Livingston Of Parkhead (Ian Livingston) was appointed as a Non-executive Director of the Board from 1 August 2021, joining the Remuneration Committee on appointment and the Audit & Risk Committee on 1 September 2021.

Tony Wood and Martha B. Wyrsh were appointed as Non-executive Directors of the Board from 1 September 2021. On appointment, Tony joined the Safety & Sustainability and the People & Governance Committees and Martha joined the Remuneration and the Safety & Sustainability Committees.

On 27 July 2021 we announced Committee membership changes following a review by the Board. The changes were effective from 1 September 2021.

On 31 December 2021, Mark Williamson retired from the Board and on 1 January 2022, Thérèse Esperdy was appointed as the Senior Independent Director. In addition, Jonathan Dawson stepped down as Chair of the Remuneration Committee (however, remaining as a member of the Committee) and Ian Livingston became Chair of the Committee from 1 January 2022.

On 19 January 2022, Anne E. Robinson was appointed as a Non-executive Director of the Board and a member of the Safety & Sustainability Committee.

FIVE-YEAR OUTLOOK

Our five-year financial framework includes WPD and assumes that the sale of the Narragansett Electric Company (Rhode Island) completes in Q1 of 2022/23 and the sale of a 60% stake in National Grid Gas completes in the third quarter of this financial year.

Capital investment and Group asset growth

We expect to invest £30–£35 billion across our energy networks and adjacent businesses, in the UK and US, over the five-year period to 2025/26. Of this investment, around £24 billion is considered to be aligned with the principles of the EU Taxonomy legislation as at the date of reporting.

In the UK, we expect around £8 billion of investment in Electricity Transmission for asset health and anticipatory system reinforcement to facilitate offshore generation and other new onshore system connections. We expect the WPD networks to invest around £5 billion over the five years to 2025/26 in asset replacement, reinforcement and new connections, facilitating the infrastructure for electric vehicles, heat pumps and directly connected generation.

In our US businesses, we expect investment of around £17 billion over the five years to 2025/26. Over half of this will be safety related projects in our gas networks with the remainder in our electric networks such as for storm hardening, other net zero investments as well as further electric transmission investment.

We expect NGV to invest £2–£3 billion over the five years to 2025/26 in completing the interconnector programme, the Isle of Grain Liquefied Natural Gas (LNG) capacity expansion, and US renewable generation.

As we work through our proposed transactions, coupled with the sum of these investments, and the broad economic protection our businesses have against rising macroeconomic variables such as inflation, group asset growth is expected to be 6-8% CAGR through to 2025/26.

Group gearing

We expect regulatory gearing to settle slightly above 70% once all three of the transactions are completed. We remain committed to a strong, overall investment grade credit rating. Combined with the benefit of our hybrid debt, we expect gearing levels, and the other standard metrics we monitor, to sit within our current BBB+/Baa1 corporate rating band.

Group earnings growth and dividend growth

From 2020/21 through to 2025/26, we expect our CAGR in earnings per share to be in the 5–7 percent range from the baseline 54.2 pence per share¹. This includes our long run average scrip uptake of 25% per annum, which will underpin our sustainable, progressive dividend policy into the future. Following strong earnings growth in the first full year of the plan, we expect earnings for 2022/23 to be broadly flat on 2021/22. We expect the future earnings through to 2025/26 to remain within our five-year framework.

1. Full-Year underlying EPS (2020/21) as reported on 20 May 2021. Prior year comparatives in this document have been restated for treatment of UK Gas Transmission as a discontinued operation.

2022/23 FORWARD GUIDANCE

This forward guidance is based on our continuing businesses, as defined by IFRS excluding UK Gas Transmission & Metering that is held as a discontinued operation until disposal of a majority stake. Following disposal of a majority stake, joint venture income is expected to be treated as a continuing operation.

The forward guidance includes the following assumptions on transactions:

- Disposal of a 60% stake in UK Gas Transmission & Metering in the third quarter of this financial year; and
- Disposal of the Rhode Island business during Q1 2022/23.

The outlook and forward guidance contained in this statement should be reviewed, together with the forward-looking statements set out in this release, in the context of the cautionary statement.

UK Electricity Transmission

Net revenue (excluding timing) is expected to decrease by around £130 million compared to 2021/22 as a result of the agreement to return to consumers payments related to Western Link construction delays and the impact on revenues of the UK capital allowance super-deductions announced in March 2021, partially offset by higher revenues driven by indexation and lower other costs. Depreciation is expected to reduce slightly due to lower asset write-offs.

We expect to deliver up to 100bps of outperformance in the second year of RIIO-T2 in Operational **Return on Equity**. This is in line with our target to deliver 100 basis points of operational outperformance on average through the five-year period of the RIIO-T2 price control.

UK Electricity Distribution

The full year impact on operating profit (excluding timing) of the acquisition of WPD (acquired on 14 June 2021) is around £200 million. **Net revenue (excluding timing)** is expected to be around £80 million higher mainly due to higher revenues driven by indexation, partially offset by higher controllable costs including higher volume of work expected in the year. Depreciation is expected to be broadly flat.

Operational **Return on Equity** is expected to outperform the allowed regulatory return by over 250bps in line with recent years. 2022/23 is the final year of the RIIO-ED1 price control.

UK Electricity System Operator (ESO)

Net revenue (excluding timing) is expected to increase by around £80 million compared to 2021/22 including higher totex funding to deliver increasing RIIO-2 outputs. As a result, costs are expected to increase by around £60 million to deliver the RIIO-2 outputs. Depreciation is expected to be broadly flat.

Under the RIIO-2 price control, totex in ESO is no longer subject to the totex incentive mechanism and is instead regulated under a pass-through mechanism, with cost increases or efficiencies trued-up the following year.

New England

We expect the sale of the Rhode Island business to complete by the end of the first quarter following conclusion of the regulatory approvals resulting in lower operating profits (excluding timing) of around \$300 million. For the remaining business we expect **net revenue (excluding timing)** to be around \$170 million higher from expected rate increases. Lower controllable costs, due to efficiencies more than offsetting inflation and higher rate funded costs, are broadly expected to be offset by higher bad debt charges. Other costs are expected to be around \$70 million higher due to rate funded increases and the impact of inflation. We expect depreciation to be slightly higher due to increased investments.

Return on Equity for New England is expected to remain consistent with 2021/22 at around 85% of the allowed return including the impact of the efficiency savings.

National Grid**2021/22 Full Year Results Statement****New York**

Net Revenue (excluding timing) is expected to be around \$270 million higher, including increases from proposed rate settlements. Around half of this is expected to be offset by higher rate funded costs and higher environmental costs. Controllable costs are expected to be broadly flat with workload increases and inflation offset by efficiencies. We expect depreciation to be slightly higher in 2022/23 reflecting asset growth.

Return on Equity for New York is expected to be at least 95% of the allowed RoE.

NGV and Other activities

In NGV, we expect **operating profit** to be around 20% higher than 2021/22 with the return to full service of IFA1 following the Sellidge fire incident in September 2021, and potential insurance proceeds to be received in 2022/23.

We also expect other activities' **underlying operating profit** to be higher year-on-year by over £50 million driven by accelerated sales in our Commercial Property business partially offset by lower gains to be realised in National Grid Partners (NGP) year on year.

Joint Ventures and Associates

Our share of the **profit after tax** of joint ventures and associates is expected to be at a similar level to 2021/22. Offsetting the St William profitability is our expected share of profit for UK GT for the remaining 40% stake following completion of the disposal of the majority stake.

Interest and Tax (continuing operations)

Net finance costs in 2022/23 are expected to be around £300 million higher than 2021/22 from the impact of higher inflation on our inflation-linked debt, increasing rates for new issuances and increasing rates impacting our existing floating portfolio.

For the full year 2022/23, the **underlying effective tax rate** excluding the share of post-tax profits from joint ventures and associates, is expected to be around 23%.

Investment, Growth and Net Debt

Overall Group **capital investment** for continuing operations in 2022/23 is expected to be around £7 billion.

Asset Growth is expected to be above the top end of our 6-8% target range, reflecting an increase in capex along with higher inflation continuing to impact indexation.

Depreciation is expected to increase, reflecting the impact of continued high levels of capital investment.

Operating cash outflow generated from continuing operations (excluding acquisitions, disposals and transaction costs) is expected to increase by around 50% compared to 2021/22 principally driven by higher operating profits more than offset by increased capital investment and higher interest costs.

Net debt is expected to reduce by around £3 billion (from £42.8 billion as at 31 March 2022) driven by the expected receipt of sales proceeds from the 60% stake in National Grid Gas and the Rhode Island business (The Narragansett Electric Company, NECO), partially offset by the impact of our significant capital investment programme.

Weighted average number of shares (WAV) is expected to be approximately 3,675 million in 2022/23.

FINANCIAL REVIEW

In managing the business, we focus on various non-IFRS measures which provide meaningful comparisons of performance between years, monitor the strength of the Group's balance sheet as well as profitability and reflect the Group's regulatory economic arrangements. Such alternative and regulatory performance measures are supplementary to, and should not be regarded as a substitute for, IFRS measures, which we refer to as statutory results. We explain the basis of these measures and, where practicable, reconcile these to statutory results in 'Alternative performance measures/non-IFRS reconciliations' on pages 91 to 106.

Also, we distinguish between adjusted results, which exclude exceptional items and remeasurements, and underlying results, which further take account of: (i) volumetric and other revenue timing differences arising from our regulatory contracts, and (ii) major storm costs which are recoverable in future periods, where these are in excess of \$100 million in the year, neither of which give rise to economic gains or losses.

Performance against pro forma 2020/21 comparatives

The following commentary compares our underlying 2021/22 results against our pro forma comparative 2020/21 results. Pro forma comparative 2020/21 figures are provided to help compare performance between reporting periods and include adjustments for: (i) an estimate of the underlying post-tax contribution from WPD for an equivalent 9.5 month period, as if we had owned that business in the prior year, including incremental finance costs to acquire WPD; and (ii) the equivalent of the current year beneficial earnings impact of not depreciating our Rhode Island business applied to the comparative period. A reconciliation between these measures is provided on page 93.

Underlying operating profit for continuing operations (on a pro forma comparative basis) increased by 11% versus the prior year to £3,992 million. This was principally driven by higher UK Electricity Transmission (UK ET) net revenue that funds higher investment levels; the impact of higher revenues following our rate order in our Massachusetts Gas business; the first year of operation of IFA2 and North Sea Link; higher revenue from interconnector arbitrage; gains on investments in National Grid Partners and a lower adverse impact from COVID-19 compared to 2020/21.

Net finance costs for continuing operations (on a pro forma comparative basis) were £33 million higher than the prior year at £1,081 million. This movement was driven by higher inflation on our RPI-linked debt and an increase in borrowings as a result of organic asset growth. These higher costs were partly offset by favourable year-on-year other interest income, with benefits from interest on pension and OPEB liabilities, increased capitalised interest and higher levels of other interest income from US financial investments compared to 2020/21. The effective interest rate for continuing operations was 3.2%.

The underlying effective tax rate (excluding joint ventures and associates) of 24.3% was higher than last year (on a pro forma comparative basis) primarily as a result of additional deferred tax charges in the UK for the change in the UK corporation tax rate and the unitary state deferred tax remeasurement which occurred as a result of the expected sale of Rhode Island in the US.

Underlying earnings for continuing operations (on a pro forma comparative basis) increased to £2,350 million resulting in earnings per share of 65.3p; an increase of 10% against the prior year.

Capital investment of £6,739 million was £1,042 million higher than 2020/21 (on a pro forma comparative basis). This reflects increased capex activity following COVID-19, increased WPD network connections, increased capex across UK Electricity Transmission and investment in our New York offshore joint wind venture.

Unless stated otherwise, commentary that follows in this Financial Review provides information in respect of our results for statutory, adjusted and underlying results compared to our reported results in 2020/21, restated for the classification of the UK Gas Transmission business as a discontinued operation.

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Performance for the year ended 31 March

Financial summary for continuing operations

(£ million)	2022	2021	change %
Statutory results			
Operating profit	4,371	2,401	82
Profit after tax	2,183	1,304	67
Earnings per share – basic (pence)	60.6	37.0	64
Dividend per share (pence), including proposed final dividend	50.97	49.16	3.7
Alternative performance measures:			
Underlying operating profit	3,992	2,688	49
Underlying profit after tax	2,351	1,493	57
Adjusted earnings per share (pence)	61.4	36.7	67
Underlying earnings per share (pence)	65.3	42.4	54
Underlying dividend cover	1.3	0.9	49
Capital investment	6,739	4,843	39
Retained cash flow/adjusted net debt ¹	8.9%	6.6%	230bps
Regulatory performance measures:			
Asset growth ¹	8.7%	5.6%	310bps
Group return on equity ^{1,2}	11.4%	10.6%	80bps
Value added ¹	3,833	1,808	112
Regulatory gearing ¹	81%	65%	1600bps

1. Includes amounts related to discontinued operations and businesses classified as 'held for sale'.

2. Group RoE methodology amended in 2021/22 to calculate accretion charge on inflation-linked debt at long-run inflation rates. This provides alignment to treatment of RAV indexation in the metric. Prior year comparatives have not been restated.

Statutory results from continuing operations of £2,183 million were up £879 million from the prior year. Statutory EPS for continuing operations of 60.6p was 23.6p higher than the prior year. The Group's statutory results for the year were impacted by net exceptional charges of £320 million (2021: £52 million net charge) and remeasurement gains of £292 million (2021: £62 million gains). Our 'adjusted' results exclude exceptional items, but are impacted by revenue timing and major (deferrable) storm costs, as explained on page 92. Our 'underlying' results are presented excluding the total impact of exceptional items, remeasurements, timing and major storm costs. A reconciliation between these alternative performance measures and our statutory performance is detailed on page 93.

Underlying operating profit for continuing operations was up 49%, driven by the acquisition of WPD, improved performance in NGV, NG Partners and UK Electricity Transmission, along with higher property sales, no depreciation on NECO in New England ('held for sale' treatment) and a lower adverse impact from COVID-19 compared with 2020/21. Our joint ventures and associates contribution increased (mainly UK interconnector revenues). These factors were partly offset by higher net financing costs from both inflation on RPI-linked debt and interest on a higher level of borrowings related to the acquisition of WPD. Other interest was favourable year on year. The tax charge was higher driven by increased taxable profits and additional deferred tax charges in the UK and the US. Underlying profit after tax increased by 57% and resulted in a 54% increase in underlying EPS to 65.3p.

Profit after tax for discontinued operations of £171 million was down £166 million compared with the prior year principally due to exceptional charges related to deferred tax from the change in the UK corporation tax rate, higher interest costs driven by inflation, partly offset by cessation of depreciation following 'held for sale' treatment and higher revenues under RIIO-2.

Capital investment of £7.0 billion (including discontinued operations of £0.3 billion) along with RAV indexation helped increase our asset growth to 8.7%. We delivered Value Added (our measure of economic profit) of

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£3.8 billion (including UK Gas Transmission) in 2021/22, significantly higher than in 2020/21 mainly as a result of higher RAV indexation. Group RoE of 11.4% was up from 10.6% for 2020/21. RCF/net debt at 8.9% was higher than 6.6% in 2020/21. The recommended full-year dividend per share of 50.97p is in line with the new policy announced in March 2021 of increasing in line with UK CPIH inflation and is covered 1.3 times by underlying EPS.

Reconciliation of different measures of profitability and earnings

The table below reconciles our statutory profit measures for continuing operations, at actual exchange rates, to adjusted and underlying versions.

Reconciliation of profit and earnings from continuing operations

(£ million)	Operating profit		Profit after tax		Earnings per share (pence)	
	2022	2021	2022	2021	2022	2021
Statutory results	4,371	2,401	2,183	1,304	60.6	37.0
Exceptional items	(166)	60	320	52	8.9	1.5
Remeasurements	(392)	(34)	(292)	(62)	(8.1)	(1.8)
Adjusted results	3,813	2,427	2,211	1,294	61.4	36.7
Timing	16	111	19	88	0.5	2.5
Major storm costs	163	150	121	111	3.4	3.2
Underlying results	3,992	2,688	2,351	1,493	65.3	42.4
Pro forma adjustments	—	920	—	589	—	16.7
Pro forma underlying	3,992	3,608	2,351	2,082	65.3	59.1

Discontinued operations

On 27 March 2021, we announced the agreed sale of 100% of our UK Gas Transmission business (including metering) to a new entity (the 'Acquiring Entity') in exchange for £2.2 billion cash consideration, £2.0 billion of debt financing and a 40% interest in the Acquiring Entity on completion. The other 60% in the Acquiring Entity will be owned by a consortium of Macquarie Infrastructure and Real Assets and British Columbia Investment Management Corporation. The sale is expected to complete in the third quarter of this financial year subject to the receipt of all regulatory approvals. The results of our 100% share of this business (including metering) are presented as 'discontinued operations' in 2021/22, with comparatives restated accordingly. On 1 September 2021, this business met the IFRS 5 criteria to be classified as 'held for sale' and depreciation was stopped from that date. As described in note 9 to the financial statements, separation and transaction costs relating to the disposal of this business are included within discontinued operations.

Reconciliation of profit and earnings from discontinued operations

Statutory operating profit for discontinued operations of £637 million (2021: £494 million) includes £17 million of exceptional items (2021: £5 million) and timing under-recovery of £80 million (2021: £96 million). Depreciation of the assets in UK Gas Transmission was ceased following reclassification to 'held for sale' (in accordance with IFRS 5) on 1 September 2021. Tax on exceptional items for discontinued operations comprises a £1 million credit in respect of other exceptional items (2021: £nil) and a deferred tax exceptional charge related to the change in the UK corporation tax rate of £145 million (2021: £nil). In our adjusted results for discontinued operations, tax on timing was £15 million (2021: £18 million). Statutory earnings per share from discontinued operations was 4.8p (2021: 9.6p) and underlying earnings per share from discontinued operations was 11.4p (2021: 11.8p).

In calculating adjusted profit measures, where we consider it is in the interests of users of the financial statements to do so we exclude certain discrete items of income or expense that we consider to be exceptional in nature. The table below summarises such items; full details are contained in note 4 to the financial statements together with an explanation of the process used to make this determination.

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Exceptional income/(expense) from continuing operations

(£ million)	Impact on operating profit		Impact on profit after tax		Impact on EPS (pence)	
	2022	2021	2022	2021	2022	2021
Environmental insurance recovery and change in environmental provisions	38	14	28	11	0.8	0.3
Transaction and separation costs	(223)	(24)	(204)	(24)	(5.7)	(0.7)
New operating model implementation costs	(66)	(50)	(52)	(39)	(1.4)	(1.1)
Net gain on disposal of St William joint venture and release of deferred income	417	—	366	—	10.1	—
Deferred tax arising on the change in UK corporation tax rate	—	—	(458)	—	(12.7)	—
Total	166	(60)	(320)	(52)	(8.9)	(1.5)

This year we have classified the following items as exceptional:

- **Environmental insurance recovery:** a £38 million gain related to an insurance receivable for site remediation costs related to our US Superfund sites environmental provision, recorded as exceptional in line with the treatment of the related costs;
- **Transaction and separation costs:** £223 million of transaction costs associated with the acquisition of Western Power Distribution (WPD), the sale of NECO and the sale of UK Gas Transmission (2021: £24 million);
- **New operating model implementation costs and efficiency programme:** £66 million of costs in relation to the design and implementation of our new operating model that is designed to transform our operating framework (2021: £50 million);
- **Gain on disposal of St William property joint venture and release of deferred income:** £228 million gain on the divestment of a 50% interest in an equity investment in March 2022 along with release of £189 million of deferred income arising on historical sales made to that joint venture; and
- **Change in UK corporation tax rate:** a £458 million deferred tax charge for the increase in UK corporation tax rate from 19% to 25% which takes effect from 1 April 2023.

In the prior year we also classified as exceptional the £14 million credit for partial release of US environmental provisions previously treated as exceptional.

We also exclude certain unrealised gains and losses on mark-to-market financial instruments from adjusted profit; see notes 4 and 5 to the financial statements for further information. Net remeasurement gains of £392 million on commodity contract derivatives (i.e. 'mark-to-market' movements on derivatives used to hedge the cost of buying wholesale gas and electricity on behalf of our US customers) occurred during the year, in addition to net remeasurement gains of £59 million on financing-related instruments (used to hedge interest and currency risk on net borrowings); along with a further £56 million of remeasurement losses related to our share of post-tax results of joint ventures.

Exceptional items for discontinued operations

Discontinued operations includes an exceptional item of £17 million (2021: £5 million) related to cost efficiency programme and separation costs ahead of the sale of the UK Gas Transmission & Metering business.

National Grid**2021/22 Full Year Results Statement****Timing over/(under)-recoveries**

In calculating underlying profit, we exclude regulatory revenue timing over- and under-recoveries and major storm costs (as defined below). Under the Group's regulatory frameworks, most of the revenues we are allowed to collect each year are governed by regulatory price controls in the UK and rate plans in the US. If more than this allowed level of revenue is collected, an adjustment will be made to future prices to reflect this over-recovery; likewise, if less than this level of revenue is collected, an adjustment will be made to future prices in respect of the under-recovery. We also collect revenues from customers and pass these on to third parties (e.g. NYSERDA). These variances between allowed and collected revenues and timing of revenue collections for pass-through costs give rise to over- and under-recoveries.

The following table summarises management's estimates of such amounts for the two years ended 31 March 2022 for continuing and discontinued operations. All amounts are shown on a pre-tax basis and, where appropriate, opening balances are restated for exchange adjustments and to correspond with subsequent regulatory filings and calculations. All amounts are translated at the current year average exchange rate of \$1.35:£1.

Timing over/(under)-recoveries

(£ million)	2022	2021 ¹
Balance at start of year (restated)	43	259
In-year (under)/over-recovery – continuing operations	(16)	(111)
In-year (under)/over-recovery – discontinued operations	(80)	(96)
Balance at end of year	(53)	52

1. March 2021 balances restated for segmental changes and to correspond with 2020/21 regulatory filings and calculations.

In 2021/22, we experienced timing under-recoveries of £85 million in UK Electricity Transmission, over-recoveries of £22 million in UK Electricity Distribution, under-recoveries of £47 million in UK Electricity System Operator, under-recoveries of £32 million in New England and over-recoveries of £126 million in New York. In calculating the post-tax effect of these timing recoveries, we impute a tax rate, based on the regional marginal tax rates, consistent with the relative mix of UK and US balances.

Major storm costs

We also take account of the impact of major storm costs in the US where the aggregate amount is sufficiently material in any given year. Such costs (net of certain deductibles and allowances) are recoverable under our rate plans but are expensed as incurred under IFRS. Accordingly, where the net total incurred cost exceeds \$100 million in any given year, we exclude the net costs from underlying earnings. In 2021/22, we incurred deferrable storm costs, which are eligible for future recovery of \$220 million (2021: \$201 million).

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Segmental income statement

The tables below set out operating profit on adjusted and underlying bases.

(£ million)	Adjusted operating profit			Underlying operating profit		
	2022	2021	change %	2022	2021	change %
UK Electricity Transmission	1,067	1,094	(2)	1,152	1,052	10
UK Electricity Distribution	909	—	n/a	887	—	n/a
UK Electricity System Operator	7	(60)	(112)	54	70	(23)
New England	743	611	22	886	727	22
New York	780	665	17	706	722	(2)
NGV and Other activities	307	117	162	307	117	162
Total operating profit – continuing	3,813	2,427	57	3,992	2,688	49
Net finance costs	(1,081)	(865)	25	(1,081)	(865)	25
Share of post-tax results of joint ventures and associates	148	66	124	148	66	124
Profit before tax – continuing	2,880	1,628	77	3,059	1,889	62
Tax – continuing	(669)	(334)	100	(708)	(396)	79
Profit after tax – continuing	2,211	1,294	71	2,351	1,493	57
Earnings per share (pence) – continuing	61.4	36.7	67	65.3	42.4	54

(£ million)	Adjusted operating profit			Adjusted operating profit (excluding the impact of timing and major storm costs)		
	2022	2021	change %	2022	2021	change %
Profit after tax – discontinued	344	340	1	409	418	(2)
Earnings per share (pence) – discontinued	9.6	9.7	(1)	11.4	11.7	(3)
Profit after tax – total Group	2,555	1,634	56	2,760	1,911	44
Earnings per share (pence) – total Group	71.0	46.4	53	76.7	54.2	42

Statutory operating profit increased in the year, primarily as a result of the 9.5 months' contribution from WPD, the exceptional gain on disposal of our St William joint venture, higher UK Electricity Transmission revenues, increased interconnector revenues and fair value gains in NG Partners, no depreciation of our Rhode Island business and a lower adverse impact from COVID-19 compared with 2020/21. These benefits were partly offset by higher exceptional charges than in 2020/21 along with adverse year-on-year movements on timing recoveries. The reasons for the movements in underlying operating profit are described in the Business Review.

Financing costs, share of post-tax joint ventures and associates and taxation – continuing

Net finance costs

Net finance costs (excluding remeasurements) for the year were 25% higher than last year at £1,081 million, with the £216 million increase driven by interest costs of £130 million (net of amortisation of debt fair value adjustments) for debt acquired with WPD, £99 million of interest and fees for £8 billion of additional borrowings used to finance the acquisition, a £145 million impact of higher inflation on our RPI-linked debt and an increase in borrowings as a result of organic asset growth. These higher costs were partly offset by favourable year-on-year non-debt interest income, with benefits from interest on pension and OPEB liabilities, increased capitalised interest and higher levels of other interest income from US financial investments compared with 2020/21. The effective interest rate for continuing operations of 3.2% is in line with the prior year rate.

Joint ventures and associates

The Group's share of net profits from joint ventures and associates increased by £82 million compared with 2020/21, mainly as a result of higher interconnector revenues in both Nemo Link up £37 million and in BritNed

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up £28 million and higher sales in our St William property joint venture (prior to disposal of this investment in March 2022) and an improved contribution from our joint venture investment in NG Partners.

Tax

The underlying effective tax rate (excluding joint ventures and associates) of 24.3% was 260bps higher than last year (2020/21: 21.7%). The tax charge in 2021/22 included additional deferred tax charges in the UK for the change in the UK corporation tax rate and the unitary state deferred tax remeasurement which occurred as a result of the expected sale of our Rhode Island business in the US.

Cash flow, net debt and funding

Net debt is the aggregate of cash and cash equivalents, borrowings, current financial and other investments and derivatives (excluding commodity contract derivatives) as disclosed in note 12. 'Adjusted net debt' used for the RCF/adjusted net debt calculation is principally adjusted for pension deficits and hybrid debt instruments. For a full reconciliation see page 99. The following table summarises the Group's cash flow for the year, reconciling this to the change in net debt.

Summary cash flow statement

(£ million)	2022	2021	change %
Cash generated from continuing operations	5,788	3,967	46
Cash capital expenditure and acquisition of investments	(5,781)	(4,741)	22
Disposal of St William joint venture	413	—	n/a
Dividends from joint ventures and associates	166	80	108
Business net cash inflow/(outflow) from continuing operations	586	(694)	(184)
Net interest paid	(1,013)	(737)	37
Net tax paid	(298)	(91)	227
Ordinary dividends	(922)	(1,413)	(35)
Other cash movements	30	14	114
Net cash outflow from continuing operations	(1,617)	(2,921)	(45)
Acquisition of Western Power Distribution shares ¹	(7,837)	—	n/a
Discontinued operations	657	408	n/a
Proceeds from bridge loan taken out to acquire Western Power Distribution	8,200	—	n/a
Other net cash flows from investing and financing transactions	628	2,608	n/a
Increase/(decrease) in cash and cash equivalents	31	95	(67)
Reconciliation to movement in net debt			
Increase/(decrease) in cash and cash equivalents	31	95	(67)
Increase in borrowings for bridge loan	(8,200)	—	n/a
Less: other net cash flows from investing and financing transactions	(628)	(2,608)	n/a
Cash and borrowings reclassified as held for sale at end of year	4,063	1,119	n/a
Fair value of net debt acquired with Western Power Distribution	(8,147)	—	n/a
Other non-cash movements in net debt	(1,382)	1,438	n/a
Increase in net debt	(14,263)	44	n/a
Net debt at start of year	(28,546)	(28,590)	—
Net debt at end of year	(42,809)	(28,546)	50

1. Includes £44 million cash and cash equivalents acquired with WPD

National Grid**2021/22 Full Year Results Statement**

Cash flow generated from continuing operations was £5.8 billion, £1.8 billion higher than last year, mainly due to the contribution from WPD, lower adverse year on year timing under-recoveries, higher revenues compared to 2020/21, higher spend on provisions and exceptional charges, offset by favourable working capital inflows on payables. Cash expended on investment activities increased as a result of continued organic growth in our regulated and non-regulated businesses, the impact of acquiring WPD, partly offset by disposal of financial investments.

The disposal of our St William investment in March 2022 generated £413 million of proceeds in the year. The cash acquisition of WPD in June 2021 for £7.9 billion increased net debt, along with a further £8.2 billion increase from the fair value of net debt acquired. Net interest paid increased as a result of the bridge loan taken out to finance the purchase of WPD, interest for borrowings acquired with WPD and increased base rates on borrowings. The Group made net tax payments of £298 million during 2021/22. The cash dividend of £922 million, reflected a higher scrip uptake of 48% (2021: 17%).

Discontinued operations represents UK Gas Transmission & Metering which generated higher cash inflows in 2021/22, principally as a result of improved year on year performance and no pension deficit payments in 2021/22. Non-cash movements primarily reflect changes in the sterling-dollar exchange rate, accretions on index-linked debt, lease additions and other derivative fair value movements, offset by the amortisation of fair value adjustments on the debt acquired with WPD. Closing net debt of £42.8 billion excludes £1.2 billion of net debt in NECO and £4.1 billion of net debt in NG Gas plc which has been classified as 'held for sale' on 31 March 2022.

The Board has considered the Group's ability to finance normal operations as well as funding a significant capital programme, taking account of the disruption caused by the energy crisis. This includes stress-testing of the Group's finances under a 'reasonable worst case' scenario, assessing the timing of the NECO and National Grid Gas plc transactions, and the further levers at the Board's discretion to ensure our businesses are adequately financed. As a result, the Board has concluded that the Group will have adequate resources to do so.

FINANCIAL STRENGTH

Our overall Group credit rating remains at the strong investment grade, BBB+/Baa1 with stable outlook

During the year we raised over £4.2 billion of new long-term senior debt to refinance maturing debt and to fund a portion of our significant capital programme. The new bonds issued include further borrowings under our Green Financing Framework. In addition, we raised £8.2 billion under a bridge financing facility to fund the purchase of the UK Electricity Distribution business. This bridge facility remained outstanding at 31 March 2022 as we continue to progress the sales of our US Rhode Island business and our UK Gas Transmission business. We expect the proceeds from these sales to be received, and for the bridge facility to be repaid in full, this financial year (2022/23).

As at 18 May 2022, we have £6.8 billion of undrawn committed facilities available for general corporate purposes, including £350 million related to National Grid Gas plc, all of which have expiry dates beyond May 2023. National Grid's balance sheet remains robust, with strong investment grade ratings from Moody's, Standard & Poor's (S&P) and Fitch.

As expected, regulatory gearing at 31 March 2022 was not in line with our long-run projections due to the fact that we are only part way through the transactions that make up our strategic pivot. This is because the level of debt reported at 31 March 2022 includes all of the funding used to purchase the UK Electricity Distribution business, but we have not yet received the agreed proceeds for the sales of our US Rhode Island business and the 60% stake in our UK Gas Transmission & Metering business.

Once the strategic pivot is complete, we expect to continue to generate strong cash flows and asset growth and for regulatory gearing to decrease and to settle at slightly above 70%. As a result, and combined with the benefit of our hybrid debt, we expect gearing levels, and the other standard metrics we monitor, to sit within ranges that are appropriate for the current, strong investment grade, overall Group credit rating. This includes the long-term average RCF/adjusted net debt level of above 7% indicated by Moody's as consistent with maintaining our current Group rating, and the FFO/adjusted net debt metric level of above 10% as indicated by S&P.

Dividend increase of 3.7% recommended for 2021/22

The Board has recommended an increase in the final dividend to 33.76p per ordinary share (\$2.0929 per American Depositary Share), which will be paid on 17 August 2022 to shareholders on the register of members as at 6 June 2022. If approved, this will bring the full-year dividend to 50.97p per ordinary share, an increase of 3.7% over the 49.16p per ordinary share in respect of the financial year ended 31 March 2021. This is in line with the increase in average UK CPIH inflation for the year ended 31 March 2022 as set out in our dividend policy. Our aim is to grow the annual dividend in line with CPIH, thus maintaining the dividend per share in real terms. The Board will review this policy regularly, taking into account a range of factors including expected business performance and regulatory developments.

At 31 March 2022, National Grid plc had £12 billion of distributable reserves, which is sufficient to cover more than five years of forecast Group dividends. If approved, the final dividend will absorb approximately £1,231 million of shareholders' funds. This year's dividend is covered approximately 1.3x by underlying earnings.

The Directors consider the Group's capital structure and dividend policy at least twice a year when proposing an interim and final dividend and aim to maintain distributable reserves that provide adequate cover for dividend payments.

A scrip dividend alternative will again be offered in respect of the 2021/22 final dividend.

GROWTH AND VALUE ADDED

A balanced portfolio to deliver asset and dividend growth

National Grid seeks to create value for shareholders through developing a balanced portfolio of businesses that offer an attractive combination of asset growth and cash returns.

Strong organic growth driven by critical investment

In 2021/22, the Group achieved asset growth of 8.7% driven by a £7,000 million capital investment programme (including UK GT and metering) alongside RAV indexation. This investment continued our focus on building and maintaining world-class networks that are safe, reliable, resilient and ready for the future. It is specifically focused on:

- our regulated businesses: with the objective of upgrading and modernising ageing infrastructure, especially in the US, to meet the changing needs of customers and to drive the decarbonisation of energy supply; and
- interconnector projects: with the objective of bringing a range of lower cost and renewable energy sources into the UK.

In 2022/23, we expect Group capital investment to be around £7 billion for continuing operations.

National Grid is confident that this high-quality growth will continue to generate attractive returns for shareholders and add to our long-term investment proposition of sustainable asset and income growth.

Funding of organic growth

National Grid has a strong balance sheet and an efficient capital structure which supports the effective financing of our investment programme. This programme will continue to be financed through a combination of:

- additional debt financing;
- internally generated equity capital, delivered through strong financial performance in both the UK and US, including from operating efficiencies and from faster recovery of regulatory assets through rate filings and re-openers; and
- additional equity capital generated through the take-up of the shareholder scrip dividend option, which we expect to continue to utilise whilst asset growth remains high.

£6.7 billion of Capital Investment for continuing operations in 2021/22, 40% higher at constant currency

We continued to make significant investments in critical energy infrastructure during 2021/22. Total capital investment for continuing operations across the Group was £6,739 million, an increase of £1,913 million (40% at constant currency) compared to the prior year.

Year ended 31 March

Capital investment (£ million)	At actual exchange rates			At constant currency		
	2022	2021	% change	2022	2021	% change
UK Electricity Transmission	1,195	984	21 %	1,195	984	21 %
UK Electricity Distribution	899	—	n/a	899	—	n/a
UK Electricity System Operator	108	88	23 %	108	88	23 %
New England	1,561	1,437	9 %	1,561	1,429	9 %
New York	1,960	1,738	13 %	1,960	1,729	13 %
NGV and other activities ¹	1,016	596	70 %	1,016	596	70 %
Total capital investment – continuing	6,739	4,843	39 %	6,739	4,826	40 %
UK Gas Transmission	261	204	28 %	261	204	28 %
Total capital investment – continuing and discontinued	7,000	5,047	39 %	7,000	5,030	39 %

1. Excludes £25 million (2021: £nil) equity contribution to the St William Homes LLP joint venture. Includes £93 million National Grid Partners investment (2021: £38 million).

National Grid**2021/22 Full Year Results Statement**

Capital investment in UK Electricity Transmission increased by £211 million compared with 2020/21, primarily due to London Power Tunnels 2 and Hinkley-Seabank, partly offset by lower Smart Wires spend. The acquisition of WPD during the year resulted in a £899 million increase in reported capital investment year on year. In New England, capital investment was up £132 million on a constant currency basis, reflecting higher spend on gas assets driven by decreased COVID-19 restrictions compared with 2020/21 and higher investment in electric assets related to asset condition. In New York, capital investment was £231 million higher (on a constant currency basis), as a result of accelerated leak-prone pipe replacement work in our gas businesses, investment in Northwest Nassau connection, higher investment in our electric assets to reinforce the network and increase capacity and reliability, investment in Smart Path Connect and Energy Highway, and decreased COVID-19 restrictions compared with 2020/21. Capital investment in NGV was significantly higher than in 2020/21, with continued investment in the Viking Link interconnector (Denmark), increased spend on our Grain LNG facility, partly offset by completion of the North Sea Link interconnector (Norway) this year, but a £373 million step up in US Ventures' capital investment, including purchase of a 3 GW potential offshore wind seabed lease in New York. In addition, a total amount of £93 million was invested by National Grid Partners in 2021/22, compared to £38 million in the prior year.

In UK Gas Transmission, capital investment increased by £57 million from non-load spend, with increased work at St Fergus, continued investment at Peterborough and Huntingdon compressor stations, increased investment at Hatton and higher cyber spend compared to 2020/21.

First time inclusion of UK ED in asset base

During 2021/22, our combined regulated asset base and NGV and Other business assets grew by £12,514 million. This was primarily through the first time inclusion of UK ED in the total UK RAV calculation (our estimate of UK ED RAV is £8,476 million as at acquisition). The US rate base grew strongly by 7.2% during the year.

Excluding the increase as a result of the acquisition of UK ED, our combined regulated asset base and NGV and Other business assets grew by £4,038 million or 8.7%.

Year ended 31 March**Assets (£ million at constant currency)**

	2022	WPD acquisition	2021	% change
UK RAV ¹	31,593	8,476	20,876	11%
US rate base	22,178	—	20,687	7%
Total RAV and rate base	53,771	8,476	41,563	9%
NGV and Other businesses	5,226	—	4,920	6%
Total	58,997	8,476	46,483	8.7%

1. Includes UK Gas Transmission RAV of £6,561 million at 31 March 2022 (2021: £6,308 million)

National Grid

2021/22 Full Year Results Statement

Value Added of £3,833 million driven by higher RAV indexation

The table below includes related balances and net debt for UK Gas Transmission & Metering and NECO, despite being reclassified as 'held for sale' under IFRS.

Value Added (£m constant currency)	As at 31 March	WPD acquisition ¹	As at 31 March	change	
	2022	2022	2021 ²	2022	2021
UK RAV	31,593	8,476	20,876	2,241	441
US rate base	22,178	—	20,687	1,491	1,443
NGV and Other businesses	5,226	—	4,920	306	516
Total	58,997	8,476	46,483	4,038	2,400
UK other regulated balances ³	84	230	(140)	(6)	208
US other regulated balances ⁴	2,621	—	1,995	626	361
Other balances	(878)	(168)	(336)	(374)	178
Total group assets and other balances	60,824	8,538	48,002	4,284	3,147
Cash dividend				922	1,413
Adjusted net debt movement				(1,373)	(2,752)
Value Added				3,833	1,808
Value Added per Share⁵				106.5	51.3

- The acquisition of WPD on 14 June 2021 resulted in an increase in assets which has been excluded from the total change in the year used to calculate 'Asset Growth' and 'Value Added' for 2021/22. The increase in goodwill and intangible licence recognised on the acquisition of WPD and the associated fair value of net debt acquired and cash proceeds (along with associated transaction costs) are excluded from the total 'adjusted net debt movement' in the year used to calculate 'Asset Growth' and 'Value Added'.
- March 2021 balances restated for segmental changes and to correspond with 2020/21 regulatory filings and calculations.
- Includes totex-related regulatory IOUs of £271 million (2021: £293 million), under-recovered timing balances of £346 million (2021: £153 million over-recovered) and under-recovered legacy balances related to previous price controls of £9 million (2021: £nil).
- Includes assets for construction work-in-progress of £2,139 million (2021: £1,671 million), other regulatory assets related to timing and other cost deferrals of £759 million (2021: £714 million) and net working capital liabilities of £(277) million (2021: £(390) million).
- Based on 3,599 million weighted average shares for 2021/22 (2020/21: 3,523 million).

Figures relating to prior periods have, where appropriate, been re-presented at constant currency, for opening balance adjustments following the completion of the UK regulatory reporting pack process in 2021 and finalisation of US balances.

Value Added, which reflects the key components of value delivery to shareholders (i.e. dividend and growth in the economic value of the Group's assets, net of growth in net debt) was £3.8 billion in 2021/22. This was higher than last year's £1.8 billion, with £1.0 billion of the year-on-year increase arising from higher RAV indexation in UK Transmission, £0.8 billion of RAV growth from WPD (for the 9.5 months owned in 2021/22), stronger NGV and Other performance, higher US returns and a smaller adverse impact from COVID-19 compared with 2020/21, offset by higher interest and increased tax paid. Of the £3.8 billion Value Added, £0.9 billion was paid to shareholders as cash dividends and £2.9 billion was retained in the business. Value Added per share was 106.5p compared with 51.3p in 2020/21.

National Grid

2021/22 Full Year Results Statement

BUSINESS REVIEW

In addition to IFRS based profit measures, National Grid calculates a number of additional regulatory performance metrics to aid understanding of the performance of the regulated businesses. These metrics aim to reflect the impact of performance in the current year on future regulatory revenue allowances. This includes the creation of future regulatory revenue adjustment balances and the impact of current year performance on the regulated asset base. These metrics also seek to remove the impacts on current year revenues relating to 'catch up' or 'sharing' of elements of prior year performance, for example the sharing of prior year efficiencies with customers.

These metrics include **Return on Equity**, **Regulated Financial Performance** and **Regulated Asset Value or Regulated Rate Base**. Further detail on these is provided on pages 91 to 106.

Year ended 31 March %	Regulatory Debt: Equity assumption	Achieved Return on Equity		Base or Allowed Return on Equity	
		2022	2021	2022	2021
UK Electricity Transmission	55/45 (2021: 60/40)	7.7	13.8	6.3	10.2
UK Electricity Distribution	65/35	13.6	—	9.6	—
UK Gas Transmission	60/40 (2021: 62.5/37.5)	7.8	9.6	6.6	10.0
New England	Avg. 46/54	8.3	7.5	9.8	9.8
New York	Avg. 52/48	8.8	6.7	8.9	9.0
Group Return on Equity ¹		11.4	10.6	n/a	n/a

1. Group RoE methodology amended in 2021/22 to calculate accretion charge on inflation-linked debt at long-run inflation rates. This provides alignment to treatment of RAV indexation in the metric. Prior year comparatives have not been restated.

As at 31 March (£ million, at constant currency)	RAV, Rate Base or other business assets		Total regulated and other balances ¹	
	2022	2021	2022	2021
UK Electricity Transmission	15,486	14,328	15,274	14,050
UK Electricity Distribution	9,250	—	9,307	—
UK Electricity System Operator	296	240	439	351
UK Gas Transmission	6,561	6,308	6,657	6,335
New England	9,255	8,673	11,052	10,154
New York	12,923	12,014	13,747	12,528
Total regulated	53,771	41,563	56,476	43,418
NGV and Other balances	5,226	4,920	4,348	4,584
Group regulated and other balances	58,997	46,483	60,824	48,002

1. March 2021 balances restated for segmental changes and to correspond with 2020/21 regulatory filings and calculations.

UK ELECTRICITY TRANSMISSION

Operational Performance

UK ET delivered another year of strong operational performance reflected in an excellent network reliability of 99.99993%.

In 2021/22, we invested £1,195 million in our UK Electricity Transmission network, up 21% from the prior year as part of our RIIO-T2 promise to deliver £8 billion capex across FY2022-2026 in our Electricity Transmission business. Investment increased principally through the commencing of tunnel boring activities on LPT2, the world's first T-Pylon construction at Hinkley-Seabank, alongside increased activities on our Visual Impact Provision (VIP) projects, which includes continued work in Dorset and mobilisation of the Peak District project in 2021/22. This was partially offset by lower spend on our Smart Wires programme which is nearing completion. We are on track to deliver the agreed regulatory outputs across the RIIO-T2 period and have already filed 14 reopeners to secure £0.7 billion of allowances.

Looking ahead, we have also received provisional approval from Ofgem for two new subsea high voltage direct current links – green energy superhighways – between Scotland and the North of England. The 'Green Links' form part of the £10 billion investment in 16 major projects to help deliver the government's offshore wind targets. The two new Green Links make up £3.7 billion of this investment, with £1.8 billion sitting within UK Electricity Transmission. Approximately £0.8 billion of the spend will be delivered within the capital investment outlined for UK ET in our five-year financial framework, and hence within RIIO-T2.

British Energy Security Strategy

On 7 April 2022, the UK Department for Business Energy and Industrial Strategy (BEIS) published the British Energy Security Strategy (BESS) setting out how to increase security of supply and lower energy costs. The strategy puts clean energy at the heart of plans to expand domestic power sources, thus reducing the UK's exposure to volatile global gas markets. The cornerstone of the strategy is the ambition to produce 95% of the UK's electricity from low carbon sources by 2030, supported by increased deployment ambitions for key technologies, including nuclear, wind, solar and hydrogen.

Key highlights of the BESS include an increased ambition to deliver up to 50GW of offshore wind by 2030, hydrogen production to reach 10GW by 2030 (with at least 50% of this coming from electrolytic hydrogen), ensuring the efficient flow of gas through our interconnectors and LNG terminals, and the promotion of gas infrastructure to be hydrogen-ready.

The strategy identifies the critical role that network infrastructure has in helping to deliver the energy transition. In particular, much of the strategy reflects key priorities for our business, including recognition of the need for a network blueprint, updated National Policy Statements, signposting a further consultation on community benefits, and the promise of further clarity on the scope of network competition.

RIIO-T2 progress

In August 2021, the Competition and Markets Authority (CMA) published its provisional determination in relation to the RIIO-T2 price control. This followed the Board's decision in March 2021 to submit a technical appeal to the CMA focused on the cost of equity and outperformance wedge. We were pleased to note that the CMA found in favour of the technical arguments on the outperformance wedge, although we were disappointed that it did not find in favour on the cost of equity. The CMA published its final determination in October 2021 which confirmed the findings in its provisional determination. This means that the change to the real level of return, with the removal of the outperformance wedge (equivalent to 25 basis points), will be applied retrospectively to the beginning of the current price control to keep us whole financially.

We expect to invest around £8 billion of capex through the course of the RIIO-T2 five-year price control across our electricity transmission network. Within this, capex funded by baseline allowances of around £5.5 billion will be invested in asset management and sanctioned major growth projects, such as LPT2. The remaining £2.5 billion of investment falls under uncertainty mechanisms, which can be thought of in two ways; firstly, £1.5 billion of well-defined investment in areas such as network reinforcement, reducing our reliance on the greenhouse gas SF₆, and cyber resilience. These are filed for, and agreed, on an ongoing basis with Ofgem. Secondly, £1.0 billion for early engineering and construction work on future major projects, such as the Green Links noted above.

National Grid

2021/22 Full Year Results Statement

Revenue and Costs in 2021/22 on an IFRS basis

UK Electricity Transmission statutory operating profit was £25 million lower in the year, mainly due to adverse year-on-year timing movements. In 2021/22, there were £12 million of exceptional costs related to establishing our new operating model (2021: £14 million). Timing under-recoveries of £85 million in 2021/22 compared with over-recoveries of £42 million in 2020/21 are primarily due to the under-recovery of pass-through costs, inflation true-ups and last year's collection of prior period under-recoveries, partly offset by an over-collection of Transmission Network Use of System (TNUoS) revenues in the current year.

Adjusted operating profit reduced by £27 million (2%), but this included £127 million adverse year-on-year timing movements. Underlying operating profit increased by 10%. Net revenues (adjusted for timing) were higher under the first year of RIIO-T2, with indexation and lower totex capitalisation rates (increased 'fast money') offsetting the lower returns in the current year. In the prior year, revenue was impacted by an adverse MOD adjustment in the final year of the RIIO-T1 price control.

Regulated controllable costs were higher from additional workload agreed for RIIO-T2, inflationary increases and the non-recurrence of favourable credits in 2020/21, which more than offset 2021/22 efficiency savings and the absence of prior period COVID-19-related costs. Other costs were higher, mainly relating to a £10 million settlement related to Western Link.

The increase in depreciation and amortisation reflects continued investment. In 2021/22, a benefit arising from the review of assets' useful economic lives was broadly offset by asset write-offs.

UK Electricity Transmission

(£ million)	2022	2021	% change
Revenue	2,035	1,974	3
Operating costs	(980)	(894)	10
Statutory operating profit	1,055	1,080	(2)
Exceptional items	12	14	(14)
Adjusted operating profit	1,067	1,094	(2)
Timing	85	(42)	(302)
Underlying operating profit	1,152	1,052	10
Net revenue (adjusted for timing)	1,968	1,781	10
Regulated controllable costs	(227)	(192)	18
Post-retirement benefits	(26)	(32)	(19)
Other operating costs	(55)	(44)	25
Depreciation and amortisation	(508)	(461)	10
Underlying operating profit	1,152	1,052	10
Timing	(85)	42	(302)
Adjusted operating profit	1,067	1,094	(2)

National Grid**2021/22 Full Year Results Statement****Return on Equity**

RoE for the year, normalised for a long-run CPIH inflation rate of 2%, was 7.7%.

RoE performance was driven by the completion of some key investments spanning the RIIO-T1/T2 price controls. On T2 funded work, Ofgem's efficiencies were met through development of new contracting strategies to speed up consenting, optimising risk allocation in our major projects, and through National Grid self-delivering as the main contractor for our more standardised asset work.

The principal components of RoE are shown in the table below:

Year ended 31 March	2022	2021
Base return (including avg. 2%/3% long-run inflation) ¹	6.3	10.2
Totex incentive mechanism ²	1.4	2.3
Other revenue incentives	0.1	0.3
Return including in year incentive performance	7.8	12.8
Pre-determined additional allowances and other income	(0.1)	1.0
Return on Equity	7.7	13.8

1. Assuming regulatory gearing at 55%.

2. Excludes impact of exceptional restructuring costs (post sharing)

Totex incentives contributed 140 basis points largely reflecting delivery of projects spanning across RIIO-T1 and RIIO-T2. We continued to deliver strong performance under incentives schemes, including the new System Operator (SO)/Transmission Operator (TO) incentive.

National Grid

2021/22 Full Year Results Statement

Regulated Financial Performance 23% lower year-on-year

The regulated financial performance calculation adjusts reported operating profit to reflect the impact of the business' regulatory arrangements when presenting financial performance.

Regulated financial performance for UK Electricity Transmission decreased to £1,018 million from £1,316 million. The year-on-year decrease principally reflects the transition to the new RIIO-T2 price control which has RAV indexation based on CPIH inflation under (RIIO-1: RPI inflation) along with lower totex outperformance compared to the prior year.

Reconciliation of regulated financial performance to operating profit (£ million)	2022	2021	% change
Adjusted operating profit	1,067	1,094	(2)
Movement in other regulated assets and liabilities	82	59	39
Deferred tax adjustment	26	53	(51)
RAV indexation – 2% CPIH (2021: 3% RPI) long-run inflation	287	418	(31)
Regulatory v IFRS depreciation difference	(433)	(434)	—
Fast money/other	(44)	57	(177)
Pensions	(42)	(41)	2
Performance RAV created	75	110	(32)
Regulated Financial Performance	1,018	1,316	(23)

Regulated Financial Position up 8%

In the year, RAV grew by 8%, up on last year's growth rate as investment increased in the first year of RIIO-T2 coupled with RAV indexation (6.2% 2021/22 versus 1.5% 2020/21).

	2022	2021
Opening Regulated Asset Value (RAV)	14,328	13,921
Asset additions (slow money) – actual	1,130	1,000
Performance RAV or assets created	75	110
Inflation adjustment (actual RPI)	894	207
Depreciation and amortisation	(941)	(895)
Closing RAV	15,486	14,343
Opening balance of other regulated assets and (liabilities)	(278)	(268)
Movement	66	3
Closing balance	(212)	(265)
Closing Regulated Financial Position	15,274	14,078

UK ELECTRICITY DISTRIBUTION

Operational Performance

UK ED delivered a year of strong operational performance reflected in an excellent network reliability of 99.995%.

The business continued to perform well under RIIO-ED1 as we maintained very good customer service and delivery of our innovative projects. In the 9.5 months since we acquired WPD, we have delivered £899 million of capital investment. We have seen greater spend in 2021/22 on reinforcement and customer connections driven by an increase in economic activity following the lockdown and the Government's drive towards net zero.

Following our acquisition of WPD to create our UK ED business we have increased exposure to the UK's electricity sector, allowing us to take a more holistic approach across the entire UK electricity sector, helping the UK's wider net zero ambitions. With renewable generation, our high and low voltage engineers will be able to share their knowledge and experience to efficiently deliver increasing levels of renewables connections, both large and small. In addition, we will be able to share best practice across engineering, and customer solutions, to help drive a more effective roll out of the infrastructure needed for electric vehicles.

Storm response

UK ED saw a number of challenging storms across its service territory, particularly in February 2022 when three major storms hit the UK (Storm Dudley, Storm Eunice and Storm Franklin). This was unusual in such a short period of time.

Storm Dudley was a major storm but did not reach any of the thresholds that define an 'exceptional event', with teams responding rapidly within the normal range of activities. In contrast, Storm Eunice had a major impact across the network, resulting in over half a million WPD customers left without power. In terms of scale, the storm resulted in the highest number of power cuts ever recorded in a 24-hour period in WPD's South-West region. It caused significant and complex damage across the network with fallen trees blocking roads and hampering access to communities. WPD engineers had to clear trees and debris before repairs to the network could begin, ensuring at all times that staff and customers were kept safe.

The arrival of Storm Franklin hampered restoration efforts further and brought very difficult working conditions for WPD field teams. However, by 21 February, more than 98% of affected customers had seen their power restored. The East Midlands, West Midlands and South Wales regions returned to normal operating levels in the last week of February and this enabled more staff to be transferred to the South West region to bolster efforts to reconnect around 5,000 customers left without power following Storm Eunice.

In terms of customer contacts, over 200,000 calls were handled during the storms and WPD processed more than two million enquiries through its website. This represents more than two months' worth of activity in just 48 hours. WPD continued to proactively contact its most vulnerable customers to keep them informed, and also offered hot meals, supplies and welfare support.

RIIO-ED2 progress

A further 12 months remain of the RIIO-ED1 price control period (to March 2023). UK ED's final RIIO-ED2 business plan was submitted to Ofgem in December for the 2023-2028 price control period. These plans have been developed following our largest ever consultation process with over 25,000 stakeholders who have provided unparalleled scrutiny and input.

The plans include a financial framework that takes account of recent regulatory precedent as well as the uncertainty around the pace of the energy transition and the impact it will have on electricity distribution investment. Given this, it is critical for all stakeholders that we have the right incentives, and an appropriate level of return, to attract the investment required to enable net zero goals.

Our proposed Business Plan for Electricity Distribution has a baseline totex spend of £6.7 billion over the five years. This investment represents an annual average step up of nearly 30% compared to RIIO-ED1 levels, which will fund our business plan commitments to provide the system capability to cater for a further 1.5 million EVs and 600,000 heat pumps, whilst maintaining strong reliability and resilience across our networks. We have embedded £723 million of efficiencies into our RIIO-ED2 Business Plan thanks to our proven track record of innovation development and roll-out, allowing us to maintain affordability for our customers.

National Grid

2021/22 Full Year Results Statement

We anticipate Ofgem's Draft Determination around the end of June 2022, followed by the Final Determination in Winter 2022 (with RIIO-ED2 commencing in April 2023 for the five year period to March 2028).

Ofgem announcement – WPD Priority Services Register

On Wednesday 4 May 2022, Ofgem announced that WPD had agreed to pay £3.7 million for each of the four licences it operates, totaling £14.9 million. This followed the outcome of an investigation into the level of information, advice and services provided to customers on its Priority Services Register. The health and safety of customers has always been of paramount importance to WPD, and the business offers a significant programme of support for its customers in vulnerable situations. We were therefore very disappointed when Ofgem considered there were shortcomings with this service and we have engaged thoroughly and promptly at all times with Ofgem to resolve those concerns. We have made changes to our policies and processes to ensure we are fully complying with the expectations Ofgem has clarified in our licence.

Prior to the opening of these procedures we had been repeatedly recognised by Ofgem as the leading distribution network operator for engagement with and support for our vulnerable customers. Since 2015, we have contacted more than one million vulnerable customers each year to update their details and offer tailored wellbeing checks. In addition, last year we supported more than 25,000 customers living in fuel poverty to directly save more than £14.6 million.

Revenue and Costs in 2021/22 on an IFRS basis

'UK Electricity Distribution' refers to WPD, which was acquired on 14 June 2021. The results presented are for the 9.5-month period of ownership and no amounts for WPD are included in the consolidated results of the Group for year ended 31 March 2021.

Statutory operating profit of £909 million for the 9.5 months included £22 million of timing over-recoveries of 'Distribution Use of System' (DUoS) volumes and the adverse impact on our revenues from UK corporation tax capital allowance 'super deductions', partly offset by an under-collection of earned incentives and inflation true-ups. Excluding timing, underlying profit was £887 million for the 9.5 months owned since June 2021. Controllable costs and post-retirement benefit costs of £204 million were lower than the estimated equivalent period in the prior year, mainly as a result of the disruption arising from COVID-19 during 2020/21. These costs include engineering management costs, supporting our customers and the maintenance of our four electricity distribution networks, including activities such as vegetation management in order to prevent line damage. Depreciation and amortisation charges include amortisation of fair value adjustments applied to property, plant and equipment (PP&E) at the date of acquisition.

UK Electricity Distribution (£ million)	9.5 months to 31 March 2022
Revenue	1,482
Operating costs	(573)
Statutory operating profit	909
Exceptional items	—
Adjusted operating profit	909
Timing	(22)
Underlying operating profit	887
Net revenue (adjusted for timing)	1,335
Regulated controllable costs	(180)
Post-retirement benefits	(24)
Other operating costs	(86)
Depreciation and amortisation	(158)
Underlying operating profit	887
Timing	22
Adjusted operating profit	909

National Grid**2021/22 Full Year Results Statement****Return on Equity above base levels**

RoE since acquisition, normalised for a long-run RPI inflation rate of 3%, was 13.6%. The principal components of the difference are shown in the table below:

For the 9.5 months ended 31 March	2022
Base return (including avg. 3% long-run inflation)	9.6
Totex incentive mechanism	1.0
Other revenue incentives	3.0
Return on Equity	13.6

Total incentives contributed 400 basis points driven mainly by a strong incentive performance (300bps outperformance) including interruptions quality, reliability and customer service, and 100bps of totex outperformance largely driven by capex.

National Grid**2021/22 Full Year Results Statement****Regulated Financial Performance of £599 million (9.5 months)**

The regulated financial performance calculation adjusts reported operating profit to reflect the impact of the business' regulatory arrangements when presenting financial performance.

Regulated financial performance for UK Electricity Distribution was £599 million for the 9.5 months owned in 2021/22. The regulatory financial performance reflects high achieved RoE underpinned by strong incentive performance.

Reconciliation of regulated financial performance to operating profit (£ million)	2022
Adjusted operating profit	909
Movement in other regulated assets and liabilities	(42)
Deferred tax adjustment	28
RAV indexation (avg. 3% RPI long-run inflation)	198
Regulatory v IFRS depreciation difference	(358)
Fast money/other	(34)
Pensions	(111)
Performance RAV created	9
Regulated Financial Performance	599

Regulated Financial Position up 11.8% (annualised basis), or 9% (9.5 months)

In the 9.5 months owned during 2021/22, RAV grew by an estimated 9% (or 11.8% on an annualised basis) driven by ongoing investment coupled with RAV indexation.

	2022
Regulated Asset Value (RAV) at acquisition date (estimated)	8,476
Asset additions (slow money) – actual	684
Performance RAV or assets created	9
Inflation adjustment (actual RPI)	593
Depreciation and amortisation	(512)
Closing RAV	9,250
Other regulated assets and (liabilities) at acquisition date	230
Movement	(173)
Closing balance	57
Closing Regulated Financial Position	9,307

UK ELECTRICITY SYSTEM OPERATOR (ESO)

Overview

The UK Electricity System Operator (ESO) has performed well during the year. Underlying net revenue was £50 million higher than the prior period, principally driven by higher baseline revenue under RIIO-2. Capital investment reached £108 million in the year, £20 million higher than prior period, primarily driven by transformational IT projects to deliver the RIIO-2 Business Plan.

In April 2022, the Department for Business, Energy and Industrial Strategy (BEIS) and Ofgem announced their joint decision to create a new Future System Operator (FSO) that builds on the track record and skills of the ESO with enhanced roles and responsibilities to unlock additional value for consumers and drive towards net zero. The FSO will be established with two licences, an Electricity System Operator licence and a Gas Planner licence, giving one body responsibilities in both electricity and gas to enable whole system thinking across longer-term planning, forecasting and market strategy decisions. The ESO will continue to work closely with all parties involved in the coming months to enable a smooth and successful transition. The creation of the FSO will require a transaction between the UK Government and National Grid, with the Company being appropriately compensated for the transfer of the ESO.

Revenue and Costs in 2021/22 on an IFRS basis

UK Electricity System Operator statutory operating profit increased £58 million in the year. In 2021/22 there were £2 million of exceptional costs related to establishing our new operating model, compared to a £7 million credit related to release of previous reorganisations in the prior year. Timing under-recoveries of £47 million in 2021/22 compared with under-recoveries of £130 million in the prior year. Timing in 2021/22 predominately included £44 million for the Balancing Services Use of System (BSUoS) price cap deferral support scheme compared with £109 million in 2020/21 for TNUoS demand under-recovery during COVID-19 and £22 million for the BSUoS Covid Support Scheme.

Adjusted operating profit increased by £67 million almost entirely driven by the £83 million year-on-year timing movement, partly offset by asset impairments. Excluding the impact of timing, underlying operating profit decreased by 23%. Net revenue (adjusted for timing) was £50 million higher, reflecting higher revenues under RIIO-2 related to additional workload agreed under the new price control and higher earned incentives. Regulated controllable costs including pensions were £33 million higher in total, in line with the expected higher volume of work required to deliver the ambitious RIIO-2 business plan. Depreciation and amortisation was £37 million higher as a result of our investment in transformational IT systems, in addition to asset impairments for work that may no longer be required.

National Grid

2021/22 Full Year Results Statement

UK Electricity System Operator

(£ million)	2022	2021	% change
Revenue	3,455	2,018	71
Operating costs	(3,450)	(2,071)	67
Statutory operating profit	5	(53)	(109)
Exceptional items	2	(7)	(129)
Adjusted operating profit	7	(60)	(112)
Timing	47	130	(64)
Underlying operating profit	54	70	(23)
Net revenue (adjusted for timing)	287	237	21
Controllable costs	(129)	(99)	30
Post-retirement benefits	(16)	(13)	23
Other operating costs	(5)	(9)	(44)
Depreciation and amortisation	(83)	(46)	80
Underlying operating profit	54	70	(23)
Timing	(47)	(130)	(64)
Adjusted operating profit	7	(60)	(112)

NEW ENGLAND

Operational Performance

We achieved very good operational performance across our New England regulated business during 2021/22 with an electric distribution network reliability of 99.9273% and an electric transmission reliability of 99.9764%. Investment in the safety and reliability of our networks has continued, with capex increasing year-on-year by £132 million to £1,561 million at constant currency. This increase was principally driven by higher asset condition work to address ageing infrastructure, and increased capex activity following COVID-19. In our Massachusetts Gas business, we continued with gas safety and reliability investments including the replacement of 130 miles of leak prone pipe (bringing us back to pre-pandemic levels of work). The construction of a liquefier at our Providence, Rhode Island, LNG site continued during 2021/22 with commissioning expected by autumn 2022.

Storm response

During the year, Tropical Storms Elsa, Ida, Henri and Wanda struck the Northeast coast impacting supply to a number of our customers across Massachusetts and Rhode Island. However, our field teams responded rapidly to reconnect affected customers. Almost 30,000 customers were affected by Tropical Storm Elsa, with over 95% reconnected within 5 hours. During Tropical Storm Henri, around 41,000 customers were affected in Massachusetts and around 107,000 in Rhode Island, with 95% of customers reconnected in 19 hours and 55 hours respectively. Tropical Storm Wanda, which impacted our service territory in October, was the largest storm of 2021 and knocked out power to almost 327,000 customers in Massachusetts and over 124,000 customers in Rhode Island. However, we achieved 95% restoration within 77 hours in Massachusetts, and within 35 hours in Rhode Island.

During the year, we successfully filed for exogenous treatment of \$14 million recovery of storm costs at our Massachusetts Electric business. This relates to major storm costs incurred in CY20 where the cost exceeded the \$6.2 million threshold we are allowed each year. The DPU approved the amount to be deferred to the storm fund. Recovery, and the timing of it, will be determined in the next rate case.

COVID-19 cost recovery

In August 2020, Massachusetts utilities filed a joint petition to address the impacts of the COVID-19 pandemic. The petition requested the DPU to approve recovery of certain COVID-19 related costs, including bad-debt costs attributable to COVID-19 billing moratoria, incremental cash working capital costs, and other COVID-19 related costs.

In late 2020/21, the DPU conditionally approved deferral treatment of incremental delivery-related bad debt expenses (in excess of the baseline amount in base distribution rates) through June 2022. The regulatory asset associated with this is \$43 million as of the end of March 2022.

Recovery of other COVID-19 related items is still pending regulatory approval. This includes delivery-related cash working capital, small C&I arrears forgiveness, and waived fee revenue. We are not seeking any incremental COVID-19 related O&M recovery because it was found that COVID-19 related costs were largely offset by COVID-19 related savings.

It is unlikely that the outcome on full COVID-19 cost recovery will be known until the orders are received for the next rate filings which will be made in October 2023 (Massachusetts Electric) and October 2025 (Massachusetts Gas). However, we remain confident that the incremental cost will be recovered.

Regulatory progress

We made further regulatory progress in Massachusetts during the year. On 30 September 2021, we received the rate order for our Massachusetts Gas business from the Massachusetts Department of Public Utilities (DPU). The order approved a five-year rate plan with new rates effective 1 October 2021. It included an allowed Return on Equity of 9.7% at an equity ratio of 53%, and a revenue increase of \$72 million in the first rate year. A new Performance Based Rate making (PBR) plan was approved, similar to that awarded to our Massachusetts Electric business in 2019. The plan will fund both capital and operational expenditure across the duration of the rate plan, ensuring inflation is factored into the revenue allowance each year.

National Grid**2021/22 Full Year Results Statement**

In July 2021, we filed our second four-year Massachusetts Electric Grid Modernization Plan (GMP) together with a five-year strategic plan. The GMP includes 'grid-facing' investments of \$312 million such as Volt-Var optimisation (which helps to reduce losses and minimise demand across the distribution network), and Advanced Metering Infrastructure (AMI) investment of almost \$400 million which would see the full-scale implementation across our customer base. The GMP will help advance National Grid's and Massachusetts' shared clean energy goals, meets the Company's regulatory obligation to make progress on the DPU's objectives for grid modernization, and creates a significant investment opportunity for the Company. We expect a regulatory decision on the filing during the second half of calendar year 2022.

Also in July, we filed our Massachusetts Phase 3 Electric Vehicle (EV) proposal with the DPU. The filing is the largest and most comprehensive EV proposal we have made in the state and puts forward \$275 million of programmes over four years. The filing proposes 7,500 public and workplace EV ports, up to 24,000 residential EV ports for home charging and 175 fleet assessments to assist businesses in converting their vehicles to electric including 600 EV ports. It also includes targeted proposals for low-income customers and environmental justice communities. We anticipate a regulatory decision on the filing in the second half of calendar year 2022.

In December 2021, the DPU issued an Order approving Massachusetts Gas' proposed five-year geothermal energy demonstration project. Under this order, the Company will oversee the installation, operation, and maintenance of geothermal shared-loop systems that consist of ground-source heat pumps. These will be connected to a network of underground pipes that allow for highly efficient heat transfer at up to four sites within the Company's service territory, serving residential and/or commercial customers. The Company is allowed to recover up to \$15.6 million for the program.

The Future of Gas – Massachusetts

On 18 March we filed a proposal with the DPU in the Future of Gas proceeding (DPU 20-80). The proposal describes our plan for utilising integrated fossil-free gas and electric networks to support the achievement of the state's climate goals, and discusses the regulatory and policy frameworks needed to advance this transition. In addition, along with the other Massachusetts gas distribution companies, we jointly proposed a regulatory framework that would enable recovery of net-zero related costs and establish a three-year Net Zero Enablement Plan process. We expect an order from DPU by end of this calendar year which could include a decision on the proposed regulatory framework, articulate a broader regulatory policy regarding gas distribution companies role in achieving the state's climate targets, and potentially provide direction regarding additional filings or proceedings.

Return on Equity

The business continues to make progress toward delivering 95% of its allowed return with returns improving to 8.3% in 2021/22 versus 7.5% in the prior year. This reflects a partial year of new rates at Massachusetts Gas following the rate order received in October 2021 and the first benefits from our cost efficiency program. Both of these impacts are expected to continue in 2022/23, including a full year under the new Massachusetts Gas rates.

National Grid

2021/22 Full Year Results Statement

Regulated Entity	Return on Equity				Rate Base (\$m) as at 31 March		
	FY22	FY21	FY20	Allowed most recent (%)	2022	2021	% change
Massachusetts Gas	6.9	5.7	7.8	9.7	3,820	3,521	8
Massachusetts Electric	7.1	5.3	10.3	9.6	3,049	3,033	1
Total Massachusetts	7.0	5.5	9.0	9.7	6,869	6,554	5
Narragansett Gas	8.4	6.9	8.8	9.3	1,218	1,082	13
Narragansett Electric	8.4	10.0	11.9	9.3	983	950	3
Narragansett Electric – Transmission	12.5	11.1	11.1	10.6	788	787	—
Total Rhode Island	9.4	8.4	10.5	9.6	2,989	2,819	6
New England Power	10.9	11.0	11.0	10.6	2,260	1,970	15
Canadian Interconnector & Other	11.1	13.0	13.0	11.1	46	58	(21)
Total FERC	10.9	11.0	11.0	10.6	2,306	2,028	14
Total New England	8.3	7.5	9.8	9.8	12,164	11,401	7

Regulated Financial Position

Overall, the New England rate base (including Rhode Island) increased by \$0.8 billion (7%) to \$12.2 billion driven by increased capital expenditure partially offset by depreciation and deferred tax movements.

New England Regulated Assets (\$ billion as at 31 March)	2022	2021	% change
Rate Base excl. working capital (w/c)	11.9	11.0	8
Working capital in Rate Base	0.3	0.4	(25)
Total Rate Base	12.2	11.4	7
Reg. assets outside Rate Base excl. w/c	2.5	2.3	9
Working capital outside Rate Base	(0.2)	(0.4)	(50)
Total regulated assets outside Rate Base	2.3	1.9	21
Total New England Regulated Assets	14.5	13.3	9

£ billion as at 31 March	2022	2021	% change
Total New England Regulated Assets at actual currency	11.1	9.7	14
Total New England Regulated Assets at constant currency	11.1	10.2	9

National Grid

2021/22 Full Year Results Statement

Financial performance

New England (£ million)	2022	2021	2021 at constant currency	% change at actual currency
Revenue	4,550	4,214	4,191	8
Operating costs	(3,786)	(3,600)	(3,580)	5
Statutory operating profit	764	614	611	24
Exceptional items	80	8	8	n/a
Remeasurements	(101)	(11)	(11)	n/a
Adjusted operating profit	743	611	608	22
Timing	32	11	11	191
Major storm costs	111	105	104	6
Underlying operating profit	886	727	723	22
Net revenue (adjusted for timing)	2,532	2,441	2,428	4
Regulated controllable costs	(813)	(810)	(806)	—
Post-retirement benefits	(40)	(43)	(43)	(7)
Bad debt expense	(45)	(127)	(126)	(65)
Other operating costs	(383)	(345)	(343)	11
Depreciation and amortisation	(365)	(389)	(387)	(6)
Underlying operating profit	886	727	723	22
Timing	(32)	(11)	(11)	191
Major storm costs	(111)	(105)	(104)	6
Adjusted operating profit	743	611	608	22

New England statutory operating profit increased by £150 million, as a result of the £90 million year-on-year favourable movements in commodity contract remeasurements (which are passed on to customers), mostly offset by exceptional charges booked in the current year for the disposal of our Rhode Island business and the cost efficiency programme. In 2020/21, exceptional charges were lower, comprising £8 million of costs related to establishing our new operating model and transaction costs. Timing under-recoveries of £32 million in 2021/22 compared with timing under-recoveries of £11 million in 2020/21, related to revenue decoupling and recovery of cost on our energy efficiency programme. Storm costs (deferrable and non-deferrable) were broadly flat year on year, with a lower number of storms events occurring during 2021/22, but a higher 'per storm' cost. These factors, along with an adverse impact from COVID-19 in the prior year and exchange movements, resulted in an overall increase in statutory operating profit and adjusted operating profit.

Adjusted operating profit increased by £132 million (22%), including £21 million year-on-year adverse timing under-recoveries. Major storm costs of £111 million exceed our threshold to be excluded from underlying, but were a repeat of the high level of deferrable storm costs we incurred in 2020/21. Underlying operating profit increased by 22%. Net revenues (adjusted for timing) increased by £91 million from the benefits of rate case increments in Mass Gas and Mass Electric, capital trackers and higher revenues from new customer connections along with income from sale of property. New England controllable costs were held broadly flat year on year, with increases from higher workload, IT costs and inflationary impacts, being mostly offset by efficiency savings, favourable settlements and non-recurrence of costs incurred in the prior period including COVID-19 disruption costs. Provisions for bad and doubtful debts of £45 million were £82 million lower than 2020/21, which had additional provision for receivables related to the impact of COVID-19. Depreciation and amortisation increased due to the growth in assets, but was more than offset by a benefit from cessation of depreciation in NECO as a result of it being reclassified to 'held for sale'. Other costs were higher due to increased property taxes and increases in environmental reserves.

NEW YORK

Operational Performance

We achieved very good operational performance across our New York regulated business during 2021/22 with an electric distribution network reliability of 99.9568% and an electric transmission network reliability of 99.9526%. This year we received an Edison Electric Institute (EEI) Emergency Response Award and the 2021 ReliabilityOne Award for Outstanding Suburban and Rural Service Area Utility in the Northeast as we hit our regulated reliability goals for the 14th consecutive year.

Investment in the safety and reliability of our networks continued during the year with capital spend increasing £231 million at constant currency to £1,960 million, principally driven by accelerated Leak Prone Pipe replacements (21% more miles versus prior year), investment in our Northwest Nassau Interconnection gas project, higher spend in our electric business through the Smart Path Connect transmission project, higher electric network maintenance spend, and increased capex activity following COVID-19.

Storm response

New York encountered several challenging storms during the year, but we remained focused on emergency planning and restoration efforts. The most significant storm, by way of impact, was the December wind event where over 220,000 of our customers were affected in Upstate New York. However, we were able to restore power to 95% of affected customers from the peak of customer interruptions within 48 hours. In addition, we received recognition for providing mutual assistance to other utilities, particularly in downstate New York, during Hurricane Ida, Tropical Storm Henri, and the October Nor'easter. In February, 90 of our New York crews assisted the Central Hudson Energy Group to help restore around 50,000 customers across the service territory.

COVID-19 cost recovery

Since November 2021, we have commenced the phased resumption of collection activities. We continue to work with New York utilities and regulators to identify a state-wide approach to collections.

Since lockdown began at the end of 2019/20, we estimate that COVID-19 has had an adverse impact of \$264 million on our bad debt expense in the New York region. We are currently working with New York Joint Utilities (JU) and New York Public Service Commission (PSC) Staff on the development of a state-wide Arrears Management Program (AMP) which will look to recover the arrears built up since the start of COVID-19 and as a result of the state-wide collections moratorium. We also anticipate receiving an allocation of the \$250 million earmarked by New York State for COVID-19 related utility arrears. The State is in the process of determining equitable distribution among the state's electric and gas utilities.

To the extent monies are not collected via the AMP or federal/state assistance programs, we will look to recover through our normal rate making activities during the next rate case filings.

Regulatory progress

During the year, we made very good progress on rate filings in New York with settlements for our KEDNY-KEDLI (Downstate) and NIMO (Upstate) businesses. The PSC approved the joint proposal for KEDNY-KEDLI in August and rates became effective on 1 September. The settlement was for three years backdated to 2020/21 through 2022/23. It includes an allowed RoE of 8.8%, with capital expenditures of \$2.0 billion for KEDNY and \$1.3 billion for KEDLI over the term of the rate plan. The rate plan also provides for an optional fourth year (fiscal year 2024) which was exercised when we did not file for new rates in April. The fourth year includes additional tracking mechanisms to fund forecast capital investments and energy efficiency expenditures.

The rate settlement for NIMO, approved in January, is also for three years running from July 2021 through June 2024. It includes an allowed RoE of 9.0% with capital expenditure of \$3.3 billion over the term of the rate plan that will enable us to maintain safety and reliability across our electric and gas networks. The settlement also provided for higher storm cost recovery provisions, allowing higher cost recovery for pre-staging activities and a minor storms cost tracker that supports recovery of actual costs versus a fixed allowance over the life of the rate plan. Affordability was a key priority in reaching settlements for both businesses. To this end, the KEDNY-KEDLI rate agreement includes a 0% increase in bills in the first-rate year (2020/21), and then 2% per annum for the following two years for KEDNY, and 1.8% per annum for KEDLI; for NIMO, first rate-year bill increases were kept to 2.2% for electric and 2.0% for gas customers.

Both rate settlements also include funding that will further our ambitions to help the state reach its environmental and emissions goals including funding for hydrogen blending research in New York, provision for geothermal projects as a long-term non-pipe alternative, and funding for RNG projects. The KEDNY-KEDLI settlement includes over \$15 million of funding for RNG interconnections to the existing gas network, and \$2 million of funding for RNG in the NIMO settlement. This investment will help further our ambitions to provide cleaner gas in the long-term whilst continuing to provide customers with affordable heating.

Infrastructure Projects

During the year we continued to pursue a combination of targeted infrastructure projects, together with a range of non-infrastructure solutions, to ensure gas supply meets our customers' energy needs. We have advanced an expanded portfolio of on-system assets to support peak demand. Notably, we completed new Compressed Natural Gas (CNG) projects, including new and expanded injections sites on Long Island, in time to support operations during the past winter. Also, National Grid has steadily increased the scope and scale of its demand-side management programmes in recent years. In October, we submitted a filing to the New York PSC for permission to launch one of the largest energy efficiency and weatherproofing programmes in the country. This proposal is a key part of our efforts to address the challenge presented by gas supply constraints, and advance our clean energy ambitions in New York, by reducing customers' energy consumption. The filing (updated in March) requests more than \$65 million of incremental investments in energy efficiency, weatherproofing, and demand response programs. A decision from the PSC is anticipated later this year.

Progress continues on our transmission projects in Upstate New York. In May 2021, we announced a joint development agreement with the New York Power Authority (NYPA) to develop 110 miles of transmission lines in upstate New York for a total estimated cost of \$1.1 billion, of which National Grid's investment is \$535 million. The project, known as the 'Smart Path Connect', will link other NYPA transmission projects in the region and unbottle existing renewable resources whilst yielding significant production cost savings, emissions reductions, and decreases in transmission congestion. Our proposed rates for cost recovery are pending before the Federal Energy Regulatory Commission (FERC).

The Future of Heat

In April 2021, we were pleased to co-author a report with the New York City Mayor's office and Con Edison titled 'Pathways to Carbon-Neutral NYC: Modernize, Reimagine, Reach'. The report looks at all sectors of the New York City economy and recommends the necessary action to reduce emissions to help meet the City's environmental targets. As part of this, it also calls for a 'reimagined' gas network that, in the longer term, will see greater levels of low carbon gas supplied to customers, particularly to those where electrification is impractical. Overall, it sees a future for the existing gas network and recognises gas, especially low carbon gas, as part of the long-term energy transition. Our Clean Heat Vision is consistent with the learning of the report.

In December 2021, National Grid and the Town of Hempstead announced a joint project to build one of the first clean hydrogen projects in the country. The HyGrid Project located in Point Lookout on Long Island will blend green hydrogen into the existing distribution system to heat approximately 800 homes and fuel 10 municipal vehicles. National Grid will expand the existing hydrogen facility, which was developed in 2009 by the Town and the Company to provide locally produced green hydrogen for vehicles. This project was a national success in demonstrating decarbonised transportation. The Town of Hempstead and National Grid will now expand the project to blend hydrogen for heating homes and transportation at the same time. This green hydrogen can be safely injected into the National Grid distribution system as a clean energy source for customers adjacent to the facility.

National Grid

2021/22 Full Year Results Statement

Return on Equity

During the year, we achieved an RoE of 8.8%, or 99% of the allowed RoE, above our guidance provided at Half-Year. The achieved RoE was up by 210bps on the prior year, principally driven by a lower number of non-deferrable storms, sustained cost containment delivered through our efficiency programme and higher revenue through Earning Adjustment Mechanisms (EAM). EAMs include sharing mechanisms with customers (where we have achieved cost/savings targets), incentives to reduce heating gas peak loads, higher distributed generation connections, and load balancing improvements.

Regulated Entity	Return on Equity				Rate Base (\$m) as at 31 March		
	FY22	FY21	FY20	Allowed most recent (%)	2022	2021	% change
KEDNY	8.1	6.1	7.7	8.8	5,429	4,959	9
KEDLI	11.0	8.2	9.7	8.8	3,369	3,158	7
NMPC Gas	8.1	7.2	8.7	9.0	1,584	1,467	8
NMPC Electric	8.5	6.3	8.9	9.0	6,603	6,206	6
Total New York	8.8	6.7	8.7	8.9	16,985	15,790	8

Regulated Financial Position

Overall, the New York rate base increased by \$1.2 billion (8%) to \$17.0 billion driven by increased capital expenditure partially offset by depreciation and deferred tax movements.

New York Regulated Assets (\$ billion as at 31 March)	2022	2021	% change
Rate Base excl. working capital (w/c)	16.6	15.5	7
Working capital in Rate Base	0.4	0.3	18
Total Rate Base	17.0	15.8	8
Reg. assets outside Rate Base excl. w/c	1.1	0.6	73
Working capital outside Rate Base	(0.2)	(0.1)	40
Total regulated assets outside Rate Base	0.9	0.5	80
Total US Regulated Assets	17.9	16.3	10

£ billion as at 31 March	2022	2021	% change
Total New York Regulated Assets at actual currency	13.6	11.8	15
Total New York Regulated Assets at constant currency	13.6	12.4	10

National Grid

2021/22 Full Year Results Statement

Financial performance

New York Regulated (£ million)	2022	2021	2021 at constant currency	% change at actual currency
Revenue	5,561	4,605	4,580	21
Operating costs	(4,466)	(3,910)	(3,889)	14
Statutory operating profit	1,095	695	691	58
Exceptional items	(24)	(7)	(7)	n/a
Remeasurements	(291)	(23)	(23)	1,165
Adjusted operating profit	780	665	661	17
Timing	(126)	12	12	n/a
Major storm costs	52	45	45	16
Underlying operating profit	706	722	718	(2)
Net revenue (adjusted for timing)	3,274	3,148	3,131	4
Regulated controllable costs	(963)	(981)	(976)	(2)
Post-retirement benefits	(44)	(47)	(47)	(6)
Bad debt expense	(87)	(198)	(197)	(56)
Other operating costs	(937)	(747)	(742)	25
Depreciation and amortisation	(537)	(453)	(451)	19
Underlying operating profit	706	722	718	(2)
Timing	126	(12)	(12)	n/a
Major storm costs	(52)	(45)	(45)	16
Adjusted operating profit	780	665	661	17

New York statutory operating profit increased by £400 million, principally as a result of the £268 million year-on-year favourable movements in commodity contract remeasurements (which are passed on to customers) and net exceptional gains including £38 million environmental insurance recovery for costs related to our obligations to clean up Superfund sites, compared to a £14 million environmental credit (reversal of cost previously booked as exceptional) in the prior year. Timing over-recoveries of £126 million in 2021/22 compared with timing under-recoveries of £12 million in 2020/21, driven by commodity price fluctuations and high auction sale prices on transmission wheeling. Major (i.e. deferrable) storm costs of £52 million were £7 million higher year on year, but as in 2020/21, the total costs passed our threshold (\$100 million in aggregate with New England) and so are excluded from our underlying results. These factors, along with a prior year adverse impact from COVID-19 disruption resulted in an overall increase in statutory operating profit and in adjusted operating profit.

Adjusted operating profit increased by £115 million (17%), aided by £138 million year-on-year favourable timing swings and lower year-on-year impact of COVID-19, but partly offset by higher environmental charges in 2021/22. After further adjusting to exclude the impact of timing and major storm costs, underlying operating profit decreased by 2%. Net revenues (adjusted for timing) increased by £126 million from the benefits of rate case increases in KEDNY, KEDLI and Niagara Mohawk (partly offset by use of deferral credits to reduce the impact on customer bill increases and a 'make whole' adjustment for the rate case settlement in downstate New York). Regulated controllable costs were lower year on year, with increased workload and IT costs and also inflationary impacts, more than offset by cost efficiency savings, favourable credits in 2021/22 and the non-recurrence of costs arising in 2020/21. Provisions for bad and doubtful debts decreased by £111 million, driven by 2020/21's additional provision for receivables related to the impact of COVID-19. Depreciation and amortisation increased due to the growth in assets and the accelerated depreciation of certain gas assets and IT systems. Other costs were higher due to an increase in environmental provisions (mostly driven by inflation) increased property taxes, cost of removal and customer funded work, partly offset by receipt of a historical property tax refund.

NATIONAL GRID VENTURES

National Grid Ventures' adjusted operating profits and share of post-tax results of joint ventures and associates were £167 million higher than 2020/21 (£101 million adjusted operating profits, £66 million adjusted share of post-tax results of joint ventures and associates), driven by higher interconnector revenues, which benefitted from a full year's contribution from our second French interconnector (IFA2) and the commissioning of North Sea Link earlier than expected, along with the impact of higher commodity prices and increased revenues in our onshore renewables in the US. These were partly offset by a write-down for assets damaged by a fire at Sellindge in September 2021, which caused an unplanned outage for our legacy French interconnector (IFA1). Statutory operating profit and share of post-tax results of joint ventures also includes £3 million exceptional charge in relation to establishing our new operating model (2021: £2 million) and remeasurement losses in our share of post-tax results of joint ventures of £56 million (2021: £8 million).

Capital Investment

NGV capital expenditure was in line with the prior year at £452 million. This represented higher spend at our Grain LNG facility for the Capacity 25 project, and higher investment on Viking Link and at IFA for the Sellindge fire refurbishments. This was offset by lower spend on IFA2 and North Sea Link as both assets became operational in 2021. Investment in joint ventures was £461 million, an increase of £383 million on prior year, driven by the purchase of a 3,000MW seabed lease in New York, and higher investment in the Emerald JV for the construction of the Noble and Yellowbud renewable projects.

Interconnectors

Our interconnectors delivered another strong performance across the year with increased capacity from new interconnectors and higher revenue from interconnector arbitrage. Across the portfolio, interconnectors have saved 2,700 ktonnes of carbon in 2021/22, with year-on-year net inflows increasing 34% to 24.7TWh.

In October, North Sea Link (NSL) went live one month earlier than planned. 2021/22 was also the first full year of service for IFA2, with the two new interconnectors accounting for an £80 million increase in operating profit.

During the year, Nemo Link and IFA2 achieved availabilities of 99% and 90% respectively. Availability at BritNed was 80% which reflects the impact of a cable fault from March 2021 through June 2021 (representing a total outage of 90 days, 23 of which were in 2020/21 and 67 in 2021/22).

Work continues on the £786 million Viking Link between the UK and Denmark with the interconnector remaining on track to commission in 2023/24. At present, construction is over 50% complete and, at full operation, it will allow up to 1,400MW of power to flow between the two countries.

Following the serious fire at the IFA Sellindge converter-station in September 2021, IFA availability was significantly reduced with 1,000MW returning to service in late October 2021, a further 500MW expected to be brought back online in October 2022, and the remaining 500MW returning in December 2022.

In May 2022, Ofgem approved National Grid's request to make early payments to consumers of £200 million over the next two years as part of the regulatory regime for electricity interconnectors. The estimated payment of £121 million in relation to 2021/22 (excluding joint ventures) has been provided in the accounts.

US Renewables

In February the joint venture partnership between National Grid and RWE was successful in winning a seabed lease in the New York Bight auction for offshore wind, at a cost of \$1.1 billion (\$300 million NGV share). The lease area comprises approximately 125,000 acres in the New York Bight coastal region between Long Island and New Jersey. The seabed has the capacity to host around 3,000MW of capacity, enough to power 1.1 million US homes, and is expected to be in operation by the end of the decade.

In December, National Grid Renewables announced the start of commercial operations at the Prairie Wolf Solar Project in Illinois. The solar project provides 200MW of clean solar power, while also contributing to local and state economics through tax revenue, landowner income and jobs. Prairie Wolf is projected to offset carbon dioxide emissions by 285,000 metric tons annually during operations.

NGV Transmission Projects

In October 2021, New York Transco – a partnership of New York’s major utilities, including National Grid Ventures – submitted a bid to install increased transmission capacity to Long Island. The bid was in response to a solicitation by the New York Independent System Operator (NYISO) in August which called for transmission solutions to transfer at least 3GW and potentially up to 6GW of offshore wind generation that is expected to be connected to Long Island over the next decade. The connections would be made between Long Island and the rest of the state.

New York Transco continued to progress its New York Energy Solution (NYES) project, which was selected by the New York Independent System Operator to provide transmission upgrades to New York’s power system, while enhancing reliability and facilitating upstate clean energy resources to the downstate demand centers. The upgrades will primarily take place along 55 miles on utility-owned land, and following a successful bid, construction began. This is one of the largest transmission projects in New York in 40 years. The project remains on track to complete in 2023.

Grain LNG

Grain delivered £113 million of operating profit, up from £104 million in the prior year. This was largely due to the use of excess heat from a nearby power station instead of gas to reheat LNG prior to use, a measure which generated additional profit of £11 million and saved 96,000 tonnes of carbon.

Grain LNG expansion works continue with commencement of commercial operations in July 2025 which will see storage capacity increase to 1.2 million m³. We are also exploring ways to utilise the Grain site to support the energy transition.

Long Island Generation (Genco)

Genco safely and efficiently operates conventional generation plant that is vital to security of supply in the north-eastern United States and supplies 2 million people on Long Island. The entire fleet generated 2.35 GWh of energy this summer, the highest since 2011, largely reflecting the need to replace energy typically supplied via transmission lines that were out of service.

Over the next several years, we expect the fleet to generate less electricity as alternative sources of energy supply are developed and connected to the Long Island grid. In particular, new offshore wind generation will reduce the need for Genco to produce power, which will lead to lower emissions. Longer term, Genco will proactively manage the size and composition of the fleet to ensure security of the system through the energy transition, whilst exploring new technologies like hydrogen-fueled power generation.

NGV and the energy transition

Looking to the future, NGV is exploring investment opportunities and business models to take a leading role in the energy transition.

We are developing the next generation of Multi-Purpose Interconnectors (MPIs) that combine interconnector and offshore wind technologies in a smarter way. MPIs will enable large volumes of offshore wind to be connected to the transmission network in Great Britain and beyond, more cheaply and quickly, while minimising onshore connections and disruption to coastal communities.

Hydrogen has the potential to play a major role in the decarbonisation of industry and we are involved in projects that support the development of a hydrogen economy both in the UK and the US.

Carbon Capture Utilisation and Storage (CCUS) is one of the most viable options to decarbonise hard-to-abate sectors of the economy, such as heavy industry and to produce low-carbon hydrogen at scale. We are supporting the development of CCUS in the UK through our involvement in the East Coast Cluster, selected by the UK Government as one of the country’s first two CCUS projects. The East Coast Cluster aims to remove 50% of the UK’s industrial cluster CO₂ emissions.

National Grid

2021/22 Full Year Results Statement

OTHER ACTIVITIES

In 'Other' activities, we incurred an exceptional gain of £417 million related to the disposal of our 50% interest in the St William property joint venture and release of associated deferred income on historical sales made to the joint venture. We also incurred an exceptional charge of £22 million related to establishing our new operating model (2021: £26 million), £95 million (2021: £24 million) of transaction costs for the acquisition of WPD, and £61 million of costs incurred for the separation of NECO and UK Gas Transmission. In 2021/22, underlying operating profit of £21 million (including corporate costs), compared with net costs of £68 million in 2020/21. This increase included benefits from higher fair value gains on our NG Partners investments and the release of an aged liability related to historical balances for unclaimed dividends in the Group. Excluding the gain on disposal of St William, the underlying performance of the property business was up £18 million, driven by increased sales compared with 2020/21.

National Grid Property

Our Property business delivered another solid year in a challenging environment. Thirty-two sites were sold this year, including Welwyn Garden City, Wolverhampton and Bromley, as well as Land Development sales including Beckton (to Transport for London), New Southgate and Birkenhead. Our Joint Venture with Places for People, National Places, continues and negotiations are at an advance stage for the acquisition of further sites. Contracts were exchanged for the acquisition of two sites in early April.

National Grid Partners (NGP)

NGP, our corporate investment and innovation arm, has continued to invest in emerging technologies, with a portfolio comprising 38 companies and 4 fund investments, at a fair value of £374 million.

Capital investment at £93 million was higher compared to prior year as the uncertainty introduced by COVID-19 led to fewer investments for NGP in 2020/21, and less market activity in general. This changed in 2021/22, and NGP invested in a highly active market. In addition to new start-ups, NGP made several large follow-on investments in existing portfolio companies. This included investing in 13 new startups, whose technology can make power grids greener, more secure and more customer friendly. Existing portfolio company Dragos announced a \$200 million funding round in which NGP participated as a returning investor. The Series D round is believed to be the largest ever for an operational technology (OT) cyber security company.

(£ million)	Adjusted operating profit				Capital investment ¹			
	2022	2021	2021 at constant currency	change % at constant currency	2022	2021	2021 at constant currency	change % at constant currency
Genco	33	37	37	(11)	36	48	48	(25)
Interconnectors	135	60	60	125	325	378	378	(14)
Grain LNG	113	104	104	9	94	20	20	370
NG Renewables	11	(9)	(9)	(222)	2	—	—	n/a
Other	(6)	(7)	(7)	(14)	(5)	6	6	(183)
Total NGV	286	185	185	55	452	452	452	—
Property	40	22	22	82	3	19	19	(84)
NG Partners	66	1	1	n/a	93	38	38	145
Corporate and other activities	(85)	(91)	(91)	(7)	7	9	9	(22)
Total Other	21	(68)	(68)	(131)	103	66	66	56
Total NGV and Other	307	117	117	162	555	518	518	7

1. Excluding investment in joint ventures and associates.

National Grid

2021/22 Full Year Results Statement

Joint ventures and associates

(£ million)	Adjusted share of post-tax results				Capital investment			
	2022	2021	2021 at constant currency	change % at constant currency	2022	2021	2021 at constant currency	change % at constant currency
Interconnectors	91	26	26	250	—	—	—	—
Millennium	22	22	22	—	—	—	—	—
NG Renewables	3	5	5	(40)	199	72	72	176
Bight Wind	—	—	—	n/a	223	—	—	n/a
Other	6	3	3	100	39	6	6	550
Total NGV	122	56	56	118	461	78	78	491
NG Partners	15	5	5	200	—	3	3	(100)
Other (including St William)	11	5	5	120	—	—	—	n/a
Total Other	26	10	10	160	—	3	3	(100)
Joint Ventures and Associates	148	66	66	124	461	81	81	469

UK GAS TRANSMISSION & METERING (Discontinued Operations)

Operational Performance

UK GT delivered another year of strong operational performance reflected in an excellent network reliability of 100% for the business. In 2021/22, we invested £261 million in our UK Gas Transmission network, up 28% on prior year, driven principally by increased investments in asset health, emissions reduction and cyber under RIIO-T2. Metering investment spend was materially in line with the prior year.

UK GT continues to work with industry peers to support the transition to a hydrogen network and has now commenced construction of FutureGrid – a £9 million full scale hydrogen test facility, funded through the Network Innovation Competition. The test facility will be constructed from decommissioned transmission assets to demonstrate the National Transmission System (NTS) can transport hydrogen. FutureGrid will help us understand how hydrogen interacts with our assets, so that we can develop the appropriate safety standards required to operate our network.

RIIO-T2 progress

In August, the Competition and Markets Authority (CMA) published its provisional determination in relation to the RIIO-T2 price control. This followed the Board's decision in March to submit a technical appeal to the CMA focused on the cost of equity and outperformance wedge. We were pleased to note that the CMA found in favour of the technical arguments on the outperformance wedge, although we were disappointed that it did not find in favour on the cost of equity. The CMA published its final determination in October 2021 which confirmed the findings in its provisional determination. This means that the change to the real level of return, with the removal of the outperformance wedge (equivalent to 25 basis points), will be applied retrospectively to the beginning of the current price control to keep us whole financially.

Revenue and costs in 2021/22 on an IFRS basis

UK Gas Transmission statutory operating profit increased £143 million in the year. In 2021/22, there were £14 million of costs incurred in separating the business from the Group and transaction-related costs in preparation of the sales process; and £3 million (2021: £5 million) of exceptional costs related to the reorganisation and cost efficiency programme. Timing under-recoveries of £80 million arose in 2021/22, mainly related to recovery of shrinkage costs from higher gas prices. This compared with under-recoveries of £96 million in the prior year from under-collections relating to the change to the gas capacity charging regime and lower demand, partly offset by a lower return of prior period over-recoveries.

Adjusted operating profit increased by £155 million (31%), including £16 million less adverse timing year on year. Excluding the impact of timing, adjusted operating profit increased by 23%, mostly from the cessation of depreciation since 31 August 2021, when the business was classified as 'held for sale'. In 2021/22, depreciation of £91 million was £96 million lower than the prior year. Net revenue was £72 million higher, reflecting new prices under the RIIO-2 and the impact of the change to CPIH and regulatory depreciation profile change under the new price control. Regulated controllable costs (including pensions) and other costs were £29 million higher as a result of increased customer-funded works, higher Network Innovation Competition costs, higher meter displacements and a beneficial provision release in the prior period.

Within UK Gas Transmission, our non-regulated metering business's operating profit of £150 million was in line with the prior year, with the benefit from lower depreciation being offset by the adverse impact of fewer meters as these are being phased out and replaced by smart meters.

National Grid**2021/22 Full Year Results Statement**

UK Gas Transmission			
(£ million)	2022	2021	% change
Revenue	1,374	1,122	22
Operating costs	(737)	(628)	17
Statutory operating profit	637	494	29
Exceptional items	17	5	240
Adjusted operating profit	654	499	31
Timing	80	96	(17)
Underlying operating profit	734	595	23
Net revenue (adjusted for timing)	1,057	985	7
Regulated controllable costs	(160)	(157)	2
Post-retirement benefits	(17)	(18)	(6)
Other operating costs	(55)	(28)	96
Depreciation and amortisation	(91)	(187)	(51)
Underlying operating profit	734	595	23
Timing	(80)	(96)	(17)
Adjusted operating profit	654	499	31

Return on Equity

RoE for the year, using a long-run inflation rate of 2%, was 7.8% which includes outperformance of 120bps. The principal components of the performance are shown in the table below.

Year ended 31 March	2022	2021
Base return (including avg. 2%/3% long-run inflation) ¹	6.6	10.0
Totex incentive mechanism ²	0.5	(0.9)
Other revenue incentives	0.6	0.9
Return including in year incentive performance	7.7	10.0
Pre-determined additional allowances and other income	0.1	(0.4)
Return on Equity	7.8	9.6

1. Assuming regulatory gearing at 60%.

National Grid

2021/22 Full Year Results Statement

Regulated Financial Performance down 4.5% year-on-year

The regulated financial performance calculation adjusts reported operating profit to reflect the impact of the business' regulatory arrangements when presenting financial performance. Regulated financial performance for UK Gas Transmission was higher than prior year at £433 million principally reflects lower RoE performance driven by higher cost to deliver key capital projects and lower incentive performance because of lower baseline under RIIO-T2.

Reconciliation of regulated financial performance to operating profit (£ million)	2022	2021	% change
Adjusted operating profit	654	499	31
Less non-regulated profits	(150)	(157)	(4)
Movement in other regulated assets and liabilities	72	34	112
Deferred tax adjustment	13	12	8
RAV indexation – 2% CPIH (2021: 3% RPI) long-run inflation	126	189	(33)
Regulatory v IFRS depreciation difference	(281)	(88)	219
Fast money/other	(4)	25	(116)
Pensions	—	(34)	(100)
Performance RAV created	3	(23)	(113)
Regulated Financial Performance	433	457	(5)

Regulated Financial Position increased 4%

In the year, RAV growth of 4.0% was higher than in 2020/21, driven by RAV indexation.

(£ million)	2022	2021
Opening Regulated Asset Value (RAV)	6,308	6,298
Asset additions (slow money) actual	224	193
Performance RAV or assets created	3	(23)
Inflation adjustment (actual RPI)	388	92
Depreciation and amortisation	(362)	(253)
Closing RAV	6,561	6,307
Opening balance of other regulated assets and (liabilities)	27	(8)
Movement	69	34
Closing balance	96	26
Closing Regulated Financial Position	6,657	6,333

1. March 2021 balances as reported (not restated for finalisation of 2020/21 regulatory filings and calculations).

National Grid**2021/22 Full Year Results Statement****PROVISIONAL 2021/22 FINANCIAL TIMETABLE**

Date	Event
19 May 2022	2021/22 Preliminary Results
1 June 2022	Ordinary shares go ex-dividend for 2021/22 final dividend
3 June 2022	ADRs go ex-dividend for 2021/22 final dividend
6 June 2022	Record date for 2021/22 final dividend
10 June 2022	Scrip reference price announced for 2021/22 final dividend
11 July 2022	2022 Annual General Meeting
20 July 2022 (5pm London time)	Scrip election date for 2021/22 final dividend
17 August 2022	2021/22 final dividend paid to qualifying shareholders
10 November 2022	2022/23 half year results
23 November 2022	ADRs go ex-dividend for 2022/23 interim dividend
24 November 2022	Ordinary shares go ex-dividend for 2022/23 interim dividend
25 November 2022	Record date for 2022/23 interim dividend
1 December 2022	Scrip reference price announced for 2022/23 interim dividend
12 December 2022 (5pm London time)	Scrip election date for 2022/23 interim dividend
11 January 2023	2022/23 interim dividend paid to qualifying shareholders

American Depositary Receipt (ADR) Deposit Agreement

The Company's Deposit agreement under which the ADRs are issued allows a fee of up to \$0.05 per ADR to be charged for any cash distribution made to ADR holders, including cash dividends. ADR holders who receive cash in relation to the 2021/22 final dividend will be charged a fee of \$0.02 per ADR by the Depositary prior to distribution of the cash dividend.

CAUTIONARY STATEMENT

This announcement 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 (the Company) 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. This document also references climate-related targets and climate-related risks which differ from conventional financial risks in that they are complex, novel and tend to involve projection over long term scenarios which are subject to significant uncertainty and change. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements or targets. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control, predict or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union, announcements from and decisions by governmental bodies or regulators, including those relating to the RIIO-T2 and RIIO-ED2 price controls; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption (including any that result in safety and/or environmental events), the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supply; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to deliver net zero; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this announcement include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in National Grid's regulated businesses, including as a result of the COVID-19 pandemic, and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, develop and retain employees with the necessary competencies, including leadership and business capabilities, and any significant disputes arising with National Grid's employees or the breach of laws or regulations by its employees; the failure to respond to market developments, including competition for onshore transmission; the threats and opportunities presented by emerging technology; the failure by the Company to respond to, or meet its own commitments as a leader in relation to, climate change development activities relating to energy transition, including the integration of distributed energy resources; and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including the integration of WPD, the sale of the Company's Rhode Island gas and electricity business and the sale of a 60% stake in its UK gas transmission and metering business. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 236 to 239 of National Grid's most recent Annual Report and Accounts, as updated by the Company's unaudited half-year financial information for the six months ended 30 September 2021. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement.

National Grid

2021/22 Full Year Results Statement

**Consolidated income statement
for the years ended 31 March**

2022	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (see note 4) £m	Total £m
Continuing operations				
Revenue	2(a),3	18,260	189	18,449
Provision for bad and doubtful debts		(167)	—	(167)
Other operating income/(costs)	4	(14,280)	369	(13,911)
Operating profit	2(b)	3,813	558	4,371
Finance income	4,5	65	(15)	50
Finance costs	4,5	(1,146)	74	(1,072)
Share of post-tax results of joint ventures and associates		148	(56)	92
Profit before tax	2(b)	2,880	561	3,441
Tax	4,6	(669)	(589)	(1,258)
Profit after tax from continuing operations		2,211	(28)	2,183
Profit after tax from discontinued operations	9	344	(173)	171
Total profit for the year (continuing and discontinued)		2,555	(201)	2,354
Attributable to:				
Equity shareholders of the parent		2,554	(201)	2,353
Non-controlling interests from continuing operations		1	—	1
Earnings per share (pence)				
Basic earnings per share (continuing)	7			60.6
Diluted earnings per share (continuing)	7			60.3
Basic earnings per share (continuing and discontinued)	7			65.4
Diluted earnings per share (continuing and discontinued)	7			65.0

National Grid

2021/22 Full Year Results Statement

2021 ¹	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements (see note 4) £m	Total £m
Continuing operations				
Revenue	2(a),3	13,665	—	13,665
Provision for bad and doubtful debts		(325)	—	(325)
Other operating income/(costs)	4	(10,913)	(26)	(10,939)
Operating profit	2(b)	2,427	(26)	2,401
Finance income	4,5	35	23	58
Finance costs	4,5	(900)	47	(853)
Share of post-tax results of joint ventures and associates		66	(8)	58
Profit before tax	2(b)	1,628	36	1,664
Tax	4,6	(334)	(26)	(360)
Profit after tax from continuing operations		1,294	10	1,304
Profit after tax from discontinued operations	9	340	(3)	337
Total profit for the year (continuing and discontinued)		1,634	7	1,641
Attributable to:				
Equity shareholders of the parent		1,633	7	1,640
Non-controlling interests from continuing operations		1	—	1
Earnings per share (pence)				
Basic earnings per share (continuing)	7			37.0
Diluted earnings per share (continuing)	7			36.8
Basic earnings per share (continuing and discontinued)	7			46.6
Diluted earnings per share (continuing and discontinued)	7			46.3

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

National Grid

2021/22 Full Year Results Statement

**Consolidated statement of comprehensive income
for the years ended 31 March**

Notes	2022 £m	2021 ¹ £m
Profit after tax from continuing operations	2,183	1,304
Profit after tax from discontinued operations	171	337
Other comprehensive income from continuing operations		
<i>Items from continuing operations that will never be reclassified to profit or loss:</i>		
Remeasurement gains/(losses) on pension assets and post-retirement benefit obligations	2,172	1,658
Net gains/(losses) on equity instruments designated at fair value through other comprehensive income	12	46
Net losses in respect of cash flow hedging of capital expenditure	(1)	(12)
Tax on items that will never be reclassified to profit or loss	(496)	(472)
Total items from continuing operations that will never be reclassified to profit or loss	1,687	1,220
<i>Items from continuing operations that may be reclassified subsequently to profit or loss:</i>		
Retranslation of net assets offset by net investment hedge	630	(1,347)
Net (losses)/gains in respect of cash flow hedges	(57)	67
Net gains/(losses) in respect of cost of hedging	1	20
Net (losses)/gains on investment in debt instruments measured at fair value through other comprehensive income	(11)	80
Share of other comprehensive income/(losses) of associates, net of tax	1	1
Tax on items that may be reclassified subsequently to profit or loss	15	(8)
Total items from continuing operations that may be reclassified subsequently to profit or loss	579	(1,187)
Other comprehensive loss for the year, net of tax from continuing operations	2,266	33
Other comprehensive income/(loss) for the year, net of tax from discontinued operations	211	(216)
Other comprehensive loss for the year, net of tax	2,477	(183)
Total comprehensive income for the year from continuing operations	4,449	1,337
Total comprehensive loss for the year from discontinued operations	382	121
Total comprehensive income for the year	4,831	1,458
Attributable to:		
<i>Equity shareholders of the parent</i>		
From continuing operations	4,447	1,338
From discontinued operations	382	121
	4,829	1,459
<i>Non-controlling interests</i>		
From continuing operations	2	(1)

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

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**Consolidated statement of changes in equity
for the years ended 31 March**

	Share capital £m	Share premium account £m	Retained earnings £m	Other equity reserves £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 1 April 2020	470	1,301	21,895	(3,895)	19,771	22	19,793
Profit for the year	—	—	1,640	—	1,640	1	1,641
Other comprehensive income/(loss) for the year	—	—	1,001	(1,182)	(181)	(2)	(183)
Total comprehensive income/(loss) for the year	—	—	2,641	(1,182)	1,459	(1)	1,458
Equity dividends	—	—	(1,413)	—	(1,413)	—	(1,413)
Scrip dividend-related share issue ¹	4	(5)	—	—	(1)	—	(1)
Issue of treasury shares	—	—	17	—	17	—	17
Purchase of own shares	—	—	(2)	—	(2)	—	(2)
Share-based payments	—	—	27	—	27	—	27
Tax on share-based payments	—	—	(2)	—	(2)	—	(2)
Cash flow hedges transferred to the statement of financial position, net of	—	—	—	(17)	(17)	—	(17)
1 April 2021	474	1,296	23,163	(5,094)	19,839	21	19,860
Profit for the year	—	—	2,353	—	2,353	1	2,354
Other comprehensive income for the year	—	—	1,871	605	2,476	1	2,477
Total comprehensive income for the year	—	—	4,224	605	4,829	2	4,831
Equity dividends	—	—	(922)	—	(922)	—	(922)
Scrip dividend-related share issue ¹	11	(12)	—	—	(1)	—	(1)
Issue of treasury shares	—	—	17	—	17	—	17
Transactions in own shares	—	16	(3)	—	13	—	13
Share-based payments	—	—	43	—	43	—	43
Tax on share-based payments	—	—	7	—	7	—	7
Transfer of accumulated gains and losses on sale of equity investments	—	—	82	(82)	—	—	—
Cash flow hedges transferred to the statement of financial position, net of	—	—	—	8	8	—	8
At 31 March 2022	485	1,300	26,611	(4,563)	23,833	23	23,856

1. Included within the share premium account are costs associated with scrip dividends.

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2021/22 Full Year Results Statement

**Consolidated statement of financial position
as at 31 March**

	Notes	2022 £m	2021 £m
<i>Non-current assets</i>			
Goodwill		9,532	4,588
Other intangible assets		3,272	1,443
Property, plant and equipment	10	57,532	47,043
Other non-current assets		303	293
Pension assets	11	3,885	1,747
Financial and other investments		830	755
Investments in joint ventures and associates		1,238	867
Derivative financial assets		305	542
Total non-current assets		76,897	57,278
<i>Current assets</i>			
Inventories and current intangible assets		511	439
Trade and other receivables		3,715	2,919
Current tax assets		106	67
Financial and other investments		3,145	2,342
Derivative financial assets		282	457
Cash and cash equivalents		204	157
Assets held for sale	9	10,000	3,557
Total current assets		17,963	9,938
Total assets		94,860	67,216
<i>Current liabilities</i>			
Borrowings		(12,121)	(3,737)
Derivative financial liabilities		(144)	(145)
Trade and other payables		(4,915)	(3,517)
Contract liabilities		(130)	(66)
Current tax liabilities		(32)	(75)
Provisions		(240)	(260)
Liabilities held for sale	9	(7,188)	(1,568)
Total current liabilities		(24,770)	(9,368)
<i>Non-current liabilities</i>			
Borrowings		(33,344)	(27,483)
Derivative financial liabilities		(869)	(754)
Other non-current liabilities		(805)	(843)
Contract liabilities		(1,342)	(1,094)
Deferred tax liabilities		(6,765)	(4,815)
Pensions and other post-retirement benefit obligations	11	(810)	(1,032)
Provisions		(2,299)	(1,967)
Total non-current liabilities		(46,234)	(37,988)
Total liabilities		(71,004)	(47,356)
Net assets			
Equity			
Share capital		485	474
Share premium account		1,300	1,296
Retained earnings		26,611	23,163
Other equity reserves		(4,563)	(5,094)
Total shareholders' equity		23,833	19,839
Non-controlling interests		23	21
Total equity		23,856	19,860

National Grid

2021/22 Full Year Results Statement

**Consolidated cash flow statement
for the years ended 31 March**

	Notes	2022 £m	2021 ¹ £m
<i>Cash flows from operating activities</i>			
Total operating profit from continuing operations	2(b)	4,371	2,401
Adjustments for:			
Exceptional items and remeasurements	4	(558)	26
Other fair value movements		(65)	(22)
Depreciation, amortisation and impairment		1,830	1,485
Share-based payments		38	23
Changes in working capital		361	279
Changes in provisions		140	(167)
Changes in pensions and other post-retirement benefit obligations		(76)	(16)
Cash flows relating to exceptional items		(253)	(42)
Cash generated from operations – continuing operations		5,788	3,967
Tax paid		(298)	(91)
Net cash inflow from operating activities – continuing operations		5,490	3,876
Net cash inflow from operating activities – discontinued operations	9	782	585
<i>Cash flows from investing activities</i>			
Acquisition of financial investments		(197)	(99)
Acquisition of, and contributions to National Grid Renewables and Emerald Energy Venture LLC		(16)	(26)
Acquisition of Western Power Distribution ²	14	(7,837)	—
Investments in joint ventures and associates		(265)	(81)
Disposal of financial investments		215	66
Disposal of interest in St William Homes LLP		413	—
Purchases of intangible assets		(446)	(399)
Purchases of property, plant and equipment		(5,098)	(4,209)
Disposals of property, plant and equipment		26	7
Dividends received from joint ventures, associates and other investments		166	80
Interest received		40	16
Net movements in short-term financial investments		(781)	(438)
Cash inflows on derivatives		17	225
Cash outflows on derivatives		(122)	(81)
Net cash flow used in investing activities – continuing operations		(13,885)	(4,939)
Net cash flow used in investing activities – discontinued operations	9	(125)	(177)
<i>Cash flows from financing activities</i>			
Proceeds from issue of treasury shares		33	16
Purchase of own shares		(3)	(2)
Proceeds received from loans		12,347	5,150
Repayment of loans		(1,261)	(1,654)
Payments of lease liabilities		(117)	(107)
Net movements in short-term borrowings		(11)	(619)
Cash inflows on derivatives		20	17
Cash outflows on derivatives		(114)	(183)
Interest paid		(1,053)	(753)
Dividends paid to shareholders		(922)	(1,413)
Net cash flow from/(used in) financing activities – continuing operations		8,919	452
Net cash flow (used in)/from financing activities – discontinued operations	9	(1,150)	298
Net increase/(decrease) in cash and cash equivalents		31	95
Reclassification to held for sale	9	(11)	(4)
Exchange movements		5	(7)
Cash and cash equivalents at start of year		157	73
Cash and cash equivalents at end of year³		182	157

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

2. Balance consists of cash consideration paid and cash acquired from WPD.

3. Cash and cash equivalents at end of year are shown net of the Group's bank overdraft as at 31 March 2022 of £22 million (2021: £nil).

Notes

1. Basis of preparation and new accounting standards, interpretations and amendments

The full year financial information contained in this announcement, which does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006, has been derived from the statutory accounts for the year ended 31 March 2022, which will be filed with the Registrar of Companies in due course. Statutory accounts for the year ended 31 March 2021 have been filed with the Registrar of Companies. The auditors' report on each of these statutory accounts was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

The full year financial information has been prepared in accordance with the accounting policies applicable for the year ended 31 March 2022 which are consistent with those applied in the preparation of our Annual Report and Accounts for the year ended 31 March 2021, with the exception of any new standards or interpretations adopted during the year.

Our income statement and segmental analysis separately identify financial results before and after exceptional items and remeasurements. We continue to use a columnar presentation as we consider it improves the clarity of the presentation, and assists users of the financial statements to understand the results. The Directors believe that presentation of the results in this way is relevant to an understanding of the Group's financial performance. The inclusion of total profit for the period from continuing operations before exceptional items and remeasurements forms part of the incentive target set annually for remunerating certain Executive Directors and accordingly we believe it is important for users of the financial statements to understand how this compares to our results on a statutory basis and period on period.

Areas of judgement and key sources of estimation uncertainty

Areas of judgement that have the most significant effect on the amounts recognised in the financial statements are as follows:

- categorisation of certain items as exceptional items or remeasurements and the definition of adjusted earnings (see notes 4 and 7). In applying the Group's exceptional items framework, we have considered a number of key matters, as detailed in note 4;
- in relation to the planned disposal of the UK Gas Transmission business, the key judgement that has been applied is the date from which the business qualified for classification as held for sale and a discontinued operation, as explained further in note 9;
- in performing the goodwill and indefinite-lived licence intangible assets impairment assessment of the WPD cash-generating unit, judgement has been applied over the forecast cash flow duration; and
- the judgement that, notwithstanding legislation enacted and targets committing the UK, New York State and Massachusetts to achieving net zero greenhouse gas emissions by 2050, these do not trigger a reassessment of the remaining useful economic lives of our gas network assets (see estimate below).

Key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are as follows:

- in performing the goodwill impairment assessment of the WPD cash-generating unit, the key source of estimation uncertainty relates to the discount rate and terminal value assumptions used in value-in-use calculations;
- the valuation of liabilities for pensions and other post-retirement benefits (see note 11); and
- the cash flows applied in determining the environmental provisions, in particular relating to three US Superfund sites (see note 4).

In addition, we also highlight the estimates made regarding the useful economic lives of our gas network assets due to the length over which they are being depreciated, the potential for new and evolving technologies over that period, and the range of potential pathways for meeting net zero targets.

1. Basis of preparation and new accounting standards, interpretations and amendments

continued

Disposal of The Narragansett Electric Company

As described further in note 9, on 17 March 2021, the Group signed an agreement to sell 100% of the share capital of a wholly owned subsidiary, NECO. Whilst all of the regulatory approvals are in place, the disposal of NECO was not finalised as at 31 March 2022 due to the appeal of one of these approvals by the Rhode Island Attorney General.

The associated assets and liabilities have been presented as held for sale in the consolidated statement of financial position. As NECO does not represent either a major line of business or a geographical area of operations, it has not met the criteria for classification as a discontinued operation and therefore its results for the period are not separately disclosed on the face of the income statement.

Disposal of UK Gas Transmission

As described further in note 9, on 27 March 2022, the Group agreed to sell 100% of the UK Gas Transmission business to a new entity (the 'Acquiring Entity') in exchange for £4.2 billion cash consideration (subject to customary completion adjustments) and a 40% interest in the Acquiring Entity. The sale is expected to complete in the third quarter of the financial year ending 31 March 2023 subject to the receipt of all regulatory approvals. The Group's 40% interest in the Acquiring Entity is expected to be classified as an associate on the basis that the Group will retain significant influence over the business through its retained stake. The Group has the ability to appoint two out of the seven Directors to the Board of the Acquiring Entity. On 27 March 2022, the Group also entered into a Further Acquisition Agreement (FAA) for the potential sale of the remaining 40% stake. The FAA is a put option that can be exercised by the purchaser either in the period between 1 January and 31 March 2023 or in the period between 1 April and 30 June 2023. The deferral of the option window is at our discretion (subject to change depending on the timing of the closing of the sale agreement).

The Group classified the business as held for sale at the end of August 2021, when it became highly probable that the value of the business to the Group would be recovered through sale rather than continued ownership. As UK Gas Transmission represents a major separate line of business, the business has been classified separately as a discontinued operation for all periods presented in the consolidated income statement and statement of comprehensive income. Earnings per share (EPS) has also been shown split between continuing and discontinued operations.

New accounting standards and interpretations effective for the year ended 31 March 2022

With effect from the period commencing 1 April 2021, the consolidated financial statements are prepared in accordance with IAS and IFRS and related interpretations as adopted by the UK, instead of those adopted by the EU. As both sets of accounting standards are currently aligned, there will be no transitional adjustments required and comparative amounts were not required to be restated.

The Group early adopted the following amendments to standards which have had no material impact on the Group's results or financial statement disclosures:

- amendments to IFRS 16 'Leases – COVID-19-Related Rent Concessions';
- amendments to IFRS 3 'Definition of a Business'; and
- amendments to IAS 1 and IAS 8 'Definition of Material'.

In April 2021, the IFRS IC (Interpretation Committee) also issued an agenda decision in relation to the accounting treatment for configuration and customisation costs in a cloud computing arrangement. This guidance clarified that in order for an intangible asset to be capitalised in relation to customisation and configuration costs in a cloud computing arrangement, it is necessary for there to be control of the underlying software asset or for there to be a separate intangible asset which meets the definition in IAS 38 Intangible Assets. As at 31 March 2022, the Group has recognised a cumulative adjustment against software intangible assets of £34 million for previously capitalised customisation and configuration relating to its continuing operations. The Group has also considered the application of the new accounting guidance for its comparative periods and concluded that it does not have a material impact. Accordingly, no comparative periods have been restated.

1. Basis of preparation and new accounting standards, interpretations and amendments
continued**New accounting standards not yet adopted**

The following new accounting standards and amendments to existing standards have been issued but are not yet effective or have not yet been endorsed by the UK:

- IFRS 17 'Insurance Contracts';
- amendments to IFRS 3 'Business Combinations';
- amendments to IAS 12 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction';
- amendments to IAS 16 'Property, Plant and Equipment';
- amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets';
- amendments to IAS 1 'Presentation of Financial Statements';
- amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors';
- annual improvements to IFRS standards 2018-2020; and
- amendments to IFRS Practice Statement 2 – making materiality judgements.

Effective dates will be subject to the UK endorsement process.

The Group is currently assessing the impact of the above standards, but they are not expected to have a material impact.

The Group has not adopted any other standard, amendment or interpretation that has been issued but is not yet effective.

Date of approval

This announcement was approved by the Board of Directors on 18 May 2022.

2. Segmental analysis

Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board is National Grid's chief operating decision maker (as defined by IFRS 8 'Operating Segments') and assesses the profitability of operations principally on the basis of operating profit before exceptional items and remeasurements (see note 4). As a matter of course, the Board also considers profitability by segment, excluding the effect of timing. However, the measure of profit disclosed in this note is operating profit before exceptional items and remeasurements as this is the measure that is most consistent with the IFRS results reported within our financial statements.

The results of our five principal businesses are reported to the Board of Directors and are treated as reportable operating segments. All other operating segments are reported to the Board of Directors on an aggregated basis.

The following table describes the main activities for each reportable operating segment:

UK Electricity Transmission	The high-voltage electricity transmission networks in England and Wales.
UK Electricity Distribution	The electricity distribution networks of WPD in the East Midlands, West Midlands and South West of England and South Wales.
UK Electricity System Operator	The Great Britain system operator.
New England	Gas distribution networks, electricity distribution networks and high-voltage electricity transmission networks in New England.
New York	Gas distribution networks, electricity distribution networks and high-voltage electricity transmission networks in New York.

The UK Gas Transmission business, which owns the high-pressure gas transmission networks in Great Britain and gas system operator in Great Britain and includes the regulated gas metering operations (which was previously reported within NGV and Other), is now a discontinued operation and classified as held for sale (see note 9). Therefore, while it is still a reportable operating segment, it is no longer presented within continuing operations.

The National Grid Ventures (NGV) operating segment is outside our regulated core business and operates in competitive markets across the UK and the US. The business comprises all commercial operations in LNG at the Isle of Grain in the UK, our electricity generation business in the US, our electricity interconnectors and our investment in National Grid Renewables Development LLC, with a focus on investment and future activities in emerging growth areas. NGV does not meet the thresholds set out in IFRS 8 to be identified as a separate reportable segment and therefore its results are not required to be separately presented.

Other activities that do not form part of any of the segments in the above table or NGV primarily relate to our UK property business together with insurance and corporate activities in the UK and US and the Group's investments in technology and innovation companies through National Grid Partners.

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2. Segmental analysis continued

(a) Revenue

Revenue primarily represents the sales value derived from the generation, transmission and distribution of energy, together with the sales value derived from the provision of other services to customers. Refer to note 3 for further details.

Sales between operating segments are priced considering the regulatory and legal requirements to which the businesses are subject. The analysis of revenue by geographical area is on the basis of destination. There are no material sales between the UK and US geographical areas.

	2022			2021 ¹		
	Total sales	Sales between segments	Sales to third parties	Total sales	Sales between segments	Sales to third parties
	£m	£m	£m	£m	£m	£m
Operating segments – continuing operations:						
UK Electricity Transmission	2,035	(7)	2,028	1,974	(10)	1,964
UK Electricity Distribution	1,482	(14)	1,468	—	—	—
UK Electricity System Operator	3,455	(18)	3,437	2,018	—	2,018
New England	4,550	—	4,550	4,214	—	4,214
New York	5,561	—	5,561	4,605	—	4,605
NGV and Other	1,216	—	1,216	864	—	864
Total revenue before exceptional items and remeasurements	18,299	(39)	18,260	13,675	(10)	13,665
Exceptional items and remeasurements ²	189	—	189	—	—	—
Total revenue from continuing operations	18,488	(39)	18,449	13,675	(10)	13,665
Split by geographical areas – continuing operations:						
UK			7,803			4,368
US			10,646			9,297
Total revenue from continuing operations			18,449			13,665

1. Comparative amounts have been re-presented to reflect the new operating segments and the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

2. In connection with the disposal of St William Homes LLP in the year the Group released deferred income within NGV and Other of £189 million related to deferred profits from previous property sales (see note 4).

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2. Segmental analysis continued

(b) Operating profit

A reconciliation of the operating segments' measure of profit to profit before tax from continuing operations is provided below. Further details of the exceptional items and remeasurements are provided in note 4.

	Before exceptional items and remeasurements		Exceptional items and remeasurements		After exceptional items and remeasurements	
	2022 £m	2021 ¹ £m	2022 £m	2021 ¹ £m	2022 £m	2021 ¹ £m
Operating segments – continuing operations:						
UK Electricity Transmission	1,067	1,094	(12)	(14)	1,055	1,080
UK Electricity Distribution	909	—	—	—	909	—
UK Electricity System Operator	7	(60)	(2)	7	5	(53)
New England	743	611	21	3	764	614
New York	780	665	315	30	1,095	695
NGV and Other	307	117	236	(52)	543	65
Total operating profit from continuing operations	3,813	2,427	558	(26)	4,371	2,401
Split by geographical area – continuing operations:						
UK	2,234	1,113	224	(57)	2,458	1,056
US	1,579	1,314	334	31	1,913	1,345
Total operating profit from continuing operations	3,813	2,427	558	(26)	4,371	2,401

1. Comparative amounts have been re-presented to reflect the new operating segments and the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

	Before exceptional items and remeasurements		Exceptional items and remeasurements		After exceptional items and remeasurements	
	2022 £m	2021 ¹ £m	2022 £m	2021 ¹ £m	2022 £m	2021 ¹ £m
Reconciliation to profit before tax:						
Operating profit from continuing operations	3,813	2,427	558	(26)	4,371	2,401
Share of post-tax results of joint ventures and associates	148	66	(56)	(8)	92	58
Finance income	65	35	(15)	23	50	58
Finance costs	(1,146)	(900)	74	47	(1,072)	(853)
Profit before tax from continuing operations	2,880	1,628	561	36	3,441	1,664

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

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2. Segmental analysis continued

(c) Capital expenditure

Capital expenditure represents additions to property, plant and equipment and non-current intangibles but excludes additional investments in and loans to joint ventures and associates.

	Net book value of property, plant and equipment and other intangible assets		Capital expenditure		Depreciation, amortisation and impairment	
	2022 £m	2021 ¹ £m	2022 £m	2021 ¹ £m	2022 £m	2021 ¹ £m
Operating segments:						
UK Electricity Transmission	14,678	14,000	1,195	984	(508)	(460)
UK Electricity Distribution	12,522	—	899	—	(158)	—
UK Electricity System Operator	404	379	108	88	(83)	(47)
New England	11,485	10,165	1,561	1,437	(364)	(389)
New York	18,676	16,467	1,960	1,738	(537)	(453)
NGV and Other	3,039	2,750	462	480	(180)	(136)
Total	60,804	43,761	6,185	4,727	(1,830)	(1,485)
Split by geographical area – continuing operations:						
UK	30,131	16,627	2,546	1,504	(879)	(596)
US	30,673	27,134	3,639	3,223	(951)	(889)
Total	60,804	43,761	6,185	4,727	(1,830)	(1,485)
Asset type:						
Property, plant and equipment	57,532	42,424	5,714	4,335	(1,544)	(1,317)
Non-current intangible assets	3,272	1,337	471	392	(286)	(168)
Total	60,804	43,761	6,185	4,727	(1,830)	(1,485)

1. Comparative amounts have been re-presented to reflect the new operating segments and the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

3. Revenue

Revenue arises in the course of ordinary activities and principally comprises:

- transmission services;
- distribution services; and
- generation services.

Transmission services, distribution services and certain other services (excluding rental income but including metering) fall within the scope of IFRS 15 'Revenue from Contracts with Customers', whereas generation services (which solely relate to the contract with the Long Island Power Authority (LIPA) in the US) are accounted for under IFRS 16 'Leases' as rental income, also presented within revenue. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties and value added tax. The Group recognises revenue when it transfers control over a product or service to a customer.

Revenue in respect of regulated activities is determined by regulatory agreements that set the price to be charged for services in a given period based on pre-determined allowed revenues. Variances in service usage can result in actual revenue collected exceeding (over recoveries) or falling short (under recoveries) of allowed revenues. Where regulatory agreements allow the recovery of under recoveries or require the return of over recoveries the allowed revenue for future periods is typically adjusted. In these instances, no assets or liabilities are recognised for under or over recoveries respectively, because the adjustment relates to future services that have not yet been delivered.

The following is a description of principal activities, by reportable segment, from which the Group generates its revenue. For more detailed information about our segments, see note 2.

(a) UK Electricity Transmission

The UK Electricity Transmission segment principally generates revenue by providing electricity transmission services in England and Wales. Our business operates as a monopoly regulated by Ofgem, which has established price control mechanisms that set the amount of annual allowed returns our business can earn (along with the Scottish and Offshore transmission operators amongst others).

The transmission of electricity encompasses the following principal services:

- the supply of high-voltage electricity – revenue is recognised based on usage. Our performance obligation is satisfied over time as our customers make use of our network. We bill monthly in arrears and our payment terms are up to 60 days. Price is determined prior to our financial year end with reference to the regulated allowed returns and estimated annual volumes; and
- construction work (principally for connections) – revenue is recognised over time, as we provide access to our network. Customers can either pay over the useful life of the connection or upfront. Where the customer pays upfront, revenues are deferred as a contract liability and released over the life of the asset.

For other construction where there is no consideration for any future services, for example diversions, revenues are recognised as the construction work is completed.

(b) UK Electricity Distribution

The UK Electricity Distribution segment principally generates revenue by providing electricity distribution services in the Midlands and South West of England and South Wales. Similar to UK Electricity Transmission, UK Electricity Distribution operates as a monopoly in the jurisdictions that it operates in and is regulated by Ofgem.

The distribution of electricity encompasses the following principal services:

- electricity distribution – revenue is recognised based on usage by customers (over time), based upon volumes and price. The price control mechanism in place that determines our annual allowances is similar to UK Electricity Transmission. Revenues are billed monthly and payment terms are typically within 14 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays upfront, revenues are deferred as a contract liability and released over the life of the asset.

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For other construction where there is no consideration for any future services, revenues are recognised as the construction is completed.

National Grid**2021/22 Full Year Results Statement****3. Revenue** (continued)**(c) UK Electricity System Operator**

The UK System Operator earns revenue for balancing supply and demand of electricity on Great Britain's electricity transmission system, where it acts as principal. Balancing services are regulated by Ofgem and revenue is recognised as the service is provided.

The System Operator also collects revenues on behalf of transmission operators, principally National Grid Electricity Transmission plc and the Scottish and Offshore transmission operators, from users (electricity suppliers) who connect to or use the transmission system. As the System Operator acts as an agent in this capacity, it therefore records transmission network revenues net of payments to transmission operators.

(d) New England

The New England segment principally generates revenue by providing electricity and gas distribution services and high voltage electricity transmission services in New England. Distribution services are regulated by the Massachusetts Department of Public Utilities (MADPU) and the Rhode Island Public Utilities Commission (RIPUC) and transmission services are regulated by the Federal Energy Regulatory Commission (FERC), both of whom regulate the rates that can be charged to customers.

The distribution of electricity and gas and the provision of electricity transmission facilities encompasses the following principal services:

- electricity and gas distribution and electricity transmission – revenue is recognised based on usage by customers (over time). Revenues are billed monthly and payment terms are 30 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays upfront, revenues are deferred as a contract liability or customer contributions (where they relate to government entities) and released over the life of the connection.

(e) New York

The New York segment principally generates revenue by providing electricity and gas distribution services and high-voltage electricity transmission services in New York. Distribution services are regulated by the New York Public Service Commission (NYPSC) and transmission services are regulated by the FERC, both of whom regulate the rates that can be charged to customers.

The distribution of electricity and gas and the provision of electricity transmission facilities encompasses the following principal services:

- electricity and gas distribution and electricity transmission – revenue is recognised based on usage by customers (over time). Revenues are billed monthly and payment terms are 30 days; and
- construction work (principally for connections) – revenue is recognised over time as we provide access to our network. Where the customer pays upfront, revenues are deferred as a contract liability or customer contributions (where they relate to government entities) and released over the life of the connection.

3. Revenue (continued)**(f) NGV and Other**

NGV and Other generates revenue from electricity interconnectors, LNG at the Isle of Grain, National Grid Renewables, our UK commercial property business, rental income and insurance.

The Group recognises revenue from transmission services through interconnectors and LNG importation at the Isle of Grain by means of customers' use of capacity and volumes. Revenue is recognised over time and is billed monthly. Payment terms are up to 30 days. Revenues in respect of certain wholly owned interconnector subsidiaries are subject to a cap and floor regime constructed by Ofgem. Where an interconnector expects to breach its total five-year cap, a provision and reduction in revenue is recognised in the current reporting period. Where an interconnector does not expect to reach its five-year floor, either an asset will be recognised where a future inflow of economic benefits is considered virtually certain, or a contingent asset will be disclosed where the future inflow is concluded to be probable.

Electricity generation revenue is earned from the provision of energy services and supply capacity to produce energy for the use of customers of LIPA through a power supply agreement where LIPA receives all of the energy and capacity from the asset until at least 2025. The arrangement is treated as an operating lease within the scope of the leasing standard where we act as lessor; with rental income being recorded as other income, which forms part of total revenue. Lease payments (capacity payments) are recognised on a straight-line basis and variable lease payments are recognised as the energy is generated.

Other revenue in the scope of IFRS 15 principally includes sales of renewables projects from National Grid Renewables to Emerald Energy Venture LLC (Emerald), which is jointly controlled by National Grid and Washington State Investment Board (WSIB). National Grid Renewables develops wind and solar generation assets in the US, whilst Emerald has a right of first refusal to buy, build and operate those assets. Revenue is recognised as it is earned.

Other revenue, recognised in accordance with standards other than IFRS 15, includes property sales by our UK commercial property business (including sales to our 50% share in the St William joint venture which was sold on 15 March 2022) and rental income. Property sales are recorded at a point in time (when the sale is legally completed) and rental income is recorded over time.

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3. Revenue (continued)

(g) Disaggregation of revenue

In the following tables, revenue is disaggregated by primary geographical market and major service lines. The table below reconciles disaggregated revenue with the Group's reportable segments (see note 2).

Revenue for the year ended 31 March 2022	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total £m
<i>Revenue under IFRS 15</i>							
Transmission	1,983	—	—	52	405	627	3,067
Distribution	—	1,375	—	4,434	5,110	—	10,919
System Operator	—	—	3,418	—	—	—	3,418
Other ¹	35	89	19	10	10	147	310
Total IFRS 15 revenue	2,018	1,464	3,437	4,496	5,525	774	17,714
<i>Other revenue</i>							
Generation	—	—	—	—	—	373	373
Other ²	10	4	—	54	36	69	173
Total other revenue	10	4	—	54	36	442	546
Total revenue before exceptional items and remeasurements	2,028	1,468	3,437	4,550	5,561	1,216	18,260
Exceptional items and remeasurements	—	—	—	—	—	189	189
Total revenue from continuing operations	2,028	1,468	3,437	4,550	5,561	1,405	18,449

1. The UK Electricity Transmission and UK Electricity Distribution other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. UK Electric System Operator other IFRS 15 revenue reflects the net income from its role as agent in respect of transmission network revenues. Within NGV and Other, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.

2. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business and rental income.

Geographical split for the year ended 31 March 2022	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total £m
<i>Revenue under IFRS 15</i>							
UK	2,018	1,464	3,437	—	—	646	7,565
US	—	—	—	4,496	5,525	128	10,149
Total IFRS 15 revenue	2,018	1,464	3,437	4,496	5,525	774	17,714
<i>Other revenue</i>							
UK	10	4	—	—	—	35	49
US	—	—	—	54	36	407	497
Total other revenue	10	4	—	54	36	442	546
Total revenue before exceptional items and remeasurements	2,028	1,468	3,437	4,550	5,561	1,216	18,260
Exceptional items and remeasurements	—	—	—	—	—	189	189
Total revenue from continuing operations	2,028	1,468	3,437	4,550	5,561	1,405	18,449

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3. Revenue (continued)

Revenue for the year ended 31 March 2021	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total ¹ £m
<i>Revenue under IFRS 15</i>							
Transmission	1,875	—	—	74	329	316	2,594
Distribution	—	—	—	4,091	4,226	—	8,317
System Operator	—	—	2,076	—	—	—	2,076
Other ²	67	—	(61)	8	7	76	97
Total IFRS 15 revenue	1,942	—	2,015	4,173	4,562	392	13,084
<i>Other revenue</i>							
Generation	—	—	—	—	—	376	376
Other ³	22	—	3	41	43	96	205
Total other revenue	22	—	3	41	43	472	581
Total revenue from continuing operations	1,964	—	2,018	4,214	4,605	864	13,665

Geographical split for the year ended 31 March 2021	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total ¹ £m
<i>Revenue under IFRS 15</i>							
UK	1,942	—	2,015	—	—	327	4,284
US	—	—	—	4,173	4,562	65	8,800
Total IFRS 15 revenue	1,942	—	2,015	4,173	4,562	392	13,084
<i>Other revenue</i>							
UK	22	—	3	—	—	59	84
US	—	—	—	41	43	413	497
Total other revenue	22	—	3	41	43	472	581
Total revenue from continuing operations	1,964	—	2,018	4,214	4,605	864	13,665

- Comparative amounts have been re-presented to reflect the new operating segments and the classification of the UK Gas Transmission business as a discontinued operation. See notes 1, 2 and 9 for further information.
- The UK Electricity Transmission other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the rerouting of existing network assets. UK Electric System Operator other IFRS 15 revenue reflects the net income from its role as agent in respect of transmission network revenues. Within NGV and Other, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
- Other revenue, recognised in accordance with accounting standards other than IFRS 15, principally includes property sales by our UK commercial property business and rental income reported in NGV and Other.

Contract liabilities represent revenue to be recognised in future periods relating to contributions in aid of construction of £1,472 million (2021: £1,160 million). Contract liabilities in the years ended 31 March 2021 and 2020 included amounts in respect of the UK Gas Transmission business of £136 million and £136 million respectively. Revenue is recognised over the life of the asset. The asset lives for connections in UK Electricity Transmission, UK Electricity Distribution, New England and New York are 40 years, 69 years, 51 years and up to 48 years respectively. The weighted average amortisation period is 31 years.

Future revenues in relation to unfulfilled performance obligations not yet received in cash amount to £5.2 billion (2021: £4.8 billion). £1.7 billion (2021: £1.6 billion) relates to connection contracts in UK Electricity Transmission which will be recognised as revenue over 25 years and £3.0 billion (2021: £3.0 billion) relates to revenues to be earned under Grain LNG contracts until 2045. The remaining amount will be recognised as revenue over 3 years.

The amount of revenue recognised for the year ended 31 March 2022 from performance obligations satisfied (or partially satisfied) in previous periods, mainly due to changes in the estimate of the stage of completion, is £nil (2021: £nil).

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4. Exceptional items and remeasurements

To monitor our financial performance, we use a profit measure that excludes certain income and expenses. We call that measure 'adjusted profit'. Adjusted profit (which excludes exceptional items and remeasurements as defined below) is used by management to monitor financial performance as it is considered that it aids the comparability of our reported financial performance from year to year. We exclude items from adjusted profit because, if included, these items could distort understanding of our performance for the year and the comparability between periods. This note analyses these items, which are included in our results for the year but are excluded from adjusted profit.

	2022 £m	2021 ¹ £m
<i>Included within operating profit</i>		
Exceptional items:		
Release of St William Homes LLP deferred income	189	—
Net gain on disposal of St William Homes LLP	228	—
New operating model implementation costs and cost efficiency programme	(66)	(50)
Transaction and separation costs	(223)	(24)
Environmental insurance recovery	38	—
Changes in environmental provisions	—	14
	166	(60)
Remeasurements – commodity contract derivatives	392	34
	558	(26)
<i>Included within finance income and costs</i>		
Remeasurements:		
Net gains/(losses) on financing derivatives	74	47
Net (losses)/gains on financial assets at fair value through profit and loss	(15)	23
	59	70
<i>Included within share of post-tax results of joint ventures and associates</i>		
Remeasurements – net losses on financial instruments	(56)	(8)
Total included within profit/(loss) before tax	561	36
<i>Included within tax</i>		
Exceptional items – movements arising on items not included in profit before tax:		
Deferred tax charge arising as a result of UK tax rate change	(458)	—
Tax on exceptional items	(28)	8
Tax on remeasurements	(103)	(34)
	(589)	(26)
Total exceptional items and remeasurements after tax	(28)	10
<i>Analysis of total exceptional items and remeasurements after tax</i>		
Exceptional items after tax	(320)	(52)
Remeasurements after tax	292	62
Total exceptional items and remeasurements after tax	(28)	10

¹ Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

Exceptional items

Management uses an exceptional items framework that has been discussed and approved by the Audit & Risk Committee. This follows a three-step process which considers the nature of the event, the financial materiality involved and any particular facts and circumstances. In considering the nature of the event, management focuses on whether the event is within the Group's control and how frequently such an event typically occurs. With respect to restructuring costs, these represent additional expenses incurred that are not related to the normal business and day-to-day activities. In determining the facts and circumstances, management considers factors such as ensuring consistent treatment between favourable and unfavourable transactions, the precedent for similar items, the number of periods over which costs will be spread or gains earned, and the commercial context for the particular transaction. The exceptional items framework was last updated in March 2022 and reflects the latest disclosure requirements arising in respect of FRC guidance issued in the year.

4. Exceptional items and remeasurements continued

Items of income or expense that are considered by management for designation as exceptional items include significant restructurings, write-downs or impairments of non-current assets, significant changes in environmental or decommissioning provisions, integration of acquired businesses, gains or losses on disposals of businesses or investments and significant debt redemption costs as a consequence of transactions such as significant disposals or issues of equity, and the related tax, as well as deferred tax arising on changes to corporation tax rates.

Costs arising from restructuring programmes include redundancy costs. Redundancy costs are charged to the consolidated income statement in the year in which a commitment is made to incur the costs and the main features of the restructuring plan have been announced to affected employees.

Set out below are details of the transactions against which we have considered the application of our exceptional items framework in each of the years for which results are presented. No COVID-19-related costs incurred have been recognised as exceptional in any of the years presented.

2022

Net gain on disposal of St William Homes LLP and release of deferred income

During the year, the Group recognised a gain of £228 million on the disposal of its entire 50% equity interest in the St William Homes LLP joint venture to The Berkeley Group plc for cash consideration of £413 million. In connection with the disposal, the Group also released deferred income of £189 million which related to deferred profits from previous property sales to St William Homes LLP. We have concluded that the release of the deferred income should be classified as exceptional given the crystallisation event for the release is the sale of the Group's equity interest in St William Homes LLP.

New operating model implementation costs and cost efficiency programme

The Group incurred a further £66 million of costs in relation to the design and implementation of our new operating model and the major cost efficiency programme announced in November 2021. The costs recognised primarily relate to professional fees incurred and redundancy provisions. Whilst the costs incurred this year do not meet the quantitative threshold to be classified as exceptional on a standalone basis, when taken in aggregate with the costs expected to be incurred over the duration of the programme, we have concluded that the costs should be classified as exceptional in line with our exceptional items policy. Estimated costs expected to be incurred in future years are disclosed in the Financial review on page 8. The total cash outflow for the period was £48 million.

Transaction and separation costs

£223 million of transaction and separation costs were incurred in the period in relation to the acquisition of WPD, the planned disposal of NECO and the planned disposal of our UK Gas Transmission business (see note 9). The costs relate to legal fees, bankers' fees and other professional fees. The costs have been classified as exceptional, consistent with similar costs for the year ended 31 March 2021. The total cash outflow for the year was £196 million.

Environmental insurance recovery

In the US, the most significant component of our £1.9 billion environmental provision relates to several Superfund sites, and arose from former manufacturing gas plant facilities, previously owned or operated by the Group or its predecessor companies. Under Federal and State Superfund laws, potential liability for the historical contamination may be imposed on responsible parties jointly and severally, without regard to fault, even if the activities were lawful when they occurred. In the year, we have recognised an exceptional gain of £38 million relating to an insurance receivable for site remediation costs that are included in our Superfund sites environmental provision. The insurance receipts have been recorded as an exceptional item in line with the treatment of the related costs.

4. Exceptional items and remeasurements continued

2021

New operating model implementation costs

The Group incurred £50 million of costs in relation to the design and implementation of our new operating model that is built on a foundation of six business units. The costs recognised in the year ended 31 March 2021 primarily related to professional fees incurred and redundancy provisions. In evaluating the costs incurred against the quantitative thresholds in our exceptional items framework we considered the total costs to be incurred over the duration of the programme. Whilst the costs incurred did not meet the quantitative threshold to be classified as exceptional on a standalone basis, we concluded that the costs should be classified as exceptional in line with our exceptional items policy, in order to ensure that the costs are treated in a consistent manner with similar costs incurred previously. The total cash outflow for the year was £33 million.

Transaction and separation costs

£24 million of transaction and separation costs were incurred in relation to the acquisition of WPD and the planned sale of NECO (see note 9). The costs related to legal fees, bankers' fees and professional fees. Whilst the costs incurred in isolation were not sufficiently material to warrant classification as an exceptional item, we expected further costs to be incurred in the next year, for example, in regard to success fees on completion of the acquisition. When taken in aggregate, the costs incurred over both years will be sufficiently material to be classified as exceptional in line with our policy. The total cash outflow for the year was £14 million.

Changes in environmental provision

We recognised an exceptional gain of £14 million relating to the release of environmental provisions relating to one of our US Superfund sites, for which the original provision was treated as an exceptional item. The reduction in the provision arose as a result of the re-evaluation of the Group's share of estimated costs following the finalisation of discussions on the scope of certain remediation work with government authorities. The release was recorded as an exceptional item in line with the treatment of the original provision.

Remeasurements

Remeasurements comprise unrealised gains or losses recorded in the consolidated income statement arising from changes in the fair value of certain of our financial assets and liabilities accounted for at fair value through profit and loss (FVTPL). Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. These assets and liabilities include commodity contract derivatives and financing derivatives to the extent that hedge accounting is not available or is not fully effective.

The unrealised gains or losses reported in profit and loss on certain additional assets and liabilities treated at FVTPL are also classified within remeasurements. These relate to financial assets (which fail the 'solely payments of principal and interest test' under IFRS 9), the money market fund investments used by Group Treasury for cash management purposes and the net foreign exchange gains and losses on borrowing activities. These are offset by foreign exchange gains and losses on financing derivatives measured at fair value. In all cases, these fair values increase or decrease because of changes in foreign exchange, commodity or other financial indices over which we have no control.

We report unrealised gains or losses relating to certain discrete classes of financial assets accounted for at FVTPL within adjusted profit. These comprise our portfolio of investments made by National Grid Partners, our investment in Sunrun Neptune 2016 LLC and the contingent consideration arising on the acquisition of National Grid Renewables (all within NGV and Other). The performance of these assets (including changes in fair value) is included in our assessment of adjusted profit for the relevant business units.

4. Exceptional items and remeasurements continued

Remeasurements excluded from adjusted profit are made up of the following categories:

- i. Net gains/(losses) on commodity contract derivatives represent mark-to-market movements on certain physical and financial commodity contract obligations in the US. These contracts primarily relate to the forward purchase of energy for supply to customers, or to the economic hedging thereof, that are required to be measured at fair value and that do not qualify for hedge accounting. Under the existing rate plans in the US, commodity costs are recoverable from customers although the timing of recovery may differ from the pattern of costs incurred;
- ii. Net gains/(losses) on financing derivatives comprise gains and losses arising on derivative financial instruments used for the risk management of interest rate and foreign exchange exposures. These exclude gains and losses for which hedge accounting has been effective, and have been recognised directly in the consolidated statement of other comprehensive income or are offset by adjustments to the carrying value of debt. Net foreign exchange gains and losses on financing derivatives used for the risk management of foreign exchange exposures are offset by foreign exchange losses and gains on borrowing activities;
- iii. Net gains/(losses) on financial assets measured at FVTPL comprise gains and losses on the investment funds held by our insurance captives which are categorised as FVTPL;
- iv. Net gains/(losses) on financial liabilities measured at FVTPL comprise the change in the fair value (excluding changes due to own credit risk) of a financial liability that was designated at FVTPL on transition to IFRS 9 to reduce a measurement mismatch; and
- v. Unrealised net gains/(losses) on derivatives and other financial instruments within our joint ventures and associates.

Items included within tax**2022***Change in UK corporation tax rate*

In the Spring Budget 2021, the UK government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%, and this was substantively enacted on 24 May 2021. Deferred tax balances at 31 March 2022 were remeasured at the enacted rate, with £458 million recognised as exceptional, in line with previous periods.

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5. Finance income and costs

	2022 £m	2021 ¹ £m
<i>Finance income</i>		
Interest income on financial instruments:		
Bank deposits and other financial assets	32	33
Dividends received on equities held at fair value through other comprehensive income (FVOCI)	3	2
Other income	30	—
	65	35
<i>Finance costs</i>		
Net interest on pensions and other post-retirement benefit obligations	—	(51)
Interest expense on financial liabilities held at amortised cost:		
Bank loans and overdrafts	(216)	(53)
Other borrowings ²	(961)	(741)
Interest on derivatives	(59)	(47)
Unwinding of discount on provisions	(73)	(77)
Other interest	11	(51)
Less: interest capitalised ³	152	120
	(1,146)	(900)
<i>Remeasurements – Finance income</i>		
Net gains/(losses) on FVTPL financial assets	(15)	23
	(15)	23
<i>Remeasurements – Finance costs</i>		
Net gains/(losses) on financing derivatives ⁴ :		
Derivatives designated as hedges for hedge accounting	45	30
Derivatives not designated as hedges for hedge accounting	29	17
	74	47
Total remeasurements – Finance income and costs	59	70
Finance income	50	58
Finance costs⁵	(1,072)	(853)
Net finance costs from continuing operations	(1,022)	(795)

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

2. Includes interest expense on lease liabilities.

3. Interest on funding attributable to assets in the course of construction in the current year was capitalised at a rate of 3.2% (2021: 3.1%). In the UK, capitalised interest qualifies for a current year tax deduction with tax relief claimed of £16 million (2021: £11 million). In the US, capitalised interest is added to the cost of property, plant and equipment and qualifies for tax depreciation allowances.

4. Includes a net foreign exchange gain on borrowing activities of £110 million (2021: £73 million gain) offset by foreign exchange losses and gains on financing derivatives measured at fair value.

5. Finance costs include principal accretion on inflation linked liabilities of £241 million (2021: £46 million).

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2021/22 Full Year Results Statement

6. Tax

Tax charged/(credited) to the consolidated income statement – continuing operations

	2022 £m	2021 ¹ £m
Tax before exceptional items and remeasurements	669	334
Exceptional tax on items not included in profit before tax (see note 4)	458	—
Tax on other exceptional items and remeasurements	131	26
Total tax reported within exceptional items and remeasurements	589	26
Total tax charge from continuing operations	1,258	360

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

Tax as a percentage of profit before tax

	2022 %	2021 ¹ %
Before exceptional items and remeasurements – continuing operations	23.2	20.5
After exceptional items and remeasurements – continuing operations	36.6	21.6

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

	2022 £m	2021 ¹ £m
<i>Current tax:</i>		
UK corporation tax at 19% (2021: 19%)	255	157
UK corporation tax adjustment in respect of prior years	(9)	15
	246	172
Overseas corporation tax	6	3
Overseas corporation tax adjustment in respect of prior years	(26)	(15)
	(20)	(12)
Total current tax from continuing operations	226	160
<i>Deferred tax:</i>		
UK deferred tax	605	39
UK deferred tax adjustment in respect of prior years	(5)	(20)
	600	19
Overseas deferred tax	425	174
Overseas deferred tax adjustment in respect of prior years	7	7
	432	181
Total deferred tax from continuing operations	1,032	200
Total tax charge from continuing operations	1,258	360

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

6. Tax continued**Factors that may affect future tax charges**

In the Spring Budget 2021, the UK government announced an increase in the main corporation tax rate from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 24 May 2021. Deferred tax balances as at 31 March 2022, that are expected to reverse after 1 April 2023, have been calculated at 25%.

The US government continues to consider changes to federal tax legislation, but as no changes have been substantively enacted at the balance sheet date, deferred tax balances as at 31 March 2022 have been calculated at the prevailing tax rates based on the current tax laws.

We will continue to monitor the developments driven by Brexit, the OECD's Base Erosion and Profit Shifting (BEPS) project and European Commission initiatives including fiscal aid investigations. At this time, we do not expect this to have any material impact on our future tax charges. Governments across the world including the UK and the US have introduced various stimulus/reliefs for businesses to cope with the impact of the COVID-19 pandemic, from which we do not currently expect there to be a material impact on our future tax charges.

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7. Earnings per share

Adjusted earnings and EPS, which exclude exceptional items and remeasurements, are provided to reflect the adjusted profit sub-totals used by the Company. For further details of exceptional items and remeasurements, see note 4. We have included reconciliations from this additional EPS measure to earnings for both basic and diluted EPS to provide additional detail for these items. The EPS calculations are based on profit after tax attributable to equity shareholders of the parent company which excludes non-controlling interests.

(a) Basic earnings per share

	Earnings 2022 £m	EPS 2022 pence	Earnings 2021 ¹ £m	EPS 2021 ¹ pence
Adjusted earnings from continuing operations	2,210	61.4	1,293	36.7
Exceptional items and remeasurements after tax from continuing operations (see note 4)	(28)	(0.8)	10	0.3
Earnings from continuing operations	2,182	60.6	1,303	37.0
Adjusted earnings from discontinued operations (see note 9)	344	9.6	340	9.7
Exceptional items and remeasurements after tax from discontinued operations	(173)	(4.8)	(3)	(0.1)
Earnings from discontinued operations	171	4.8	337	9.6
Total adjusted earnings	2,554	71.0	1,633	46.4
Total exceptional items and remeasurements after tax (including discontinued operations)	(201)	(5.6)	7	0.2
Total earnings	2,353	65.4	1,640	46.6
		2022		2021
		millions		millions
Weighted average number of ordinary shares – basic		3,599		3,523

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

(b) Diluted earnings per share

	Earnings 2022 £m	EPS 2022 pence	Earnings 2021 ¹ £m	EPS 2021 ¹ pence
Adjusted earnings from continuing operations	2,210	61.1	1,293	36.5
Exceptional items and remeasurements after tax from continuing operations (see note 4)	(28)	(0.8)	10	0.3
Earnings from continuing operations	2,182	60.3	1,303	36.8
Adjusted earnings from discontinued operations	344	9.5	340	9.6
Exceptional items and remeasurements after tax from discontinued operations (see note 9)	(173)	(4.8)	(3)	(0.1)
Earnings from discontinued operations	171	4.7	337	9.5
Total adjusted earnings	2,554	70.6	1,633	46.1
Total exceptional items and remeasurements after tax (including discontinued operations)	(201)	(5.6)	7	0.2
Total earnings	2,353	65.0	1,640	46.3
		2022		2021
		millions		millions
Weighted average number of ordinary shares – diluted		3,616		3,540

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

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8. Dividends

	2022			2021		
	Pence per share	Cash dividend paid £m	Scrip dividend £m	Pence per share	Cash dividend paid £m	Scrip dividend £m
Interim dividend in respect of the current year	17.21	339	282	17.00	348	249
Final dividend in respect of the prior year	32.16	583	562	32.00	1,065	54
	49.37	922	844	49.00	1,413	303

The Directors are proposing a final dividend for the year ended 31 March 2022 of 33.76p per share that will absorb approximately £1,231 million of shareholders' equity (assuming all amounts are settled in cash). It will be paid on 18 August 2022 to shareholders who are on the register of members at 4 June 2022 (subject to shareholders' approval at the AGM). A scrip dividend will be offered as an alternative.

9. Assets held for sale and discontinued operations

(a) Assets held for sale

The following assets and liabilities were classified as held for sale as at 31 March 2022:

	Total assets held for sale £m	Total liabilities held for sale £m	Net assets held for sale £m
The Narragansett Electric Company	4,129	(1,658)	2,471
UK Gas Transmission	5,871	(5,530)	341
Net assets held for sale	10,000	(7,188)	2,812

The Narragansett Electric Company

On 17 March 2021, the Group signed an agreement to sell 100% of the share capital of a wholly owned subsidiary, NECO. NECO is part of our New England segment and is a retail distribution company providing electricity and gas to customers in Rhode Island. The associated assets and liabilities were consequently presented as held for sale in the consolidated financial statements for the year ended 31 March 2021.

As NECO does not represent a separate major line of business or geographical operations, the criteria for classification as a discontinued operation are not met and accordingly its results have not been separately disclosed on the face of the income statement.

National Grid

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9. Assets held for sale and discontinued operations continued

Whilst all of the regulatory approvals are in place, the disposal of NECO was not finalised as at 31 March 2022 due to the appeal of one of these approvals by the Rhode Island Attorney General. The following assets and liabilities of NECO were classified as held for sale at 31 March 2022:

	£m
Goodwill	590
Intangible assets	4
Property, plant and equipment	3,173
Trade and other receivables	251
Cash and cash equivalents	6
Other assets	105
<i>Total assets held for sale</i>	4,129
Borrowings	(1,177)
Pension liabilities	(12)
Other liabilities	(469)
<i>Total liabilities held for sale</i>	(1,658)
Net assets held for sale	2,471

No impairment losses were recognised upon remeasurement of the assets and liabilities prior to classification as held for sale. NECO generated profit after tax of £237 million (2021: £104 million) for the year ended 31 March 2022. Current and deferred tax balances relating to NECO have not been included as held for sale on the basis that those balances will be retained by National Grid rather than transferred with the other assets and liabilities of NECO. Furthermore, the tax balances of NECO have been classified within current and non-current assets and liabilities with the corresponding offsets from the other Group members in accordance with the jurisdictional netting principles.

UK Gas Transmission

The Group announced its intention to sell the UK Gas Transmission business on 18 March 2021. On 27 March 2022, the Group agreed to sell 100% of the UK Gas Transmission business to a new entity (the 'Acquiring Entity') in exchange for £4.2 billion cash consideration (subject to customary completion adjustments) and a 40% interest in the Acquiring Entity. The other 60% in the Acquiring Entity will be owned by Macquarie Infrastructure and Real Assets (MIRA) and British Columbia Investment Management Corporation (BCI) (together, the 'Consortium'). £2.0 billion of the cash consideration comes from additional debt financing raised by the Acquiring Entity at completion. The sale is expected to complete in the third quarter of the financial year ending 31 March 2023 subject to the receipt of all regulatory approvals.

On 27 March 2022, the Group also entered into a Further Acquisition Agreement (FAA) with the Consortium. This allows the Consortium to purchase the Group's 40% interest in the Acquiring Entity for £1.4 billion plus an annualised escalation factor. The FAA can be exercised either in the period between 1 January and 31 March 2023 or in the period between 1 April and 30 June 2023. The deferral of the option window is at our discretion (subject to change, depending on the timing of the closing of the sale agreement).

National Grid

2021/22 Full Year Results Statement

9. Assets held for sale and discontinued operations continued

The Group classifies the associated assets and liabilities of the business as held for sale in the consolidated statement of financial position as at 31 August 2021, when the sale was considered to be highly probable following management approval of the sale timetable and communication thereof to potential buyers. As at 31 March 2022, the following assets and liabilities of the UK Gas Transmission business were classified as held for sale:

	2022 £m
Intangible assets	159
Property, plant and equipment	4,719
Trade and other receivables	215
Pension assets	664
Cash and cash equivalents	9
Financing derivatives	93
Other assets	12
<i>Total assets held for sale</i>	5,871
Borrowings	(4,165)
Deferred tax liabilities	(803)
Other liabilities	(562)
<i>Total liabilities held for sale</i>	(5,530)
Net assets held for sale	341

No impairment losses were recognised upon remeasurement of the assets and liabilities prior to classification as held for sale.

(b) Discontinued operations**Planned disposal of UK Gas Transmission**

As UK Gas Transmission represents a major separate line of business, the business has also met the criteria for classification as a discontinued operation, and therefore the results of the business have been shown separately from the continuing business for all periods presented on the face of the income statement as a discontinued operation.

The summary income statements for UK Gas Transmission for the years ended 31 March 2022 and 2021 are as follows:

	Before exceptional items and remeasurements		Exceptional items and remeasurements		Total	
	2022 £m	2021 £m	2022 £m	2021 £m	2022 £m	2021 £m
<i>Discontinued operations</i>						
Revenue	1,362	1,114	—	—	1,362	1,114
Other operating costs	(708)	(615)	(17)	(5)	(725)	(620)
<i>Operating profit</i>	654	499	(17)	(5)	637	494
Finance income	—	—	—	—	—	—
Finance costs ¹	(218)	(77)	(12)	2	(230)	(75)
<i>Profit before tax</i>	436	422	(29)	(3)	407	419
Tax ²	(92)	(82)	(144)	—	(236)	(82)
<i>Profit after tax from discontinued operations</i>	344	340	(173)	(3)	171	337
Gain on disposal	—	—	—	—	—	—
Total profit after tax from discontinued operations	344	340	(173)	(3)	171	337

1. Finance costs from discontinued operations include principal accretion of inflation linked liabilities in the UK Gas Transmission business of £158 million (2021: £38 million).

2. Of the £144 million exceptional tax charge in the year ended 31 March 2022, £145 million relates to deferred tax due to change in the UK corporation tax rate.

National Grid

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9. Assets held for sale and discontinued operations continued

The summary statement of comprehensive income for discontinued operations for the years ended 31 March 2022 and 2021 are as follows:

	2022	2021
	£m	£m
Profit after tax from discontinued operations	171	337
<i>Other comprehensive income/(loss) from discontinued operations</i>		
Items from discontinued operations that will never be reclassified to profit or loss:		
Remeasurement gains/(losses) on pension assets and post-retirement benefit obligations	309	(250)
Net losses on financial liability designated at fair value through profit and loss attributable to changes in own credit risk	(1)	(11)
Net (losses)/gains in respect of cash flow hedging of capital expenditure	—	(2)
Tax on items that will never be reclassified to profit or loss	(94)	50
Total gains/(losses) from discontinued operations that will never be reclassified to profit or loss	214	(213)
Items from discontinued operations that may be reclassified subsequently to profit or loss:		
Net gains/(losses) in respect of cash flow hedges	1	3
Net (losses)/gains in respect of cost of hedging	(4)	(6)
Tax on items that may be reclassified subsequently to profit or loss	—	—
Total losses from discontinued operations that may be reclassified subsequently to profit or loss	(3)	(3)
Other comprehensive income/(loss) for the year, net of tax from discontinued operations	211	(216)
Total comprehensive income for the year from discontinued operations	382	121

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10. Property, plant and equipment

The analysis of property plant and equipment as at 31 March 2022 is as follows:

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2021	3,752	56,061	5,221	1,018	66,052
Exchange adjustments	97	1,627	111	37	1,872
Additions	22	926	4,843	129	5,920
Acquisition of Western Power Distribution (note 14)	200	9,512	185	154	10,051
Disposals	(165)	(367)	—	(88)	(620)
Reclassifications ¹	62	4,063	(4,133)	89	81
Reclassification to held for sale (note 9)	(309)	(8,800)	(640)	(267)	(10,016)
Cost at 31 March 2022	3,659	63,022	5,587	1,072	73,340
Accumulated depreciation at 1 April 2021	(876)	(17,482)	—	(651)	(19,009)
Exchange adjustments	(20)	(351)	—	(23)	(394)
Depreciation charge for the year ²	(114)	(1,300)	(48)	(167)	(1,629)
Disposals	29	311	—	88	428
Reclassifications ¹	15	(40)	(18)	2	(41)
Reclassification to held for sale (note 9)	193	4,421	6	217	4,837
Accumulated depreciation at 31 March 2022	(773)	(14,441)	(60)	(534)	(15,808)
Net book value at 31 March 2022	2,886	48,581	5,527	538	57,532

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost at 1 April 2020	3,897	59,609	4,771	1,036	69,313
Exchange adjustments	(213)	(3,308)	(130)	(73)	(3,724)
Additions	89	328	4,023	70	4,510
Disposals	(6)	(344)	(26)	(48)	(424)
Reclassifications ¹	96	3,007	(3,243)	77	(63)
Reclassification to held for sale (note 9)	(111)	(3,231)	(174)	(44)	(3,560)
Cost at 31 March 2021	3,752	56,061	5,221	1,018	66,052
Accumulated depreciation at 1 April 2020	(847)	(18,042)	—	(662)	(19,551)
Exchange adjustments	37	698	—	46	781
Depreciation charge for the year	(90)	(1,270)	—	(116)	(1,476)
Disposals	—	339	—	48	387
Reclassifications ¹	2	(5)	—	6	3
Reclassification to held for sale (note 9)	22	798	—	27	847
Accumulated depreciation at 31 March 2021	(876)	(17,482)	—	(651)	(19,009)
Net book value at 31 March 2021	2,876	38,579	5,221	367	47,043

1. Represents amounts transferred between categories, (to)/from other intangible assets, from inventories and reclassifications between cost and accumulated depreciation.

2. Depreciation of assets in the course of construction relates to impairment provision adjustments recognised in the year.

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2021/22 Full Year Results Statement

11. Pensions and other post-retirement benefit obligations

	2022 £m	2021 £m
Present value of funded obligations	(23,541)	(23,283)
Fair value of plan assets	27,013	24,388
	3,472	1,105
Present value of unfunded obligations	(326)	(324)
Other post-employment liabilities	(71)	(66)
Net defined benefit asset/liability	3,075	715
Represented by:		
Liabilities	(810)	(1,032)
Assets	3,885	1,747
	3,075	715

The net pensions and other post-retirement benefit obligations position, as recorded under IAS 19, at 31 March 2022 was an asset of £3,075 million compared to an asset of £715 million at 31 March 2021. The movement of £2,360 million primarily reflects asset performance being significantly more than the discount rate and changes in UK and US financial assumptions resulting in a decrease in liabilities. This movement also includes the acquisition of WPD plans of £566 million and transfer of a plan associated with the UK Gas Transmission business transferred to held to sale of £664 million.

Actuarial Assumptions:

	UK pensions		US pensions		US other post-retirement benefits	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Discount rate – past service	2.78	2.00	3.65	3.25	3.65	3.25
Discount rate – future service	2.85	2.15	3.65	3.25	3.65	3.25
Rate of increase in RPI – past service	3.60	3.15	n/a	n/a	n/a	n/a
Rate of increase in RPI – future service	3.33	3.00	n/a	n/a	n/a	n/a
Salary increases	3.47	3.40	4.60	4.30	4.60	4.30
Initial healthcare cost trend rate	n/a	n/a	n/a	n/a	6.80	7.10
Ultimate healthcare cost trend rate	n/a	n/a	n/a	n/a	4.50	4.50

12. Net debt

Net debt is comprised as follows:

	2022 £m	2021 £m
Cash and cash equivalents	204	157
Current financial investments	3,145	2,342
Borrowings	(45,465)	(31,220)
Financing derivatives ¹	(693)	175
	(42,809)	(28,546)

1. The derivatives balance included in net debt excludes the commodity derivative assets of £267 million (2021: liabilities of £75 million).

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2021/22 Full Year Results Statement

13. Reconciliation of net cash flow to movement in net debt

	2022 £m	2021 ¹ £m
Increase/(decrease) in cash and cash equivalents	9	95
Increase/(decrease) in financial investments ²	752	429
(Increase)/decrease in borrowings	(9,993)	(2,336)
Increase in related derivatives ³	262	4
Change in debt resulting from cash flows	(8,970)	(1,808)
Changes in fair value of financial assets and liabilities and exchange movements	(924)	1,801
Net interest charge on the components of net debt	(1,193)	(932)
Other non-cash movements	19	(136)
Movement in net debt (net of related derivative financial instruments) in the year	(11,068)	(1,075)
Net debt (net of related derivative financial instruments) at start of year	(28,546)	(28,590)
Reclassification to held for sale ³	4,952	1,119
Acquisition of WPD	(8,147)	—
Net debt (net of related derivative financial instruments) at end of year	(42,809)	(28,546)

- Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.
- Cash flows on current financial investments comprise £29 million (2021: £7 million) of interest received and £781 million of cash outflows (2021: £436 million outflows) of net cash flow movements in short-term financial investments, as presented in the consolidated cash flow statement.
- The derivatives balance included in net debt excludes the commodity derivative assets of £267 million (2021: liabilities of £75 million).

	2022		2021 ¹	
	Borrowings and other £m	Financing derivatives £m	Borrowings and other £m	Financing derivatives £m
Cash flows per financing activities section of cash flow statement:				
Proceeds received from loans	12,347	—	5,150	—
Repayment of loans	(1,261)	—	(1,654)	—
Payments of lease liabilities	(117)	—	(107)	—
Net movements in short-term borrowings	(11)	—	(619)	—
Cash inflows on derivatives	—	20	—	17
Cash outflows on derivatives	—	(114)	—	(183)
Interest paid	(998)	(55)	(711)	(42)
Cash flows per financing activities section of cash flow statement	9,960	(149)	2,059	(208)
<i>Adjustments:</i>				
Non-net debt-related items	33	—	29	—
Derivative cash (outflow)/inflow in relation to capital expenditure	—	(8)	—	10
Derivative cash inflows per investing section of cash flow statement	—	17	—	225
Derivative cash outflows per investing section of cash flow statement	—	(122)	—	(81)
Cash flows relating to financing liabilities within net debt	9,993	(262)	2,088	(54)
<i>Analysis of changes in net debt:</i>				
Borrowings	9,993	—	2,088	—
Financing derivatives	—	(262)	—	(54)
Cash flow movements relating to financing liabilities within net debt	9,993	(262)	2,088	(54)

- Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 9 for further information.

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14. Acquisitions

Acquisition of WPD

On 14 June 2021, National Grid plc acquired 100% of the share capital of PPL WPD Investments Limited (WPD), the holding company of Western Power Distribution plc, which is the UK's largest electricity distribution network operator. The acquisition, along with the two planned disposals disclosed in note 9, strategically pivots National Grid's UK portfolio towards electricity, in order to significantly enhance National Grid's role in the delivery of the UK's net zero targets, given that electricity distribution is expected to see a high level of asset growth as a result of the ongoing energy transition.

The total cash consideration for the transaction was £7.9 billion, all of which was paid upfront, with no further contingent or deferred consideration payable. As a result of the acquisition, one of WPD's existing borrowing facilities became repayable immediately due to a change in control clause within the original borrowing agreement. The borrowing facility was immediately replaced with an intercompany loan of £350 million from National Grid plc. National Grid funded the transaction price and the new intercompany loan by taking out a bridge financing facility, that it will commence repaying with the proceeds of the planned disposals.

The fair values of the assets and liabilities following the finalisation of the purchase price allocation are set out below:

	IFRS book value at acquisition £m	Fair value adjustments £m	Fair value £m
<i>Non-current assets</i>			
Property, plant and equipment	14,077	(4,026)	10,051
Other intangible assets	49	1,714	1,763
Pension assets	402	164	566
Other non-current assets	27	—	27
Total non-current assets	14,555	(2,148)	12,407
<i>Current assets</i>			
Trade and other receivables	268	—	268
Financial and other investments	69	—	69
Cash	44	—	44
Other current assets	42	—	42
Total current assets	423	—	423
Total assets	14,978	(2,148)	12,830
<i>Current liabilities</i>			
Borrowings	(730)	—	(730)
Trade and other payables	(531)	48	(483)
Other current liabilities	(35)	—	(35)
Total current liabilities	(1,296)	48	(1,248)
<i>Non-current liabilities</i>			
Borrowings	(5,967)	(1,589)	(7,556)
Deferred tax	(1,013)	224	(789)
Contract liabilities	(2,706)	2,706	—
Other non-current liabilities	(56)	(21)	(77)
Total non-current liabilities	(9,742)	1,320	(8,422)
Total liabilities	(11,038)	1,368	(9,670)
Total identifiable net assets	3,940	(780)	3,160
Goodwill	1,254	3,467	4,721
Total consideration transferred	5,194	2,687	7,881
Satisfied by:			
Cash consideration			7,881
Total consideration transferred			7,881

14. Acquisitions continued

The goodwill arising from the acquisition represents the future expected growth in the WPD business, the benefits that are expected to be achieved as a result of the combination of the two businesses and the expertise of the management team acquired. No component of goodwill qualifies for recognition as a separate tangible or intangible asset. The goodwill is not deductible for tax purposes and at the acquisition date, there were no material contingent liabilities.

The fair value of trade and other receivables of £270 million includes trade receivables with a fair value of £86 million. The gross contractual amount for trade receivables due is £103 million, of which £17 million was expected to be uncollectible.

Total acquisition-related costs of £110 million were recognised within Other operating income and costs, within exceptional items and remeasurements in the consolidated income statement, of which £15 million was recognised in the year ended 31 March 2021 and £95 million in the year ended 31 March 2022.

WPD generated revenues of £1,468 million and profit before tax of £781 million for the period from 14 June 2021 to 31 March 2022. If the acquisition had occurred on 1 April 2021, the Group's consolidated revenue and consolidated profit before tax from continuing operations for the 12 months ended 31 March 2022 would have been £18,806 million and £3,600 million respectively.

15. Post balance sheet events

On 6 April 2022, the UK government announced that the entirety of ESO will become part of an independent system operator public body, following the Future System Operator (FSO) consultation. The FSO, which is subject to legislative approval, will take on a number of key roles in electricity and gas in Great Britain. The Group is working closely with BEIS and Ofgem to plan and prepare for the implementation of the changes required to create the FSO.

On 11 May 2022, Ofgem approved the Group's request to return £200 million of interconnector revenue subject to the cap and floor regime to consumers ahead of schedule. This return will take place over the next two years. The Group is now working through the formal steps outlined under the regulatory framework which will result in the finalisation of the mechanism by which the revenues will be returned.

Alternative performance measures/non-IFRS reconciliations

Within the Annual Report, a number of financial measures are presented. These measures have been categorised as alternative performance measures (APMs), as per the European Securities and Markets Authority (ESMA) guidelines and the Securities and Exchange Commission (SEC) conditions for use of non-GAAP financial measures.

An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS. The Group uses a range of these measures to provide a better understanding of its underlying performance. APMs are reconciled to the most directly comparable IFRS financial measure where practicable.

The Group has defined the following financial measures as APMs derived from IFRS: net revenue, the various adjusted operating profit, earnings and earnings per share metrics detailed in the 'adjusted profit measures' section below, net debt, capital investment, funds from operations (FFO), FFO interest cover and retained cash flow (RCF)/adjusted net debt. For each of these we present a reconciliation to the most directly comparable IFRS measure. We present 'constant currency' comparative period performance and capital investment by applying the current year average exchange rate to the relevant US dollar amounts in the comparative periods presented, to remove the year-on-year impact of foreign exchange translation.

We also have a number of APMs derived from regulatory measures which have no basis under IFRS; we call these Regulatory Performance Measures (RPMs). They comprise: Group RoE, operating company RoE, regulated asset base, regulated financial performance, regulatory gearing, Asset Growth, Value Added, including Value Added per share and Value Growth. These measures include the inputs used by utility regulators to set the allowed revenues for many of our businesses.

We use RPMs to monitor progress against our regulatory agreements and certain aspects of our strategic objectives. Further, targets for certain of these performance measures are included in the Company's Annual Performance Plan (APP) and Long Term Performance Plan (LTPP) and contribute to how we reward our employees. As such, we believe that they provide close correlation to the economic value we generate for our shareholders and are therefore important supplemental measures for our shareholders to understand the performance of the business and to ensure a complete understanding of Group performance.

As the starting point for our RPMs is not IFRS, and these measures are not governed by IFRS, we are unable to provide meaningful reconciliations to any directly comparable IFRS measures, as differences between IFRS and the regulatory recognition rules applied have built up over many years. Instead, for each of these we present an explanation of how the measure has been determined and why it is important, and an overview as to why it would not be meaningful to provide a reconciliation to IFRS.

National Grid

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Alternative performance measures

Net revenue

Net revenue is revenue less pass-through costs, such as UK system balancing costs, gas and electricity commodity costs in the US. Pass-through costs are fully recoverable from our customers and are recovered through separate charges that are designed to recover those costs with no profit. Where revenue received or receivable exceeds the maximum amount permitted by our regulatory agreement, adjustments will be made to future prices to reflect this over-recovery. No liability is recognised, as such an adjustment to future prices relates to the provision of future services. Similarly, no asset is recognised where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery.

Year ended 31 March	2022			2021		
	Gross revenue ¹ £m	Pass-through costs £m	Net revenue £m	Gross revenue £m	Pass-through costs £m	Net revenue £m
UK Electricity Transmission	2,035	(152)	1,883	1,974	(151)	1,823
UK Electricity Distribution	1,482	(125)	1,357	—	—	—
UK Electricity System Operator	3,455	(3,215)	240	2,018	(1,911)	107
New England	4,550	(2,050)	2,500	4,214	(1,784)	2,430
New York	5,561	(2,161)	3,400	4,605	(1,469)	3,136
NGV and Other	1,216	—	1,216	864	—	864
Sales between segments	(39)	—	(39)	(10)	—	(10)
Total – continuing operations	18,260	(7,703)	10,557	13,665	(5,315)	8,350
Discontinued operations	1,362	(397)	965	1,114	(233)	881
Total	19,622	(8,100)	11,522	14,779	(5,548)	9,231

1. Excluding exceptional income.

Adjusted profit measures

In considering the financial performance of our business and segments, we use various adjusted profit measures in order to aid comparability of results year on year. The various measures are presented on pages 15 to 22 and reconciled below.

Adjusted results: These exclude the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such. This is a measure used by management that is used to derive part of the incentive target set annually for remunerating certain Executive Directors, and further details of these items are included in note 4.

Underlying results: Further adapts our adjusted results for continuing operations to take account of volumetric and other revenue timing differences arising due to the in-year difference between allowed and collected revenues, including revenue incentives, as governed by our rate plans in the US or regulatory price controls in the UK (but excluding totex-related allowances and adjustments or allowances for pension deficit contributions). For 2021/22, as highlighted below, our underlying results exclude £16 million (2020/21: £111 million) of timing differences as well as £163 million (2020/21: £150 million) of major storm costs (as costs exceeded our \$100 million threshold in both 2021/22 and 2020/21). We expect to recover major storm costs incurred through regulatory mechanisms in the US.

Constant currency: 'Constant Currency Basis' refers to the reporting of the actual results against the results for the same period last year which, in respect of any US dollar currency denominated activity, have been translated using the average US dollar exchange rate for the year ended 31 March 2022, which was \$1.35 to £1.00. The average rate for the year ended 31 March 2021, was \$1.34 to £1.00. Assets and liabilities as at 31 March 2022 have been retranslated at the closing rate at 31 March 2022 of \$1.31 to £1.00. The closing rate for the reporting date 31 March 2021 was \$1.38 to £1.00.

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Reconciliation of statutory, adjusted and underlying profits and earnings – at actual exchange rates – continuing operations

Year ended 31 March 2022	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Underlying £m		
UK Electricity Transmission	1,055	12	1,067	85	—	1,152		
UK Electricity Distribution	909	—	909	(22)	—	887		
UK Electricity System Operator	5	2	7	47	—	54		
New England	764	(21)	743	32	111	886		
New York	1,095	(315)	780	(126)	52	706		
NGV and Other	543	(236)	307	—	—	307		
Total operating profit	4,371	(558)	3,813	16	163	3,992		
Net finance costs	(1,022)	(59)	(1,081)	—	—	(1,081)		
Share of post-tax results of joint ventures and associates	92	56	148	—	—	148		
Profit before tax	3,441	(561)	2,880	16	163	3,059		
Tax	(1,258)	589	(669)	3	(42)	(708)		
Profit after tax	2,183	28	2,211	19	121	2,351		

Year ended 31 March 2021	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Underlying £m	Pro forma adjustments £m	Pro forma underlying £m
UK Electricity Transmission	1,080	14	1,094	(42)	—	1,052	—	1,052
UK Electricity Distribution	—	—	—	—	—	—	853	853
UK Electricity System Operator	(53)	(7)	(60)	130	—	70	—	70
New England	614	(3)	611	11	105	727	67	794
New York	695	(30)	665	12	45	722	—	722
NGV and Other	65	52	117	—	—	117	—	117
Total operating profit	2,401	26	2,427	111	150	2,688	920	3,608
Net finance costs	(795)	(70)	(865)	—	—	(865)	(183)	(1,048)
Share of post-tax results of joint ventures and associates	58	8	66	—	—	66	—	66
Profit before tax	1,664	(36)	1,628	111	150	1,889	737	2,626
Tax	(360)	26	(334)	(23)	(39)	(396)	(148)	(544)
Profit after tax	1,304	(10)	1,294	88	111	1,493	589	2,082

Pro forma comparative results 2020/21 (continuing operations)

To aid comparability between 2021/22 and 2020/21 of our underlying results for continuing operations, we also present these results for the Group for continuing operations calculated on an adjusted basis, by applying the following adjustments to the 2020/21 underlying results for continuing operations:

- adding 9.5 months of WPD's underlying results for 2020/21 (for the equivalent period of ownership in the comparative period), after applying NG's policy for timing (i.e. an estimation of revenue under/(over)-collections in that period related to 'timing' adjustments, being the difference between collected and allowed revenues to determine 'underlying' profits for that period;
- including incremental interest costs equivalent to (i) the current year costs related to the £8.2bn bridge loan interest used to acquire WPD in 2021/22 and (ii) interest costs on debt acquired with WPD, for the 9.5 months' equivalent period of ownership in 2020/21;
- applying amortisation of fair value acquisition accounting adjustments related to the WPD acquisition (on a comparable basis to the equivalent amortisation of fair value acquisition accounting adjustments applicable to the current year) for 9.5 months' equivalent period of ownership in 2020/21; and
- applying a depreciation adjustment related to our Rhode Island business, as if it had been classified for held for sale as at 1 April 2020.

A reconciliation between statutory, adjusted, underlying and pro forma underlying earnings per share is provided above.

National Grid

2021/22 Full Year Results Statement

Reconciliation of adjusted and underlying profits from continuing operations – at constant currency

Year ended 31 March 2021	At constant currency					
	Adjusted at actual exchange rate	Constant currency adjustment	Adjusted	Timing	Major storm costs	Underlying
	£m	£m	£m	£m	£m	£m
UK Electricity Transmission	1,094	—	1,094	(42)	—	1,052
UK Electricity Distribution	—	—	—	—	—	—
UK Electricity System Operator	(60)	—	(60)	130	—	70
New England	611	(3)	608	11	104	723
New York	665	(4)	661	12	45	718
NGV and Other	117	—	117	—	—	117
Total operating profit	2,427	(7)	2,420	111	149	2,680
Net finance costs	(865)	4	(861)	—	—	(861)
Share of post-tax results of joint ventures and associates	66	—	66	—	—	66
Profit before tax	1,628	(3)	1,625	111	149	1,885

Earnings per share calculations from continuing operations – at actual exchange rates

The table below reconciles the profit after tax from continuing operations as per the previous tables back to the earnings per share from continuing operations for each of the adjusted profit measures. Earnings per share is only presented for those adjusted profit measures that are at actual exchange rates, and not for those at constant currency.

Year ended 31 March 2022	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to the parent £m	Weighted average number of shares Millions	Earnings per share pence
Statutory	2,183	(1)	2,182	3,599	60.6
Adjusted	2,211	(1)	2,210	3,599	61.4
Underlying	2,351	(1)	2,350	3,599	65.3

Year ended 31 March 2021	Profit after tax £m	Non-controlling interest £m	Profit after tax attributable to the parent £m	Weighted average number of shares Millions	Earnings per share pence
Statutory	1,304	(1)	1,303	3,523	37.0
Adjusted	1,294	(1)	1,293	3,523	36.7
Underlying	1,493	(1)	1,492	3,523	42.4
Pro forma underlying	2,082	(1)	2,081	3,523	59.1

National Grid

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Reconciliation of total Group statutory operating profit to 'adjusted earnings excluding timing and major storm costs'

	Adjusted		Underlying	
	2022	2021	2022	2021
	£m	£m	£m	£m
Continuing operations				
Adjusted operating profit	3,813	2,427	3,992	2,688
Adjusted net finance costs	(1,081)	(865)	(1,081)	(865)
Share of post-tax results of joint ventures and associates	148	66	148	66
Adjusted profit before tax	2,880	1,628	3,059	1,889
Adjusted tax	(669)	(334)	(708)	(396)
Adjusted profit after tax	2,211	1,294	2,351	1,493
Attributable to non-controlling interests	(1)	(1)	(1)	(1)
Adjusted earnings from continuing operations	2,210	1,293	2,350	1,492
Exceptional items after tax	(320)	(52)	(320)	(52)
Remeasurements after tax	292	62	292	62
Earnings from continuing operations	2,182	1,303	2,322	1,502
	Including timing and major storm costs		Excluding timing and major storm costs	
	2022	2021	2022	2021
	£m	£m	£m	£m
Discontinued operations				
Adjusted operating profit	654	499	734	595
Adjusted net finance costs	(218)	(77)	(218)	(77)
Share of post-tax results of joint ventures and associates	—	—	—	—
Adjusted profit before tax	436	422	516	518
Adjusted tax	(92)	(82)	(107)	(100)
Adjusted profit after tax	344	340	409	418
Attributable to non-controlling interests	—	—	—	—
Adjusted earnings from discontinued operations	344	340	409	418
Exceptional items after tax	(163)	(5)	(163)	(5)
Remeasurements after tax	(10)	2	(10)	2
Earnings from discontinued operations	171	337	236	415
Total Group (continuing and discontinued operations)				
Adjusted operating profit	4,467	2,926	4,726	3,283
Adjusted net finance costs	(1,299)	(942)	(1,299)	(942)
Share of post-tax results of joint ventures and associates	148	66	148	66
Adjusted profit before tax	3,316	2,050	3,575	2,407
Adjusted tax	(761)	(416)	(815)	(496)
Adjusted profit after tax	2,555	1,634	2,760	1,911
Attributable to non-controlling interests	(1)	(1)	(1)	(1)
Adjusted earnings from continuing and discontinued operations	2,554	1,633	2,759	1,910
Exceptional items after tax	(483)	(57)	(483)	(57)
Remeasurements after tax	282	64	282	64
Total Group earnings from continuing and discontinued operations	2,353	1,640	2,558	1,917

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Reconciliation of adjusted EPS to statutory earnings (including and excluding the impact of timing and major storm costs)

Year ended 31 March	Including timing and major storm costs		Excluding timing and major storm costs	
	2022 pence	2021 pence	2022 pence	2021 pence
Adjusted EPS from continuing operations	61.4	36.7	65.3	42.4
Exceptional items and remeasurements after tax from continuing operations	(0.8)	0.3	(0.8)	0.3
EPS from continuing operations	60.6	37.0	64.5	42.7
Adjusted EPS from discontinued operations	9.6	9.7	11.4	11.8
Exceptional items and remeasurements after tax from discontinued operations	(4.8)	(0.1)	(4.8)	(0.1)
EPS from discontinued operations	4.8	9.6	6.6	11.7
Total adjusted EPS from continuing and discontinued operations	71.0	46.4	76.7	54.2
Total exceptional items and remeasurements after tax from continuing and discontinued operations	(5.6)	0.2	(5.6)	0.2
Total Group EPS from continuing and discontinued operations	65.4	46.6	71.1	54.4

Timing impacts

Under the Group's regulatory frameworks, the majority of the revenues that National Grid is allowed to collect each year are governed by a regulatory price control or rate plan. If we collect more than the allowed revenue, adjustments will be made to future prices to reflect this over-recovery, and if we collect less than the allowed level of revenue, adjustments will be made to future prices to reflect the under-recovery. A number of costs in the UK and the US are pass-through costs (including commodity and energy efficiency costs in the US) and are fully recoverable from customers. Timing differences between costs of this type being incurred and their recovery through revenues are also included in over and under-recoveries. In the UK, timing differences include an estimation of the difference between revenues earned under revenue incentive mechanisms and associated revenues collected. UK timing balances and movements exclude adjustments associated with changes to controllable cost (totex) allowances or adjustments under the totex incentive mechanism. Opening balances of over and under-recoveries have been restated where appropriate to correspond with regulatory filings and calculations.

	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	Continuing £m	Discontinued £m	Total £m
1 April 2021 opening balance ¹	—	—	(80)	(266)	465	119	(76)	43
Over/(under)-recovery	(85)	22	(47)	(32)	126	(16)	(80)	(96)
31 March 2022 closing balance to (recover)/return²	(85)	22	(127)	(298)	591	103	(156)	(53)

	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	Continuing £m	Discontinued £m	Total £m
1 April 2020 opening balance ¹	(52)	—	70	(254)	479	243	16	259
Over/(under)-recovery	42	—	(130)	(11)	(12)	(111)	(96)	(207)
31 March 2021 closing balance to (recover)/return^{2,3}	(10)	—	(60)	(265)	467	132	(80)	52

1. Opening balances have been restated to reflect the finalisation of calculated over/(under)-recoveries in the UK and the US.

2. The closing balance (including discontinued operations) at 31 March 2022 was £45 million under-recovered (translated at the closing rate of \$1.31:£1). 31 March 2021 was £48 million over-recovered (translated at the closing rate of \$1.38:£1).

3. New England and New York in-year over/(under)-recovery and all New England and New York balances have been translated using the average exchange rate for the year ended 31 March 2022.

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Capital investment

'Capital investment' or 'investment' refer to additions to property, plant and equipment and intangible assets, and contributions to joint ventures and associates, other than the St William Homes LLP joint venture during the period. We also include the Group's investments by National Grid Partners during the period, which are classified for IFRS purposes as non-current financial assets in the Group's consolidated statement of financial position.

Investments made to our St William Homes LLP arrangement are excluded based on the nature of this joint venture arrangement. We typically contribute property assets to the joint venture in exchange for cash and accordingly do not consider these transactions to be in the nature of capital investment.

Year ended 31 March	At actual exchange rates			At constant currency		
	2022 £m	2021 £m	% change	2022 £m	2021 £m	% change
UK Electricity Transmission	1,195	984	21	1,195	984	21
UK Electricity Distribution	899	—	n/a	899	—	n/a
UK Electricity System Operator	108	88	23	108	88	23
New England	1,561	1,437	9	1,561	1,429	9
New York	1,960	1,738	13	1,960	1,729	13
NGV and Other	462	480	(4)	462	480	(4)
Group capital expenditure – continuing	6,185	4,727	31	6,185	4,710	31
Equity investment, funding contributions and loans to joint ventures and associates ¹	461	81	469	461	81	469
Investments in financial assets (National Grid Partners)	93	35	166	93	35	166
Group capital investment – continuing	6,739	4,843	39	6,739	4,826	40
Discontinued operations	261	204	28	261	204	28
Group capital expenditure – total	7,000	5,047	39	7,000	5,030	39

1. Excludes £25 million (2021: £nil) equity contribution to the St William Homes LLP joint venture.

Pro forma comparative 2020/21 capital investment

To aid comparability between years for capital investment, we also present a pro forma capital investment measure for 2020/21, adjusted to include 9.5 months of WPD's capital expenditure for that year (i.e. as if we had owned WPD for the equivalent 9.5 months in 2020/21). A reconciliation between these alternative capital investment measures is provided below.

Year ended 31 March	Actual			Pro forma	
	2022 £m	2021 £m	% change	2021 £m	% change
UK Electricity Transmission	1,195	984	21	984	21
UK Electricity Distribution	899	—	n/a	854	5
UK Electricity System Operator	108	88	23	88	23
New England	1,561	1,437	9	1,437	9
New York	1,960	1,738	13	1,738	13
NGV and Other	462	480	(4)	480	(4)
Group capital expenditure – continuing	6,185	4,727	31	5,581	11
Equity investment, funding contributions and loans to joint ventures and associates ¹	461	81	469	81	469
Investments in financial assets (National Grid Partners)	93	35	166	35	166
Group capital investment – continuing	6,739	4,843	39	5,697	18
Discontinued operations	261	204	28	204	28
Group capital expenditure – total	7,000	5,047	39	5,901	19

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Net debt

See notes 12 and 13 for reconciliation of net debt.

Funds from operations and interest cover

FFO is the cash flows generated by the operations of the Group. Credit rating metrics, including FFO, are used as indicators of balance sheet strength.

Year ended 31 March	2022 £m	2021 £m
Interest expense (income statement)	1,146	977
Hybrid interest reclassified as dividend	(38)	(38)
Capitalised interest	152	131
Pensions interest adjustment	11	(16)
Unwinding of discount on provisions	(73)	(78)
Interest charge (discontinued operations)	218	—
Adjusted interest expense	1,416	976
Net cash inflow from operating activities	5,490	4,461
Interest received on financial instruments	40	16
Interest paid on financial instruments	(1,053)	(835)
Dividends received	166	80
Working capital adjustment	(361)	(312)
Excess employer pension contributions	99	116
Hybrid interest reclassified as dividend	38	38
Add back accretions	241	—
Difference in net interest expense in income statement to cash flow	(177)	(138)
Difference in current tax in income statement to cash flow	72	(67)
Current tax related to prior periods	(35)	8
Cash flow from discontinued operations	668	—
Other fair value adjustments	—	22
Funds from operations (FFO)	5,188	3,389
FFO interest cover ((FFO + adjusted interest expense)/adjusted interest expense)	4.7x	4.5x

1. Numbers for 2021 reflect the calculations for the total Group as based on the published accounts for that year.

National Grid**2021/22 Full Year Results Statement****Retained cash flow/adjusted net debt**

RCF/adjusted net debt is one of two credit metrics that we monitor in order to ensure the Group is generating sufficient cash to service its debts, consistent with maintaining a strong investment-grade credit rating. We calculated RCF/adjusted net debt applying the methodology used by Moody's, as this is one of the most constrained calculations of credit worthiness. The net debt denominator includes adjustments to take account of the equity component of hybrid debt.

Year ended 31 March	2022 £m	2021 ¹ £m
Funds from operations (FFO)	5,188	3,389
Hybrid interest reclassified as dividend	(38)	(38)
Ordinary dividends paid to shareholders	(922)	(1,413)
RCF	4,228	1,938
Borrowings ²	45,465	32,339
Less:		
50% hybrid debt	(1,027)	(1,032)
Cash and cash equivalents	(190)	(157)
Financial and other investments	(2,292)	(1,768)
Underfunded pension obligations	326	467
Borrowings in 'held for sale'	5,234	—
Collateral – cash received under collateral agreements	—	(582)
Adjusted net debt (includes pension deficit)	47,516	29,267
RCF /adjusted net debt	8.9%	6.6%

1. Numbers for 2021 reflect the calculations for the total Group as based on the published accounts for that year.

2. Including borrowings in NECO and UK Gas Transmission classified as held for sale.

Regulatory Performance Measures**Regulated financial performance – UK**

Regulatory financial performance is a pre-interest and tax measure, starting at segmental operating profit and making adjustments (such as the elimination of all pass-through items included in revenue allowances and timing) to approximate regulatory profit for the UK regulated activities. This measure provides a bridge for investors between a well-understood and comparable IFRS starting point and through the key adjustments required to approximate regulatory profit. This measure also provides the foundation to calculate Group RoE.

For the reasons noted above, the table below shows the principal differences between the IFRS operating profit and the regulated financial performance, but is not a formal reconciliation to an equivalent IFRS measure.

National Grid**2021/22 Full Year Results Statement****UK Electricity Transmission**

	2022	2021
Year ended 31 March	£m	£m
Adjusted operating profit	1,067	1,094
Movement in regulatory 'IOUs'	82	59
Deferred taxation adjustment	26	53
RAV indexation – 2% CPIH (2020 & 2021: 3% RPI) long-run inflation	287	418
Regulatory vs IFRS depreciation difference	(433)	(434)
Fast money/other	(44)	57
Pensions	(42)	(41)
Performance RAV created	75	110
Regulated financial performance	1,018	1,316

UK Electricity Distribution

	2022	2021
9.5 months ended 31 March	£m	£m
Adjusted operating profit	909	n/a
Movement in regulatory 'IOUs'	(42)	n/a
Deferred taxation adjustment	28	n/a
RAV indexation – 3% RPI long-run inflation	198	n/a
Regulatory vs IFRS depreciation difference	(358)	n/a
Fast money/other	(34)	n/a
Pensions	(111)	n/a
Performance RAV created	9	n/a
Regulated financial performance	599	n/a

UK Electricity System Operator

	2022	2021
Year ended 31 March	£m	£m
Adjusted operating profit	7	(60)
Movement in regulatory 'IOUs'	31	129
Deferred taxation adjustment	(4)	7
RAV indexation – 2% CPIH (2020 & 2021: 3% RPI) long-run inflation	5	6
Regulatory vs IFRS depreciation difference	27	(5)
Fast money/other	(24)	(29)
Pensions	(10)	(13)
Performance RAV created	—	1
Regulated financial performance	32	36

UK Gas Transmission

	2022	2021
Year ended 31 March	£m	£m
Adjusted operating profit	654	499
Less non-regulated profits	(150)	(157)
Movement in regulatory 'IOUs'	72	34
Deferred taxation adjustment	13	12
RAV indexation – 2% CPIH (2020 & 2021: 3% RPI) long-run inflation	126	189
Regulatory vs IFRS depreciation difference	(281)	(88)
Fast money/other	(4)	25
Pensions	—	(34)
Performance RAV created	3	(23)
Regulated financial performance	433	457

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Regulated financial performance – US

New England

Year ended 31 March	2022 £m	2021 £m
Adjusted operating profit	743	611
Provision for bad and doubtful debts (COVID-19), net of recoveries ¹	—	(7)
Major storm costs	111	105
Timing	32	11
Depreciation adjustment ²	(67)	—
US GAAP pension adjustment	11	2
Regulated financial performance	830	722

1. New England financial performance includes an adjustment reflecting our expectation for future recovery of COVID-19-related provision for bad and doubtful debts.

2. The depreciation adjustment relates to the impact of the cessation of depreciation for NECO under IFRS following reclassification as 'held for sale'.

New York

Year ended 31 March	2022 £m	2021 £m
Adjusted operating profit	780	665
Provision for bad and doubtful debts (COVID-19), net of recoveries ¹	—	127
Major storm costs	52	45
Timing	(126)	12
US GAAP pension adjustment	66	1
Regulated financial performance	772	850

1. New York financial performance includes an adjustment reflecting our expectation for future recovery of COVID-19-related provision for bad and doubtful debts.

Total regulated financial performance

Year ended 31 March	2022 £m	2021 £m
UK Electricity Transmission	1,018	1,316
UK Electricity Distribution	599	n/a
UK Electricity System Operator	32	36
UK Gas Transmission	433	457
New England	830	722
New York	772	850
Total regulated financial performance	3,684	3,381

New England and New York timing, major storms costs and movement in UK regulatory 'IOUs' –

Revenue related to performance in one year may be recovered in later years. Where revenue received or receivable exceeds the maximum amount permitted by our regulatory agreement, adjustments will be made to future prices to reflect this over-recovery. No liability is recognised under IFRS, as such an adjustment to future prices relates to the provision of future services. Similarly, no asset is recognised under IFRS where a regulatory agreement permits adjustments to be made to future prices in respect of an under-recovery. In the UK, this is calculated as the movement in other regulated assets and liabilities.

Performance RAV – UK performance efficiencies are in part remunerated by the creation of additional RAV which is expected to result in future earnings under regulatory arrangements. This is calculated as in-year totem outperformance multiplied by the appropriate regulatory capitalisation ratio and multiplied by the retained company incentive sharing ratio.

Pension adjustment – Cash payments against pension deficits in the UK are recoverable under regulatory contracts. In US Regulated operations, US GAAP pension charges are generally recoverable through rates. Revenue recoveries are recognised under IFRS but payments are not charged against IFRS operating profits in the year. In the UK, this is calculated as cash payments against the regulatory proportion of pension deficits in the UK regulated business, whereas in the US, it is the difference between IFRS and US GAAP pension charges.

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2% CPIH and 3% RPI RAV indexation – Future UK revenues are expected to be set using an asset base adjusted for inflation. This is calculated as UK RAV multiplied by 2% long-run CPIH inflation assumption under RIIO-2 and a 3% long-run RPI inflation assumption under RIIO-1.

UK deferred taxation adjustment – Future UK revenues are expected to recover cash taxation cost including the unwinding of deferred taxation balances created in the current year. This is the difference between: (a) IFRS underlying EBITDA less other regulatory adjustments; and (b) IFRS underlying EBITDA less other regulatory adjustments less current taxation (adjusted for interest tax shield) then grossed up at full UK statutory tax rate.

Regulatory depreciation – US and UK regulated revenues include allowance for a return of regulatory capital in accordance with regulatory assumed asset lives. This return does not form part of regulatory profit.

Fast/slow money adjustment – The regulatory remuneration of costs incurred is split between in-year revenue allowances and the creation of additional RAV. This does not align with the classification of costs as operating costs and fixed asset additions under IFRS accounting principles. This is calculated as the difference between IFRS classification of costs as operating costs or fixed asset additions and the regulatory classification.

Regulated asset base

The regulated asset base is a regulatory construct, based on predetermined principles not based on IFRS. It effectively represents the invested capital on which we are authorised to earn a cash return. By investing efficiently in our networks, we add to our regulated asset base over the long term, and this in turn contributes to delivering shareholder value. Our regulated asset base is comprised of our regulatory asset value in the UK, plus our rate base in the US.

Maintaining efficient investment in our regulated asset base ensures we are well positioned to provide consistently high levels of service to our customers and increases our revenue allowances in future years. While we have no specific target, our overall aim is to achieve between 6% and 8% growth in regulated asset base each year through continued investment in our networks in both the UK and US.

In the UK, the way in which our transactions impact RAV is driven by principles set out by Ofgem. In a number of key areas these principles differ from the requirements of IFRS, including areas such as additions and the basis for depreciation. Further, our UK RAV is adjusted annually for inflation. RAV in each of our retained UK businesses has evolved over the period since privatisation in 1990, and as a result, historical differences between the initial determination of RAV and balances reported under UK GAAP at that time still persist. In the case of WPD, differences arise as the result of acquisition fair value adjustments (where PP&E at acquisition has been valued using a RAV multiple). Due to the above, substantial differences exist in the measurement bases between RAV and an IFRS balance metric, and therefore, it is not possible to provide a meaningful reconciliation between the two.

In the US, rate base is a regulatory measure determined for each of our main US operating companies. It represents the value of property and other assets or liabilities on which we are permitted to earn a rate of return, as set out by the regulatory authorities for each jurisdiction. The calculations are based on the applicable regulatory agreements for each jurisdiction and include the allowable elements of assets and liabilities from our US companies. For this reason, it is not practical to provide a meaningful reconciliation from the US rate base to an equivalent IFRS measure. However, we include the calculation below.

'Total regulated and other balances' for our UK regulated businesses include the under or over-recovery of those businesses target to collect in any year, which are based on the regulator's forecasts for that year. Under the UK price control arrangements, revenues will be adjusted in future years to take account of actual levels of collected revenue, costs and outputs delivered when they differ from those regulatory forecasts. In the US, other regulatory assets and liabilities include regulatory assets and liabilities which are not included in the definition of rate base, including working capital where appropriate.

'Total regulated and other balances' for NGV and other businesses includes assets and liabilities as measured under IFRS, but excludes certain assets and liabilities such as pensions, tax, net debt and goodwill. This also includes a £101 million deferred balance for separation and transaction costs already incurred related to the sale of NECO and UK Gas Transmission, which is expected to be offset against the proceeds received on disposal of these businesses in 2022/23.

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	RAV, rate base or other business balances		Total Regulated and other balances	
	2022	2021 ¹	2022 ^{2,3}	2021 ^{1,2,3}
As at 31 March (£m at constant currency)				
UK Electricity Transmission	15,486	14,328	15,274	14,050
UK Electricity Distribution	9,250	—	9,307	—
UK Electricity System Operator	296	240	439	351
UK Gas Transmission (excluding metering)	6,561	6,308	6,657	6,335
New England	9,255	8,673	11,052	10,154
New York	12,923	12,014	13,747	12,528
Total regulated	53,771	41,563	56,476	43,418
NGV and other businesses (including discontinued metering business)	5,226	4,920	4,348	4,584
Total Group regulated and other balances	58,997	46,483	60,824	48,002

1. Figures relating to prior periods have, where appropriate, been re-presented at constant currency, for segmental reorganisation, opening balance adjustments following the completion of the UK regulatory reporting pack process and finalisation of US balances.

2. Includes totex-related regulatory IOUs of £271 million (2021: £293 million), over-recovered timing balances of £346 million (2021: £153 million under-recovered) and under-recovered legacy balances related to previous price controls of £9 million (2021: £nil).

3. Includes assets for construction work-in-progress of £2,139 million (2021: £1,671 million), other regulatory assets related to timing and other cost deferrals of £759 million (2021: £714 million) and net working capital liabilities of £277 million (2021: £390 million).

New England and New York rate base and other total regulated and other balances for 31 March 2021 have been restated in the table above at constant currency. At actual currency the values were £9.7 billion and £11.9 billion respectively.

Asset growth

Asset growth is the annual percentage increase in our RAV and rate base and other business balances (including the assets of National Grid Ventures and National Grid Partners) calculated at constant currency, but excluding the increase from the acquisition of WPD during the year.

Group return on equity (RoE)

Group RoE provides investors with a view of the performance of the Group as a whole compared with the amounts invested by the Group in assets attributable to equity shareholders. It is the ratio of our regulatory financial performance to our measure of equity investment in assets. It therefore reflects the regulated activities as well as the contribution from our non-regulated businesses together with joint ventures and non-controlling interests.

We use Group RoE to measure our performance in generating value for our shareholders, and targets for Group RoE are included in the incentive mechanisms for executive remuneration within both the APP and LTPP schemes.

Group RoE is underpinned by our regulated asset base. For the reasons noted above, no reconciliation to IFRS has been presented, as we do not believe it would be practical. However, we do include the calculations below.

Calculation: Regulatory financial performance including a long-run inflation assumption (3% RPI for RIIO-1; 2% CPIH for RIIO-2), less adjusted interest and adjusted taxation divided by equity investment in assets:

- adjusted interest removes interest on pensions, capitalised interest in regulated operations and unwind of discount rate on provisions;
- adjusted taxation adjusts the Group taxation charge for differences between IFRS profit before tax and regulated financial performance less adjusted interest; and
- equity investment in assets is calculated as the total opening UK regulatory asset value, the total opening US rate base plus goodwill plus opening net book value of National Grid Ventures and Other activities (excluding certain amounts such as pensions, tax and commodities) and our share of joint ventures and associates, minus opening net debt as reported under IFRS restated to the weighted average £/\$ exchange rate for the year.

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Years ended 31 March	2022 £m	2021 £m
Regulated financial performance	3,684	3,381
Operating profit of other activities – continuing operations	330	144
Operating profit of other activities – discontinued operations	150	157
Group financial performance	4,164	3,682
Share of post-tax results of joint ventures and associates	148	66
Non-controlling interests	(1)	(1)
Adjusted total Group interest charge (including discontinued)	(1,191)	(882)
Total Group tax charge (including discontinued)	(761)	(416)
Tax on adjustments	43	(175)
Total Group financial performance after interest and tax	2,402	2,274
Opening rate base/RAV	41,043	39,552
Opening other balances	4,864	3,984
Opening goodwill	5,266	5,295
Opening capital employed	51,173	48,831
Opening net debt	(30,072)	(27,398)
Opening equity	21,101	21,433
Return on Equity¹	11.4%	10.6%

1. Group RoE methodology amended in 2021/22 to calculate accretion charge on inflation-linked debt at long-run inflation rates. This provides alignment to treatment of RAV indexation in the metric. Prior year comparatives have not been restated.

UK and US regulated RoE

Years ended 31 March %	Regulatory Debt: Equity assumption	Achieved Return on Equity		Base or Allowed Return on Equity	
		2022 %	2021 %	2022 %	2021 %
UK Electricity Transmission	55/45 (2021: 60/40)	7.7	13.8	6.3	10.2
UK Electricity Distribution	65/35	13.6	—	9.6	—
UK Gas Transmission	60/40 (2021: 62.5/37.5)	7.8	9.6	6.6	10.0
New England	Avg. 46/54	8.3	7.5	9.8	9.8
New York	Avg. 52/48	8.8	6.7	8.9	9.0

UK businesses' regulated RoEs

UK regulated businesses' RoEs are a measure of how the businesses are performing against the assumptions used by our UK regulator. These returns are calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure, at the cost of debt assumed by the regulator, and that inflation is equal to a long-run assumption of 3% RPI under RIIO-1 and 2% CPIH under RIIO-2. They are calculated by dividing elements of out/under-performance versus the regulatory contract (i.e. regulated financial performance disclosed above) by the average equity RAV in line with the regulatory assumed capital structure and adding to the base allowed RoE.

These are important measures of UK regulated businesses' performance, and our operational strategy continues to focus on these metrics. These measures can be used to determine how we are performing under the RIIO framework and also helps investors to compare our performance with similarly regulated UK entities. Reflecting the importance of these metrics, they are also key components of the APP scheme.

The respective business's UK RoEs are underpinned by their RAVs. For the reasons noted above, no reconciliation to IFRS has been presented, as we do not believe it would be practical.

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US businesses' regulated RoEs

US regulated businesses' RoEs are a measure of how the businesses are performing against the assumptions used by the US regulators. This US operational return measure is calculated using the assumption that the businesses are financed in line with the regulatory adjudicated capital structure and allowed cost of debt. The returns are divided by the average rate base (or where a reported rate base is not available, an estimate based on rate base calculations used in previous rate filings) multiplied by the adjudicated equity portion in the regulatory adjudicated capital structure.

These are important measures of our New England and New York regulated businesses' performance, and our operational strategy continues to focus on these metrics. This measure can be used to determine how we are performing and also helps investors compare our performance with similarly regulated US entities. Reflecting the importance of these metrics, they are also key components of the APP scheme.

The New England and New York businesses' returns are based on a calculation which gives proportionately more weighting to those businesses which have a greater rate base. For the reasons noted above, no reconciliations to IFRS for the RoE measures have been presented, as we do not believe it would be practical to reconcile our IFRS balance sheet to the equity base.

The table below shows the principal differences between the IFRS result of the New England and New York segments, and the 'returns' used to derive their respective US jurisdictional RoEs. In outlining these differences, we also include the aggregated business results under US GAAP for New England and New York jurisdictions.

In respect of 2020/21, this measure is the aggregate operating profit of our US OpCo entities' publicly available financial statements prepared under US GAAP for the New England and New York jurisdictions respectively. For 2021/22, this measure represents our current estimate, since local financial statements have yet to be prepared.

	2022	2021		
	£m	£m		
Underlying IFRS operating profit for New England segment	886	727		
Underlying IFRS operating profit for New York segment	706	722		
Weighted average £/\$ exchange rate	\$1.348	\$1.341		
			New England	New York
	2022	2021	2022	2021
	\$m	\$m	\$m	\$m
Underlying IFRS operating profit for US segments	1,194	974	951	969
<i>Adjustments to convert to US GAAP as applied in our US OpCo entities</i>				
Adjustment in respect of customer contributions	(35)	(28)	(30)	(31)
Pension accounting differences ¹	14	8	88	(2)
Environmental charges recorded under US GAAP	3	(14)	42	(94)
Storm costs and recoveries recorded under US GAAP	(75)	(86)	(8)	(27)
Other regulatory deferrals, amortisation and other items	(253)	58	46	43
Results for US regulated OpCo entities, aggregated under US GAAP²	848	912	1,089	858
<i>Adjustments to determine regulatory operating profit used in US RoE</i>				
Adjustment for COVID-19-related provision for bad and doubtful debts ³	—	(44)	—	171
Net other	71	(14)	85	(16)
Regulatory operating profit	919	854	1,174	1,013
Pensions ¹	7	(31)	107	(13)
Regulatory interest charge	(227)	(221)	(316)	(314)
Regulatory tax charge	(179)	(155)	(263)	(185)
Regulatory earnings used to determine US RoE	520	447	702	501

1. Following a change in US GAAP accounting rules, an element of the pensions charge is reported outside operating profit with effect from 2019.

2. Based on US GAAP accounting policies as applied by our US regulated OpCo entities.

3. US RoE includes an adjustment reflecting our expectation for future recovery of COVID-19-related bad and doubtful debt costs.

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	New England		New York	
	2022 \$m	2021 \$m	2022	2021
US equity base (average for the year)	6,253	5,960	7,946	7,452
US jurisdiction RoE	8.3%	7.5%	8.8%	6.7%

Totex

Under the UK RIIO regulatory arrangements the Company is incentivised to deliver efficiencies against cost targets set by the regulator. In total, these targets are set in terms of a regulatory definition of combined total operating and capital expenditure, also termed 'Totex'. The definition of Totex differs from the total combined regulated controllable operating costs and regulated capital expenditure as reported in this statement according to IFRS accounting principles. Key differences are capitalised interest, capital contributions, exceptional costs, costs covered by other regulatory arrangements and unregulated costs.

Value Added and Value Added per share and Value Growth

Value Added is a measure that reflects the value to shareholders of our cash dividend and the growth in National Grid's regulated and non-regulated assets (as measured in our regulated asset base, for regulated entities), and corresponding growth in net debt. It is a key metric used to measure our performance and underpins our approach to sustainable decision making and long-term management incentive arrangements.

Value Added is derived using our regulated asset base and, as such, it is not practical to provide a meaningful reconciliation from this measure to an equivalent IFRS measure due to the reasons set out for our regulated asset base. However, the calculation is set out in the Growth and Value Added section on page 26.

Value Added per share is calculated by dividing Value Added by the weighted average number of shares (3,599 million) set out in note 7.

Value Growth of 12.8% (2020/21: 9.4%) is derived from Value Added by adjusting Value Added to normalise for our estimate of the long-run inflation rate (3% RPI for RIIO-1 and our RPI-linked net debt; 2% CPIH for RIIO-2). In 2021/22, the numerator for Value Growth was £2,730 million (2020/21: £1,995 million). The denominator is Group equity as used in the Group RoE calculation, adjusted for foreign exchange movements.

Asset growth

Asset growth is the annual percentage increase in our RAV and rate base and other business balances (including the assets of NGV and NGP) calculated at constant currency.

Regulatory gearing

Regulatory gearing is a measure of how much of our investment in RAV and rate base and other elements of our invested capital (including our investments in NGV, UK property and other assets and US other assets) is funded through debt. Comparative amounts as at 31 March 2021 are presented at historical exchange rates and have not been restated for opening balance adjustments.

As at 31 March	2022 £m	2021 £m	
UK RAV	31,593	20,872	
US rate base	22,178	20,041	
	53,771	40,913	
Other invested capital included in gearing calculation	5,226	4,458	
Total assets included in gearing calculation	58,997	45,371	
Net debt (including 100% of hybrid debt and held for sale)	(48,043)	(29,665)	change
Group gearing (based on 100% of net debt including held for sale)	81%	65%	1600bps
Group gearing (excluding 50% of hybrid debt from net debt) including held for sale	80%	63%	1700bps

1. March 2021 balances restated for segmental changes and to correspond with 2020/21 regulatory filings and calculations.

National Grid

Analyst Consensus Rollup 2021/22

Latest as at 16/11/2021

The latest consensus reflects all updates since 28 May 2021 and has been collected for underlying performance, which represents statutory results excluding exceptional items, remeasurements, timing and major storm costs.

(£m)	H1 2021/22	
	Underlying	Count
Earnings before interest & tax	1,402	7
Interest	(506)	6
Post-tax share of joint ventures and associates	39	6
Profit before tax	920	6
Tax	(175)	6
Minority interests	(0)	6
Net income	746	7
Weighted av. shares (m)	3,568	6
Earnings per share (p)	21.0	7
Dividend per share (p)	17.34	6
Closing net debt	(40,490)	4

Disclaimer:

The consensus estimate presented above is based on earnings projections made by a number of research analysts who cover National Grid. The data has been compiled following estimates submitted by analysts and confirmed as published. The figures are a precise mean of the figures submitted and are not altered or adjusted in any way by National Grid other than as stated on this sheet. The number of contributing analysts to each consensus figure in the table is shown under the "Count" heading.

Any opinions, forecasts, estimates, projections or predictions regarding National Grid's performance made by the analysts (and, therefore, the consensus estimate numbers) are theirs alone and do not represent the opinions, forecasts, estimates, projections or predictions of National Grid or its management. By providing these estimates National Grid does not imply its endorsement of or concurrence with such information, conclusions or recommendations. National Grid assumes no liability for the accuracy of such estimates and undertakes no obligation to update or revise such estimates.

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National Grid plc: Transcript for Half year results 2021/22

Speakers:

Nick Ashworth, Director of IR, National Grid
John Pettigrew, CEO, National Grid
Andy Agg, CFO, National Grid

Q&A

Dominic Nash, Barclays
Penny Ping, Citi
John Musk, RBC
Mark Freshney, Credit Suisse
Deepa Venkateswaran, Bernstein
Martin Young, Investec
Bartek Kubicki, Societe Generale
Chris Laybutt, Morgan Stanley

Nick Ashworth: Good morning and welcome to National Grid's half year results presentation. Thank you for joining us this morning. I'm Nick Ashworth, Director of Investor Relations, and I'm joined this morning by our CEO, John Pettigrew, and CFO, Andy Agg. As usual, there'll be time for questions after the presentation, but given the Investor Day later, please focus your questions on the first six months performance. So with that, I'd just like to draw your attention to the cautionary statement that you'll find at the front of the presentation, and I'll now hand over to John to begin.

John Pettigrew: Thank you Nick. Good morning and welcome to the call. As usual, I'm joined by Andy Agg, our CFO, and after the call we'll both be happy to take your questions.

Looking across the group, I'm delighted with the progress we've made over the past six months. So, let me start with the key takeaways. Following the transactions we announced in March, we were pleased to complete the purchase of WPD in June, a little ahead of expectations, as we advance our strategic pivot that places National Grid at the heart of delivering that zero. The sale of our Rhode Island business continues to be on track, with completion expected by the end of the financial year. We've recently launched the sale of the majority stake in our UK Gas Transmission business, and expect to complete sometime next summer.

Alongside these transactions, we've now moved to a new operating model with seven business units across the group, as we look to deliver the financial, customer and regulatory outcomes that will be required on the journey to net zero. This has led to the creation of US business units for New York and

New England, and UK business units for Transmission and Distribution. Management layers have been removed, with each unit having P&L accountability and clear responsibility for delivering the innovation and efficiency specific to their area. As we've announced this morning, it will help us deliver a new £400 million cost efficiency program, maintaining a flat controllable cost space, even whilst assets grow by over 20%.

This focus on our cost base will in turn help us to deliver at least 95% of our allowed returns across our US businesses as we achieve these efficiencies, and support our ability to reach our targeted 100 basis points of our annual outperformance through RIIO-T2 period, alongside our continued focus on efficient capital delivery. I'm really excited to be able to talk about all of these areas and more at our investor event this afternoon, where I hope to see many of you in person.

Alongside these key takeaways, I've also been really pleased with the strong financial and operational performance that we've delivered in the first half. On an underlying basis, that is excluding the impact of timing, exceptional items and the contribution from Gas Transmission and metering, which are now classified as discontinued businesses, operating profit of £1.4 billion was 52% above last year at constant currency. This was held by first time contribution from WPD. But, even excluding this, operating profit increased by 24% compared to the prior year, as we saw a first time contribution from the new IFA2 interconnector to France, part of our £2 billion investment program to deliver four new interconnectors by 2024, and an incremental £250 million of EBITDA, and higher revenue contribution from UK Electricity Transmission as we start the new RIIO-T2 period, where we'll be investing on average over 50% more than in RIIO-T1, to accelerate the energy transition.

Consequently, underlying earnings per share was up 66% compared with the first half of last year. Given this strong start, we now expect to deliver full year underlying EPS significantly above the top end of our 5-7% percent range. This is primarily driven by early commissioning of our new NSL interconnector, coupled with higher auction prices across our interconnector portfolio, which is expected to deliver around £100 million higher operating profit. Andy will, as usual, cover the performance of each of our segments in more detail shortly.

Moving now to our investment in critical infrastructure. Capital expenditure for our continuing operations was in line with guidance at £2.8 billion, 22% above the prior year, reflecting our investment in enabling the energy transition across our markets, including higher UK Electricity Transmission investment large projects, such as the connection of the new Hinkley power station at Hinkley Point in the Southwest, the investment of £315 million by WPD, and increased US network investments in reducing emissions from our gas pipelines and storm hardening for our electricity distribution network. And, in line with our policy, the board has proposed an interim dividend of 17.21p per share, reflecting 35% of last year's full year dividend.

Turning next to our safety and reliability performance. Safety is at the heart of delivery across our businesses. I'm pleased to say that in the first half of FY22, we saw our lost time injury frequency rate maintained at the level of 0.11, the same as last year. Turning to reliability, which has also remained excellent across our UK and US networks, in the US we responded well to a number of storms, including tropical storms Elsa and Henri, where we saw significant disruption across our Massachusetts jurisdiction. However, despite this disruption, I'm proud to say that we were able to restore over 90% of our customers within 19 hours. In the UK, we've managed well through the summer despite low levels of wind generation, demonstrating the effectiveness of the new tools the Electricity System Operator is

using as the energy transition progresses. Looking forward, the Electricity System Operator has published its winter outlook, forecasting an electric capacity margin of 6.6%, slightly lower than last year, although well within the required reliability standards.

With regard to the UK gas network, while there have been heightened awareness of gas prices in the past few months, like electricity, we're forecasting sufficient capacity this coming winter with available peak capacity of over 600 million cubic meters per day, compared to a cold day demand forecast of around 500. In the US, following the northeaster seen at the end of last month, and given the ever-present possibility of further storms, we've again reviewed our procedures and are well prepared for the coming period. In our National Grid Ventures business, the fire at our Sellenge interconnector station has led to the loss of half the capacity of IFA1. Following our internal investigation, we now expect 500 megawatts to be back online by next October. And, I'm pleased we were recently able to announce that the remaining 500 megawatts will be back in service earlier than we anticipated, by December 2022.

So, moving now to the operating performance across the business in the first half. Starting with our new business, WPD where following our purchase on the 14th of June, we're now reporting its contribution as our UK electricity distribution business. As I've said before, I'm incredibly excited about the opportunities WPD adds to the group, its long term, highly visible growth, and the transmission it brings to National Grid's shape and positioning at a time of significant change across the energy sector. The first few months tells me there are lots of opportunities for National Grid, learning from WPD's low cost, customer centric business model, and for WPD to learn from our track record of engineering excellence. You'll hear more about this from Phil Swift, the WPD President, later this afternoon.

So in our first three and a half months of ownership, WPD's capital program delivered £315 million of investment, mainly resulting from demand related reinforcement, asset replacement, network faults and IT upgrade. Our focus is now on finalising the business plan for the up and coming RIIO-ED2 regulatory review, which will be submitted in early December. As with the RIIO-T2 process, we've taken on board significant amounts of stakeholder and customer feedback and reflected this in the plans, whilst also taking into account the lessons learned from the recent RIIO-T2 review. These plans will address the investment opportunity to deliver a step up in the capacity to support wider rollout of electric vehicles, greater adoption of electric home heating, and more renewable generation connecting to the distribution network.

Moving on to our UK Electricity Transmission business. The first six months of RIIO-T2 marked a successful start to the new regulatory period. We continued our capital program with £587 million of investment, 17% higher than the first half of last year. This investment was driven by a further step up in our asset maintenance activity, such as network refurbishment and substation replacement. Continued progress on the Hinkley C connection, where we're utilising the new T-pylon for the first time, and higher spend on the tunnel boring phase of our £1 billion London Power Tunnels project. The last half has also seen our technical appeal reviewed by the CMA. Its final determination was published at the end of October, where it confirmed the removal of the performance wedge.

Having spent time recently at COP26, listening to and engaging with politicians and policymakers to encourage acceleration of green investment, it has never been a more critical time to have a regulatory framework that can enable its delivery at pace, if we are to meet the challenges and opportunities of net zero. You'll hear more about this from me this afternoon. Finally, in the UK with the sale process now launched, Gas Transmission is reported as a discontinued operation. However, I'm really pleased with

the performance in the first half of the year. As it begins this new RIIO-T2 period, capital investment of £131 million was up 38%, reflecting high spend on asset health. Unlike Electricity Transmission, it's targeting a hundred basis points of outperformance through this price control period.

Moving now to our US jurisdictional businesses, starting with New York. In the period, we invested £851 million, up 10% at constant currency, mainly driven by code restrictions in the prior period. Our biggest program of work is the replacement of leak-prone pipes, where we've delivered 171 miles in the first half, which is an increase of 80 miles in the prior period as we further reduce methane emissions across our network. On the electric side, you'll hear later about the progress we're making with transmission opportunities in upstate New York, such as the 2GW New York Energy Solutions project, which will help bring more renewable energy into the state. This project will replace 80-year-old transmission lines, and it's due for completion by FY23.

Turning to regulation, I'm pleased with the significant progress we've made, where we're targeting returns of at least 95% of the allowed level each year. We've reached a joint proposal with a New York Public Service Commission's staff for NIMO in upstate New York. The three year settlement, which includes an allowable RoE of 9%, will see us invest \$3.3 billion in electric and gas infrastructure; fund over 300 new positions supporting measures such as new gas safety initiatives and energy efficiency program, and adopt innovative new features such as performance based incentives, giving us the ability to earn incremental returns up to an additional 86 basis points in our electric business. Moving across to New England. In the period, we invested £700 million flat on the prior year. Whilst we saw higher levels of investment in Massachusetts, lower spend in Rhode Island due to COVID offset this increase. Like New York, we made strong progress with leak prone pipe replacement and have delivered 85 miles of new pipe in the first half. On the electric side, we've continued investing to strengthen our networks against increased storm activity and to respond to customer requests, primarily in new urban residential areas.

Turning to regulation, we've agreed a new rate case for Massachusetts Gas effective from October. This follows the same formula, as our performance base rates were agreed for Massachusetts Electric last year. The rate case will further allow an RoE of 9.7%, incremental operating expenses of \$65 million, and over 130 new positions to support capex of around \$3.5 billion over five years. These Massachusetts rate cases, combined with the inflation forecast we incorporate in our New York rate plans, means we have businesses that are in a strong position to mitigate our inflation exposure.

Looking now at National Grid Ventures, where we now include US generation following our reorganisation. Investment of £282 million was marginally up on the prior period. It was primarily focused on delivery of our interconnectors, and we are pleased that the North Sea Link, our subsea connection with Norway, came online ahead of schedule in October this year. Our Viking link with Denmark remains on track to be operational in 2024. Moving to the US, our onshore renewables business has completed the 200 megawatt Prairie Wolf Solar project in Illinois, which will be commissioned by year end and will bring our capacity under operation to just over 600 megawatts. So, let me now hand over to Andy to take you through the detailed financials before I come back and briefly summarise our first half year achievements. Andy.

Andy Agg: Thank you, John, and good morning everyone. I'd like to highlight that as usual, we're presenting our underlying results excluding timing, and that all results are provided at constant exchange rates. The changes to our portfolio provide a bit of complexity this year, and I'll shortly talk

through the moving parts before turning to the group's half year performance. However, the overall changes to our reporting lines, as John mentioned earlier, should enable a clearer understanding of our business performance going forward.

With the acquisition of the UK's largest electricity distribution network, Western Power Distribution, completed on the 4th June 2021, its contribution is now included from that date. Our UK Gas Transmission business, including our legacy gas metering business, is now held as a discontinued operation following the launch of the process for a majority stake sale in this business. As such, all earnings from this segment have been excluded from the underlying earnings of the continuing group. Rhode Island was classified as held for sale on the 31st of March this year, and so depreciation ceased. However, since it does not meet the size criteria of discontinued operations under IFRS, we continue to include its operating profit contribution within underlying earnings until the sale to PPL is complete. This remains on track for the end of our financial year.

Andy Agg: Finally, as we move to business unit reporting, our US regulated operations will be separately reported under New England and New York. Consequently, our US generation business will now report through the National Grid Ventures portfolio. We are now reporting the UK electricity system operator separately from Electricity Transmission. For comparability, prior numbers are shown adjusted for these changes. Before I turn to our half year performance, I just want to say a few words on the new £400 million cost efficiency program that we've announced this morning.

The program builds on the UK and US efficiency initiatives that we've run over the last two years that have already delivered over £150 million of savings. The move to a new organizational structure along business unit lines, as John mentioned earlier, has provided the opportunity for us to identify further efficiency savings both in the core businesses and across the shared corporate functions. In total, we are targeting over £400 million of savings across the group over three years, with the aim to keep controllable operating costs flat whilst growing our asset base around 20%. Across our US businesses, we expect the efficiencies to be over £300 million. And in the UK, Electricity Transmission together with National Grid Ventures are targeting around £100 million of savings.

These efficiencies will come through a number of areas, such as the increasing use of technology and digital solutions that will deliver greater working practice productivity, as well as standardising our working practices and retaining more of this knowledge within the business. These programs sit alongside the continuing work we are doing on driving capital efficiency across the group, particularly in our large asset delivery programs, such as for RIIO-T2 in our UK Electricity Transmission business. You'll hear about some of the many areas where we are innovating and driving efficiencies across the business units later at our investor event.

Now turning to our half year performance. Underlying operating profits on a continuing basis increased by £483 million to £1.4 billion. As John said, removing the first time contribution from WPD, operating profits still increased 24% year over year, driven by the first time contribution from the IFA2 interconnector as our interconnector program moves from construction into the operational phase, and a higher contribution from UK Electricity Transmission as we move into RIIO-T2 and begin to deliver a capital program that will be over 50% greater per annum than in RIIO-T1. Higher operating profit as well as a lower than anticipated increase in financing costs, given some one-off benefits in other interest, resulted in underlying earnings per share increasing by 66% to 22.8p. Capital investment from continuing operations was £2.8 billion, 22% higher than the prior year. This reflects the first-time

inclusion of WPD capital investment this period, the impact of COVID restrictions in the US in the prior period, and progress on major electricity projects, such as London Power Tunnels 2 and Hinkley-Seabank in our UK Electricity Transmission business, all partly offset by lower interconnector spend. In line with our policy, the board has proposed an interim dividend of 17.21 pence per share, representing scrip uptake in the summer on the four-year dividend was 49%, and we'll again be offering the scrip option at the half year. Now, let me take you through the performance of each of our business segments.

Starting with our new business: on the 14th of June 2021, we acquired WPD for a total cash consideration of £7.9 billion. The deal was financed by an £8.2 billion bridge loan, which is expected to be largely repaid using the proceeds of the planned disposal of our Rhode Island business to PPL, and a majority-stake sale of our UK Gas Transmission and metering businesses.

On consolidation, we made a number of accounting adjustments as required by IFRS, which have ultimately had a net-positive impact on the income statement. Firstly, PP&E has been fair-valued, and brought onto the balance sheet at £10 billion below the value in the WPD accounts. With only marginal changes to asset lives, this results in a lower depreciation charge going forward. This has been broadly offset by the removal of customer contributions, previously recognised by WPD on the balance sheet, removing the benefit to operating profit going forward. Net debt has been fair-valued upwards by £1.6 billion to £8.2 billion to reflect credit spreads, interest, and inflation rates at the time of acquisition. This results in a lower annual interest charge. We will recognise an intangible asset of £1.7 billion, representing WPD's regulatory license, as well as goodwill of £4.7 billion. Both of these balances will be subject to annual impairment testing. Consequently, for the half year, we include a contribution of £257 million within underlying operating profit, and capital investment in the period of £315 million.

Underlying operating profit for the UK Electricity Transmission business was £552 million, up £65 million compared with the last half year. This primarily reflects the move to CPIH inflation indexation and higher base revenues as we enter the first year of RIIO-T2. We invested £587 million on system resilience, asset health and new connections. This was £86 million higher, reflecting progress on multiple large projects, such as London Power Tunnels 2 and Hinkley-Seabank, partly offset by lower investment in SmartWires, as these projects near completion.

We've now had time to work through the RIIO-T2 final determinations in more detail since their publication. While the price control will be challenging, we believe we'll be able to find ways to innovate and deliver efficiently for our customers. As we complete projects started in RIIO-T1 and move into RIIO-T2, we are targeting to deliver 100 basis points of operational out performance on average through the five-year period, and given this profile, we also expect to deliver this level of performance in the first full year of this price control. And on the electricity system operator, underlying operating profit was up £12 million in the period to £49 million, with high revenues at the start of the new control more than offsetting higher costs.

Moving now to the US, where underlying operating profit for New York was £141 million, £29 million lower than the prior year. This reflects higher revenues for our rate case settlements, as well as the non-recurrence of COVID costs from the prior period, more than offset by higher storm costs in the period; increased depreciation from higher levels of investment, as well as a reassessment of recoverable environmental reserves mainly due to inflation. Capital investment was £851 million, £76 million higher than prior year at constant currency. Increasing CapEx was driven by the impact of COVID restrictions in

the prior year. Overall, we expect full-year RoE to increase to at least 95% of our allowed level, improving on the 2020-21 performance.

Turning to New England, underlying operating profit was £247 million, £67 million higher than the prior year. This reflects higher rates in our Massachusetts electric business under its new rate settlement, lower bad debts due to the resumption of collections, as well as lower COVID costs and the cessation of depreciation following the reclassification of Rhode Island as held for sale. The capital investment was £700 million, £7 million lower than prior year at constant currency. Massachusetts has seen higher levels of investment, primarily driven by the impact of COVID restrictions in the prior year. However, this has been more than offset by permit delays due to COVID in the Rhode Island business. Overall, full-year RoE is expected to increase compared to 2020-21, which was adversely affected by storms, and we expect to achieve over 80% of our allowed level. Looking forward, given the combination of new Massachusetts gas rates, from the 1st of October together with the new efficiency program we have announced this morning, we expect to make significant progress towards our target of at least 95% of our RoE allowances.

National Grid Ventures continue to perform well, with underlying operating profit up £66 million to £147 million in the half year. This primarily affected first-time contributions from the IFA2 interconnector, which commissioned earlier this year, and growth in our US renewables business. Our 50% ownership in the Nemo interconnector to Belgium also benefited from higher auction prices, helping the performance of our joint ventures.

However, performance was partially offset by a fire at the 2 gigawatt IFA1 converter station in Sellindge, Kent in September. The fire caused significant damage to infrastructure on site, with 1 gigawatt of capacity currently offline. We now expect 500 megawatts to be back online by October 2022, with the remaining 500 megawatts to be back in service in December 2022. We are working on ways to bring the asset back online as quickly as possible and will update on the expected cost of repairs when we have more detail. With insurance in place to largely cover business interruption and rebuild costs, we don't anticipate a material financial impact on the group.

Capital investment across National Grid Ventures increased from £272 million to £282 million in the period. This reflects investments in additional capacity at our LNG terminal along the Isle of Grain and renewable generation in the US, largely offset by lower CapEx on the interconnector program following last month's successful commissioning of the NSL interconnector to Norway.

The operating profit for other activities for the half year was £14 million, £45 million higher than last year. This principally reflects fair-value gains on investments held by National Grid partners, our portfolio of start-up companies, innovating and investing in new technologies that will drive a smarter energy future, including Dragos, a cyber-security company for critical infrastructure. Capital investment was £40 million, £15 million higher than last year.

With the launch of the sales process, we are now reporting our UK Gas Transmission business, including the legacy gas metering business, as discontinued. For the period, operating profit excluding timing was £332 million. This was £144 million higher than the prior year following a change in revenue charging methodology, which has removed volume linkage and will lead to lower levels of seasonality going forward. Capital investment was £131 million, £36 million higher than the prior year. This primarily reflects higher spend on asset health and emissions work.

Having now assessed the final determination for RIIO-T2, Gas Transmission is targeting to deliver 100 basis points of operational out-performance on average through the five-year period.

Net finance costs were £475 million, up £73 million, reflecting higher financing costs following first-time inclusion of WPD debt and funding of the acquisition of the bridge facility, partly offset by lower pension interest costs as well as interest on favourable property-tax settlements. Our effective interest rate was around 20 basis points lower than the prior year at 3.1%. Our constant currency net finance costs are now expected to be around £200 million higher for the full year, as a result of higher inflation, higher average net debt following the acquisition of WPD, and our ongoing capital investment program, partly offset by one-off benefits in other interest.

The underlying effective tax rate before joint ventures was 19%, 330 basis points higher than the prior year, due to a change in the profit mix and the reduced impact of prior-year adjustments. For the full year, the underlying effective tax rate excluding the share of joint venture post-tax profit, is expected to be around 21%. Underlying earnings were £812 million, with EPS of £22.8, up 6% on our prior year. Finally, given the strong start to the year, we now expect a full-year underlying EPS significantly above the top end of our 5-7% range. This is primarily driven by early commissioning and by a new SSL interconnector, coupled with higher auction prices across our interconnected portfolio, which we expect to deliver around £100 million higher operating profit.

Moving now to cash flow. Cash generated from continuing operations was £2 billion, up 27% compared to the prior year. This reflects first-time contribution of WPD. Net cash outflow in the period amounted to £1.6 billion, down 24% on our prior period, with higher capital investment partly offset by a lower cash dividend given the scrip uptake. Net debt increased £12.9 million to £41.5 billion, reflecting consideration of paying for WPD, and its existing debt, partly offset by the reclassification of debt in National Grid Gas as held for sale. For full year, net debt is expected to remain consistent with the level at 30th September at around £41.5 billion, excluding the impact of FX. This includes expected benefit of the Rhode Island disposal proceeds. I've said previously that our net debt to RAV is expected to remain stable above 70% once we have completed our announced portfolio repositioning, and at this level, is comfortably within the ranges required by our credit rating agencies to maintain our existing ratings. As a reminder, our target range is above 7% for Moody's RCF to debt, and above 10% for S&P's FFO to debt ratio.

Before I hand it back to John and given expectations around higher levels of inflation and interest address rates, I just wanted to touch on the potential impacts we see across our businesses. Looking across the group and the regulation settlements we have in place, moderately higher regulation is a positive over the long term, with the protection of real returns across a good proportion of our regulatory assets, whilst moderately higher interest costs should be broadly neutral over time.

As an example, on inflation, in the UK, higher inflation is a positive, up £23 million regulated asset base given indexation. This is partly offset by £4 billion of inflation debt. So, one basis point and one year inflation represents around £190 million pounds of incremental and economic value. Across our income statement, whilst our higher inflation would lead to higher interest costs in terms of inflation debt, our regulatory frameworks mean having good inflation protection in the longer term, our revenues catch up.

In our UK regulation businesses, revenues are linked to CPIH, and we also get revenue protection for specific movements in labour and materials costs under the real price expected mechanisms. In the US,

our Massachusetts and FERC regulated businesses have annual increases and in New York we're able to include forward-looking prices in our rate plans.

Moving to interest, the cost debt allowed to the UK is up 80% annually, and assuming the efficient funding of debt, higher interest cost should be neutral in the P&L, as we will receive revenue allowance for a time. In the US, regulators take into account the cost of debt and provide for passing of these costs to customers, which is why most of this debt is fixed rate and long-term in nature.

So, to summarise our half year, we've delivered a strong financial performance and now see full year underlying EPS significantly ahead of our 5-7% growth rate. We now include our UK Electricity Distribution business, WPD, for the first time following our strategic pivot to electricity, and are seeing our interconnector program move into its operational phase with a first-time inclusion of IFA2 and commissioning of our NSL link. Capital investment levels are up, driven by new regulatory settlements with a greater focus on energy transition, whilst our balance sheet remains strong, allowing us to fund our investments efficiently. We have moved to a new operating model and announced a new £400 million cost efficiency program as we continue to focus on delivering a fair and affordable clean energy future for all. With that, I'll hand you back to John.

John Pettigrew: Thank you, Andy. So, to finish, we've had a strong start against our five-year financial framework of annual asset and EPS growth. This is enabling us to upgrade our four-year EPS guidance to be significantly ahead of our 5-7% range. We're delighted to have completed the acquisition of WPD a little earlier than anticipated, having hit the ground running as we start to integrate and share best practice. We're confident our new operating model structure will deliver the most efficient outcomes for all our stakeholders as we progress the journey to net zero, and on the back of this, we've announced a new £400 million cost-efficiency program to be delivered over the next three years.

We've made a strong start to the new RIIO-T2 price control in our UK Electricity Transmission business and have line of sight on operational and capital efficiencies to deliver out-performance through the period. We've successfully completed a full refresh of rates across our New York and New England businesses, giving us fantastic visibility and regulatory certainty. I'm also really pleased to see our interconnector program heading from construction into operation, with a first-time contribution from IFA2 in the period, as well as the commissioning of our Norwegian interconnector last month. That just leaves the Viking link to come on in FY24.

Finally, we're on track to deliver our five-year financial framework of 6-8% asset growth, 5-7% EPS growth, and most importantly, to continue to deliver a sustainable CPIH-linked dividend. At our investor event later today, we're looking forward to giving you a lot more information on the medium to long-term drivers of growth, and how we're working with all our stakeholders to deliver a clean, fair and affordable energy future. Hopefully we'll see many of you there in person. Thank you for listening. Andy and I will now be happy to take questions on the first-half performance.

John Pettigrew: Right. Excellent. Okay. Let's make a start. Dominic, I can hear you. Do you hear me?

Dominic Nash: Yes, I can hear you. Yes, go ahead.

John Pettigrew:Excellent.

Dominic Nash: Thank you for that. The questions I've got are two actually, although saying that, I think Deepa has printed it up on the screen, which is about the £400 million of cost savings and how much of that is in the U.S. in order for you to meet the regulatory targets, and how much of that can go up. The second one is on your offshore wind JV with RWE. I was hoping that you could probably give us some colour as to what you think is going to happen to the BOEM later this year, beginning of next year, and your scope for ambitions for expansion into the offshore wind industry, please.

John Pettigrew:Okay, thanks Dominic. Let's start with cost savings. As you said this morning, we've announced a target of £400 million of cost savings that's broadly made up of three quarters of those savings in the U.S. business, so £300 million, and another £100 million in the UK. Effectively, what we're trying to do here is that as we look forward over the next few years, we've got significant growth in our investment. We're looking to keep our cost base broadly flat whilst we're delivering that. It's really a cost avoidance program. We think through looking at things like digital innovation, technology, and driving productivity and performance, we can deliver those cost savings. Those cost savings will then help to deliver the RoE that we've set out previously, in terms of getting above 95% in our US businesses, and delivering, as you heard today, 100 basis points of our performance in our UK businesses.

In terms of the offshore wind joint venture, as you know, we entered into a joint venture with RWE last year to look at the opportunities off the northeast coast. I mean, given National Grid's experience and world-class capability in offshore cabling, together with our knowledge of the northeast from a regulatory perspective, it seemed like a natural evolution for us, given the capabilities we've built up over the last few years. We're looking at the opportunity that's in front of us, so in terms of bidding for the seabed access, which is likely to be at the turn of the year-I think it's forecast to be around by January time. Our approach as always with investments that we do in National Grid Ventures, is to take a very disciplined approach. So we will look at the opportunity, and if we think it's right for our shareholders, then we will progress that. But time will tell in terms of exactly what that looks like as we move forward. So, thanks for that, Dominic. I can see Jenny; you've got your hand up. Why don't we go to Jenny? Jenny, come in.

Jenny Ping: Hi. Thanks very much. Two questions. Just following on the £400 million cost savings, obviously £300 million you said is in the US-can you just confirm there are no expectations as part of the rate settlement any cost savings to be returned or shared to consumers? Basically, that £300 million is falling through to the shareholders bottom line.

Then, I note there is no mention of WPD in the UK part within that £100 million. Should we read that as there isn't any? Or is this to come, I guess, after the regulatory review?

Then secondly, just on net debt, at least my numbers, my net debt is much lower than the £41.5 billion that you have indicated for year end. I was just wondering, maybe Andy, if you can walk us through the building blocks of how we get from what it was last year and the various parts to get to that £41.5 billion? Thanks.

John Pettigrew:Thanks, Jenny. Let me take the first two and then I'll hand over the third to Andy. In terms of the efficiency targets that we're setting today, they're fundamentally about delivering on the

returns that we set out. So, getting to above 95%. There are some sharing mechanisms within our rate files in the US, but they tend to be when you're significantly above the allowed return. You can start to share that with customers, this cost efficiency program. First and foremost, it's about getting to above 95%.

In terms of WPD, as you'd expect, our focus at the moment is very much on making sure that we put the very best business plan that we can into Ofgem. Since WPD became part of National Grid in the middle of June, I've been hugely impressed just with the level of detail that's in their business plan. I think they're the only DNO that have published three versions. I think they've had more than 17,000 stakeholders comment on it. I think I'm very confident that they've got a plan that is really going to deliver what their customers and stakeholders need. That has been the focus, as I said when we did the acquisition back at the beginning of the year. I remain hugely excited with the opportunity to bring together the capabilities and track record that WPD has in terms of delivering on reliability and short-term incentives and customer service, together with National Grid's engineering and asset management capabilities. I see that as a real opportunity going forward. But the focus to date has been very much on that business plan. Andy.

Andy Agg: Thanks, Jenny, for the question. Hopefully, you'll have seen in the presentation this morning, the main move is to get to our half year, 41 and a half. Obviously, that excludes the health of sale elements relating to both Gas Transmission in the UK, and also register just over a billion related to the Rhode Island business. In terms of what our guidance to that being flat net by the end of the year, that assumes that we will complete the Rhode Island transaction. It means that the disposal proceeds will have come in. But as we've guided to, and we've reaffirmed again this morning, we'd expect to complete the gas transaction in the summer of 2022. Therefore, there's no expected proceeds and that health of sale amount will still be in the balance sheet as of 31st of March. Broadly therefore, the Rhode Island proceeds net offset other normal working capital and cash movements that we expect through the second half.

John Pettigrew: Thanks, Jenny. John Musk, I think you do have your hand up, sir. Let's go back to John.

John Musk: Yes. Morning. Hopefully you can hear me now.

John Pettigrew: I can.

John Musk: Good. Thank you. Part of the dips, let's say, in the first half has been in the interconnectors as you highlighted. Can you outline where you sit on those versus the regulatory caps that are in place on those interconnectors? Also, I think the mechanism is a five-year average in terms of clawing back any beat. Can you just confirm that?

Then secondly, hopefully this is really an HY and not a sort of CMD question, but with the strong guidance that you're giving today of mid-T, or sorry, low teens EPS, and sticking to the five to seven on average, does that mean the backend is coming down a bit or am I reading too much into that?

John Pettigrew: Thanks, John. Let me take the first and then I'll ask Andy to take the second. In terms of the interconnectors, just so everybody's got the sort of picture. With the interconnectors, we drive our revenues through the arbitrage in terms of the difference in energy prices in the capacity that we sell. Then, there are regulatory wrappers around that. So, we got slightly different regulatory wrappers and

approaches to each individual interconnector. What you saw on the results today was as we look forward, we are expecting to see strong interconnector performance in the second half, partly because we've got the new I42 interconnector and issues results. We've also brought on the Norwegian interconnector early, and we are expecting the arbitrage to remain attractive going forward.

In terms of those are the things that are driving the hundred million that we talked about in the results today. In terms of where we sit, it is a five year process, John. Exactly where we are at the moment will be determined by what happens over a rolling five-year period. What I would say is that returns in the interconnectors continue to be in excess of what we see in our onshore transmission business.

Andy Agg: Thanks, John. In terms of the guidance, you may remember back in May when we first set out the 5% to 7%, we positioned it as our five-year average CAGR in terms of EPS 3 to FY26. That remains a good guide today. What we've explained this morning is given the performance that we now see with Norway coming online slightly earlier, and with the arbitrage pricing that we are able to contract in, as you described, the hundred million puts us into the low to mid-teens in terms of growth this year. But our 5% to 7% over the five years we'd assume is sort of the long run normalisation of arbitrage rates. Therefore, the guidance is our best view for this year, but that's why over the five years, the 5% to 7% remains our valid guidance range.

John Pettigrew: Thanks, John. Mark Freshney. I see, you've got your hand up.

Mark Freshney: Hi, yes. Hello. Thanks for taking my question. Andy, a couple of questions for you. First on the acquisition bridges, the 8.2 billion, it seems your strategy is now to just let those run and pay them down with the NGG POC proceeds. Can you confirm that and whether you'd be looking for an earlier, earlier refi?

Secondly, you cut out a little bit and I wasn't able to check quickly enough, but on the 1.6 billion fair value uplift for the WPD debt, presumably a large amount of your net debt is therefore, 1.6 billion of your net debt is non-cash. If you were to undertake a buyback of those bonds, presumably there would not be a write back through the income statement. Is that correct? Finally, a question for you, John. Just on the cost inflation, I take what you say about RAB indexation and BET indexation and so forth. But I guess the risk is that construction inflation and the kind of goods and services that you deal in go up by more than consumer inflation. Can you talk about what you've seen as you've gone to market and what you're seeing from your supply chain on pricing? Thank you.

John Pettigrew: Thanks, Mark. Let me take the third and then I'll hand it over to Andy for the first two. In terms of price inflation, you're right. Let me just start to make sure everyone understands the sort of position for National Grid. We have a pretty effective hedge on inflation, obviously we get the indexation of the RAB in the UK on our regulator businesses, and that will continue for WPD as well, of course. Then in the UK, increasingly with the new rate cases we put in place, we've got inflation protection on the revenues in Massachusetts Electric and Gas. In New York, we've always had the ability to be able to put a forecast inflation into any forward multi-year rate case that we've done. So, we feel that we got pretty good hedge. On top of that, of course in the UK, we have the real price effect adjustment for commodities and raw materials from Ofgem as part of the price controls.

What we're seeing in the market, we are seeing some modest pressure, particularly on labour and raw materials. I would say it's modest at the moment. I guess the most significant thing we're seeing and

we're managing, is from a supply chain, is just time duration for ordering materials. We've had to adjust the way that we deliver our projects to make sure that we're getting our strategic supplies in earlier, and that we're committing to doing that on an earlier basis than we've done previously. It's not something I'm losing sleep over, but it's definitely something that needs to be managed at the moment. I'd say we're seeing modest price increases at the moment, but we are in a fortunate position that we've got very good hedges through our sort of regulatory agreements. Andy?

Andy Agg: Hi, Mark. On the two, in terms of the, the 8.2 bridge loan, I think it's always been our intent to use the proceeds of Rhode Island and Gas Transmission, and through metering, to pay down the majority of that. Then, any remaining balance, depending on how we do with the Gas transaction, that'll just be part of our normal refinancing plans as we go through next year. Remember, that we are continuing to fund the ongoing business on top of that as well. We've obviously been in the market through the first half. We did a green bond at PLC level as well, for example. So, we continue to fund our organic business on top of the plans around the bridge financing.

In terms of the fair value adjustment, your question sort of implies that we might be doing something. I think, as I said back in May, we are inheriting the debt book and at this point we have no plans other than to continue to run that debt book through to its maturity. What will happen is that fair value accretion will effectively return back to the PNL over the remaining life of the bonds associated with the debt book as that acquisition. That's behind my comments in the presentation around. We'll get a small pick in the P&L with that accretion going back through the income statement.

John Pettigrew: Thanks, Andy. Deepa, I think you've got your hand up.

Deepa Venkateswaran: Thank you. I had a couple of questions just staying on WPD - I didn't fully follow all the things Andy that you said because the audio quality was poor. With reference to the published accounts of WPD, are you able to kind of quantify what are the different moving parts? They had depreciation of £250 million, they had interest of close to £300 million. And so, you said that these would be lower. Can you quantify how much?

You also mentioned something around some customer earnings that goes away. Again, can you explain what that is and just quantify that? Then, on the debt itself, the 1.6 you've shown that in your net, but obviously from a cash flow modelling, you're still going to be paying the coupon. So I presume that's not going to be very different from the 300 million that you inherited. Please just correct me if the cash interest outflow is any different. Then, on the cost cutting program, just wanted to double check that we shouldn't really be modelling all of that 400 million getting into the bottom line if we also assume, for example, that you're hitting 95% RoE. I just wanted to check whether there was anything around, say, any NG Ventures or anything, which would be additive and incremental on top of what we should already consider for the regulated businesses. Thank you.

John Pettigrew: Thanks, Deepa. Let me just take the third and give Andy the first two. Yes, you're absolutely right. In terms of the cost efficiency program, that's exactly how we're thinking about it. It's there to help us to contribute to deliver that hundred basis points of our performance operationally that we're committing to in Electricity Transmission, and to get to the 95% of allowed returns in the US. That is absolutely how you should think about it.

Andy Agg: Thanks, Deepa. In terms of the fair value adjustments and the impact going forward, there are three main elements that impact the income statement. Firstly, I mentioned the write down to around 10 billion pounds in terms of the fair value of the PP&E, the fixed assets, coming into the balance sheet. That of itself would lead to a slightly lower depreciation charge going forward. I made the comment as well that we have absolutely reviewed asset lives, but have made only marginal changes to align with our own. The point I made earlier was that we'll be offset by de-recognising around 2.7 billion pounds of customer contributions that WPD have previously received, which would otherwise have been returned back through the income statement as well.

The combination of those two items broadly offsets itself in operating profit. The net impact then comes through the fair value of debt point as I mentioned in the previous question. That £1.6 billion of non-cash accretion will effectively be amortised off through the income statement over the life of the bonds, and that will lead to a pickup in terms of the post-acquisition income statement going forward. But your upside- it's non-cash, so the cash coupon will be as per the original debt instruments. No change the re.

John Pettigrew: Thanks, Deepa. Martin Young. I think you have a question.

Martin Young: Can you hear me?

John Pettigrew: Yeah, go on Martin.

Martin Young: First question is around the £400 million cost reduction program. Just wondered if there are any implementation costs of any significance in that respect? Then, please correct me if I'm wrong, but I think at the time on the WPD debt, I think the number of about 6 billion or 6.1 billion was mentioned. The debt, obviously with the 1.6 uplift that you've talked about today, that would take us into the upper sevens. Am I wrong with that six billion debt acquired number? Did that move? Is that the time between announcement and closing, I guess?

John Pettigrew: Thanks, Martin. Again, I'll take the first and I'll ask Andy to take the second on debt. With regards to the £400 million in terms of the target we set today, yes, there are some costs associated with it. There are costs associated actually with the separation of Rhode Island and GT, and then there'll be costs to achieve in terms of delivering those efficiencies. I mean, broadly, it's around about £400 million of cost to achieve across both the separation and those efficiency programs. Andy?

Andy Agg: Martin, thanks. In terms of the debt question, I don't have the 6.1 in front of me, but the 6.6 was effectively the book value in terms of WPD's accounts at the completion of the acquisition in June. The 1.6 is the non-cash fair value, which gets you to the 8.2. But those are the numbers as of the 14th of June.

John Pettigrew: Just looking, it looks like, Mark, your hand is up, a new hand up, you've got another question?

Mark Freshney: It's my other hand, yep, got both hands up. Hey, can you talk about CCUS and, I guess, Project Cavendish is attached to Grain. But the Humber cluster, clearly there's a big consultation going

on there. Could you talk about total spend, returns requirements to the extent that you can? And that you would remain committed to CCUS rather than let your Gas Transmission team take it on?

John Pettigrew: Yeah. So thanks, Mark. So the work that we're doing around CCUS actually sits within National Grid Ventures, not within our Gas Transmission business, so it will stay there.

First of all, we were delighted that, as you're aware, the UK government selected two projects to take forward between now and 2025- our project with BP, Equinor and others was one of the ones that was selected. So we're now taking it to the next stage, which is really understanding what is the investment that's going to be required, what the cost associated with that.

But probably most importantly at this stage, it's worth just emphasising that, what is the business model on which that investment is going to be done? So, that is still to be consulted on with the UK government.

I very much see it as an opportunity and a business development opportunity, but it's just too early to say, Mark, in terms of exactly what is going to be the cost and what are the returns and what in fact is the business model, and therefore what are the risk adjusted returns that would be appropriate.

What I would say from our perspective, National Grid's role will be very much around the transport of the carbon onshore, that is the expertise that we would bring to this joint venture. Other players in the market will bring their own expertise offshore and in the production of hydrogen.

It's early days, but really pleased that we were selected, and we'll continue to work with our partners on exactly what that opportunity might look like.

Okay, I'm going to go to Bartek, I think, that's got a question.

Bartek Kubicki: Yes, good morning.

John Pettigrew: Morning.

Bartek Kubicki: Three, if I may please. Firstly, on the CMA final decision, and actually the disappointing decision for you, do you think there's anything else you can do in order to improve the returns somehow and still challenge what OFGEM and CMA has decided upon?

Secondly, on this hundred basis points out performance you are expecting for NGET over RIIO -T2, should I understand it as OpEx and incentives out performers or this is something on top of what you usually outperform? I mean, how shall we understand this one?

And thirdly, as interconnectors seem to be good assets, do you have anything else in your pipeline to start construction of in the near future? Thanks.

John Pettigrew: Okay. So let me just take those in turn. So with regards to the CMA decision. I guess we were delighted to see that the outperformance words were removed, and really pleased in the final decision from the CMA that not only was it removed, they didn't refer it back to OFGEM, but they absolutely removed it. So I think we are very clear on that.

Yes, we would be disappointed with the cost of equity, that was the reason we made the referral. On a technical basis, we felt there were errors in the calculation, but the CMA have said that effectively it's within the realms of the judgment that OFGEM has.

In terms of short term is there any route to appeal it? There is a route to appeal it, which is judicial review. I think, as I said to you today, I think that is incredibly unlikely that we would go down that route. The team's obviously going through the detail of the judgment, it's well over a thousand pages, but I think it's unlikely that there will be any judicial review from National Grid.

I think more broadly, I've always said that I think there is an opportunity to think around the regulatory framework, the institutional arrangements and the market mechanisms that we have in the UK, as we think about delivering the energy transition over, not just the next five years, but over the next 30 years. And that's certainly something that we'll be looking to discuss with OFGEM and others as we move forward.

In terms of the hundred basis points for RIIO-T2. Well, I'll use this as an opportunity to advertise our investment day this afternoon. So, if you are able to make it, then you'll get the opportunity to spend some time with Chris Bennett and the ET team where they'll talk through in detail how they're approaching RIIO-T2. But at a high level, we'd expect to deliver that hundred base points through operational out performance, both in CapEx and OpEx. About a hundred base points of out performance is operational out performance, it doesn't include any financial out performance that we may be able to deliver.

And then in terms of the interconnectors. As you know, we still have the work to do to complete the Danish interconnector, which should be complete by FY24. We are just in the middle of ratcheting up the Norwegian interconnector, so 700 megawatts is already flowing, and we're aiming to increase that up to 1.4 gigawatts by hopefully the end of the fiscal year.

And then beyond that, there's a lot of work going on as part of the vision for the North Sea. And again, if you're at the investor day this afternoon, you'll get a chance to see how the team is thinking about our vision for the North Sea, both in terms of potential future interconnectors, of which we think there are opportunities. The UK government recently set out that they feel there could be potentially up to 18 gigawatts of interconnection between mainland Europe and the UK, and we're a long way away from that.

But also the team are looking at things called multipurpose interconnectors, where not only do you connect point to point between the UK and Europe, but actually you interconnect into that electrical connection offshore wind farms. And we've got a couple of projects running with system operators in mainland Europe on the potential for those types of interconnectors, which we call multipurpose interconnectors.

So there's a lot of activity going on at the moment in that area, really thinking about what is the vision for the North Sea. So, if you are there this afternoon, you get a chance to see some of that.

Dominic, I think you've got your other hand up.

Dominic Nash: Hi there. Yes. Sorry about this. Can I have a couple of follow up questions please?

John Pettigrew: Of course, sure.

Dominic Nash: Firstly, yesterday SSC announced a couple of things that were quite interesting. One that they talked about dis-synergies- I think it was £95 million a year- for splitting their business into two, and a £200 million I think one-off cost. You obviously are doing quite a lot of restructuring at the moment. Are those numbers in line with what you think the synergies/dis-synergies are for WPD integration and Gas Transmission de-merger?

And secondly, would you be interested in buying a 25% stake in networks, or would control be something that's paramount to your investment decision?

And then the final question, just quick one about the WPD, and apologies if you mentioned it, as I said, the sound quality was breaking out, but you had £10 billion of fair value. Could you just quickly tell us, what were the accounting assumptions to get to that £10 billion? And is that essentially based on a RAV number or is it actually done on some form of DCF? How does it work if you could give us some colour on that? Thank you.

John Pettigrew: Okay. So let me take the first two, Dominic, and I'll let Andy take the third. In terms of the synergies and what SSC said yesterday, I don't think it's for me to comment on SSC's business. I don't know their business well enough to know whether those numbers are the right numbers or not.

What I would say is that undertaking a separation is a complex process and what we've set out in our numbers today, as you saw, is the cost of separation together with the £400 million of efficiencies that we are setting out. We've said we think that's about £400 million. We've rotated our portfolio over the years many times, as you know, and we always aim to try and minimize costs. But it is not a simple process I would say, which is why it takes the time that it does.

In terms of our interest in SSC's announcement on the 25%, I think I'd say, Dominic, given the significant strategic pivot that we announced at the beginning of this year with the acquisition of WPD, the sale of Rhode Island and the sale of a majority stake in Gas Transmission, I think we're going to focus very much on that and making sure that we do that very well. It positions us, as I said back in March, fantastically well- it makes us 70% electric, 30% gas, broadly balanced between the UK and the US. And very well positioned for the energy transition. So, I think that will remain our focus as we move forward.

In terms of the £10 billion fair value, Andy.

Andy Agg: Yeah. So, Dominic, so you're right, so the £10 billion is effectively the fair value attached to the existing PP&E of WPD. And while obviously that's recorded at historical cost, we are required to fair value that as at the acquisition date.

And I distinguish that from the value I also mentioned, there's a £1.7 billion license intangible, which relates to part of the future benefits of ownership together with the goodwill balance.

So, the approach, to get technical for a moment, is that you're required to look at the cash flows associated with the existing fixed assets. And then there's lots of precedent, as you can imagine, from other transactions that our advisors look at in terms of comparable fair values. And it ends up back solving to a small multiple of RAV. But you do look at the cash flows. But it's because you're only looking

at the historical existing assets, not the future growth of future investments obviously, which is one of the main focuses for us with that acquisition.

John Pettigrew: Okay, thanks. Chris, I think you've got your hand up.

Chris Laybutt: Oh, good morning, everyone. Just one question from me, John. Earlier, you mentioned in relation to inflation that you'd been adjusting the way that you manage projects, and that you had seen some pressures come through, but they've been modest so far. You also mentioned some hedges through regulatory agreements or a comment like that, which unfortunately I didn't hear it all. I'm wondering whether you could repeat what you said and maybe expand on it just to give us an idea of how that regulatory framework may benefit you through this period?

John Pettigrew: Yeah, it's fine, Chris, sorry, the line might not be great today. So, what I was saying was we have a natural hedge to increasing inflation through our regulatory contracts. In the UK, obviously with rear regulation, we get indexation of the RAV. So as inflation increases, the increase in the value of the RAV increases with that. And then that flows through to revenues in the UK.

Over and above that in the UK, we have built into the regulatory framework what's called real price effects. So that effectively adjusts our revenues every year for increases in commodity prices and raw materials that's over and above inflation. So, that's what I meant by the hedge.

And then similarly in the US, as we've evolved the regulatory framework, we now have in Massachusetts five year regulatory agreements, which are performance based regulation, which is $I - X$, where I is inflation and the minus X at the moment is a positive number of 1.7 for electricity and 1.3 for gas. So again, our revenues increased by more than inflation in our Massachusetts business.

And then finally, I was saying in New York, we've always been able to include forecast inflation into any multi-year settlement that we've done. To the extent that we get that forecast right, we've got some coverage. We do have some exposure in New York to the extent that we get that forecast wrong. So it's at the revenue line and at the asset baseline that we've got this natural hedge.

Thanks, Chris. Martin, I think you've got the question.

Martin Young: Yep. Can you hear me?

John Pettigrew: Yep.

Martin: Yeah. It's only a very quick one, following up on the £400 million separation and cost reduction implementation costs. Will they be accounted for as non-underlying? So, at some stage you will take a hit for that £400 million and keep it out of your underlying adjusted definition? Thanks.

John Pettigrew: Thanks, Martin, I'll ask Andy to answer that.

Andy Agg: Yeah. So Martin, the answer is that's what we expect. Obviously, we have to look at those costs each year, but our current expectation, you'll have seen a small amount going through this year's performance of around £24 million, which is the initial spend on some of that. And yes, so we'd expect to take the remaining portion through exceptional, so outside of underlying as we incur them.

John Pettigrew: So, it looks like there are no further questions, so I'll just check to see that I haven't missed any. Okay. In which case, I'll just say, thank you everybody for joining the call this morning.

As you heard, I think our first half has been good operational and financial performance. I think we're very well positioned to deliver on our strategic operational and financial objectives for this year. I'm very hopeful that we'll see some of you in person later this afternoon at our investor event. So, thank you very much everybody, and hopefully see you later today.

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Debt Investor Update

Half Year Results 2021/22

Alexandra Lewis, Group Treasurer



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Key takeaways

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- WPD acquisition complete
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- UK Gas Transmission sales process launched

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- Now moved to new operating model
- >£400m pa cost efficiency programme by the end of 3 years
- Targeting
 - At least 95% of US allowed returns
 - 100bp outperformance through RIIO-T2





Financial performance highlights¹

Underlying operating profit

£1,407m ↑ 52%

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Underlying EPS

22.8p ↑ 66%

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Opportunities

- Long term highly visible growth
- Pivots the group towards electricity
- Sharing best practice

Performance

- £315m investment in 3.5 months

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- Taken on board stakeholder and customer feedback
- Deliver investment to support electric vehicle, home heating and more renewable generation



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Regulation

- Successfully challenged outperformance wedge

Policy

- Critical to have a regulatory framework that meets challenges of net zero



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- £131m investment
- Higher spend on asset health

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Investment

- £851m, up 10%
- Delivered 171 miles of leak prone pipe replacement
- 2GW New York Energy Solutions project brings renewable energy into the State

Regulation

- Target 95% of allowed returns

KEDNY / KEDLI rate settlement

- 8.8% RoE / \$3.3bn capex allowance

Niagara - Mohawk rate cases

- 9.0% RoE / \$3.3bn capex allowance



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- £700m
- Higher levels in MA - lifting of COVID restrictions
- Delivered 85 miles of leak prone pipe replacement

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- MA gas new rate case with I-X formula
- 9.7% RoE
- Additional operating expenses of \$65m
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Performance

- Investment of £282m focused on delivery of interconnectors
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Cost efficiency programme

Cost efficiency target

>£400m p.a.
across the group
by end of 3 years

Growing regulated asset base >20% while holding controllable costs flat

>£300m from New York and New England businesses

c.£100m from UK Electricity Transmission and NG Ventures



Interest, tax and earnings

Finance costs

£475m

£73m higher than HY21³

- First time inclusion of WPD debt
- Funding of bridge loan facility

Underlying effective tax rate¹

19.0%

Underlying tax charge: £177m

- 330 bps higher than prior year

Underlying earnings²

£812m

HY21: £482m

- 22.8 p/share
- EPS up 66% on the prior year

1. Excluding joint ventures and associates

2. Underlying results attributable to equity shareholders

3. At constant currency

Underlying results for continuing operations, excluding timing, exceptional items and remeasurements



Cash flow, net debt and ratings

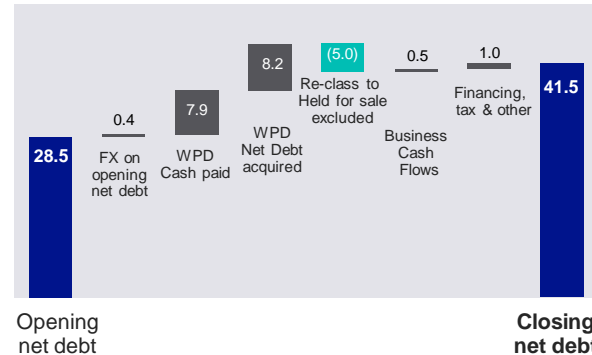
Cash generated
£2bn

27% higher
 compared to prior year

Net debt increase
£12.9bn

44% higher
 compared to prior year

Net debt (£bn)



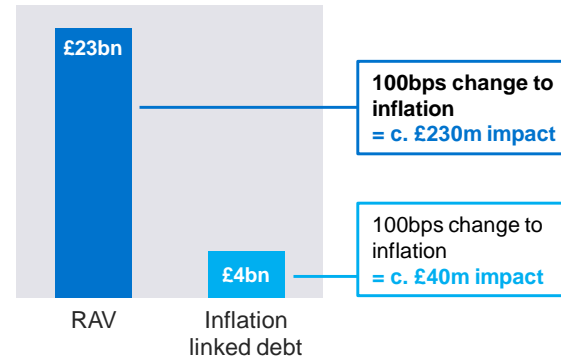
- Net debt increase following WPD acquisition
- For full year, net debt is expected to remain consistent with the level as at 30 September



Impact of inflation

- Moderately higher inflation is a positive over the long-term
- Protection of real returns
- Inflation protection
 - UK revenues and Real Price Effects adjustment for labour and materials
 - Massachusetts and FERC annual increases
 - New York rate plans include forward looking price estimates

Example:
UK – Impact of higher inflation



Impact of interest rates

UK

- Annual update to UK cost of debt allowances
- Revenue allowances over time offset higher interest costs

US

- Fixed rate and long-term debt with pass through of costs



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Debt Funding

London, 18 November 2021



Green Financing

- Green Financing Framework updated in July 2021
 - aligned with the ICMA Green Bond Principles published in June 2021 and the LMA Green Loan Principles published in February 2021
 - aligned as closely as possible with the EU Taxonomy Regulation and the EU Taxonomy Delegated Acts on Climate Change Mitigation and Adaptation
 - SPO by ISS-ESG
- NG plc issued a €850m 8yr green bond in August 2021
 - Proceeds to be allocated to projects in NG Ventures and New England
 - Majority of allocation expected to be for Renewable Energy and Energy Efficiency categories
 - Green Financing Report expected summer 2022 as part of the Responsible Business Report



Debt Funding

2020/21 so far

- c. £2.0bn of senior long-term debt raised across 7 bonds
 - Majority through public bonds for NGET in CAD, and NG plc in EUR. Remainder through a series of EMTN private placements across AUD, EUR and GBP for NGET, and ECA facility drawdowns.

Second half of 2020/21

- We expect to issue another c.£2bn split across the group over the remainder of the year
 - £6.0bn of general liquidity facilities have remained undrawn.
 - The UK Electricity System Operator also maintains £550m of committed facilities
 - WPD has £1bn of committed facilities, of which £300m was drawn at 30 Sept 2021

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First half year achievements

- FY22 EPS expected to be significantly ahead of 5-7% growth range
- WPD acquisition completed early
- Now moved to new operating model
- >£400m cost efficiency programme
- Strong start to RIIO-T2
- Balance sheet remains strong
- Full refresh of new rates across New York and New England
- Interconnector construction programme nearing completion



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Q&A



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Half Year Results 2021/22

London, 18 November 2021



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Highlights

John Pettigrew
Chief Executive



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 - At least 95% of US allowed returns
 - 100bp outperformance through RIIO-T2



Financial performance highlights¹

Solid delivery in first half of 2022

Underlying operating profit

£1,407m **↑52%**

HY21: **£924m**

Underlying EPS

22.8p **↑66%**

HY21: **13.7p**

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HY21: **£2,320m**

Dividend growth
in line with policy

17.21p **↑1.2%**

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Opportunities

- Long term highly visible growth
- Pivots the group towards electricity
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- £131m investment
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- 9% RoE
- \$3.3bn capex allowance
- Fund over 300 new positions



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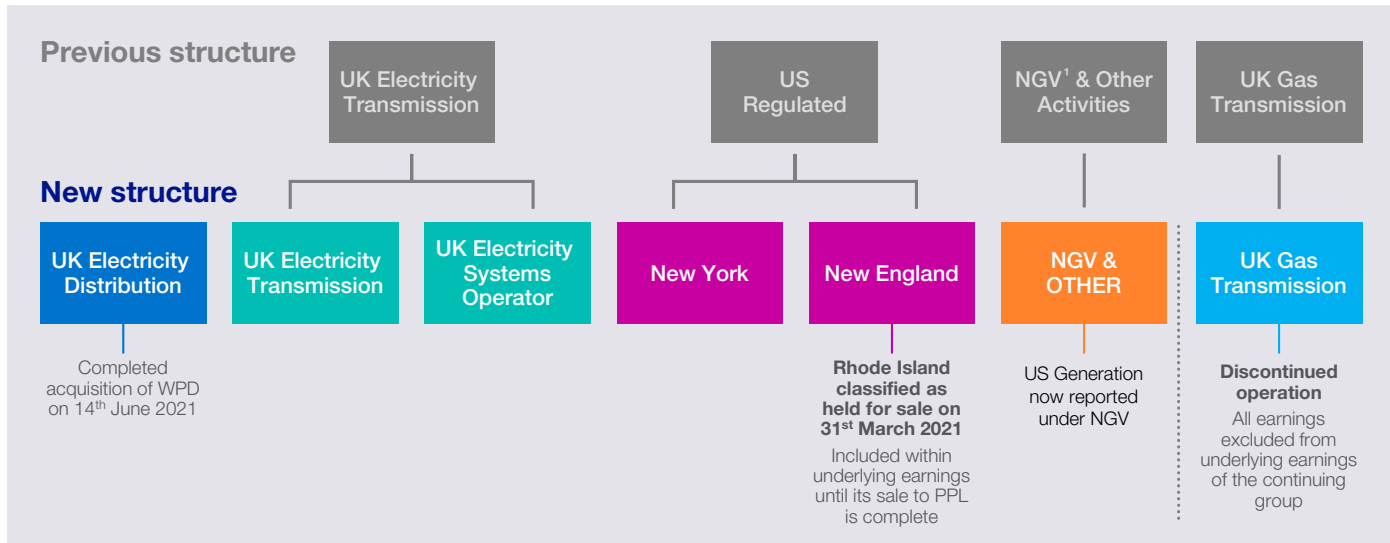
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Financial Performance

Andy Agg
Chief Financial Officer



New reporting structure



¹ Legacy gas metering business no longer reported in NGV as we are now reporting our UK Gas Transmission business as held for sale

Cost efficiency programme

Cost efficiency target

>£400m p.a. across the group
by end of 3 years

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c.£100m from UK Electricity Transmission and NG Ventures



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UK Electricity Distribution

Operating Performance

since acquisition on 14 June 2021

Underlying operating profit

£257m

Capital investment

£315m

WPD acquisition accounting

- Cash consideration £7.9bn
- PP&E fair valued at £10bn
 - Lower depreciation charge expected going forward
 - Broadly offset by removal of Customer Contributions
- Net debt fair value £8.2bn
 - Lower annual interest charge expected going forward
- License intangible of £1.7bn and goodwill of £4.7bn recognised



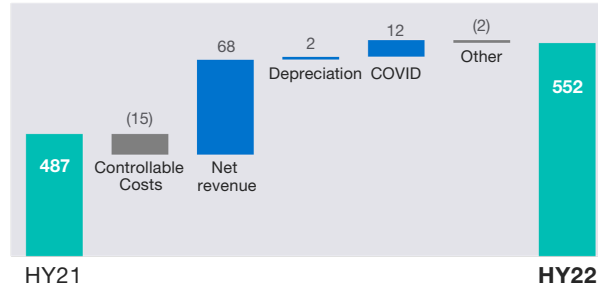
Underlying results, excluding timing, exceptional items and remeasurements



UK Electricity Transmission



Underlying operating profit (£m)



- Move to CPIH inflation indexation
- Higher base revenues in first year of RIIO-T2

Capital investment

£587m

HY21: **£501m**

- Increased capital investment on our large scale projects such as London Power Tunnels 2 and Hinkley-Seabank
- Reduced capital investment in SmartWires as projects near completion

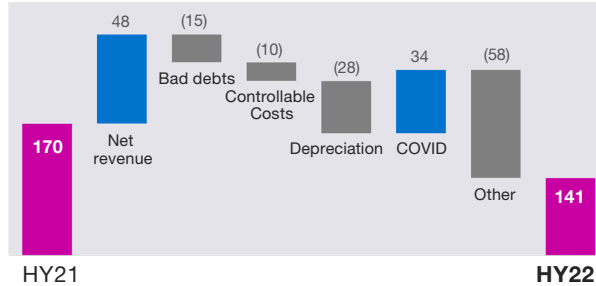
Underlying results, excluding timing, exceptional items and remeasurements



New York



Underlying operating profit (£m)



Capital investment

£851m

HY21: £775m

- Higher revenues through rate case settlements
- Non-recurrence of COVID costs
- Higher storm costs in the period
- Increased depreciation from higher levels of investment
- A reassessment of recoverable environmental reserves, mainly due to inflation.
- Expect full year RoE to improve compared to 2020/2021 which was adversely impacted by COVID

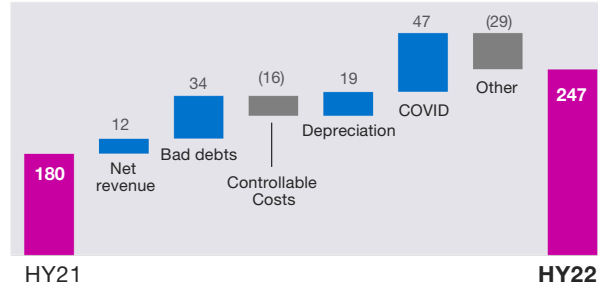
Underlying results, excluding timing, exceptional items and remeasurements
 Operating profit and capital investment presented at constant exchange rates



New England



Underlying operating profit (£m)



Capital investment

£700m

HY21: **£707m**

- Higher rates in Massachusetts Electric business
- Lower bad debts
- Cessation of depreciation following reclassification of Rhode Island as held for sale
- Full year RoE is expected to increase compared to 2020/21, which was adversely affected by storms, and we expect to achieve over 80% of our allowed level

Underlying results, excluding timing, exceptional items and remeasurements
 Operating profit and capital investment presented at constant exchange rates



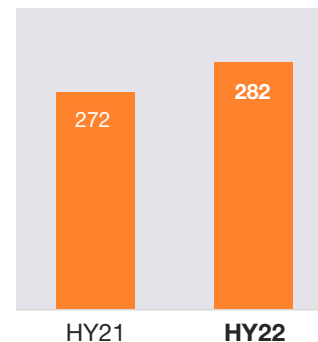
National Grid Ventures

	Six months ended	
	30 Sep 2021	30 Sep 2020
Operating profit (£m)		
Grain LNG	58	48
Interconnectors	65	19
Other	21	11
Smart Metering	3	3
	147	81
Post tax share of JVs (£m)		
Interconnectors ¹	30	13
Millennium	11	11
Other	4	8
	45	32
Total NGV		
	192	113

1. Includes Britned and Nemo.

Operating profit, share of joint venture profit after tax and investment presented at constant exchange rates
Underlying results, excluding timing, exceptional items, and remeasurements

Capital investment (£m)



- Investment in additional capacity at LNG terminal
- Lower capex on interconnector programme



Other

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Other activities

	Six months ended	
	30 Sep 2021	30 Sep 2020
Operating profit (£m)		
Property	17	25
Corporate & other	(3)	(56)
	14	(31)
Post tax share of JVs (£m)		
St William	5	4
Other	8	1
	13	5

- Fair value gains on investments held by NG Partners
- Credit from release of unused corporate provisions

Capital
investment¹

£40m

HY21: **£25m**

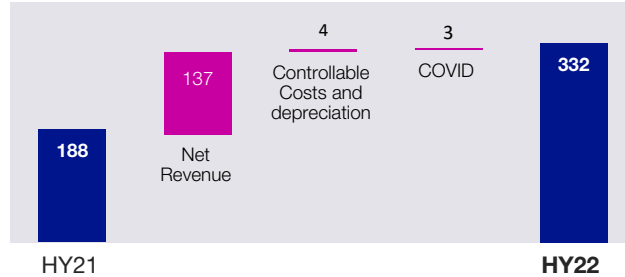
Operating profit, share of joint venture profit after tax and investment presented at actual exchange rates

Underlying results, excluding timing, exceptional items and remeasurements

1. Capital investment includes investment in JVs (excluding equity contributions to St William property JV) and investment in NG Partners

Discontinued operations: UK Gas Transmission

Operating Profit (£m)



- **£144m** higher than prior year
- Change in revenue charging methodology reduces impact of seasonality

Capital investment

£131m

£36m higher than prior year

- Higher spend on asset health and emissions work

Operating profit excluding timing, exceptional items and remeasurements

Interest, tax and earnings

Finance costs

£475m

£73m higher than HY21³

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- Funding of bridge loan facility

Underlying effective tax rate¹

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Underlying tax charge: **£177m**

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Underlying results for continuing operations, excluding timing, exceptional items and remeasurements

Cash flow, net debt and ratings

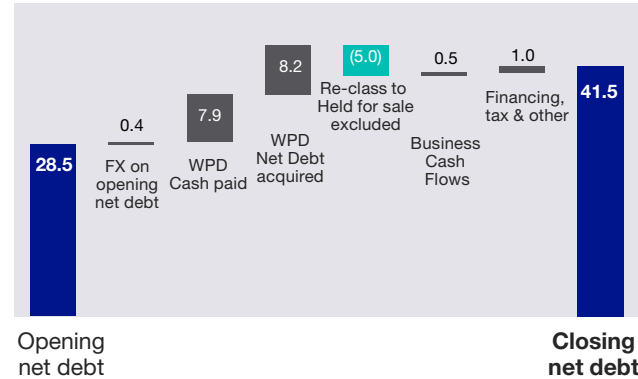
Cash generated
£2bn

27% higher
 compared to prior year

Net debt increase
£12.9bn

44% higher
 compared to prior year

Net debt (£bn)

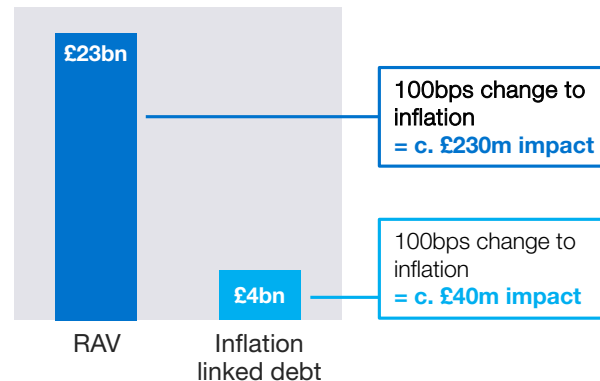


- Net debt increase following WPD acquisition
- For full year, net debt is expected to remain consistent with the level as at 30 September

Impact of inflation

- Moderately higher inflation is a positive over the long-term
- Protection of real returns
- Inflation protection
 - UK revenues and Real Price Effects adjustment for labour and materials
 - Massachusetts and FERC annual increases
 - New York rate plans include forward looking price estimates

Example: UK – Impact of higher inflation



Impact of interest rates

UK

- Annual update to UK cost of debt allowances
- Revenue allowances over time offset higher interest costs

US

- Fixed rate and long-term debt with pass through of costs



Summary

- Strong operational performance
- FY22 EPS expected to be significantly ahead of 5-7% growth rate
- Higher capital investment level support energy transition
- Balance sheet remains strong
- New operating model and £400m cost efficiency programme



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Summary

John Pettigrew
Chief Executive



First half year achievements

- FY22 EPS expected to be significantly ahead of 5-7% growth range
- WPD acquisition completed early
- Now moved to new operating model
- >£400m cost efficiency programme
- Strong start to RIIO-T2
- Full refresh of new rates across New York and New England
- Interconnector construction programme nearing completion



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Appendices



Appendix 1

Pensions & other post employment benefit obligations (IAS 19 data)

At 30 September 2021 (£m)	UK			US		Total
	ESPS	NGUK PS	WPD	Pensions	OPEBs ¹	
Fair value of assets	3,571	6,025	7,634	7,508	2,995	27,733
Present value of liabilities	(3,090)	(5,634)	(6,969)	(7,301)	(3,190)	(26,184)
Net (liability) / asset	481	391	665	207	(195)	1,549
Taxation	(120)	(98)	(166)	(54)	51	(387)
Net (liability) / asset net of taxation	361	293	499	153	(144)	1,162
Discount rates	2.0%	2.0%	2.0%	3.0%	3.0%	

At 31 March 2021 (£m)	UK			US		Total
	ESPS	NGUK PS	WPD	Pensions	OPEBs ¹	
Fair value of assets	3,370	11,310	-	6,909	2,799	24,388
Present value of liabilities	(3,007)	(10,638)	-	(6,931)	(3,097)	(23,673)
Net (liability) / asset	363	672	-	(22)	(298)	715
Taxation	(69)	(128)	-	14	90	(93)
Net (liability) / asset net of taxation	294	544	-	(8)	(208)	622
Discount rates	2.0%	2.0%	-	3.25%	3.25%	

1. OPEBs = Other post employment benefits

Appendix 2

Timing impacts

£m	UK Electricity	UK Electricity	UK Electricity	New York	New England	Continuing operations	Discontinued:	Total
	Transmission	System Operator	Distribution				UK Gas Transmission	
1 April 2021 Opening balance	(10)	(60)	-	458	(261)	127	(80)	47
Opening balance restatement adjustment	10	(2)	-	2	2	12	4	16
Over / (under) recovery	(2)	14	24	(19)	(121)	(104)	58	(46)
30 Sept 2021 Closing balance to (recover)/ return	(2)	(48)	24	441	(380)	35	(18)	17
1 April 2020 Opening balance	(56)	74	-	471	(253)	236	16	252
Over / (under) recovery	22	(69)	-	(9)	(27)	(83)	(13)	(96)
30 Sept 2020 Closing balance to (recover)/ return	(34)	5	-	462	(280)	153	3	156
Year on year timing variance	(24)	83	24	(10)	(94)	21	71	92

2020/21 opening balance restatement adjustment reflects finalisation of timing balances
All USD balances stated using the average 2020/21 rate of \$1.3873 to £1
2020/21 closing timing balance as at 30 September 2021 at spot rate (\$1.3480): £37m
2019/20 closing timing balance as at 30 September 2020 at spot rate (\$1.2905): £147m

Appendix 3

Weighted average number of shares

For the half year ended 30 September	2021	2020
Number of shares (millions):		
Current period opening shares	3,549	
Scrip dividend shares (weighted issue)	18	
Other share movements (weighted from issuance/repurchase)	2	
Weighted average number of shares	3,569	3,513
Underlying earnings (£m)	812	482
Underlying EPS (restated)	22.8p	13.7p

Underlying* represents statutory results from continuing operations, but excluding exceptional items, remeasurements, timing and major storms.

London | 18 November 2021:
National Grid, a leading energy
transmission and distribution company,
today announces its Half Year results.



Report for the period ended

30 September 2021

John Pettigrew

Chief Executive

"I'm very pleased with the Group's financial, strategic and regulatory progress in the last six months. In the UK, we have made a strong start to the new RIIO-T2 period in electricity transmission, and we are preparing our business plan submission for WPD. In the US, we have completed a full refresh of rates across our distribution businesses. In National Grid Ventures, we commissioned the North Sea Link, our new interconnector to Norway.

Whilst delivering this strong performance, we have completed our acquisition of WPD, launched the process to sell a majority stake in National Grid Gas and the sale of our Rhode Island business is on track to be finalised by the end of our financial year, progressing our strategic pivot towards higher growth electricity, all made possible by the commitment of our people.

Looking ahead, the new organisational structure that we have implemented, alongside a major cost efficiency programme, will ensure we are in a strong position to capitalise on the significant growth opportunities ahead. Our focus will be on delivering critical and green investment to enable the decarbonisation of power, transport and heat, and lead a clean, fair and affordable energy transition across the jurisdictions we serve."

Financial Summary

Six months ended 30 September: continuing operations¹

<i>Unaudited</i>	Statutory results			Underlying ²		
	2021	2020	% change	2021	2020	% change
Operating profit (£m)	1,492	960	55 %	1,407	959	47 %
Profit before tax (£m)	1,083	583	86 %	990	566	75 %
Earnings per share (p)	10.5	14.0	(25)%	22.8	13.7	66 %
Dividend per share (p)	17.21	17.00	1 %	17.21	17.00	1 %
Capital investment (£m)	2,840	2,465	15 %	2,840	2,465	15 %

1. Excluding UK Gas Transmission which is held as a discontinued operation. Comparative figures have been re-presented accordingly.

2. 'Underlying' represents statutory results from continuing operations, but excluding exceptional items, remeasurements and timing. Further detail and definitions for all alternative performance measures are provided on page 56.

Highlights

- **Strong financial delivery**
 - Underlying operating profit up 47% to £1.4bn. Excluding the first time contribution of £257m from Western Power Distribution (WPD), underlying operating profit was up 20% driven by the first six months of operations at IFA2, reduced impact from COVID-19 compared to the prior year, and higher UK Electricity Transmission net revenue as we accelerate our investment for the energy transition at the start of RIIO-T2.
 - Statutory operating profit up 55% to £1.5bn, including £350m of commodity mark-to-market gains.
 - Underlying EPS for continuing operations up 66% to 22.8p reflecting improved performance, acquisition of WPD and non-treasury interest benefits in the first half.
 - Statutory EPS of 10.5p, down 25% as a result of the remeasurement of deferred tax balances at the new UK rate of 25% which comes into effect from 1 April 2023.
 - Interim dividend 17.21p/share in line with policy (17.00p/share in the prior period).
- **Significant capital investment**
 - Capital investment of £2.8bn for continuing operations, up 15% principally through WPD capex, and higher UK Electricity Transmission, partially offset by lower capital investment in NGV as our £350m IFA2 interconnector became operational.
 - Work completed on the 1,400MW North Sea Link (NSL) to Norway, following our £620m investment.

Highlights *continued*

- **Strategic pivot towards higher growth electricity**
 - Completed WPD acquisition.
 - Rhode Island sale and majority stake sale in National Grid Gas on track.
- **Good regulatory progress**
 - Finalised our CMA appeal process for RIIO-T2, which saw the removal of the outperformance wedge.
 - Targeting to deliver 100 basis points of operational outperformance on average through the five-year period in UK Electricity Transmission.
 - New rate agreements for KEDNY-KEDLI and Massachusetts Gas. Joint Proposal for Niagara Mohawk submitted, expecting approval by end of the calendar year.
- **New organisational structure and efficiency programme**
 - Implemented a new operating model with seven business units across the Group as we look to deliver the financial, customer and regulatory outcomes that will be required on the journey to net zero.
 - New cost efficiency programme to save at least £400m per annum across the Group by the end of 3 years.
- **Delivering on our responsibility commitments**
 - Published our first Responsible Business Report, measuring the Group's progress against ESG targets.
- **Updating full year outlook**
 - Given the strong start to the year, we now expect to deliver full year underlying EPS significantly above the top end of our 5 – 7% range. This is primarily driven by early commissioning of our new NSL interconnector, coupled with higher auction prices across our interconnector portfolio, which is expected to deliver around £100 million higher operating profit.

National Grid

2021/22 Half Year Results Statement

Operational Key Performance Indicators¹

As at and for the six months ended 30 September

(£ million)	2021	2020 ²	change %
Statutory operating profit:			
UK Electricity Transmission	541	509	6 %
UK Electricity Distribution	281	—	n/m
UK Electricity System Operator (ESO)	50	(32)	n/m
New England	252	192	31 %
New York	321	239	34 %
NGV and Other	47	52	(10)%
Total statutory operating profit (continuing)	1,492	960	55 %
Underlying operating profit:			
UK Electricity Transmission	552	487	13 %
UK Electricity Distribution	257	—	n/m
UK Electricity System Operator (ESO)	49	37	32 %
New England	247	197	25 %
New York	141	186	(24)%
NGV and Other	161	52	210 %
Total underlying operating profit (continuing)	1,407	959	47 %
Capital investment:			
UK Electricity Transmission	587	501	17 %
UK Electricity Distribution	315	—	n/m
UK Electricity System Operator (ESO)	65	47	38 %
New England	700	773	(9)%
New York	851	847	— %
NGV and Other	322	297	8 %
Total capital investment (continuing)	2,840	2,465	15 %

1. 'Underlying' represents statutory results from continuing operations, but excluding exceptional items, remeasurements and timing. Further detail and definitions for all alternative performance measures are provided on page 56.

2. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

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Results presentation webcast

An audio webcast with management will be held at 09:15 (GMT) today. Please use this link to join via a laptop, smartphone or tablet: <https://www.nationalgridinvestorday.com/page/1899669/results>.
A replay of the webcast will be available soon after the event at the same link.

Use of Alternative Performance Measures

Throughout this release, we use a number of alternative (or non-IFRS) and regulatory performance measures to provide users with a clearer picture of the regulated performance of the business. This is in line with how management monitor and manage the business day-to-day. Further detail and definitions for all alternative performance measures are provided on page 56.

STRATEGIC OVERVIEW

A good performance in the first half

National Grid has reported good operational progress in both the UK and US for the first half of the year.

Safety continues to be a top priority across the Group, and we remain focused on ensuring the public, our employees and contractors are safe. During the period ended 30 September, our businesses have delivered a lost time injury frequency rate (LTIFR) at a level of 0.11, in line with the prior period. On reliability, our performance has remained good across our businesses despite the storm activity in the North East US in the first half of the year.

Half-year financial performance

Underlying operating profit at constant currency increased by 52% versus the prior period to £1,407 million. This was principally driven by first time inclusion of WPD and IFA2, higher UK Electricity Transmission net revenue to fund higher investment levels, and gains on investments in National Grid Partners which invests in companies innovating to accelerate the energy transition.

Underlying operating profit – continuing operations

Six months ended 30 September¹

(£ million)	At actual exchange rates			At constant currency	
	2021	2020 ²	% change	2020 ²	% change
UK Electricity Transmission	552	487	13 %	487	13 %
UK Electricity Distribution	257	—	n/m	—	n/m
UK Electricity System Operator (ESO)	49	37	32 %	37	32 %
New England	247	197	25 %	180	37 %
New York	141	186	(24)%	170	(17)%
NGV and other activities	161	52	210 %	50	222 %
Total underlying operating profit	1,407	959	47 %	924	52 %

- ¹ 'Underlying results' and a number of other terms and performance measures are not defined within accounting standards and may be applied differently by other organisations. For clarity, we have provided definitions of these terms and, where relevant, reconciliations on pages 56 to 59.
- ² Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

Capital investment (continuing operations) increased by £520 million at constant currency to £2,840 million. This was driven principally by capital investment at our new UK Electricity Distribution business, higher expenditure in UK Electricity Transmission on the London Power Tunnels 2 (LPT2) and Hinkley-Seabank connection projects, normalised levels of New York capex following some COVID-19 restrictions in the first half of the prior year, partially offset by lower expenditure in NGV on IFA2 and the North Sea Link (NSL) as both interconnectors became operational.

Solid progress on delivering our strategy

National Grid has continued to deliver solid progress on our strategy over the half year. Across the Group, we have completed the purchase of the UK's largest electricity distribution business, WPD, from PPL; made good progress with the sale of our Rhode Island business to PPL, which is expected to complete by the end of our financial year; launched the process for the sale of a majority stake in National Grid Gas (NGG) which includes the UK Gas Transmission and legacy metering business, and commissioned North Sea Link (NSL), the new 1,400 MW interconnector to Norway. However, we experienced a serious fire at our IFA convertor station in Sellindge, Kent, which caused significant damage to infrastructure on site. Following a detailed assessment on the 1,000MW of capacity that is offline due to fire damage, we are carrying out extensive work to safely return it to service.

We have made good progress on our regulatory strategy. During the period, we finalised the Competition and Markets Authority (CMA) appeal process for RIIO-T2 and, although we were disappointed that the CMA did not find in favour of our arguments on the cost of equity, we were pleased that the outperformance wedge has been removed. In the US, we reached a new multi-year rate settlement in our Downstate New York gas distribution businesses, KEDNY and KEDLI. In addition, we filed a Joint Proposal for new rates for our Upstate New York gas and electric distribution business, Niagara Mohawk (NIMO) which we expect the New York Public Service Commission (PSC) to approve before the end of the calendar year. We also received a rate order for our

National Grid**2021/22 Half Year Results Statement**

Massachusetts Gas business at the end of September, which means we have now completed a full refresh of all rates across our US distribution businesses.

We have also moved to a new organisational structure to prepare the Group to deliver the opportunities that net zero and the energy transition will bring. To do this, we have removed the regional layers and have adopted a business model where seven business units¹ have accountability for delivering the innovation and efficiencies specific to their areas. This means that (a) the US business is now replaced as New York and New England, (b) our two UK networks - UK Electricity Transmission and UK Electricity Distribution (WPD) - are structured along regulatory lines, (c) all our non-networks businesses are now grouped under National Grid Ventures, and (d) the UK ESO continues as a legally separate business unit.

All business units are now run as end-to-end enterprises with financial responsibility with their executive teams, increasing the focus on efficient operational delivery. This increased focus has allowed us to launch a new cost efficiency programme which will target at least £400 million savings per annum across the Group² by the end of 3 years. This will deliver a flat controllable cost base even whilst our regulated assets continue to grow by over 20% over the same period. As we deliver the new organisational structure, the cost savings programme and the separation of our Rhode Island and UK Gas Transmission businesses, we expect to incur future one-off costs of around £400 million.

COVID-19 update

During the half year, the business has continued to move forward following lockdowns and the impact of COVID-19 in FY2020/21.

In New York, the first half saw increased capex compared to the prior period when COVID-19 restrictions were in place, particularly on urban and customer facing work. Resumption of bill collections has begun in New England and New York. However, with collections starting earlier in Massachusetts, we have seen a more favourable impact on our bad debt charge versus New York.

Work on COVID-19 cost recoveries has also progressed in both New England and New York over the last half-year. In Massachusetts, supplementary testimony has been filed by all utilities, including National Grid, quantifying the amount of COVID-19 related costs being sought for recovery. The Massachusetts COVID-19 proceeding is still in 'discovery' phase and the earliest that recovery could begin is March 2022. For Rhode Island, a filing was submitted on 30 April requesting deferral treatment for COVID-19 related costs, including increases in bad debt expenses, lost revenue from late payment charges, and charges for other fees that the Company has waived pursuant to the orders of the Public Utilities Commission (Rhode Island regulator).

In New York, whilst we continued to experience a rise in bad debt, the state-wide pause on collections ended in July. In consultation with the New York Public Service Commission and peer utilities, collection activities commenced in September 2021. In addition, in September, a Regular Arrears Supplement programme was launched by New York State, assisting customers who received heating assistance during the year. To date, we have received \$27 million of grants on behalf of our customers and we expect that to continue into the second half of the financial year. By the end of calendar year 2021, we also expect to have visibility into the state-wide arrears management programme and how State/Federal assistance will be administered. Along with continued collection activities, we expect this will provide further upside to addressing late stage arrears.

Our responsible business – delivering on our commitments

We continue to be vocal advocates for a fair and equitable energy transition across wider public policy. This is a key part of the Group's strategy, and we remain committed to the critical role of enabling decarbonisation across our jurisdictions. National Grid proudly served as a principal partner at COP26 in Glasgow and we welcomed the commitments agreed at COP26 from both governments and businesses. We are ready to play our part in transforming commitment into action to enable a fair energy transition.

In June, we published our first Responsible Business Report (RBR) covering the financial year to 31 March 2021. The report is the first standalone document to provide a comprehensive view of our non-financial performance across the business. It follows our Responsible Business Charter published last year which describes our long-term goals across five pillars, namely (1) the environment, (2) our communities, (3) our people, (4) the economy, and (5) governance.

¹ UK Gas Transmission is also a Business Unit but is currently discontinued operations.

² Excluding UK Electricity Distribution (WPD).

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The RBR demonstrates how we are progressing against the commitments and ambitions that we have laid out. For example, in 2020/21 we had reduced Scope 1 and 2 emissions by 68% compared to the 1990 baseline, and Scope 3 emissions by 13% compared to a 2019 baseline. On diversity, we had reached 37.9% workforce diversity in 2020/21, up from 37.4% in the prior year, and 44.6% senior leadership diversity, up from 42.1% in the prior year. The RBR, available on our website, provides a full update on all our ESG targets and progress in 2020/21.

Board changes

In June, we announced the appointment of Lord Livingston Of Parkhead (Ian P. Livingston) as a Non-executive Director of the Board, effective from 1 August 2021. Ian joined the Remuneration Committee on appointment and the Audit & Risk Committee on 1 September 2021.

Ian is a former FTSE 30 Chief Executive and has served in the UK Government as Minister of State for Trade and Investment. He is currently Chair of Currys PLC, having previously held that role for the fund manager, Man Group. He is also a Non-executive Director of S&P Global, where he sits on the Compensation and Leadership Development Committee and the Audit Committee. He has been a Non-executive Director of a variety of businesses including Celtic FC, Hilton Group and more recently the luxury hotels business, Belmond.

In July, we announced the appointments of Tony Wood and Martha Wyrsh as Non-executive Directors of the Board, effective from 1 September 2021. On appointment Tony joined the Safety & Sustainability and the People & Governance Committees and Martha joined the Remuneration and the Safety & Sustainability Committees.

Tony Wood currently serves as Chief Executive of Meggitt plc having previously joined the company as Chief Operating Officer. He previously served as President of the Aerospace division of Rolls-Royce.

Martha Wyrsh has served three times as general counsel of energy and utility companies and twice as a CEO of the divisions of major energy companies. She currently serves as an independent director on the Boards of Quanta Services Inc. and First American Financial Corp and previously held Board positions at Spectris plc, Noble Energy, Spectra Energy Corporation and SPX Corporation and senior leadership positions at Sempra Energy and Vestas American Wind Technology.

OUTLOOK

Our five-year financial framework includes WPD, our UK Electricity Distribution business, and assumes the sale of NECO (Rhode Island) completing in Q1 of Calendar Year 2022 and the sale of a majority stake of Gas Transmission being completed by the summer of 2022.

Capital investment and Group asset growth

We continue to expect to invest £30-£35 billion across our energy networks and adjacent businesses, in the UK and US, over the five-year period to 2025/26.

In the UK, we expect around £8 billion of investment in electricity transmission for asset health, anticipatory system reinforcement to facilitate offshore generation and other new onshore system connections.

In the US, we expect to invest around £10 billion in New York and around £7 billion in New England over the next five years. Over half of this will be safety related projects in our gas networks with the remainder in our electric networks such as for storm hardening and other net zero investments as well as further electric transmission investment.

We expect the WPD networks to invest £4-£5 billion over the next 5 years in asset maintenance, facilitating the infrastructure for electric vehicles and directly connected generation.

We expect NGV to invest £2-£3 billion over 5 years in completing the interconnector programme, additional investment in our Grain LNG terminal and in US renewable generation.

As we work through our transactions, coupled with the sum of these investments, and the broad economic protection our businesses have against rising macroeconomic variables such as inflation, group asset growth is expected to be 6-8% CAGR through to 2025/26.

Group gearing

We continue to expect regulatory gearing to increase and to settle above 70% once all three transactions are completed. We expect gearing levels, and the other standard metrics we monitor, to sit comfortably within our current BBB+/Baa1 corporate rating band from S&P and Moody's. As a result, we do not expect any further rating action at a Group level.

Group earnings growth and dividend growth

From 2020/21 through to 2025/26, we expect our compound annual growth rate in underlying earnings per share to be in the 5 – 7% range, including our long run average scrip take up of 25% per annum, which will underpin our sustainable, progressive dividend policy into the future.

Given the strong start to the year, we now expect to deliver full year underlying EPS significantly above the top end of our 5 – 7% range. This is primarily driven by early commissioning of our new NSL interconnector, coupled with higher auction prices across our interconnector portfolio, which is expected to deliver around £100 million higher operating profit.

2021/22 FORWARD GUIDANCE

This forward guidance is based on our continuing businesses (as defined by IFRS, excluding 100% of UK Gas Transmission, even though we expect to retain a minority stake) with the sale of a majority stake in National Grid Gas assumed to finalise in the next financial year. Although the sale of Rhode Island is expected to complete in the current financial year, it does not meet the criteria to be classified as discontinued under IFRS.

The outlook and forward guidance contained in this statement should be reviewed, together with the forward looking statements set out in this release, in the context of the cautionary statement.

UK Electricity Transmission

Net Revenue (excluding timing) is expected to increase compared to 2020/21 as a result of the new RIIO-T2 price control and a benefit from CPIH indexation, but this should be offset by higher controllable and other costs as a result of increased IT and cyber spend. Excluding asset write-offs in the first half, depreciation is expected to be broadly flat year on year, following a benefit from a review of asset lives.

As we complete projects started in RIIO-T1, and move in to RIIO-T2, we are targeting to deliver 100 basis points of operational outperformance on average through the five-year period. We also expect to deliver this level in the first full year of this price control due to performance on customer driven capex which straddles the RIIO-T1 and RIIO-T2 periods.

UK Electricity Distribution

Following the acquisition of WPD which closed on 14 June 2021, **operating profit (excluding timing)** will be included for the 9½ months of 2021/22 it has been owned. The Electricity Distribution business is not highly seasonal, with a H1 weighting in a typical full year of between 45-50%.

Under the RIIO-D1 price control, **Return on Equity** is expected to outperform the allowed operational regulatory return by over 150bps.

UK Electricity System Operator (ESO)

Net Revenue (excluding timing) is expected to increase by around £70 million compared to 2020/21 as a result of the new RIIO-2 price control and also improved incentive performance. The higher revenue includes rate funding for workload increase, more employees and IT system requirements needed to deliver RIIO-2 outputs. As a result, costs are expected to increase by around £50 million. Depreciation is expected to be around £20 million higher as a result of asset growth.

Under the RIIO-2 price control, totex in ESO is no longer subject to the totex incentive mechanism and is treated as a pass-through, with cost increases or efficiencies trued-up the following year.

New England

Net Revenue (excluding timing) is expected to be around \$50 million higher from expected rate increases in Massachusetts Gas following a move to performance based regulation and benefits from capital trackers. Bad debts and controllable costs are expected to be around \$100 million lower than 2020/21, due to lower levels of non-payment as a result of COVID-19 and as a result of ongoing efficiencies, but partly offset by \$50 million higher other costs (property taxes and cost of removal). We expect depreciation to be lower in 2020/21, despite asset growth, as a consequence of the cessation of depreciation of Rhode Island which is now classified as 'held for sale' in accordance with IFRS (\$100 million benefit). This guidance reflects completion of the proposed Rhode Island sale on 31 March 2022.

Return on Equity for New England is expected to be at least 80% of the allowed RoE.

For comparability, New England's estimated underlying operating profit for the year to 31 March 2021 was £727 million.

New York

Net Revenue (excluding timing) is expected to be around \$170 million higher, reflecting increases from proposed rate settlements, but this is expected to be offset by increased environmental reserves, higher cost of removal activity and higher other costs (funded by higher revenues). Bad debts are expected to be around \$100

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million lower than the high level in 2020/21 as a result of COVID-19. We expect depreciation to be higher in 2020/21 by around \$80 million reflecting the higher level of asset growth.

Return on Equity for New York is expected to be at least 95% of the allowed RoE.

For comparability, New York's estimated underlying operating profit for the year to 31 March 2021 was £722 million.

NGV and Other activities

In NGV, as a result of IFA2 contributing for a full year in 2021/22, North Sea Link (NSL) commencing operations in October 2021, and the increase in auction prices across our interconnector portfolio, operating profit is expected to be around £100 million higher than in 2020/21.

We also expect other activities' underlying operating profit to be higher year-on-year driven by increased activity in our Commercial Property business, which is expected to return to their 2019/20 level of performance and expected fair value gains in National Grid Partners year on year.

In total, 'NGV and Other' operating profit is expected to increase by around £200 million year on year. For comparability, 'NGV and Other' estimated operating profit for the year to 31 March 2021 was £118 million.

Joint Ventures and Associates

Our share of the profit after tax of joint ventures and associates in the second half is expected to be similar to the first half, reflecting higher property sales from the St William joint venture and improved performance in BritNed and NEMO.

Interest and Tax (continuing operations)

Net finance costs in 2021/22 for treasury managed interest are expected to be around £300 million higher than 2020/21 from a higher RPI inflation and a higher average level of net debt, as a result of the acquisition of WPD in addition to funding our ongoing capital investment programme. Partly offsetting this, 'other interest' is expected to be around £100 million favourable compared to 2020/21, related to pensions, higher investment returns, increased capitalised interest and favourable property tax settlements.

For the full year 2021/22, the **underlying effective tax rate** excluding the share of post-tax profits from joint ventures and associates, is expected to be around 21%.

For comparability, estimated net finance costs for the year to 31 March 2021 were £865 million.

Investment, Growth and Net Debt

Overall Group **capital investment** for continuing operations in 2021/22 is expected to be around £6.5 billion.

Asset Growth is expected to be higher than 2020/21, reflecting the significant increase in capex along with higher inflation compared to the prior year. As a result, we expect to temporarily exceed the top end of our 6-8% forecast range.

Depreciation is expected to increase, reflecting the impact of continued high levels of capital investment.

Operating cashflow generated from continuing operations (excluding acquisitions, disposals and transaction costs) is expected to increase by around 30% compared to 2020/21 principally driven by higher operating profits, after accounting for the non-cash impact of depreciation.

Net debt is expected to remain consistent with the level at 30 September (excluding the impact of FX movements) at around £41.5bn at 31 March 2022 including the expected benefit of the Rhode Island disposal proceeds.

Weighted average number of shares (WAV) is expected to increase from 3,523 million last year to approximately 3,600 million in 2021/22.

FINANCIAL REVIEW – HY2021/22

In managing the business, we focus on various non-IFRS measures which provide meaningful comparisons of performance between years, monitor the strength of the Group's balance sheet as well as profitability, and reflect the Group's regulatory economic arrangements. Such alternative and regulatory performance measures are supplementary to, and should not be regarded as a substitute for, IFRS measures which we refer to as statutory results. We explain the basis of these measures and, where practicable, reconcile these to statutory results in 'Alternative performance measures/non-IFRS reconciliations' on pages 56 to 59. The Group does not believe that these measures are a substitute for IFRS measures, however, the Group does believe such information is useful in assessing the performance of the business on a comparable basis. Also, we distinguish between adjusted results, which exclude exceptional items and remeasurements, and underlying results, which further take account of: (i) volumetric and other revenue timing differences arising from our regulatory contracts, and (ii) major storm costs which are recoverable in future periods, neither of which give rise to economic gains or losses.

Performance for the six months ended 30 September

Financial summary for continuing operations

(£ million)	2021	2020 ¹	change %
Statutory results			
Operating profit	1,492	960	55 %
Profit after tax	376	492	(24)%
Earnings per share (pence)	10.5	14.0	(25)%
Interim dividend per share (pence)	17.21	17.00	1 %
Alternative performance measures:			
Adjusted operating profit	1,303	872	49 %
Adjusted profit after tax	738	416	77 %
Underlying operating profit	1,407	959	47 %
Underlying profit after tax	813	483	68 %
Adjusted earnings per share (pence)	20.7	11.8	75 %
Underlying earnings per share (pence)	22.8	13.7	66 %
Capital investment	2,840	2,465	15 %

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

Statutory operating profit was £1,492 million, 55% higher than the comparative period. Commodity remeasurement net gains were £350 million compared to £73 million in the first six months of last year. In the current year, we incurred exceptional charges of £24 million for the implementation of our new operating model and £137 million of transaction costs related to the acquisition of WPD and the planned disposals of our Rhode Island and UK Gas Transmission businesses. In the prior period, a £15 million exceptional gain arose from the release of US environmental provisions. An exceptional deferred tax charge of £484 million was recognised in the period, as a result of the UK government's substantive enactment of a 6% increase in the UK corporation tax rate to 25% (effective from 1 April 2023). As a consequence of these, partly offset by higher remeasurement gains on commodity derivatives, statutory profit after tax was down 24% against the comparative period.

Excluding exceptional items and remeasurements, adjusted operating profit increased by £431m or 49%. The acquisition of WPD on 14 June 2021 contributed £281 million towards this in the first half. Revenues (net of pass-through costs) were £558 million higher. In the UK, RIIO-T2 commenced, in New York rate case increases came into effect, and we saw a full six months' contribution from our IFA2 interconnector in NGV. The impact of COVID was less, with a smaller impact on revenues, lower bad debts in the US and fewer incremental costs compared to the same period in 2020/21. Depreciation was higher from our ongoing investment programme. Other costs were higher, principally related to delivering outputs as agreed with our regulators. As a result of these factors, partly offset by higher net interest costs from inflation and additional debt used to finance the acquisition of WPD, adjusted profit after tax was up 77% compared to the prior period.

Timing net under-recoveries were £104 million in the first six months compared to £83 million under-recovery (at constant currency in the prior year). Excluding the impact of timing, underlying operating profit of £1,407 million was up 47% and underlying EPS of 22.8p was up 66% against the comparative period.

National Grid

2021/22 Half Year Results Statement

Reconciliation of different measures of profitability and earnings

The table below reconciles our statutory profit measures for continuing operations, at actual exchange rates, to adjusted and underlying versions.

Reconciliation of profit and earnings from continuing operations

(£ million)	Operating profit		Profit after tax		Earnings per share (pence)	
	2021	2020 ¹	2021	2020 ¹	2021	2020 ¹
Statutory results	1,492	960	376	492	10.5	14.0
Exceptional items and remeasurements	(189)	(88)	362	(76)	10.2	(2.2)
Adjusted results	1,303	872	738	416	20.7	11.8
Timing	104	87	75	67	2.1	1.9
Major storm costs	—	—	—	—	—	—
Underlying results	1,407	959	813	483	22.8	13.7

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

Segmental income statement

The following tables set out the income statement on adjusted and underlying bases.

Segmental analysis for continuing operations

£ million	Adjusted			Underlying		
	2021	2020 ¹	change %	2021	2020 ¹	change %
UK Electricity Transmission	550	509	8 %	552	487	13 %
UK Electricity Distribution	281	—	n/m	257	—	n/m
UK Electricity System Operator (ESO)	63	(32)	n/m	49	37	32 %
New England	126	167	(25)%	247	197	25 %
New York	122	176	(31)%	141	186	(24)%
NGV and Other	161	52	210 %	161	52	210 %
Total operating profit	1,303	872	49 %	1,407	959	47 %
Net finance costs	(475)	(431)	10 %	(475)	(431)	10 %
Share of post-tax results of joint ventures and associates	58	38	53 %	58	38	53 %
Profit before tax	886	479	85 %	990	566	75 %
Tax	(148)	(63)	135 %	(177)	(83)	113 %
Profit after tax	738	416	77 %	813	483	68 %
EPS (pence)	20.7	11.8	75 %	22.8	13.7	66 %

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

UK Electricity Transmission adjusted operating profit increased compared to the same period in 2020/21 primarily driven by higher revenues related to higher totex funding under the RIIO-T2 price control. A £24 million adverse swing in timing recoveries (higher pass-through costs and lower collection of prior period under-recoveries) and higher controllable costs were mostly offset by the adverse impact of COVID in the previous period. Depreciation was broadly flat as a result of a beneficial review of asset lives during the year.

UK Electricity Distribution comprises the WPD businesses acquired on 14 June 2021. Post-acquisition results for the period reflect purchase price allocation adjustments to the book value of assets and liabilities acquired, mainly impacting depreciation and the amortisation of customer contributions towards capital investment. The electricity distribution business contributed £281 million to adjusted operating profit, which includes a favourable £24 million timing recovery for the 3.5 months owned.

UK Electricity System Operator adjusted operating profit was £63 million compared to a loss of £32 million in the prior period, principally arising from an £83 million year on year timing swing. This was driven by significant TNUoS under-collections in the prior period and other favourable regulatory timing in the current year. Excluding

National Grid**2021/22 Half Year Results Statement**

timing, higher revenues were partly offset by increased controllable costs to deliver outputs and higher depreciation.

New England adjusted operating profit was £27 million lower (on a constant currency basis) than the prior period as the result of a £94 million swing in timing. This was caused by a £121 million net under-recovery in the current period, related to higher gas prices and an under-collection of energy efficiency and other programme costs including residential assistance and solar Massachusetts. Higher revenues from Massachusetts Electric PBR rate increases were more than offset by increased workload, higher storm costs, property taxes and cost of removal. Bad debts were lower with higher cash collections following the resumption of collection activities in the first half. Depreciation was lower as a consequence of our Rhode Island business being treated as 'held for sale' meaning it is no longer depreciated.

New York adjusted operating profit was £39 million lower (on a constant currency basis) than the same period last year. Rate increases in Niagara Mohawk and in KEDNY and KEDLI along with a favourable property tax settlement were more than offset by increased environmental provisions and storm costs. Bad debt provisions were lower than the comparative period, driven by a reduced economic impact from COVID on collections in the current period, but depreciation was higher as a result of continued investment.

Operating profit in NGV and Other activities increased by £109 million compared to the same period in 2020/21. Our IFA2 interconnector contributed £42 million to the current year having commenced operations in January 2021. Our other IFA interconnector also benefited from higher revenues, but this was offset by a write-down for assets damaged by a fire at Sellindge in September which has resulted in an unplanned outage. Benefits arose from fair value gains on our NG Partners investment portfolio and the release of an aged liability related to historical balances for unclaimed dividends in the Group.

Discontinued operations comprise our UK Gas Transmission and metering operations in National Grid Gas plc, on the basis that we are expecting to dispose of a majority stake in this business within the next 12 months.

Financing costs and tax**Net finance costs**

Adjusted net finance costs for continuing operations were £44 million higher than the prior period. This was primarily due to higher inflation on RPI-linked debt, along with the impact of the acquisition of WPD and new financing requirements to fund our ongoing capital investment programme. These were partly offset by favourable interest on net pension assets, more capitalised interest (increased level of capex projects in the construction phase) and increases in other interest (including favourable property tax settlements in the US). The effective interest rate on treasury managed debt was 3.1%, compared to 3.3% for the first six months of 2020/21.

Joint ventures and associates

The Group's share of net profits from joint ventures and associates increased by £20 million year on year on an adjusted basis, driven by increased performance in Nemo Link. On a statutory basis, it increased by £11 million to £41 million, which also included fair value losses on derivatives in our Emerald joint venture.

Tax

The adjusted effective tax rate for continuing operations (excluding profits from joint ventures and associates) was 17.9% (prior year 14.3%) at the half year and the underlying effective tax rate for continuing operations (excluding profits from joint ventures and associates) was 19.0% (prior year 15.7%). The effective tax rates for this year are higher than in the prior period primarily due to the change in the profit mix following the acquisition of WPD.

Net debt

During the first six months of the year, net debt increased to £41.5 billion, £13.0 billion higher than at 31 March 2021. This increase was driven by the acquisition of WPD on 14 June 2021, which was financed by an £8.2 billion loan to purchase the equity shares from PPL for consideration of £7.9 billion and to replace £350 million of borrowing facilities that expired on change of control. In line with the requirements of IFRS acquisition accounting, the acquired net debt in WPD was fair valued upwards by £1.6 billion to £8.2 billion, reflecting current market rates. Cash generated from operations of £2.0 billion was more than offset by £2.6 billion of cash outflows for capital investment, £1.1 billion paid in dividends, interest and tax and £0.6 billion of adverse exchange movements and other non-cash increases to opening net debt. Closing net debt at 30 September 2021 excludes £5.0 billion related to net debt within our UK Gas businesses, which has been reclassified to 'held for sale' from 1

National Grid**2021/22 Half Year Results Statement**

September. Consistent with the treatment at 31 March 2021, net debt of £1.1 billion related to Rhode Island is also classified in 'held for sale'.

During the period we raised over £2.3 billion of new long-term senior debt to refinance maturing debt and to fund a portion of our significant capital programme. We also drew down on a facility of £8.2 billion for the acquisition of WPD. The new bonds issued include further borrowings under our Green Financing Framework. As at 30 September 2021, we have £7.2 billion of committed facilities available for general corporate purposes of which £0.3 billion is currently drawn down within WPD and all of which have expiry dates beyond January 2023.

There are no significant updates relating to credit agency actions. National Grid's balance sheet remains robust, with strong investment grade ratings from Moody's, Standard & Poor's (S&P) and Fitch.

Interim Dividend

The Board has approved an interim dividend of 17.21p per ordinary share (\$1.1573 per American Depositary Share). This represents 35% of the total dividend per share of 49.16p in respect of the last financial year to 31 March 2021 and is in line with the Group's dividend policy. The interim dividend is expected to be paid on 19 January 2022 to shareholders on the register as at 3 December 2021.

The Board decided in March that, to reflect the move from RPI to CPIH in our UK regulated businesses, the aim from 2021/22 will be to grow the annual dividend per share in line with UK CPIH, thus maintaining the dividend per share in real terms. The Board will review this policy regularly, taking into account a range of factors including expected business performance and regulatory developments.

The scrip dividend alternative will again be offered in respect of the 2021/22 interim dividend. As previously announced, we do not expect to buy back the scrip shares issued during 2021/22.

National Grid

2021/22 Half Year Results Statement

GROWTH

A balanced portfolio to deliver asset and dividend growth

National Grid seeks to create value for shareholders through developing a balanced portfolio of businesses that offer an attractive combination of asset growth and cash returns.

£2.8 billion of capital investment for continuing operations across the Group

We continued to make significant investment in energy infrastructure in the first six months of the year. Capital investment across the Group was £2,840 million, an increase of £520 million (22%) compared to the first half of 2020/21 at constant currency.

Group capital investment (continuing operations)

Six months ended 30 September

(£ million)	At actual exchange rates			At constant currency	
	2021	2020 ¹	% change	2020 ¹	% change
UK Electricity Transmission	587	501	17 %	501	17 %
UK Electricity Distribution	315	—	n/m	—	n/m
UK Electricity System Operator (ESO)	65	47	38 %	47	38 %
New England	700	773	(9)%	707	(1)%
New York	851	847	— %	775	10 %
NGV and other activities ²	322	297	8 %	290	11 %
Group capital investment - continuing	2,840	2,465	15 %	2,320	22 %

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.
2. NGV and other activities capital investment includes equity and financing in joint ventures and associates, and investment in National Grid Partners but excludes £25 million of equity contributions to the St William property joint venture for 2021 (there were no equity contributions in 2020).

UK Electricity Transmission invested £587 million for the first six months of the year, an increase of £86 million on the prior period, driven by further investment in the London Power Tunnels 2 project and Hinkley Seabank connection. For UK Electricity Distribution (WPD), capital investment stood at £315 million during the first half, with expenditure for the Electricity System Operator reaching £65 million, an increase of £18 million over the same period driven by higher IT expenditure for RIIO-2.

Investment in New York was £851 million, an increase of £76 million over the prior period at constant currency. This was driven principally by higher expenditure compared to the same period last year when the initial impact of COVID-19 meant a minor delay to capex deployment. For New England, investment reached £700 million, a slight decrease on the prior period of £7 million, although the capital deployment plan remains on track.

Investment in NGV and other activities during the period was £322 million, £32 million higher than the prior period on a constant currency basis. This was principally driven by increased expenditure at Grain on the Capacity 25 project, partially offset by lower spend on IFA2 as it became operational.

BUSINESS REVIEW

UK Electricity Transmission

Operationally, our UK Electricity Transmission business has continued to deliver good levels of performance and our capital investment programme has continued as expected.

Capital investment reached £587 million, up £86 million on the prior period. Of this investment, £200 million was driven by load related expenditure, and £387 million by non-load related expenditure. The increase on the prior period was principally driven by higher spend on London Power Tunnels 2, the Hinkley Seabank connection, and accelerated expenditure on the Dorset Visual Impact Provision Project (VIP), partly offset by lower spend on our Smartwires investment where projects are in the latter stages of delivery.

In August, the Competition and Markets Authority (CMA) published its provisional determination in relation to the RIIO-T2 price control. This followed the Board's decision in March to submit a technical appeal to the CMA focused on the cost of equity and outperformance wedge. We were pleased to note that the CMA found in favour of the technical arguments on the outperformance wedge, although we were disappointed that it did not find in favour on the cost of equity. The CMA published its final determination in October which confirmed the findings in its provisional determination. This means that the change to the real level of return, with the removal of the outperformance wedge, will be applied retrospectively to the beginning of the current price control to keep us whole financially.

We are on track to deliver the agreed regulatory outputs in our first year of RIIO-T2. In addition, we have secured over £100 million of reopener allowances in the first six months of FY22 for further works at the Bengeworth Road site of the London Power Tunnels 2 project, where we are building a new substation and headhouse. This represents 98% of our requested amount.

Discontinued Operations - UK Gas Transmission

Operationally, our UK Gas Transmission business has continued to deliver good levels of performance and our capital investment programme has continued as expected.

Higher net revenue of £214 million during the first half of the year is largely driven by the change in the capacity pricing regime which came into effect in October 2020 removing seasonal variations. As a result, after adjusting for £71 million favourable year on year timing swing, operating profit (excluding exceptional items and timing) of £332 million is £144 million higher than the comparative period.

Capital investment reached £131 million, up £36 million on the prior period. The increase on the prior period was principally driven by higher spend on Asset Health, the Peterborough & Huntington compressor projects, and enhanced expenditure on Cyber related projects, all of which is partly offset by lower spend on Feeder 9.

Alongside our UK Electricity Transmission business, UK Gas Transmission will also benefit from the removal of the outperformance wedge following the Final Determination by the CMA. This will be applied retrospectively to the beginning of the current price control to keep us whole financially.

We are on track to deliver the agreed regulatory outputs across the RIIO-T2 period which includes works completed in the first year to ensure overall delivery of our 5 year targets. This includes tracking Price Control Deliverables and submitting regulatory reopeners on time.

UK Electricity Distribution

The acquisition of WPD was completed on 14 June 2021, and consequently 3.5 months of WPD's performance is included in the Group's half-year results.

WPD continues to perform well under RIIO-ED1. During the 3.5 months of ownership, capital investment reached £315 million driven principally by reinforcement and asset replacement capex. Compared to the same 3.5 months in the prior period, this was an estimated increase of around £50 million largely through lower capital investment activity in 2020 caused by UK Government restrictions as a result of COVID-19.

A further 18 months remain of the RIIO-ED1 price control period (to March 2023). Looking forward, work is ongoing in terms of evaluating key components of the RIIO-ED2 price control with WPD's final RIIO-ED2 business plan submission due on 1 December 2021. We anticipate Ofgem's Draft Determination in June 2022, followed by

National Grid**2021/22 Half Year Results Statement**

the Final Determination in November/December 2022 (with RIIO-ED2 commencing in April 2023 for the five year period to March 2028).

Electricity System Operator (ESO)

The Electricity System Operator (ESO) has performed well during the first half of the year. Underlying net revenue was £32 million higher than the prior period, principally driven by higher base revenue. Capital investment reached £65 million in the first half, £18 million higher than prior period, driven by higher IT expenditure for RIIO-2.

In the first half of the year, the ESO has focused on initiating the programmes, investments and staff recruitment (+12%) to deliver the ambitious RIIO-2 business plan and has already started to deliver benefits. During the first half, the ESO has managed well through periods of calm, settled weather. In addition, the ESO published the Winter Outlook in October against the backdrop of a tighter winter outlook in the UK, forecasting an electricity capacity margin of 6.6%, lower than last year, but well within the required Reliability Standard.

New England

We achieved good performance across New England during a period with significant storm activity. With Tropical Storms in the half year, the financial impact of major storms in the first half was \$66 million. Given the additional storms in October, it is likely we will incur over \$100 million of storm costs (in aggregate across our US businesses) which means they would be reported outside of underlying results for the full year.

Capital investment in New England remains on track with £700 million deployed during the half-year, slightly lower than the prior period. In Massachusetts Gas, capital investment increased, primarily driven by increased work compared to the prior period when COVID-19 work restrictions were in place. For Massachusetts Electric, capital investment was slightly higher than the prior period, whilst expenditure on FERC assets, including New England Power, was broadly in line with the last half-year. However, lower Rhode Island capital expenditure more than offset increases in Massachusetts driven principally by permitting delays in the gas distribution business.

Tropical Storms Elsa, Ida and Henri struck the North East coast during the half-year, impacting supply to a number of our customers across Massachusetts and Rhode Island. However, our field teams responded rapidly to reconnect affected customers. Almost 30,000 customers were affected by Tropical Storm Elsa, with over 95% reconnected within 5 hours. During Tropical Storm Henri, 41,000 customers were affected in Massachusetts and 107,000 in Rhode Island, with 95% of customers reconnected in 19 hours and 55 hours respectively.

We have made further regulatory progress in Massachusetts during the half-year. On 30 September, we received the rate order for our Massachusetts Gas business from Massachusetts Department of Public Utilities (DPU). This followed the rate filing we made in November 2020. The order approved a five-year rate plan with new rates effective 1 October 2021. It included an allowed Return on Equity of 9.7% at an equity ratio of 53%, and a revenue increase of \$72 million in the first rate year. A new Performance Based Rate Mechanism (PBRM) was approved, similar to that agreed for our Massachusetts Electric business in 2019. The mechanism will fund both capital and operational expenditure across the duration of the rate plan, ensuring inflation is factored into the cost base each year.

In July, we filed our second four-year Massachusetts Electric Grid Modernization Plan (the GMP) together with a five-year strategic plan. The GMP includes 'grid-facing' investments of \$312 million such as Volt-Var optimization (which helps to reduce losses and minimise demand across the distribution network), and Advanced Metering Infrastructure (AMI) investment of almost \$400 million which would see the full-scale implementation across our customer base. The GMP will help advance National Grid's and Massachusetts' shared clean energy goals, meets the Company's regulatory obligation to make progress on the DPU's objectives for grid modernization, and creates a significant investment opportunity for the Company. We are awaiting DPU approval on the filing in summer 2022.

Also in July, we filed our Massachusetts Phase 3 Electric Vehicle (EV) proposal with the DPU. The filing is the largest and most comprehensive EV proposal we have made in the State and puts forward \$275 million of programmes over four years. The filing proposes 7,500 public and workplace EV ports, up to 24,000 residential EV ports for home charging and 175 fleet assessments to assist businesses in converting their vehicles to electric including 600 EV ports. It also includes targeted proposals for low income customers and environment justice communities. We anticipate approval of the filing in Q3 2022 calendar year.

National Grid**2021/22 Half Year Results Statement****New York**

Our New York business delivered good performance during the half year.

Our capital investment programme in New York remains on track with £851 million deployed during the half year, an increase of £76 million at constant currency compared to the prior period. Of this, capital investment for KEDNY-KEDLI increased on the prior period, principally because of COVID-19 restrictions being in place, affecting the capital investment programme during part of the previous half year. Capital investment at Niagara Mohawk (NIMO) increased on the prior period driven by accelerated system reinforcement and asset replacement work.

We have continued to make good progress on regulatory rate filings in New York. In May, National Grid, the Department of Public Service Staff, and other settling parties filed a Joint Proposal for a multi-year rate settlement for our Downstate New York natural gas distribution businesses, KEDNY and KEDLI. The New York Public Service Commission approved the proposal in August and rates became effective on 1 September.

The agreement is a three-year settlement retroactive to April 2020. It includes an allowed RoE of 8.8% at an equity of 48%, with \$3.3 billion of capex allowed across the rate plan to continue the investment in network safety, reliability, and replacing ageing pipe. In addition, the settlement includes funding to support our Future of Heat programmes, including (a) further funding for our Renewable Natural Gas (RNG) plant at Newtown Creek where we will capture biogas, upgrade it to pipeline natural gas, and inject it into KEDNY's distribution system, (b) a hydrogen blending study to consider the necessary requirements to prepare the gas system for hydrogen, with a grant from the New York State Energy Research and Development Authority (NYSERDA) funding a portion of the study, and (c) geothermal non-pipe alternatives, where KEDNY and KEDLI will support the deployment of geothermal heating as a non-pipe alternative in their service territories, through identifying instances where planned leak prone pipe replacement projects could be avoided by deploying shared geothermal loops or individual ground and air source heat pumps to affected customers.

Given the economic climate, and in the interest of maintaining affordability, the rate agreement also provided for a 0% revenue increase in Rate Year 1 and for no more than a 2% total revenue increase in Rate Years 2 and 3. We are able to achieve this by using regulatory credits of \$95 million at KEDNY and \$5 million at KEDLI to offset revenue requirements under the multi-year settlement. Overall, the agreement allows us to earn our allowed return, deploy capex across the businesses, all whilst minimising the impact on customer bills.

In September, we submitted a Joint Proposal to the PSC to update rates at our business in Upstate New York, Niagara Mohawk (NIMO). The proposed settlement is for a three-year rate plan with new rates back-dated to July 2021. It proposes an allowed Return on Equity of 9.0% at an equity ratio of 48% and a capital investment of \$3.3 billion over the term of the rate plan. The Proposal also includes provisions that support emissions reductions from the gas network, including targeted reductions in billed gas usage, programmes to promote non-heat options, leak prone pipe replacement and high emitter leak repair programmes, and energy efficiency measures. Overall, the settlement proposes investment to promote affordable, decarbonised heating, including expansion to renewable natural gas, and adopts new earnings adjustment mechanisms and incentives. A final decision from the New York Public Service Commission is expected by the end of the calendar year.

In August, the independent monitor appointed to oversee our infrastructure and non-infrastructure investment in Downstate New York published a closing report that covered our progress since November 2019. This investment has continued over the last two years in expanding LNG and CNG facilities, as well as energy efficiency and other Demand Side Management measures, to ensure gas supply meets demand in the future. The monitor report described our progress delivering the distributed infrastructure approach to addressing the supply gap, as well as the results of an independent assessment that found our gas demand forecast is reasonable. The report included six new recommendations for the business, including (a) a recommendation that we file bi-annual reports on the status of the distributed infrastructure solutions, and (b) five recommendations around increasing the role of the compliance function in monitoring our execution of the supply plans and settlement-related items going forward.

Progress continues on our transmission projects in Upstate New York. In May, we announced a joint development agreement with the New York Power Authority (NYPA) to develop 110 miles of transmission lines in upstate New York for a total estimated cost of \$1.1 billion, of which National Grid's investment is \$535 million. The project, known as the "Smart Path Connect," will link other NYPA transmission projects in the region and unbottle existing renewable resources whilst yielding significant production cost savings, emissions reductions, and decreases in transmission congestion.

Future of Heat

In April, we were pleased to co-author a report with the New York City Mayor's office and Con Edison titled 'Pathways to Carbon-Neutral NYC: Modernize, Reimagine, Reach.' The report looks at all sectors of the New York City economy and recommends the necessary action to reduce emissions to help meet the City's environmental targets. As part of this, it also calls for a 'reimagined' gas network that, in the longer term, will see greater levels of low carbon gas supplied to customers, particularly to those where electrification is impractical. Overall, it sees a future for the existing gas network and recognises gas, especially low carbon gas, as part of the long-term energy transition.

NGV & Other

During the period, work reached a conclusion on the 1,400MW North Sea Link which commenced operations in October. The 720 kilometre link, connecting Blyth in Northumberland to south-western Norway, is the world's longest undersea power cable and is a joint venture between National Grid and Statnett. It will help the UK reach its net zero target by importing hydro sourced generation from Norway, reducing UK carbon emissions by 23 million tonnes by 2030. At full capacity, it is expected to provide enough clean electricity to power 1.4 million homes. Work continues on the Viking Link between the UK and Denmark, with the interconnector on track to commission in 2023.

In September, a fire at the IFA convertor station in Sellindge, Kent caused significant damage to infrastructure on-site. Following a detailed assessment on the 1,000MW of capacity that is offline due to fire damage, National Grid is carrying out extensive work to safely return it to service. Consequently, we plan to bring 500MW back to service from October 2022 and 500MW in December 2022. This will result in 2,000MW of available capacity going into next Winter.

On our other interconnectors, IFA2 and NEMO continued to perform well with availabilities reaching 85% and 98% respectively in the half year. Availability on BritNed decreased to 62% compared to 96% in the prior period, driven principally by a cable fault in March 2021 with the link returning to full service in June.

Grain LNG continues to perform well, with utilisation 14% higher than the prior period mainly driven by unseasonable high utilisation in Q1 of FY22, largely as a result of high and rising gas prices. Capital investment reached £36 million in the half year, an increase of £28 million on the prior period as a result of initial investment in the Capacity 25 project.

In July, National Grid Renewables began operations at two Michigan solar projects - Bingham Solar and Temperance Solar. Combined, the projects produce 40MW and each has a Power Purchase Agreement (PPA) with Consumers Energy. During peak construction, 160 workers were employed, 95% of which were recruited from communities within 100 miles of each site. Additional job and economic benefits were also realised through employing local Michigan-based subcontractors.

In October, New York Transco - a partnership of New York's major utilities, including National Grid Ventures - submitted a bid to install increased transmission capacity to Long Island. The bid was in response to a solicitation by the New York Independent System Operator (NYISO) in August which called for transmission solutions to transfer at least 3GW and potentially up to 6GW of offshore wind generation that is expected to be connected to Long Island over the next decade. The connections would be made between Long Island and the rest of the State.

For the first half, Other activities generated an operating profit of £14 million, compared with a net loss of £31 million in for the prior period. This principally reflects current year benefits from fair value gains in NG Partners and the release of historical liabilities related to unclaimed dividends. Capital investment was £40 million, £15 million higher than last year, with an increased level of investment by NG Partners. The post-tax profit share for joint ventures was £13 million, £8 million higher primarily through gains on our share of the Energy Impact Partners investment fund.

APPENDIX

Unless otherwise stated, all financial commentaries in this results statement are given on an underlying basis at actual exchange rates for continuing operations. Underlying represents statutory results excluding exceptional items, remeasurements, timing and major storm costs. The underlying basis is further defined on page 56.

Alternative Performance Measures derived from IFRS

The following are terms or metrics that are reconciled to IFRS measures and are defined on pages 56 to 59:

Net revenue
Adjusted profit measures
Underlying results
Constant currency
Timing impacts
Capital investment
Net debt – defined in note 13 on page 49.

PROVISIONAL FINANCIAL TIMETABLE

Date	Event
18 November 2021	2021/22 half year results
2 December 2021	Ordinary shares and ADRs go ex-dividend
3 December 2021	Record date for 2021/22 interim dividend
9 December 2021	Scrip reference price announced
20 December 2021 (5pm London time)	Scrip election date for 2021/22 interim dividend
19 January 2022	2021/22 interim dividend paid to qualifying shareholders
19 May 2022	2021/22 Preliminary Results
1 June 2022	Ordinary shares go ex-dividend
3 June 2022	ADRs go ex-dividend
6 June 2022	Record date for 2021/22 final dividend
10 June 2022	Scrip reference price announced
11 July 2022	2022 AGM
20 July 2022 (5pm London time)	Scrip election date
17 August 2022	2021/22 final dividend paid to qualifying shareholders

CAUTIONARY STATEMENT

This announcement 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 (the Company) 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. These forward-looking statements are not guarantees of National Grid's future performance and are subject to assumptions, risks and uncertainties that could cause actual future results to differ materially from those expressed in or implied by such forward-looking statements. Many of these assumptions, risks and uncertainties relate to factors that are beyond National Grid's ability to control, predict or estimate precisely, such as changes in laws or regulations, including any arising as a result of the United Kingdom's exit from the European Union, announcements from and decisions by governmental bodies or regulators, including the implementation of the RII0-2 price controls; the timing of construction and delivery by third parties of new generation projects requiring connection; breaches of, or changes in, environmental, climate change and health and safety laws or regulations, including breaches or other incidents arising from the potentially harmful nature of its activities; network failure or interruption (including any that result in safety and/or environmental events), the inability to carry out critical non network operations and damage to infrastructure, due to adverse weather conditions including the impact of major storms as well as the results of climate change, due to counterparties being unable to deliver physical commodities, or due to the failure of or unauthorised access to or deliberate breaches of National Grid's IT systems and supporting technology; failure to adequately forecast and respond to disruptions in energy supply including those caused by the COVID-19 pandemic; performance against regulatory targets and standards and against National Grid's peers with the aim of delivering stakeholder expectations regarding costs and efficiency savings, as well as against targets and standards designed to deliver net zero; and customers and counterparties (including financial institutions) failing to perform their obligations to the Company. Other factors that could cause actual results to differ materially from those described in this announcement include fluctuations in exchange rates, interest rates and commodity price indices; restrictions and conditions (including filing requirements) in National Grid's borrowing and debt arrangements, funding costs and access to financing; regulatory requirements for the Company to maintain financial resources in certain parts of its business and restrictions on some subsidiaries' transactions such as paying dividends, lending or levying charges; the delayed timing of recoveries and payments in National Grid's regulated businesses, including as a result of the COVID-19 pandemic, and whether aspects of its activities are contestable; the funding requirements and performance of National Grid's pension schemes and other post-retirement benefit schemes; the failure to attract, develop and retain employees with the necessary competencies, including leadership skills, and any significant disputes arising with National Grid's employees or the breach of laws or regulations by its employees; the failure to respond to market developments, including competition for onshore transmission; the threats and opportunities presented by emerging technology; the failure by the Company to respond to, or meet its own commitments as a leader in relation to, climate change development activities relating to energy transition, including the integration of distributed energy resources; and the need to grow the Company's business to deliver its strategy, as well as incorrect or unforeseen assumptions or conclusions (including unanticipated costs and liabilities) relating to business development activity, including the integration of WPD, the sale of the Company's Rhode Island gas and electricity business and the proposed sale of a majority stake in its UK gas transmission business. For further details regarding these and other assumptions, risks and uncertainties that may impact National Grid, please read the Strategic Report section and the 'Risk factors' on pages 236 to 239 of National Grid's most recent Annual Report and Accounts, as updated by the Principal risks and uncertainties statement on page 53 of this announcement. In addition, new factors emerge from time to time and National Grid cannot assess the potential impact of any such factor on its activities or the extent to which any factor, or combination of factors, may cause actual future results to differ materially from those contained in any forward-looking statement. Except as may be required by law or regulation, the Company undertakes no obligation to update any of its forward-looking statements, which speak only as of the date of this announcement.

National Grid

2021/22 Half Year Results Statement

UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Consolidated income statement
for the six months ended 30 September

2021	Notes	Before exceptional items and remeasurements £m	Exceptional items and remeasurements £m	Total £m
Continuing operations				
Provision for bad and doubtful debts	2(a),3	6,941	—	6,941
Other operating costs	4	(5,585)	189	(5,396)
Operating profit	2(b),4	1,303	189	1,492
Finance income	4,5	45	2	47
Finance costs	4,5	(520)	23	(497)
Share of post-tax results of joint ventures and associates	2(b),4	58	(17)	41
Profit before tax	2(b),4	886	197	1,083
Tax	4,8	(148)	(559)	(707)
Profit/(loss) after tax from continuing operations	4	738	(362)	376
Profit/(loss) after tax from discontinued operations	4,6	260	(161)	99
Total profit/(loss) for the period (continuing and discontinued)		998	(523)	475
Attributable to:				
Equity shareholders of the parent		997	(523)	474
Non-controlling interests from continuing operations		1	—	1
Earnings per share (pence)				
Basic earnings per share (continuing)	9			10.5
Diluted earnings per share (continuing)	9			10.5
Basic earnings per share (continuing and discontinued)	9			13.3
Diluted earnings per share (continuing and discontinued)	9			13.2
2020¹				
Continuing operations				
Revenue	2(a),3	6,064	—	6,064
Provision for bad and doubtful debts		(120)	—	(120)
Other operating costs	4	(5,072)	88	(4,984)
Operating profit	2(b),4	872	88	960
Finance income	4,5	13	14	27
Finance costs	4,5	(444)	10	(434)
Share of post-tax results of joint ventures and associates	2(b),4	38	(8)	30
Profit before tax	2(b),4	479	104	583
Tax	4,8	(63)	(28)	(91)
Profit after tax from continuing operations	4	416	76	492
Profit/(loss) after tax from discontinued operations	4,6	111	(1)	110
Total profit for the period (continuing and discontinued)		527	75	602
Attributable to:				
Equity shareholders of the parent		526	75	601
Non-controlling interests from continuing operations		1	—	1
Earnings per share (pence)				
Basic earnings per share (continuing)	9			14.0
Diluted earnings per share (continuing)	9			13.9
Basic earnings per share (continuing and discontinued)	9			17.1
Diluted earnings per share (continuing and discontinued)	9			17.0

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 6 for further information.

National Grid

2021/22 Half Year Results Statement

**Consolidated statement of comprehensive income
for the six months ended 30 September**

	Notes	2021 £m	2020 ¹ £m
Profit after tax from continuing operations		376	492
Other comprehensive income/(loss) from continuing operations			
<i>Items from continuing operations that will never be reclassified to profit or loss:</i>			
Remeasurement gains/(losses) on pension assets and post-retirement benefit obligations	16	593	(136)
Net gains on equity instruments designated at fair value through other comprehensive income		10	28
Net gains in respect of cash flow hedging of capital expenditure		6	22
Tax on items that will never be reclassified to profit or loss		(95)	(10)
Total gains/(losses) from continuing operations that will never be reclassified to profit or loss		514	(96)
<i>Items from continuing operations that may be reclassified subsequently to profit or loss:</i>			
Retranslation of net assets offset by net investment hedge		297	(490)
Net gains in respect of cash flow hedges ²		21	15
Net losses in respect of cost of hedging		(43)	(4)
Net gains on investments in debt instruments measured at fair value through other comprehensive income		14	53
Share of other comprehensive income of associates, net of tax		1	—
Tax on items that may be reclassified subsequently to profit or loss		6	(2)
Total gains/(losses) from continuing operations that may be reclassified subsequently to profit or loss		296	(428)
Other comprehensive income/(loss) for the period, net of tax, from continuing operations		810	(524)
Other comprehensive income/(loss) for the period, net of tax, from discontinued operations	6	47	(279)
Other comprehensive income/(loss) for the period, net of tax		857	(803)
Total comprehensive income/(loss) for the period from continuing operations		1,186	(32)
Total comprehensive income/(loss) for the period from discontinued operations	6	146	(169)
Total comprehensive income/(loss) for the period		1,332	(201)
Attributable to:			
Equity shareholders of the parent		1,332	(201)

- Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 6 for further information. In addition, the comparative amounts for exchange adjustments have been revised to reflect the impact of the prior year adjustments to property, plant and equipment, goodwill and deferred tax as described in note 1 to the Annual Report and Accounts for the year ended 31 March 2021.
- Within the line item net gains in respect of cash flow hedges, there is an equal and opposite impact of £18 million (2020: £141 million) relating to spot foreign exchange movements on derivatives designated in cash flow hedges of foreign currency risk and interest rates. This has no net impact on the consolidated statement of comprehensive income. This is consistent with the Annual Report and Accounts for the year ended 31 March 2021.

National Grid

2021/22 Half Year Results Statement

**Consolidated statement of changes in equity
for the six months ended 30 September**

	Notes	Share capital £m	Share premium account £m	Retained earnings £m	Other equity reserves £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 1 April 2021		474	1,296	23,163	(5,094)	19,839	21	19,860
Profit for the period		—	—	474	—	474	1	475
Other comprehensive income/(loss) for the period		—	—	557	301	858	(1)	857
Total comprehensive income for the period		—	—	1,031	301	1,332	—	1,332
Equity dividends	10	—	—	(583)	—	(583)	—	(583)
Scrip dividend-related share issue		8	(8)	—	—	—	—	—
Issue of treasury shares		—	—	15	—	15	—	15
Purchase of own shares		—	—	(2)	—	(2)	—	(2)
Share-based payments		—	—	13	—	13	—	13
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	6	6	—	6
At 30 September 2021		482	1,288	23,637	(4,787)	20,620	21	20,641

	Notes	Share capital £m	Share premium account £m	Retained earnings £m	Other equity reserves £m	Total shareholders' equity £m	Non-controlling interests £m	Total equity £m
At 31 March 2020 (as previously reported)		470	1,301	21,710	(3,919)	19,562	22	19,584
Prior year adjustment ¹		—	—	185	24	209	—	209
At 1 April 2020 (revised)		470	1,301	21,895	(3,895)	19,771	22	19,793
Profit for the period		—	—	601	—	601	1	602
Other comprehensive loss for the period		—	—	(401)	(401)	(802)	(1)	(803)
Total comprehensive income/(loss) for the period		—	—	200	(401)	(201)	—	(201)
Equity dividends	10	—	—	(1,065)	—	(1,065)	—	(1,065)
Scrip dividend-related share issue		1	(1)	—	—	—	—	—
Issue of treasury shares		—	—	16	—	16	—	16
Purchase of own shares		—	—	(2)	—	(2)	—	(2)
Share-based payments		—	—	10	—	10	—	10
Cash flow hedges transferred to the statement of financial position, net of tax		—	—	—	(7)	(7)	—	(7)
At 30 September 2020		471	1,300	21,054	(4,303)	18,522	22	18,544

1. Comparative amounts have been revised to reflect the prior year adjustments to property, plant and equipment, goodwill and deferred tax as described in note 1 to the Annual Report and Accounts for the year ended 31 March 2021.

National Grid

2021/22 Half Year Results Statement

Consolidated statement of financial position

	Notes	30 September 2021 £m	31 March 2021 £m
Non-current assets			
Goodwill	7	9,423	4,588
Other intangible assets	2(c)	3,259	1,443
Property, plant and equipment	2(c), 11	54,699	47,043
Other non-current assets		273	293
Pension assets	16	2,542	1,747
Financial and other investments		873	755
Investments in joint ventures and associates		952	867
Derivative financial assets	12	426	542
Total non-current assets		72,447	57,278
Current assets			
Inventories and current intangible assets		516	439
Trade and other receivables		2,947	2,919
Current tax assets		81	67
Financial and other investments	13, 14	2,288	2,342
Derivative financial assets	12	276	457
Cash and cash equivalents	13, 14	466	157
Assets held for sale	6	9,917	3,557
Total current assets		16,491	9,938
Total assets		88,938	67,216
Current liabilities			
Borrowings	13, 14	(10,744)	(3,737)
Derivative financial liabilities	12	(232)	(145)
Trade and other payables		(3,716)	(3,517)
Contract liabilities		(75)	(66)
Current tax liabilities		(52)	(75)
Deferred tax liabilities	6	(331)	—
Provisions		(252)	(260)
Liabilities held for sale	6	(8,526)	(1,568)
Total current liabilities		(23,928)	(9,368)
Non-current liabilities			
Borrowings	13, 14	(33,151)	(27,483)
Derivative financial liabilities	12	(605)	(754)
Other non-current liabilities		(880)	(843)
Contract liabilities		(1,112)	(1,094)
Deferred tax liabilities		(5,575)	(4,815)
Pensions and other post-retirement benefit obligations	16	(993)	(1,032)
Provisions		(2,053)	(1,967)
Total non-current liabilities		(44,369)	(37,988)
Total liabilities		(68,297)	(47,356)
Net assets		20,641	19,860
Equity			
Share capital		482	474
Share premium account		1,288	1,296
Retained earnings		23,637	23,163
Other equity reserves		(4,787)	(5,094)
Total shareholders' equity		20,620	19,839
Non-controlling interests		21	21
Total equity		20,641	19,860

National Grid

2021/22 Half Year Results Statement

**Consolidated cash flow statement
for the six months ended 30 September**

	Notes	2021 £m	2020 ¹ £m
Cash flows from operating activities			
Operating profit from continuing operations	2(b)	1,492	960
Adjustments for:			
Exceptional items and remeasurements	4	(189)	(88)
Other fair value movements		(38)	(6)
Depreciation, amortisation and impairment	2(c)	840	761
Share-based payment charge		11	8
Changes in working capital		117	97
Changes in provisions		1	(74)
Changes in pensions and other post-retirement benefit obligations		(81)	(43)
Cash flows relating to exceptional items		(116)	(10)
Cash generated from continuing operations		2,037	1,605
Tax (paid)/received		(90)	2
Net cash flow from operating activities – continuing operations		1,947	1,607
Net cash flow from operating activities – discontinued operations		470	187
Cash flows from investing activities			
Acquisition of WPD ²	7	(7,844)	—
Contingent consideration relating to the acquisition of National Grid Renewables Development LLC and Emerald		(10)	(13)
Acquisition of financial investments		(68)	(59)
Disposal of financial investments		34	43
Investments in joint ventures and associates		(114)	(63)
Purchases of intangible assets		(196)	(197)
Purchases of property, plant and equipment		(2,310)	(2,055)
Disposals of property, plant and equipment		3	10
Dividends received from joint ventures and associates		64	48
Interest received		7	13
Net movements in short-term financial investments		58	673
Cash inflows on derivatives		—	41
Cash outflows on derivatives		—	(81)
Net cash flow used in investing activities – continuing operations		(10,376)	(1,640)
Net cash flow used in investing activities – discontinued operations		(129)	(70)
Cash flows from financing activities			
Purchase of own shares		(2)	(2)
Proceeds from issue of treasury shares		15	16
Proceeds received from loans	14b	10,452	3,506
Repayments of loans	14b	(426)	(903)
Payments of lease liabilities	14b	(53)	(63)
Net movements in short-term borrowings	14b	(507)	(981)
Cash inflows on derivatives	14b	4	36
Cash outflows on derivatives	14b	(7)	(26)
Interest paid	14b	(450)	(407)
Dividends paid to shareholders	10	(583)	(1,065)
Net cash flow from financing activities – continuing operations		8,443	111
Net cash flow used in financing activities – discontinued operations		(38)	(102)
Net increase in cash and cash equivalents	14a	317	93
Reclassification to held for sale	14a	(9)	—
Exchange movements	14a	1	(2)
Net cash and cash equivalents at start of period	14a	157	73
Net cash and cash equivalents at end of period	14a	466	164

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation. See notes 1 and 6 for further information.

2. Balance consists of cash consideration paid and cash acquired from WPD.

Notes to the financial statements**1. Basis of preparation and new accounting standards, interpretations and amendments**

The half year financial information covers the six month period ended 30 September 2021 and has been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board (IASB) and as adopted by the United Kingdom (UK); and the Disclosure and Transparency Rules of the Financial Conduct Authority. This condensed set of financial statements comprises the unaudited financial information for the half years ended 30 September 2021 and 2020, together with the audited consolidated statement of financial position as at 31 March 2021.

The financial information for the six months ended 30 September 2021 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. It should be read in conjunction with the statutory accounts for the year ended 31 March 2021, which were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the IASB and as adopted by the EU, and have been filed with the Registrar of Companies. The Deloitte LLP audit report on those statutory accounts was unqualified, did not contain an emphasis of matter and did not contain a statement under Section 498 of the Companies Act 2006.

The half year financial information has been prepared in accordance with IFRS as issued by the IASB and as adopted by the UK, consistent with the accounting policies expected to be applicable for the year ending 31 March 2022. The notes to the financial information are prepared on a continuing basis unless otherwise stated.

Our consolidated income statement and segmental analysis (see note 2) separately identify financial results before and after exceptional items and remeasurements. The Directors believe that presentation of the results in this way is relevant to an understanding of the Group's financial performance. Presenting financial results before exceptional items and remeasurements is consistent with the way that financial performance is measured by management and reported to the Board and Executive Committee and improves the comparability of reported financial performance from year to year. Items which are classified as exceptional items or remeasurements are defined in the Annual Report and Accounts for the year ended 31 March 2021.

Disposal of the UK Gas Transmission business

The Group announced its intention to sell a majority stake in the UK Gas Transmission business on 18 March 2021, thus initiating the process to sell the business.

As the sale is considered highly probable and is expected to complete within a year, the associated assets and liabilities have been presented as held for sale in the consolidated statement of financial position. As UK Gas Transmission represents a major separate line of business, the business has also been classified as a discontinued operation at 30 September 2021. Accordingly, the results of the business are shown separately from the continuing business for all periods presented on the face of the income statement as a discontinued operation. This is also reflected in the statement of comprehensive income, as well as earnings per share (EPS) being shown split between continuing and discontinued operations. Further details are included in note 6.

Disposal of The Narragansett Electric Company

As described further in note 6, on 17 March 2021, the Group signed an agreement to sell 100% of the share capital of a wholly owned subsidiary, The Narragansett Electric Company (NECO). The sale is expected to complete in early 2022 once all regulatory approvals are obtained.

As the sale is considered highly probable and is expected to complete within a year, the associated assets and liabilities have been presented as held for sale in the consolidated statement of financial position. However, the transaction has not met the criteria for classification as a discontinued operation and therefore its results for the period are not separately disclosed on the face of the income statement, and are instead included within the results from continuing operations. Further details are included in note 6.

National Grid**2021/22 Half Year Results Statement****1. Basis of preparation and new accounting standards, interpretations and amendments (continued)****Acquisition of WPD**

On 14 June 2021, National Grid plc acquired 100% of the share capital of PPL WPD Investments Limited (WPD), the holding company of Western Power Distribution plc, which is the UK's largest electricity distribution network operator. The total cash consideration for the transaction was £7.9 billion. For further details, please see note 7.

Areas of judgement and key sources of estimation uncertainty

In preparing this half year financial information, we have considered the areas where judgement has been exercised by management in applying the Group's accounting policies and the key sources of estimation uncertainty as compared to those applied in the preparation of the Annual Report and Accounts for the year ended 31 March 2021.

Areas of judgement that have the most significant effect on the amounts recognised in the financial information:

- Categorisation of certain items as exceptional items or remeasurements: We have continued to apply the Group's exceptional items framework and have recognised exceptional items in relation to transaction costs from the WPD acquisition and the planned disposals of NECO and the UK Gas Transmission business, continued implementation costs of the new operating model and the impact of the change in the UK corporation tax rate (see note 4 for details). We continue to treat certain items as remeasurements as disclosed in note 4.
- In relation to the planned disposal of a majority stake in the UK Gas Transmission business, the key judgement that has been applied is the date from which the business qualified for classification as held for sale and a discontinued operation, as explained further in note 6.
- The other area of judgement applied relates to the useful economic lives of our gas networks remaining appropriate, consistent with the judgement for the year ended 31 March 2021.

Key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial information:

- In respect of the acquisition of WPD, the key source of estimation uncertainty relates to the provisional purchase price allocation to determine the fair value of identifiable assets and liabilities acquired, specifically the valuation and allocation of the fair value principally between property, plant and equipment, the acquired license intangibles and the value of goodwill recorded. Refer to note 7 for further details.
- The other key sources of estimation uncertainty are consistent with those for the year ended 31 March 2021:
 - the valuation of liabilities for pensions and other post-retirement benefits; and
 - the cash flows applied in determining environmental provisions.

1. Basis of preparation and new accounting standards, interpretations and amendments (continued)**Going concern**

As part of the Directors' consideration of the appropriateness of adopting the going concern basis of accounting in preparing the half year financial information, the Directors have considered the Group's principal risks (discussed on page 53) alongside potential downside business cashflow scenarios impacting the Group's operations. The Directors specifically considered both a base case and a reasonable worst-case scenario for business cashflows and the timing of the planned disposals of NECO and of a majority stake of the UK Gas Transmission business (see note 6).

The reasonable worst-case scenario included the following key sensitivities:

- additional potential working capital requirements in our UK businesses in response to the wider gas market stability challenges;
- adverse impact from timing across the Group, i.e. a net under-recovery of allowed revenues or reductions in over-collections;
- a significant reduction in cash collections driven by lower customer demand and increased bad debt in our US businesses and potential supplier defaults in our UK business;
- higher cash outflow than expected following the recent Sellindge Interconnector fire;
- higher operating costs than expected; or non-delivery of planned efficiencies across the Group; and
- the potential impact of further significant storm costs in the US.

As part of their analysis, the Board also considered the following potential levers at their discretion to improve the position identified by the analysis if the debt capital markets are not accessible:

- the payment of dividends to shareholders;
- significant changes in the phasing of the Group's capital programme with elements of non-essential works and programmes delayed; and
- a number of further reductions in operating expenditure across the Group primarily related to workforce cost reductions in both the UK and the US.

Having considered the reasonable worst-case scenario, the impact and timing of the planned strategic transactions, and the further levers at the Board's discretion, the Group continues to have headroom against the Group's committed facilities identified in note 15 of the half year financial information.

In addition to the above, the ability to raise new and extend existing financing was separately included in the analysis, and the Directors noted the c.£2.3 billion of new long-term senior debt completed in the period from 1 April to 30 September 2021 as evidence of the Group's ability to continue to have access to the debt capital markets if needed.

Based on the above, the Directors have concluded the Group is well placed to manage its financing and other business risks satisfactorily, and have a reasonable expectation that the Group will have adequate resources to continue in operation for at least twelve months from the signing date of these consolidated interim financial statements. They therefore consider it appropriate to adopt the going concern basis of accounting in preparing the half year financial information.

1. Basis of preparation and new accounting standards, interpretations and amendments (continued)**New IFRS accounting standards, interpretations and amendments adopted in the period**

There are no new standards, interpretations or amendments, issued by the IASB or by the IFRS Interpretations Committee (IFRIC), that are applicable for the period commencing on 1 April 2021 and have had a material impact on the Group's results.

New IFRS accounting standards, interpretations and amendments not yet adopted

The following new amendment to existing standards has been issued, since the publication of our Annual Report and Accounts, but is not yet effective or has not yet been endorsed in the UK:

- Amendments to IAS 12 - Deferred tax related to assets and liabilities arising from a single transaction.

The Group is currently assessing the impact of the amendment but it is not expected to have a material impact. The Group has not early adopted any standard, amendment or interpretation that has been issued but is not yet effective.

National Grid**2021/22 Half Year Results Statement****2. Segmental analysis**

Revenue and the results of the business are analysed by operating segment, based on the information the Board of Directors uses internally for the purposes of evaluating the performance of each operating segment and determining resource allocation between them. The Board is National Grid's chief operating decision maker (as defined by IFRS 8 'Operating Segments') and assesses the profitability of operations principally on the basis of operating profit before exceptional items and remeasurements (see note 4). As a matter of course, the Board also considers profitability by segment, excluding the effect of timing. However, the measure of profit disclosed in this note is operating profit before exceptional items and remeasurements as this is the measure that is most consistent with the IFRS results reported within these financial statements.

As a result of the new operating model, the operating segments reported to the Board have changed during the period to align with the six business units that will continue to operate. The UK Gas Transmission business, that is expected to be disposed of, is now considered a discontinued operation (see note 6). Five of these continuing businesses meet the size criteria set out in the accounting standards to be treated as reportable operating segments. The remaining businesses that are not reportable operating segments and the corporate centre activities are reported to the Board of Directors on an aggregated basis.

The following table describes the main activities for each reportable operating segment within continuing operations:

UK Electricity Transmission	The high-voltage electricity transmission networks in England and Wales.
UK Electricity Distribution	The electricity distribution networks of WPD in East Midlands, West Midlands, South Wales and the South West.
UK Electricity System Operator	The independent Great Britain electricity system operator.
New England	Gas distribution networks, electricity distribution networks and high-voltage electricity transmission networks in New England.
New York	Gas distribution networks, electricity distribution networks and high-voltage electricity transmission networks in New York.

The UK Gas Transmission business, which owns the high-pressure gas transmission networks in Great Britain and system operator in Great Britain, is now a discontinued operation and classified as held for sale. Therefore, while it is still a reportable operating segment, it is no longer presented within continuing operations.

The New England and New York segments typically experience seasonal fluctuations in revenue and operating profit due to higher delivery volumes during the second half of the financial year, for example as a result of extreme weather over the winter. These seasonal fluctuations have a consequential impact on the working capital balances (primarily trade debtors and accrued income) in the consolidated statement of financial position at 30 September 2021 when compared to 31 March 2021. The majority of UK revenues are governed by the arrangements under RIIO, through which revenue is primarily based on availability of network capacity rather than usage, and therefore are not subject to the same seasonal fluctuations as in New York and New England.

The National Grid Ventures (NGV) operating segment is outside our regulated core business and operates in competitive markets across the UK and the US. The business comprises all commercial operations in LNG at the Isle of Grain in the UK, our electricity generation business in the US, our electricity interconnectors and our investment in National Grid Renewables Development LLC (formerly Geronimo), with a focus on investment and future activities in emerging growth areas. NGV does not meet the thresholds set out in IFRS 8 to be identified as a separate reportable segment and therefore its results are not required to be separately presented.

Other activities that do not form part of any of the segments in the above table or NGV primarily relate to our UK property business together with insurance and corporate activities in the UK and US and the Group's investments in technology and innovation companies through National Grid Partners.

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2. Segmental analysis (continued)

(a) Revenue

Six months ended 30 September	2021			2020 ¹		
	Total sales	Sales between segments ²	Sales to third parties	Total sales	Sales between segments ²	Sales to third parties
	£m	£m	£m	£m	£m	£m
Operating segments – continuing operations:						
UK Electricity Transmission	1,037	—	1,037	940	(5)	935
UK Electricity Distribution	509	—	509	—	—	—
UK Electricity System Operator	1,146	(4)	1,142	948	—	948
New England	1,686	—	1,686	1,839	—	1,839
New York	1,971	—	1,971	1,903	—	1,903
NGV and Other	596	—	596	440	(1)	439
Total revenue from continuing operations	6,945	(4)	6,941	6,070	(6)	6,064
Discontinued operations – UK Gas Transmission	716	(6)	710	476	(5)	471
Total	7,661	(10)	7,651	6,546	(11)	6,535
Geographical areas:						
UK			3,000			2,071
US			3,941			3,993
Total revenue from continuing operations			6,941			6,064
Discontinued operations – UK Gas Transmission			710			471
Total			7,651			6,535

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.
2. Sales between operating segments are priced having regard to the regulatory and legal requirements to which the businesses are subject. The analysis of revenue by geographical area is on the basis of destination.

(b) Operating profit

Six months ended 30 September	Before exceptional items and remeasurements		After exceptional items and remeasurements	
	2021	2020 ¹	2021	2020 ¹
	£m	£m	£m	£m
Operating segments – continuing operations:				
UK Electricity Transmission	550	509	541	509
UK Electricity Distribution	281	—	281	—
UK Electricity System Operator	63	(32)	50	(32)
New England	126	167	252	192
New York	122	176	321	239
NGV and Other	161	52	47	52
Total operating profit from continuing operations	1,303	872	1,492	960
Discontinued operations – UK Gas Transmission	390	175	387	175
Total	1,693	1,047	1,879	1,135
Geographical areas				
UK	1,025	510	889	510
US	278	362	603	450
Total operating profit from continuing operations	1,303	872	1,492	960
Discontinued operations – UK Gas Transmission	390	175	387	175
Total	1,693	1,047	1,879	1,135

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

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2. Segmental analysis (continued)

Below we reconcile total operating profit from continuing operations to profit before tax from continuing operations. The operating exceptional items and remeasurements income of £189 million (2020: £88 million income) relates to UK Electricity Transmission, £9 million expense (2020: £nil); UK Electricity System Operator, £13 million expense (2020: £nil); New England, £126 million income (2020: £25 million income); New York, £199 million income (2020: £63 million income); and NGV and Other, £114 million expense (2020: £nil).

Six months ended 30 September	Before exceptional items and remeasurements		After exceptional items and remeasurements	
	2021 £m	2020 ¹ £m	2021 £m	2020 ¹ £m
Reconciliation to profit before tax:				
Operating profit from continuing operations	1,303	872	1,492	960
Share of post-tax results of joint ventures and associates	58	38	41	30
Finance income	45	13	47	27
Finance costs	(520)	(444)	(497)	(434)
Profit before tax from continuing operations	886	479	1,083	583
Profit before tax from discontinued operations	320	138	310	137
Total profit before tax	1,206	617	1,393	720

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

(c) Capital expenditure

Capital expenditure represents additions to property, plant and equipment and other intangible assets but excludes additional investments in and loans to joint ventures and associates.

	Net book value of property, plant and equipment and other intangible assets		Capital expenditure		Depreciation, amortisation and impairment	
	30 September 2021 £m	31 March 2021 ¹ £m	30 September 2021 £m	30 September 2020 ¹ £m	30 September 2021 £m	30 September 2020 ¹ £m
Operating segments:						
UK Electricity Transmission	14,351	14,000	587	501	(243)	(238)
UK Electricity Distribution	12,050	—	315	—	(71)	—
UK Electricity System Operator	415	379	65	47	(29)	(20)
New England	10,775	10,165	700	773	(166)	(202)
New York	17,491	16,466	851	847	(242)	(234)
NGV and Other	2,876	2,751	196	235	(89)	(67)
Total from continuing operations	57,958	43,761	2,714	2,403	(840)	(761)
Discontinued operations – UK Gas Transmission	4,761	4,725	131	95	(90)	(92)
Total	62,719	48,486	2,845	2,498	(930)	(853)
Geographical areas:						
UK	29,176	16,628	1,147	763	(409)	(301)
US	28,782	27,133	1,567	1,640	(431)	(460)
Total from continuing operations	57,958	43,761	2,714	2,403	(840)	(761)
Discontinued operations – UK Gas Transmission	4,761	4,725	131	95	(90)	(92)
Total	62,719	48,486	2,845	2,498	(930)	(853)
By asset type:						
Property, plant and equipment	54,699	42,424	2,487	2,201	(745)	(682)
Other intangible assets	3,259	1,337	227	202	(95)	(79)
Total from continuing operations	57,958	43,761	2,714	2,403	(840)	(761)
Discontinued operations – UK Gas Transmission	4,761	4,725	131	95	(90)	(92)
Total	62,719	48,486	2,845	2,498	(930)	(853)

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

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3. Revenue

Under IFRS 15 'Revenue from Contracts with Customers', revenue is recorded as or when the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service.

The transfer of control of our distribution or transmission services coincides with the use of our network, as electricity and gas pass through our network and reach our customers. The Group principally satisfies its performance obligations over time and the amount of revenue recorded corresponds to the amounts billed and accrued for volumes of gas and electricity delivered/transferred to/from our customers.

Revenue for the six months ended 30 September 2021	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total £m
Revenue under IFRS 15:							
Transmission	1,020	—	—	17	167	221	1,425
Distribution	—	447	—	1,644	1,783	—	3,874
System Operator	—	—	1,142	—	—	—	1,142
Other ¹	13	60	—	4	4	99	180
Total IFRS 15 revenue	1,033	507	1,142	1,665	1,954	320	6,621
Other revenue:							
Generation	—	—	—	—	—	178	178
Other ²	4	2	—	21	17	98	142
Total other revenue	4	2	—	21	17	276	320
Total revenue from continuing operations	1,037	509	1,142	1,686	1,971	596	6,941
Total revenue from discontinued operations – UK Gas Transmission							710
Total	1,037	509	1,142	1,686	1,971	596	7,651

Geographic split of revenue for the six months ended 30 September 2021	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total £m
Revenue under IFRS 15:							
UK	1,033	507	1,142	—	—	229	2,911
US	—	—	—	1,665	1,954	91	3,710
Total IFRS 15 revenue	1,033	507	1,142	1,665	1,954	320	6,621
Other revenue:							
UK	4	2	—	—	—	83	89
US	—	—	—	21	17	193	231
Total other revenue	4	2	—	21	17	276	320
Total revenue from continuing operations	1,037	509	1,142	1,686	1,971	596	6,941
Total revenue from discontinued operations – UK Gas Transmission							710
Total	1,037	509	1,142	1,686	1,971	596	7,651

1. Within UK Electricity Distribution, the other IFRS 15 revenue principally relates to engineering recharges, which are the recovery of costs incurred for construction work requested by customers, such as the re-routing of existing network assets. Within NGV and Other, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
2. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business and rental income.

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3. Revenue (continued)

Revenue for the six months ended 30 September 2020 ¹	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total £m
Revenue under IFRS 15:							
Transmission	895	—	—	45	171	142	1,253
Distribution	—	—	—	1,770	1,710	—	3,480
System Operator	—	—	945	—	—	—	945
Other ²	31	—	—	4	3	51	89
Total IFRS 15 revenue	926	—	945	1,819	1,884	193	5,767
Other revenue:							
Generation	—	—	—	—	—	197	197
Other ³	9	—	3	20	19	49	100
Total other revenue	9	—	3	20	19	246	297
Total revenue from continuing operations	935	—	948	1,839	1,903	439	6,064
Total revenue from discontinued operations – UK Gas Transmission							471
Total	935	—	948	1,839	1,903	439	6,535

Geographic split of revenue for the six months ended 30 September 2020 ¹	UK Electricity Transmission £m	UK Electricity Distribution £m	UK Electricity System Operator £m	New England £m	New York £m	NGV and Other £m	Total £m
Revenue under IFRS 15:							
UK	926	—	945	—	—	147	2,018
US	—	—	—	1,819	1,884	46	3,749
Total IFRS 15 revenue	926	—	945	1,819	1,884	193	5,767
Other revenue:							
UK	9	—	3	—	—	41	53
US	—	—	—	20	19	205	244
Total other revenue	9	—	3	20	19	246	297
Total revenue from continuing operations	935	—	948	1,839	1,903	439	6,064
Total revenue from discontinued operations – UK Gas Transmission							471
Total	935	—	948	1,839	1,903	439	6,535

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.
2. Within NGV and Other, the other IFRS 15 revenue principally relates to revenue generated from our NG Renewables business.
3. Other revenue, recognised in accordance with accounting standards other than IFRS 15, includes property sales by our UK commercial property business and rental income.

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4. Exceptional items and remeasurements

Exceptional items and remeasurements are items of income and expenditure that, in the judgement of the Directors, should be disclosed separately on the basis that they are important in providing an understanding of our financial performance and may significantly distort the comparability of financial performance between periods.

Remeasurements comprise unrealised gains or losses recorded in the consolidated income statement arising from changes in the fair value of certain financial assets and liabilities categorised as held at fair value through profit and loss (FVTPL). Once the fair value movements are realised (for example, when the derivative matures), the previously recognised fair value movements are then reversed through remeasurements and recognised within earnings before exceptional items and remeasurements. These assets and liabilities include commodity contracts and derivative financial instruments to the extent that hedge accounting is either not achieved or is not effective. We have also classified the unrealised gains or losses reported in profit and loss on certain additional assets treated at FVTPL within remeasurements. These relate to financial assets (which fail the 'solely payments of principal and interest test' under IFRS 9), the money market fund investments used by Group Treasury for cash management purposes and the net foreign exchange gains and losses on borrowing activities. These are offset by foreign exchange losses and gains on financing derivatives measured at fair value. In all cases, these fair values increase or decrease because of changes in foreign exchange, commodity or other financial indices over which we have no control.

Six months ended 30 September 2021	Exceptional items £m	Remeasurements £m	Total £m
Included within operating profit from continuing operations:			
New operating model implementation costs	(24)	—	(24)
Transaction costs	(137)	—	(137)
Net gains on commodity contract derivatives	—	350	350
	(161)	350	189
Included within net finance costs (note 5):			
Net gains on derivative financial instruments	—	23	23
Net gains on FVTPL financial assets	—	2	2
	—	25	25
Included within share of post-tax results of joint ventures and associates			
Net losses on financial instruments	—	(17)	(17)
	—	(17)	(17)
Total included within profit before tax from continuing operations	(161)	358	197
Exceptional deferred tax arising on the change in UK corporation tax rate	(484)	—	(484)
Tax on exceptional items and remeasurements	11	(86)	(75)
Total exceptional items and remeasurements after tax from continuing operations	(634)	272	(362)
Total exceptional items and remeasurements after tax from discontinued operations	(155)	(6)	(161)
Total exceptional items and remeasurements after tax	(789)	266	(523)

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4. Exceptional items and remeasurements (continued)

Six months ended 30 September 2021 ¹	Exceptional items £m	Remeasurements £m	Total £m
Included within operating profit from continuing operations			
Environmental charges	15	—	15
Net gains on commodity contract derivatives	—	73	73
	15	73	88
Included within net finance costs (note 5)			
Net gains on derivative financial instruments	—	10	10
Net gains on FVTPL financial assets	—	14	14
Net gains on FVTPL financial liabilities	—	—	—
	—	24	24
Included within share of post-tax results of joint ventures and associates			
Net losses on financial instruments	—	(8)	(8)
	—	(8)	(8)
Total included within profit before tax from continuing operations	15	89	104
Tax on exceptional items and remeasurements	(4)	(24)	(28)
Total exceptional items and remeasurements after tax from continuing operations	11	65	76
Total exceptional items and remeasurements after tax from discontinued operations	—	(1)	(1)
Total exceptional items and remeasurements after tax	11	64	75

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

New operating model implementation costs: In the period ended 30 September 2021, the Group incurred a further £24 million of costs in relation to the design and implementation of our new operating model that is built on a foundation of six business units. The costs recognised in the period primarily relate to professional fees incurred in designing the new operating model and redundancy provisions accrued where announcements have been made for employees that will be leaving the organisation as a result of the changes. The costs incurred during the period do not meet the quantitative threshold to be classified as exceptional on a standalone basis. However, when considered with the aggregated costs expected to be incurred over the duration of the programme, we have concluded the costs should be classified as exceptional in line with our exceptional items framework. The total cash outflow for the period in relation to these costs was £12 million.

Transaction costs: £137 million of transaction costs were incurred in the period to date in relation to the acquisition of WPD (see note 7) and the planned disposals of NECO and our UK Gas Transmission business (see note 6). The costs incurred relate to Stamp Duty Land Tax, legal fees, bankers' fees and professional fees. The costs have been classified as exceptional, consistent with similar costs for the year ended 31 March 2021. The total cash outflow for the period in relation to these costs was £79 million.

Change in UK corporation tax rate: In the Spring Budget 2021, the Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%, and this was substantively enacted on 24 May 2021. UK deferred tax balances have been remeasured at the enacted rate, with the £484m impact of the change in rates recognised as an exceptional item, in line with previous periods.

Environmental charges: During the prior period, we recognised £15 million of exceptional gains relating to the release of environmental provisions related to one of our US Superfund sites, following the finalisation of discussions with government authorities on the scope of remediation. The release has been recorded as exceptional in line with the treatment of the original provision.

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5. Finance income and costs

Six months ended 30 September	Notes	2021 £m	2020 ¹ £m
Finance income before exceptional items and remeasurements			
Interest income from financing activities		2	7
Other interest income		43	6
		45	13
Finance costs before exceptional items and remeasurements			
Net interest on pensions and other post-retirement benefit obligations		2	(28)
Interest expense on financial instruments		(556)	(428)
Unwinding of discount on provisions		(36)	(41)
Less: Interest capitalised		70	53
		(520)	(444)
Net finance costs before exceptional items and remeasurements			
		(475)	(431)
Total exceptional items and remeasurements ²	4	25	24
Net finance costs including exceptional items and remeasurements from continuing operations			
		(450)	(407)
Net finance costs including exceptional items and remeasurements from discontinued operations			
		(77)	(38)
Net finance costs including exceptional items and remeasurements			
		(527)	(445)

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

2. Includes a net foreign exchange gain on borrowing activities, offset by foreign exchange losses and gains on financing derivatives measured at fair value.

6. Assets held for sale and discontinued operations

Assets and businesses are classified as held for sale when their carrying amounts are recovered through sale rather than through continuing use. They only meet the held for sale condition when the assets are ready for immediate sale in their present condition, management is committed to the sale and it is highly probable that the sale will complete within one year. Depreciation ceases on assets and businesses when they are classified as held for sale and the assets and businesses are impaired if their carrying value exceeds their fair value less expected costs to sell.

The results and cash flows of assets or businesses classified as held for sale or sold during the year, that meet the criteria of being a major separate line of business or geographical area of operation, are shown separately from our continuing operations, and presented within discontinued operations in the income statement and cash flow statement.

Assets held for sale

The Group is currently in the process of disposing of the following two businesses that have met the criteria for classification as held for sale as at the half year:

As at 30 September	2021 £m
Assets held for sale	
UK Gas Transmission	6,127
The Narragansett Electric Company	3,790
	9,917
Liabilities held for sale	
UK Gas Transmission	(6,914)
The Narragansett Electric Company	(1,612)
	(8,526)
Net assets held for sale	1,391

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6. Assets held for sale and discontinued operations (continued)**The Narragansett Electric Company**

On 17 March 2021, the Group signed an agreement to sell 100% of the share capital of a wholly owned subsidiary, The Narragansett Electric Company (NECO). NECO is part of our New England segment and is a retail distribution company providing electricity and gas to customers in Rhode Island. The expected sale proceeds are £2.8 billion (\$3.8 billion), and the sale is expected to complete before the financial year end if all regulatory approvals are obtained.

As the sale is considered highly probable and is expected to complete within a year, the associated assets and liabilities have been presented as held for sale in the consolidated statement of financial position since 31 March 2021. However, as NECO does not represent a separate major line of business or geographical area of operation, it has not met the criteria for classification as a discontinued operation and therefore its results for the period are not separately disclosed on the face of the income statement.

The following assets and liabilities of NECO were classified as held for sale at 30 September 2021:

	30 September 2021	31 March 2021
	£m	£m
Goodwill	575	562
Intangible assets	3	3
Property, plant and equipment	2,913	2,713
Trade and other receivables	199	237
Cash and cash equivalents	16	4
Other assets	84	38
Total assets held for sale	3,790	3,557
Borrowings	(1,147)	(1,123)
Pension liabilities	(31)	(49)
Other liabilities	(434)	(396)
Total liabilities held for sale	(1,612)	(1,568)
Net assets held for sale	2,178	1,989

No impairment losses were recognised upon remeasurement of the assets and liabilities prior to classification as held for sale. NECO generated profit after tax of £84 million for the period ended 30 September 2021 (year ended 31 March 2021: £104 million). Current tax liabilities of £7 million and deferred tax liabilities of £331 million relating to NECO have not been included as held for sale on the basis that they will be retained by the Group rather than transferred with the other assets and liabilities of NECO. These retained balances are classified as current as they are expected to crystallise in less than one year.

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6. Assets held for sale and discontinued operations (continued)**UK Gas Transmission**

The Group announced its intention to sell a majority stake in the UK Gas Transmission business on 18 March 2021. The business has been actively marketed, with the current expectation to agree a sale of a majority stake in the business within twelve months, assuming all regulatory approvals are obtained.

As a result, the Group took the judgement to classify the associated assets and liabilities of the business as held for sale in the consolidated statement of financial position as at 31 August 2021, when the sale was considered to be highly probable following management approval of the sale timetable and communication thereof to potential buyers.

The following assets and liabilities of the UK Gas Transmission were classified as held for sale at 30 September 2021:

	30 September 2021
	£m
Intangible assets	119
Property, plant and equipment	4,642
Trade and other receivables	279
Pension assets	448
Other assets	639
Total assets held for sale	6,127
Borrowings	(5,548)
Deferred tax	(725)
Other liabilities	(641)
Total liabilities held for sale	(6,914)
Net liabilities held for sale	(787)

As UK Gas Transmission represents a major separate line of business, the business has also met the criteria for classification as a discontinued operation, and therefore the results of the business have been shown separately from the continuing business for all periods presented on the face of the income statement as a discontinued operation. The summary income statements for the periods ended 30 September 2021 and 2020 are as follows:

2021 £m	Before exceptional items and remeasurements	Exceptional items and remeasurements	Total
Discontinued operations			
Revenue	710	—	710
Other operating costs	(320)	(3)	(323)
Operating profit	390	(3)	387
Finance income	2	—	2
Finance costs	(72)	(7)	(79)
Profit/(loss) before tax	320	(10)	310
Tax	(60)	(151)	(211)
Profit/(loss) after tax from discontinued operations	260	(161)	99

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6. Assets held for sale and discontinued operations (continued)

2020 £m	Before exceptional items and remeasurements	Exceptional items and remeasurements	Total
Discontinued operations			
Revenue	471	—	471
Other operating costs	(296)	—	(296)
Operating profit	175	—	175
Finance income	1	—	1
Finance costs	(38)	(1)	(39)
Profit/(loss) before tax	138	(1)	137
Tax	(27)	—	(27)
Profit/(loss) after tax from discontinued operations	111	(1)	110

The summary statement of comprehensive income is as follows:

	2021 £m	2020 £m
Profit after tax from discontinued operations	99	110
Other comprehensive income/(loss) from discontinued operations		
<i>Items from discontinued operations that will never be reclassified to profit or loss:</i>		
Remeasurement gains/(losses) on pension assets and post-retirement benefit obligations	91	(331)
Net losses on financial liability designated at fair value through profit and loss attributable to changes in own credit risk	(1)	(8)
Tax on items that will never be reclassified to profit or loss	(39)	64
Total gains/(losses) from discontinued operations that will never be reclassified to profit or loss	51	(275)
<i>Items from discontinued operations that may be reclassified subsequently to profit or loss:</i>		
Net losses in respect of cash flow hedges	(3)	(2)
Net losses in respect of cost of hedging	(2)	(3)
Tax on items that may be reclassified subsequently to profit or loss	1	1
Total losses from discontinued operations that may be reclassified subsequently to profit or loss	(4)	(4)
Other comprehensive income/(loss) for the period, net of tax, from discontinued operations	47	(279)
Total comprehensive income/(loss) for the period from discontinued operations	146	(169)

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7. Acquisitions

On 14 June 2021, National Grid plc acquired 100% of the share capital of PPL WPD Investments Limited (WPD), the holding company of Western Power Distribution plc, which is the UK's largest electricity distribution network operator. The acquisition, along with the two planned disposals disclosed in note 6, strategically pivots National Grid's UK portfolio towards electricity, in order to significantly enhance National Grid's role in the delivery of the UK's net zero targets, given that electricity distribution is expected to see a high level of asset growth as a result of the ongoing energy transition.

The total cash consideration for the transaction was £7.9 billion, all of which was paid upfront, with no further contingent or deferred consideration payable. As a result of the acquisition, one of WPD's existing borrowing facilities became repayable immediately due to a change in control clause within the original borrowing agreement. The borrowing facility was immediately replaced with an intercompany loan of £350 million from National Grid plc. National Grid funded the transaction price and the new intercompany loan by taking out a bridge financing facility (see note 15), that it intends to repay using the proceeds of the planned disposals.

The provisional fair values of the assets and liabilities recognised at the acquisition date are set out below:

	IFRS book value at acquisition	Provisional adjustments	Provisional fair value
	£m	£m	£m
Non-current assets			
Property, plant and equipment	14,099	(4,045)	10,054
Other intangible assets	49	1,714	1,763
Pension assets	402	164	566
Deferred tax	—	253	253
Other non-current assets	27	—	27
Total non-current assets	14,577	(1,914)	12,663
Current assets			
Trade and other receivables	265	—	265
Financial and other investments	69	—	69
Cash	37	—	37
Other current assets	42	—	42
Total current assets	413	—	413
Total assets	14,990	(1,914)	13,076
Current liabilities			
Borrowings	(730)	—	(730)
Trade and other payables	(532)	49	(483)
Other current liabilities	(38)	—	(38)
Total current liabilities	(1,300)	49	(1,251)
Non-current liabilities			
Borrowings	(5,966)	(1,590)	(7,556)
Deferred tax	(1,016)	(23)	(1,039)
Contract liabilities	(2,706)	2,706	—
Other non-current liabilities	(70)	(11)	(81)
Total non-current liabilities	(9,758)	1,082	(8,676)
Total liabilities	(11,058)	1,131	(9,927)
Total identifiable net assets	3,932	(783)	3,149
Goodwill	1,254	3,478	4,732
Total consideration transferred	5,186	2,695	7,881
Satisfied by:			
Cash consideration			7,881
Total consideration transferred			7,881

The fair values are considered provisional as at 30 September 2021 and are planned to be finalised in the Annual Report for the year ending 31 March 2022. The principal items outstanding are contingent or unrecorded liabilities, other intangible assets and related tax impacts.

National Grid**2021/22 Half Year Results Statement****7. Acquisitions (continued)**

The provisional goodwill arising from the acquisition represents the future expected growth in the WPD business, the benefits that are expected to be achieved as a result of the combination of the two businesses and the expertise of the management team acquired. No component of goodwill qualifies for recognition as separate tangible or intangible asset. The goodwill is not deductible for tax purposes and at the acquisition date, there were no material contingent liabilities.

The fair value of trade and other receivables at 14 June 2021 was £267 million and includes trade receivables with a fair value of £215 million. The gross contractual amount for trade receivables due was £234 million, of which £19 million was expected to be uncollectible.

Total acquisition-related costs of £91 million were recognised within other operating costs, within exceptional items and remeasurements in the consolidated income statement, of which £15 million was recognised in the year ended 31 March 2021 and £76 million in the period ended 30 September 2021.

WPD generated revenues of £509 million and profit before tax of £220 million for the period from 14 June 2021 to 30 September 2021. If the acquisition had occurred on 1 April 2021, the Group's consolidated revenue and consolidated profit before tax from continuing operations for the six months ended 30 September 2021 would have been £7,298 million and £1,217 million respectively.

Subsequent to the acquisition of WPD, the total consolidated Group goodwill is as follows:

	£m
Opening balance at 1 April 2021	4,588
Acquisition of WPD	4,732
Exchange adjustments	103
Closing balance at 30 September 2021	9,423

8. Tax from continuing operations

The tax charge from continuing operations for the six month period ended 30 September 2021 is £707 million (2020: £91 million), and before tax on exceptional items and remeasurements, is £148 million (2020: £63 million). It is based on management's estimate of the weighted average effective tax rate by jurisdiction expected for the full year. The effective tax rate excluding tax on exceptional items and remeasurements is 16.7% (2020: 13.2%), which includes the impact of our share of post-tax results of joint ventures and associates.

The half year effective tax rate before exceptional items and remeasurements primarily reflects seasonality of earnings in the US Group, whilst after exceptional items and remeasurements reflects both seasonality of earnings in the US Group and the impact of UK corporation tax rate change (see below).

For the full year, we expect the Group's effective tax rate to be around 20% excluding tax on exceptional items and remeasurements. The effective tax rate for the year ended 31 March 2021 was 20.5% before exceptional items and remeasurements and 21.7% after exceptional items and remeasurements.

In the Spring Budget 2021, the Government announced that from 1 April 2023 the UK corporation tax rate will increase to 25%, and this was substantively enacted on 24 May 2021. UK deferred tax balances have been remeasured at the enacted rate, with the impact of the change in rates recognised as an exceptional item (see note 4).

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9. Earnings per share

Earnings per share (EPS), excluding exceptional items and remeasurements, are provided to reflect the adjusted profit subtotals used by the Group, as set out in note 1. The earnings per share calculations are based on profit after tax attributable to equity shareholders of the parent company which excludes non-controlling interests.

(a) Basic earnings per share

Six months ended 30 September	2021 Earnings £m	2021 EPS Pence	2020 ¹ Earnings £m	2020 ¹ EPS Pence
Profit after tax before exceptional items and remeasurements – continuing	737	20.7	415	11.9
Exceptional items and remeasurements after tax – continuing	(362)	(10.2)	76	2.1
Profit after tax from continuing operations attributable to the parent	375	10.5	491	14.0
Profit after tax before exceptional items and remeasurements – discontinued	260	7.3	111	3.1
Exceptional items and remeasurements after tax – discontinued	(161)	(4.5)	(1)	—
Profit after tax from discontinued operations attributable to the parent	99	2.8	110	3.1
Total profit after tax before exceptional items and remeasurements	997	28.0	526	15.0
Total exceptional items and remeasurements after tax	(523)	(14.7)	75	2.1
Total profit after tax attributable to the parent	474	13.3	601	17.1
		Millions		Millions
Weighted average number of shares – basic		3,569		3,513

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

(b) Diluted earnings per share

Six months ended 30 September	2021 Earnings £m	2021 EPS Pence	2020 ¹ Earnings £m	2020 ¹ EPS Pence
Profit after tax before exceptional items and remeasurements – continuing	737	20.6	415	11.8
Exceptional items and remeasurements after tax – continuing	(362)	(10.1)	76	2.1
Profit after tax from continuing operations attributable to the parent	375	10.5	491	13.9
Profit after tax before exceptional items and remeasurements – discontinued	260	7.3	111	3.1
Exceptional items and remeasurements after tax – discontinued	(161)	(4.6)	(1)	—
Profit after tax from discontinued operations attributable to the parent	99	2.7	110	3.1
Total profit after tax before exceptional items and remeasurements	997	27.9	526	14.9
Total exceptional items and remeasurements after tax	(523)	(14.7)	75	2.1
Total profit after tax attributable to the parent	474	13.2	601	17.0
		Millions		Millions
Weighted average number of shares – diluted		3,584		3,530

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

10. Dividends

Ordinary dividends	Pence per share	Cash dividend paid £m	Scrip dividend £m
Final dividend in respect of the year ended 31 March 2021	32.16	583	562
Interim dividend in respect of the year ended 31 March 2021 ¹	17.00	348	249
Final dividend in respect of the year ended 31 March 2020 ¹	32.00	1,065	54

1. Paid during the year ended 31 March 2021.

The Directors are proposing an interim dividend of 17.21 pence per share in respect of the year ending 31 March 2022. It will be paid on 19 January 2022 to shareholders who are on the register of members at 3 December 2021. A scrip dividend will be offered as an alternative. This would absorb approximately £622 million of shareholders' equity.

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2021/22 Half Year Results Statement

11. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Assets in the course of construction £m	Motor vehicles and office equipment £m	Total £m
Cost					
Cost at 1 April 2021	3,752	56,061	5,221	1,018	66,052
Exchange adjustments	48	756	52	17	873
Additions	13	390	2,169	30	2,602
Acquisition of WPD (note 7)	200	9,674	—	180	10,054
Disposals	(23)	(174)	—	(40)	(237)
Reclassifications	67	1,687	(1,791)	25	(12)
Reclassification to held for sale (note 6)	(313)	(8,575)	(556)	(248)	(9,692)
Cost at 30 September 2021	3,744	59,819	5,095	982	69,640
Accumulated depreciation					
Accumulated depreciation at 1 April 2021	(876)	(17,482)	—	(651)	(19,009)
Exchange adjustments	(9)	(164)	—	(10)	(183)
Depreciation charge for the period	(52)	(695)	—	(76)	(823)
Disposals	22	165	—	40	227
Reclassifications	(1)	(3)	—	1	(3)
Reclassification to held for sale (note 6)	192	4,453	—	205	4,850
Accumulated depreciation at 30 September 2021	(724)	(13,726)	—	(491)	(14,941)
Net book value at 30 September 2021	3,020	46,093	5,095	491	54,699
Cost					
Cost at 1 April 2020 ¹	3,897	59,609	4,771	1,036	69,313
Exchange adjustments ¹	(82)	(1,263)	(73)	(28)	(1,446)
Additions	72	183	2,001	29	2,285
Disposals	—	(115)	(7)	(12)	(134)
Reclassifications ¹	65	1,146	(1,253)	22	(20)
Cost at 30 September 2020	3,952	59,560	5,439	1,047	69,998
Accumulated depreciation					
Accumulated depreciation at 1 April 2020 ¹	(847)	(18,042)	—	(662)	(19,551)
Exchange adjustments ¹	13	273	—	17	303
Depreciation charge for the period	(46)	(657)	—	(58)	(761)
Disposals	(1)	108	—	11	118
Reclassifications	(1)	(3)	—	4	—
Accumulated depreciation at 30 September 2020	(882)	(18,321)	—	(688)	(19,891)
Net book value at 30 September 2020	3,070	41,239	5,439	359	50,107

1. Comparative amounts have been revised to reflect the prior year adjustments to property, plant and equipment, goodwill and deferred tax as described in note 1 to the Annual Report and Accounts for the year ended 31 March 2021.

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12. Fair value measurement

Assets and liabilities measured at fair value

Included in the statement of financial position are certain financial assets and liabilities which are measured at fair value. The following table categorises these assets and liabilities by the valuation methodology applied in determining their fair value using the fair value hierarchy described on page 200 of the Annual Report and Accounts for the year ended 31 March 2021.

	30 September 2021				31 March 2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Investments held at FVTPL	1,670	—	311	1,981	1,768	—	240	2,008
Investments held at FVOCI ¹	105	458	—	563	99	416	—	515
Financing derivatives	—	391	—	391	—	942	—	942
Commodity contract derivatives	—	206	105	311	—	12	45	57
	1,775	1,055	416	3,246	1,867	1,370	285	3,522
Liabilities								
Financing derivatives	—	(618)	(133)	(751)	—	(584)	(183)	(767)
Commodity contract derivatives	—	(72)	(14)	(86)	—	(75)	(57)	(132)
Liabilities held at fair value	—	—	—	—	(682)	—	—	(682)
Contingent consideration ²	—	—	(45)	(45)	—	—	(57)	(57)
	—	(690)	(192)	(882)	(682)	(659)	(297)	(1,638)
Total	1,775	365	224	2,364	1,185	711	(12)	1,884

1. Investments held includes instruments which meet the criteria of IFRS 9 or IAS 19.

2. Contingent consideration relates to the acquisition of National Grid Renewables Development LLC.

The estimated fair value of total borrowings using market values at 30 September 2021 is £46,868 million (31 March 2021: £34,676 million).

Our level 1 financial investments and liabilities held at fair value are valued using quoted prices from liquid markets.

Our level 2 financial investments held at fair value are valued using quoted prices for similar instruments in active markets, or quoted prices for identical or similar instruments in inactive markets. Alternatively, they are valued using models where all significant inputs are based directly or indirectly on observable market data.

Our level 2 financing derivatives include cross-currency, interest rate and foreign exchange derivatives. We value these derivatives by discounting all future cash flows by externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties. These derivatives can be priced using liquidly traded interest rate curves and foreign exchange rates, and therefore we classify our vanilla trades as level 2 under the IFRS 13 framework.

Our level 2 commodity derivatives include over-the-counter gas swaps and power swaps as well as forward physical gas deals. We value our contracts based on market data obtained from the New York Mercantile Exchange (NYMEX) and the Intercontinental Exchange (ICE) where monthly prices are available. We discount based on externally sourced market yield curves at the reporting date, taking into account the credit quality of both parties and liquidity in the market. Our commodity contracts can be priced using liquidly traded swaps. Therefore we classify our vanilla trades as level 2 under the IFRS 13 framework.

Our level 3 investments include equity instruments accounted for at fair value through profit and loss. These equity holdings are part of our corporate venture capital portfolio held by National Grid Partners and comprise a series of small, early stage unquoted investments where prices or valuation inputs are unobservable. These investments are either recently acquired or there have been recent funding rounds with third parties and therefore the valuation is based on the latest transaction price and any subsequent investment-specific adjustments.

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12. Fair value measurement (continued)

Our level 3 investments also include our investment in Sunrun Neptune 2016 LLC, which is accounted for at fair value through profit and loss. The investment is fair valued by discounting expected cash flows using a weighted average cost of capital specific to Sunrun Neptune 2016 LLC.

Our level 3 financing derivatives include inflation-linked swaps, where the market is illiquid. In valuing these instruments we use in-house valuation models and obtain external valuations to support each reported fair value.

Our level 3 commodity contract derivatives primarily consist of our over-the-counter gas and power options and forward purchases of gas that we value using proprietary models. Derivatives are classified as Level 3 where significant inputs into the valuation technique are neither directly nor indirectly observable (including our own data, which are adjusted, if necessary, to reflect the assumptions market participants would use in the circumstances).

The impacts on a post-tax basis of reasonably possible changes in significant assumptions used in valuing assets and liabilities classified within level 3 of the fair value hierarchy are as follows:

	Financing derivatives within net debt (note 13)		Commodity contract derivatives		Other	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
Six months ended 30 September						
10% increase in commodity prices	—	—	16	3	—	—
10% decrease in commodity prices	—	—	(16)	(2)	—	—
+10% market area price change	—	—	2	(5)	—	—
-10% market area price change	—	—	(3)	6	—	—
+20 basis point increase in Limited Price Index (LPI) market curve	(56)	(98)	—	—	—	—
-20 basis point decrease in LPI market curve	54	93	—	—	—	—
+50 basis points change in discount rate	—	—	—	—	(4)	(5)
-50 basis points change in discount rate	—	—	—	—	6	5

The impacts disclosed above were considered on a contract by contract basis with the most significant unobservable inputs identified. A reasonably possible change in assumptions for other level 3 assets and liabilities would not result in a material change in fair values.

The changes in fair value of our level 3 financial assets and liabilities in the six months to 30 September are presented below:

	Financing derivatives within net debt (note 13)		Commodity contract derivatives		Other ¹		Total	
	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m	2021 £m	2020 £m
At 1 April	(183)	(235)	(12)	2	183	137	(12)	(96)
Net (losses)/gains through the consolidated income statement for the period ^{2,3}	(16)	6	68	(9)	50	—	102	(3)
Purchases	—	—	11	—	37	9	48	9
Settlements	—	1	24	20	(4)	13	20	34
Reclassification to held for sale ⁴	66	—	—	—	—	—	66	—
At 30 September⁵	(133)	(228)	91	13	266	159	224	(56)

1. Other comprises our investments in Sunrun Neptune 2016 LLC and the investments made by National Grid Partners, which are accounted for at fair value through profit and loss and the contingent consideration arising from the acquisition of National Grid Renewables Development LLC.
2. Losses of £16 million (2020: gains of £6 million) are attributable to derivative financial instruments held at the end of the reporting period.
3. Gains of £132 million (2020: gains of £10 million) are attributable to commodity contract derivative financial instruments held at the end of the reporting period.
4. These liabilities are held by the UK Gas business, the total balances for which can now be found in note 6 as held for sale.
5. There were no reclassifications in or out of level 3 (2020: none).

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13. Net debt

Net debt is comprised as follows:

	30 September 2021	31 March 2021
	£m	£m
Cash and cash equivalents	466	157
Current financial investments	2,288	2,342
Borrowings and bank overdrafts	(43,895)	(31,220)
Financing derivatives ¹	(360)	175
Net debt (net of related derivative financial instruments)	(41,501)	(28,546)

1. Includes £17 million liability (31 March 2021: £32 million liability) in relation to the hedging of capital expenditure and a deal-contingent foreign exchange forward contract liability of £18 million (31 March 2021: £9 million) in relation to the disposal of NECO. The cash flows related to these derivatives are included within investing activities and not financing activities in the consolidated cash flow statement.

The following table splits out the total derivative balances on the face of the consolidated statement of financial position by category:

	30 September 2021			31 March 2021		
	Assets	Liabilities	Total	Assets	Liabilities	Total
	£m	£m	£m	£m	£m	£m
Financing derivatives	391	(751)	(360)	942	(767)	175
Commodity contract derivatives	311	(86)	225	57	(132)	(75)
Total derivative financial instruments	702	(837)	(135)	999	(899)	100

14. Changes in net debt

(a) Reconciliation of cash flow from liabilities within net debt to cash flow statement

	Cash and cash equivalents	Financial investments	Borrowings ¹	Financing derivatives	Total
	£m	£m	£m	£m	£m
At 1 April 2021	157	2,342	(31,220)	175	(28,546)
Cash flows	280	(60)	(9,040)	25	(8,795)
Fair value gains and losses	—	4	57	(147)	(86)
Foreign exchange movements	1	18	(327)	—	(308)
Interest income/(charge)	—	2	(535)	(21)	(554)
Lease additions	—	—	(29)	—	(29)
Acquisition of WPD (note 7)	37	69	(8,286)	26	(8,154)
Reclassification to held for sale (note 6) ²	(9)	(87)	5,485	(418)	4,971
At 30 September 2021	466	2,288	(43,895)	(360)	(41,501)

(b)

	Cash and cash equivalents	Financial investments	Borrowings ¹	Financing derivatives	Total
	£m	£m	£m	£m	£m
At 1 April 2020	73	1,998	(30,794)	133	(28,590)
Cash flows	93	(681)	(1,055)	23	(1,620)
Fair value gains and losses	—	14	—	84	98
Foreign exchange movements	(2)	(23)	397	183	555
Interest income/(charge)	—	7	(482)	5	(470)
Lease additions	—	—	(88)	—	(88)
At 30 September 2020	164	1,315	(32,022)	428	(30,115)

1. Included within borrowings are lease liabilities amounting to £667 million (30 September 2020: £735 million).

2. Reclassification to held for sale represents the opening net debt position of the UK Gas Transmission business. The closing net debt position of the UK Gas Transmission business is disclosed in Note 6.

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14. Changes in net debt (continued)

(c) Reconciliation of cash flows from financing liabilities to cash flow statement

	30 September 2021		30 September 2020	
	Borrowings and other £m	Financing derivatives £m	Borrowings and other £m	Financing derivatives £m
Cash flows per financing activities section of cash flow statement:				
Proceeds received from loans	10,452	—	3,506	—
Repayment of loans	(426)	—	(911)	—
Payments of lease liabilities	(53)	—	(66)	—
Net movements in short-term borrowings	(507)	—	(1,046)	—
Cash inflows on derivatives	—	4	—	50
Cash outflows on derivatives	—	(7)	—	(28)
Interest paid	(435)	(15)	(441)	(4)
Cash flows per financing activities section of cash flow statement	9,031	(18)	1,042	18
Adjustments:				
Non-net debt-related items	9	—	13	—
Derivative cash outflow in relation to capital expenditure	—	(7)	—	(1)
Derivative cash inflows per investing section of cash flow statement	—	—	—	41
Derivative cash outflows per investing section of cash flow statement	—	—	—	(81)
Cash flows relating to financing liabilities within net debt	9,040	(25)	1,055	(23)
Analysis of changes in net debt:				
Borrowings	9,040	—	1,055	—
Financing derivatives	—	(25)	—	(23)
Cash flow movements relating to financing liabilities within net debt	9,040	(25)	1,055	(23)

(d) Reconciliation of changes in liabilities arising from financing activities

The table below reconciles changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows within financing activities. As a result we have separately disclosed the reconciliation below, excluding derivatives associated with our net investment hedges and derivatives associated with the hedging of capital expenditure, given that they are both classified in the consolidated cash flow statement within investing activities.

	Borrowings £m	Financing derivatives £m	Total £m
At 1 April 2021	(31,220)	96	(31,124)
Cash flows	(9,040)	18	(9,022)
Fair value gains and losses	57	17	74
Foreign exchange movements	(327)	—	(327)
Interest (charges)/income	(535)	(19)	(554)
Lease additions	(29)	—	(29)
Acquisition of WPD (note 7)	(8,286)	26	(8,260)
Reclassification to held for sale (note 6) ¹	5,485	(420)	5,065
At 30 September 2021	(43,895)	(282)	(44,177)

1. Reclassification to held for sale represents the opening net debt position of the UK Gas Transmission business. The closing net debt position of the UK Gas Transmission business is disclosed in Note 6.

	Borrowings £m	Financing derivatives £m	Total £m
At 1 April 2020	(30,794)	228	(30,566)
Cash flows	(1,055)	(19)	(1,074)
Fair value gains and losses	—	168	168
Foreign exchange movements	397	—	397
Interest (charges)/income	(482)	6	(476)
Lease additions	(88)	—	(88)
At 30 September 2020	(32,022)	383	(31,639)

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15. Borrowing facilities

To support our liquidity requirements and provide backup to commercial paper and other borrowings, we agree loan facilities with financial institutions over and above the value of borrowings that may be required. Our total facility amounts are listed below.

	30 September 2021	31 March 2021
	£m	£m
Committed borrowing facilities expiring:		
Less than 1 year	—	—
In 1 to 2 years ¹	1,445	1,668
In 2 to 3 years	4,132	534
In 3 to 4 years	1,605	1,718
In 4 to 5 years	—	1,605
More than 5 years	—	—
	7,182	5,525

1. Includes facilities that have been drawn totalling £306 million (31 March 2021: £nil)

Of the facilities as at 30 September 2021, £7,065 million (31 March 2021: £5,410 million) are held for liquidity purposes, while £117 million (31 March 2021: £115 million) is available as backup to specific US borrowings.

Included in the table above within three to four years is a facility of £350 million related to National Grid Gas plc, a company treated as held for sale.

In addition, we have the following facilities which are not included in the table above:

- For the separately regulated business of National Grid Electricity System Operator Limited, the Group has a facility of £550 million (31 March 2021: £550 million), of which £550 million (31 March 2021: £550 million) is undrawn. This facility is not available as Group general liquidity support.
- The Group continues to have access to Export Credit Agreements (ECAs) funding specific projects, of which £417 million (31 March 2021: £446 million) is undrawn.
- The Group entered into a loan facility in relation to the acquisition of WPD of £8,250 million, of which £8,179 million has been drawn, with no further drawdown available (31 March 2021: Undrawn). The bridge facility allows for the extension of the facility maturity date up to September 2023 but includes a requirement that the proceeds of the sale of NECO and the proposed sale of a majority stake in the UK Gas Transmission business are applied to repay the facility.

16. Pensions and other post-retirement benefit obligations

	30 September 2021	31 March 2021
	£m	£m
Present value of funded obligations	(25,785)	(23,283)
Fair value of plan assets	27,733	24,388
	1,948	1,105
Present value of unfunded obligations	(344)	(324)
Other post-employment liabilities	(55)	(66)
Net defined benefit asset	1,549	715
Presented in consolidated statement of financial position:		
Assets	2,542	1,747
Liabilities	(993)	(1,032)
Net defined benefit asset	1,549	715
Key actuarial assumptions	30 September 2021	31 March 2021
Discount rate – UK past service	2.00 %	2.00 %
Discount rate – US	3.00 %	3.25 %
Rate of increase in RPI – UK past service	3.30 %	3.15 %

National Grid**2021/22 Half Year Results Statement****16. Pensions and other post-retirement benefit obligations (continued)**

The net pensions and other post-retirement benefit obligations position, as recorded under IAS 19, at 30 September 2021 was an asset of £1,549 million (31 March 2021: £715 million asset). The movement of £834 million includes the addition of a pension asset of £566 million on the acquisition of WPD offset by the transfer to assets held for sale of a pension asset of £448 million relating to Section B of the National Grid UK Pension Scheme.

The net impact of actuarial gains and losses of £684 million (continuing £593 million; discontinued £91 million) have been reflected within the consolidated statement of comprehensive income. These consist of a £1,488 million gain relating to asset performance which reflects returns on assets, both in the UK and US, being more than the discount rate at the beginning of the year. Changes in actuarial assumptions, primarily movements in discount rates and inflation, led to an increase in liabilities of £673 million (an increase in UK and US liabilities of £297 million and £376 million respectively), which reflected decreases in corporate bond yields in the US and increased inflation assumptions in the UK. Experience losses amounted to £131 million. In addition, employer contributions of £174 million were paid over the accounting period.

The pension surpluses in both the UK and the US of £1,624 million and £918 million respectively (31 March 2021: £1,109 million and £638 million) continue to be recognised as assets under IFRIC 14 as explained on page 177 of the Annual Report and Accounts for the year ended 31 March 2021.

17. Commitments and contingencies

At 30 September 2021, there were commitments for future capital expenditure contracted but not provided for of £3,143 million (30 September 2020: £3,137 million), which includes continuing and discontinued operations.

We also have other commitments relating primarily to commodity purchase contracts and contingencies in the form of certain guarantees and letters of credit. These commitments and contingencies are described in further detail in note 30 to the Annual Report and Accounts for the year ended 31 March 2021.

Litigation and claims

Through the ordinary course of our operations, we are party to various litigation, claims and investigations. These include ongoing inquiries by US state regulators following criminal allegations of fraud against five former employees. We do not expect the ultimate resolution of any proceedings to have a material adverse effect on our results of operations, cash flows or financial position.

18. Exchange rates

The consolidated results are affected by the exchange rates used to translate the results of our US operations and US dollar transactions. The US dollar to pound sterling exchange rates used were:

30 September	2021	2020	Year ended 31 March 2021
Closing rate applied at period end	1.35	1.29	1.38
Average rate applied for the period	1.39	1.27	1.34

19. Related party transactions

Related party transactions in the six months ended 30 September 2021 were substantially the same in nature to those disclosed in note 31 of the Annual Report and Accounts for the year ended 31 March 2021. There were no other related party transactions in the period that have materially affected the financial position or performance of the Group.

National Grid**2021/22 Half Year Results Statement**

Principal risks and uncertainties

When preparing the half year financial information the risks as reported in the Annual Report and Accounts for the year ended 31 March 2021 (principal risks on pages 25-27 and inherent risks on pages 236-239) were reviewed to ensure that the disclosures remained appropriate and adequate. In September 2021, based on the latest risk assessment and due to coverage within the other principal risks, the Board retired and/or de-escalated the principal risks related to disruptive forces and data management. Below is a summary of our key risks as at 30 September 2021:

People risks:

- Failure to build capability and leadership capacity (including effective succession planning) required to deliver our vision and strategy.

Strategic risks:

- Failure to identify and/or deliver upon actions necessary to address the physical and transitional impacts of climate change on our business and demonstrate our leadership of climate change within the energy sector;
- Failure to identify and respond to shifts in societal and political expectations and perceptions.

Operational risks:

- Failure to prepare and respond to significant disruptive factors caused by the COVID-19 pandemic;
- Catastrophic cyber incident caused by the abuse of our digital systems because of a malicious action by an external or internal party;
- Catastrophic asset failure results in a significant safety and/or environmental event;
- Failure to predict and respond to a significant disruption of energy;
- Failure to successfully execute the sale of NECO, the proposed sale of our UK Gas Transmission business, and the integration of WPD.

Compliance Risk

- Failure to influence future energy policies and secure satisfactory regulatory outcomes.

Statement of Directors' Responsibilities

The half year financial information is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year financial information in accordance with the Disclosure and Transparency Rules (DTR) of the United Kingdom's Financial Conduct Authority.

The Directors confirm that to the best of their knowledge:

- a) the condensed consolidated interim financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as issued by the International Accounting Standards Board and as adopted by the United Kingdom;
- b) the half year management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- c) the half year management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

The Directors of National Grid plc are listed in the Annual Report and Accounts for the year ended 31 March 2021, with the exception of the changes in the period which are listed on page 7.

By order of the Board

.....
John Pettigrew
17 November 2021
Chief Executive

.....
Andy Agg
17 November 2021
Chief Financial Officer

INDEPENDENT REVIEW REPORT TO NATIONAL GRID PLC

We have been engaged by the Company to review the condensed consolidated interim financial statements in the half year results statement for the six months ended 30 September 2021 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated cash flow statement and related notes 1 to 19. We have read the other information contained in the half year results statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Directors' responsibilities

The half year results statement is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half year results statement in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed consolidated interim financial statements included in this half year results statement have been prepared in accordance with United Kingdom adopted International Accounting Standard 34 'Interim Financial Reporting'.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed consolidated interim financial statements in the half year results statement based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the half year results statement for the six months ended 30 September 2021 are not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP

Statutory Auditor
London, United Kingdom
17 November 2021

National Grid

2021/22 Half Year Results Statement

Alternative performance measures/non-IFRS reconciliations

Within the Half Year Results Statement, a number of financial measures are presented. Some of these measures have been categorised as alternative performance measures (APMs), as per the European Securities and Markets Authority (ESMA) guidelines and the Securities and Exchange Commission (SEC) conditions for use of non-IFRS Financial Measures.

An APM is a financial measure of historical or future financial performance, financial position, or cash flows, other than a financial measure defined under IFRS. The Group uses a range of these measures to provide a better understanding of its underlying performance. APMs are reconciled to the most directly comparable IFRS financial measure where practicable.

The Group has defined the following financial measures as APMs derived from IFRS within the Half Year Results Statement: net revenue, the various adjusted operating profit, earnings and earnings per share metrics detailed in the 'adjusted profit measures' section below and capital investment. For each of these we present a reconciliation to the most directly comparable IFRS measure, and where relevant, comparative amounts have been re-presented to reflect the new operating model.

Net revenue

'Net revenue' is revenue less pass-through costs, such as system balancing costs, and gas and electricity commodity costs in the US. Pass-through costs are fully recoverable from our customers and are recovered through separate charges that are designed to recover those costs with no profit. Any over- or under-recovery of these costs is returned to, or recovered from, our customers.

	2021			2020 ¹		
	Gross revenue	Pass-through costs	Net revenue	Gross revenue	Pass-through costs	Net revenue
Six months ended 30 September	£m	£m	£m	£m	£m	£m
UK Electricity Transmission	1,037	(100)	937	940	(53)	887
UK Electricity Distribution	509	(38)	471	—	—	—
UK Electricity System Operator	1,146	(985)	161	948	(902)	46
New England	1,686	(778)	908	1,839	(772)	1,067
New York	1,971	(691)	1,280	1,903	(546)	1,357
NGV and Other	596	—	596	440	—	440
Sales between segments	(4)	—	(4)	(6)	—	(6)
Total from continuing operations	6,941	(2,592)	4,349	6,064	(2,273)	3,791

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

Adjusted profit measures:

In considering the financial performance of our business and segments, we use various adjusted profit measures in order to aid comparability of results year-on-year. The various measures are presented on page 11 and reconciled below.

Adjusted results, also referred to as Headline results: These exclude the impact of exceptional items and remeasurements that are treated as discrete transactions under IFRS and can accordingly be classified as such. This is a measure used by management that forms part of the incentive target set annually for remunerating certain Executive Directors and further details of these items are included in note 4.

Underlying results: Further adapts our adjusted results to take account of volumetric and other revenue timing differences arising due to the in-year difference between allowed and collected revenues, including revenue incentives, as governed by our rate plans in the US or regulatory price controls in the UK (but excluding totex-related allowances and adjustments). As defined on page 32 of the Annual Report and Accounts for the year ended 31 March 2021, major storm costs are costs (net of certain deductibles) that are recoverable under our US rate plans but expensed as incurred under IFRS. Where the total incurred costs (after deductibles) exceed \$100 million in any given year we also exclude the net amount from underlying earnings.

Constant currency: 'Constant Currency Basis' refers to the reporting of the actual results against the results for the same period last year which, in respect of any US dollar currency-denominated activity, have been translated using the weighted average US dollar exchange rate for the six months ended 30 September 2021, which was \$1.39 to £1.00. The weighted average rate for the six months ended 30 September 2020, was \$1.27 to £1.00. Assets and liabilities as at 30 September 2021 have been retranslated at the closing rate at 30 September 2021 of \$1.35 to £1.00. The closing rate for the balance sheet date 31 March 2021 was \$1.38 to £1.00.

National Grid

2021/22 Half Year Results Statement

Alternative performance measures/non-IFRS reconciliations (continued)

Reconciliation of Statutory, Adjusted and Underlying Profits and Earnings – At actual exchange rates – Continuing operations

	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Underlying £m
Six months ended 30 September 2021						
UK Electricity Transmission	541	9	550	2	—	552
UK Electricity Distribution	281	—	281	(24)	—	257
UK Electricity System Operator	50	13	63	(14)	—	49
New England	252	(126)	126	121	—	247
New York	321	(199)	122	19	—	141
NGV and Other	47	114	161	—	—	161
Total operating profit	1,492	(189)	1,303	104	—	1,407
Net finance costs	(450)	(25)	(475)	—	—	(475)
Share of post -tax results of JVs and associates	41	17	58	—	—	58
Profit before tax	1,083	(197)	886	104	—	990
Tax	(707)	559	(148)	(29)	—	(177)
Profit after tax	376	362	738	75	—	813

	Statutory £m	Exceptionals and remeasurements £m	Adjusted £m	Timing £m	Major storm costs £m	Underlying £m
Six months ended 30 September 2020¹						
UK Electricity Transmission	509	—	509	(22)	—	487
UK Electricity Distribution	—	—	—	—	—	—
UK Electricity System Operator	(32)	—	(32)	69	—	37
New England	192	(25)	167	30	—	197
New York	239	(63)	176	10	—	186
NGV and Other	52	—	52	—	—	52
Total operating profit	960	(88)	872	87	—	959
Net finance costs	(407)	(24)	(431)	—	—	(431)
Share of post -tax results of JVs and associates	30	8	38	—	—	38
Profit before tax	583	(104)	479	87	—	566
Tax	(91)	28	(63)	(20)	—	(83)
Profit after tax	492	(76)	416	67	—	483

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

Reconciliation of Adjusted and Underlying Profits – At constant currency

	Adjusted at actual exchange rate £m	Constant currency adjustment £m	Adjusted £m	Timing £m	Major Storm costs £m	Underlying £m
Six months ended 30 September 2020¹						
UK Electricity Transmission	509	—	509	(22)	—	487
UK Electricity Distribution	—	—	—	—	—	—
UK Electricity System Operator	(32)	—	(32)	69	—	37
New England	167	(14)	153	27	—	180
New York	176	(15)	161	9	—	170
NGV and Other	52	(2)	50	—	—	50
Total operating profit	872	(31)	841	83	—	924
Net finance costs	(431)	29	(402)	—	—	(402)
Share of post -tax results of JVs and associates	38	(1)	37	—	—	37
Profit before tax	479	(3)	476	83	—	559

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

National Grid

2021/22 Half Year Results Statement

Alternative performance measures/non-IFRS reconciliations (continued)

Earnings per share calculations from continuing operations – At actual exchange rates

The table below reconciles the profit after tax from continuing operations per the previous tables back to the earnings per share from continuing operations for each of the adjusted profit measures. Earnings per share is only presented for those adjusted profit measures that are at actual exchange rates, and not for those at constant currency.

Six months ended 30 September 2021	Profit after tax	Non-controlling interest	Profit after tax attributable to the parent	Weighted average number of shares	Earnings per share
	£m	£m	£m	Number	Pence
Statutory	376	(1)	375	3,569	10.5
Adjusted (also referred to as Headline)	738	(1)	737	3,569	20.7
Underlying	813	(1)	812	3,569	22.8

Six months ended 30 September 2020 ¹	Profit after tax	Non-controlling interest	Profit after tax attributable to the parent	Weighted average number of shares	Earnings per share
	£m	£m	£m	Number	Pence
Statutory	492	(1)	491	3,513	14.0
Adjusted (also referred to as Headline)	416	(1)	415	3,513	11.8
Underlying	483	(1)	482	3,513	13.7

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

Timing impacts from continuing operations

Under the Group's regulatory frameworks, the majority of the revenues that National Grid is allowed to collect each year are governed by a regulatory price control or rate plan. If National Grid collects more than this allowed level of revenue, the balance must be returned to customers in subsequent years, and if it collects less than this level of revenue, it may recover the balance from customers in subsequent years. These variances between allowed and collected revenues give rise to 'over and under-recoveries'. A number of costs in the UK and the US are pass-through costs (including commodity and energy efficiency costs in the US), and are fully recoverable from customers. Timing differences between costs of this type being incurred and their recovery through revenues are also included in over and under-recoveries. In the UK, timing differences include an estimation of the difference between revenues earned under revenue incentive mechanisms and associated revenues collected. UK timing balances and movements exclude adjustments associated with changes to controllable cost (totex) allowances or adjustments under the totex incentive mechanism. Opening balances of over and under-recoveries have been restated where appropriate to correspond with regulatory filings and calculations.

	UK Electricity Transmission	UK Electricity Distribution	UK Electricity System Operator	New England	New York	Total ^{1,2}
	£m	£m	£m	£m	£m	£m
31 March 2021 closing balance	(10)	—	(60)	(261)	458	127
Opening balance adjustments	10	—	(2)	2	2	12
Restated 1 April 2021 opening balance	—	—	(62)	(259)	460	139
Over/(under)-recovery	(2)	24	14	(121)	(19)	(104)
30 September 2021 closing balance to (recover)/return	(2)	24	(48)	(380)	441	35

	UK Electricity Transmission	UK Electricity Distribution	UK Electricity System Operator	New England	New York	Total ^{1,2}
	£m	£m	£m	£m	£m	£m
31 March 2020 closing balance	(56)	—	75	(253)	471	237
Opening balance adjustments	—	—	(1)	—	—	(1)
Restated 1 April 2020 opening balance	(56)	—	74	(253)	471	236
Over/(under)-recovery	22	—	(69)	(27)	(9)	(83)
30 September 2020 closing balance to (recover)/return	(34)	—	5	(280)	462	153

1. The closing balances as at 30 September 2021 and 30 September 2020 would have been £37 million and £159 million respectively had the closing exchange rates been used.

2. Comparative amounts have been re-presented to reflect the new operating segments.

National Grid

2021/22 Half Year Results Statement

Alternative performance measures/non-IFRS reconciliations (continued)

Reconciliation of APMs for discontinued operations

Statutory operating profit for discontinued operations for the six months ended 30 September 2021 was £387 million (2020: £175 million). This included £3 million of exceptional items in the current period. Adjusted operating profit for the six months ended 30 September 2021 was £390 million (2020: £175 million), this includes a net timing over-recovery of £58 million (2020: £13 million under-recovery). Operating profit excluding timing and exceptional items for discontinued operations for the six months ended 30 September 2021 was £332 million (2020: £188 million).

Gross revenue (including sales to other segments) for discontinued operations for the six months ended 30 September 2021 was £716 million (2020: £476 million). After deducting pass-through costs of £126 million (2020: £100 million), net revenue for discontinued operations for the six months ended 30 September 2021 was £590 million (2020: £376 million).

Capital investment

'Capital investment' or 'investment' refers to additions to plant, property and equipment and intangible assets, and contributions to joint ventures and associates, other than the St William Homes LLP joint venture. In addition, we include the total consideration paid for the acquisition of businesses. We also include the Group's investments by National Grid Partners during the period (which are classified for IFRS purposes as non-current financial assets on the Group consolidated statement of financial position).

Investments made to our St William Homes LLP arrangement are excluded based on the nature of this joint venture arrangement. We typically contribute property assets to the joint venture in exchange for cash and accordingly do not consider these transactions to be in the nature of capital investment.

	At actual exchange rates			At constant currency		
	2021	2020 ¹	% change	2021	2020 ¹	% change
Six months ended 30 September	£m	£m		£m	£m	
UK Electricity Transmission	587	501	17 %	587	501	17 %
UK Electricity Distribution	315	—	— %	315	—	—
UK Electricity System Operator	65	47	38 %	65	47	38 %
New England	700	773	(9)%	700	707	(1)%
New York	851	847	— %	851	775	10 %
NGV and Other	196	235	(17)%	196	233	(16)%
Group capital expenditure - continuing	2,714	2,403	13 %	2,714	2,263	20 %
Discontinued operations	131	95	38 %	131	95	38 %
Group capital expenditure - total	2,845	2,498	14 %	2,845	2,358	21 %

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation and the new operating segments.

	2021	2020 ¹	% change
Six months ended 30 September – at actual exchange rates	£m	£m	
Capital expenditure	2,714	2,403	13 %
Equity investment, funding contributions and loans to joint ventures and associates	89	52	71 %
Increase in financial assets (National Grid Partners)	37	10	270 %
Group capital investment - continuing	2,840	2,465	15 %
Discontinued operations	131	95	38 %
Group capital investment - total	2,971	2,560	16 %

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.

	2021	2020 ¹	% change
Six months ended 30 September – at constant currency	£m	£m	
Capital expenditure	2,714	2,263	20 %
Equity investment, funding contributions and loans to joint ventures and associates	89	47	89 %
Increase in financial assets (National Grid Partners)	37	10	270 %
Group capital investment - continuing	2,840	2,320	22 %
Discontinued operations	131	95	38 %
Group capital investment - total	2,971	2,415	23 %

1. Comparative amounts have been re-presented to reflect the classification of the UK Gas Transmission business as a discontinued operation.