

Electricity Supply Board



Investor Presentation

2011 Results and
Summary Update



June 2011



www.esb.ie

Disclaimer

Forward looking statements: This presentation contains certain “forward-looking statements” with respect to ESB’s financial condition, results of operations and business and certain of ESB’s plans and objectives with respect to these items. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to and depend upon future events and circumstances. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. All forward-looking statements in the presentation are expressly qualified in their entirety by such factors. ESB does not intend to update these forward-looking statements.

No warranty as to accuracy: Neither ESB nor any person acting on its behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this presentation. Neither ESB nor any person acting on its behalf shall have any liability whatsoever for loss, howsoever arising, directly or indirectly, from use of the information contained within this presentation.

No invitation to engage in investment activity: This document is not an offer to sell, exchange or transfer any securities of ESB nor any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. This document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.



Context of Presentation

This presentation was given to US Private Placement holders/potential holders of ESB debt as part of an update following the publication of ESB's 2011 financial results. The information contained herein is relevant to the date of presentation (June 7th 2012).

Neither ESB nor any person acting on its behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this presentation.



Introduction of ESB Team



- Donal Flynn – Group Finance Director



- Paul Stapleton – Group Treasurer

Agenda

1. ESB Overview & Strategy

2. 2011 Review

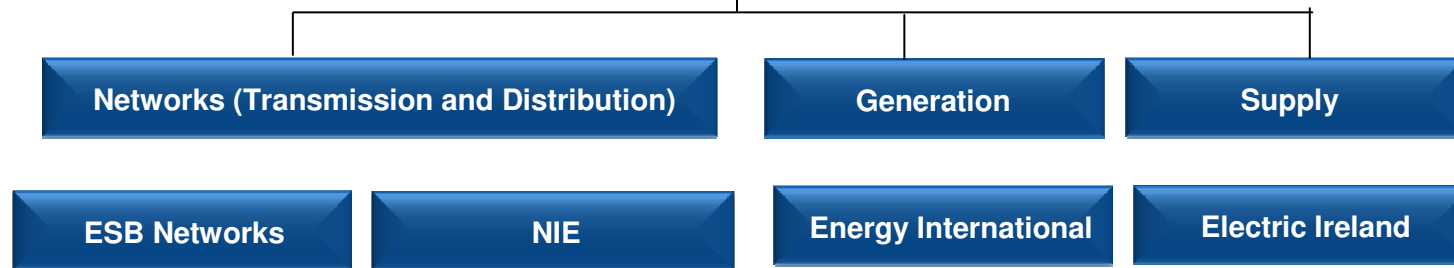
- Business Environment
- Summary Financials
- Funding and Liquidity

3. Looking Forward

- Irish Economy
- ESB Business



ESB Overview

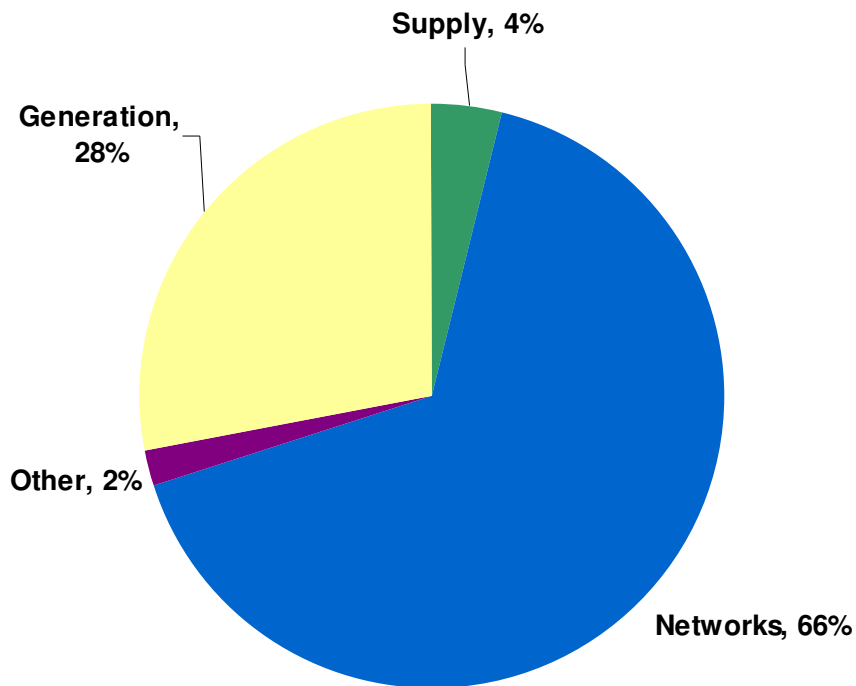


- **History:** Established 1927, Vertically Integrated, 95% Government owned; Track Record of Delivery
- **Networks:** Owner of the regulated Republic of Ireland T&D networks (RAB €6.4bn)
Owner of the Regulated Northern Ireland T&D networks (RAB £1.2bn)
- **Generation:** All-Island Capacity of 4.4GW, GB Capacity of 1.2GW
- **Supply:** 1.4 million Customers served on an All-Island basis
- **International:** Strong Asset position in UK; Successful International Engineering Business



ESB Asset Profile

Assets by Business



TOTAL ASSETS: €12 Billion

Key Points

- 66% of assets are fully regulated Transmission and Distribution network assets. ESB own 100% of T&D assets in ROI and NI
- Stable, established and well understood regulatory environment
- Balanced Generation-Supply position. All-Island generation market share of 43% by capacity and 46% by volume. All-Island supply market share of 39%
- 28% of assets outside ROI



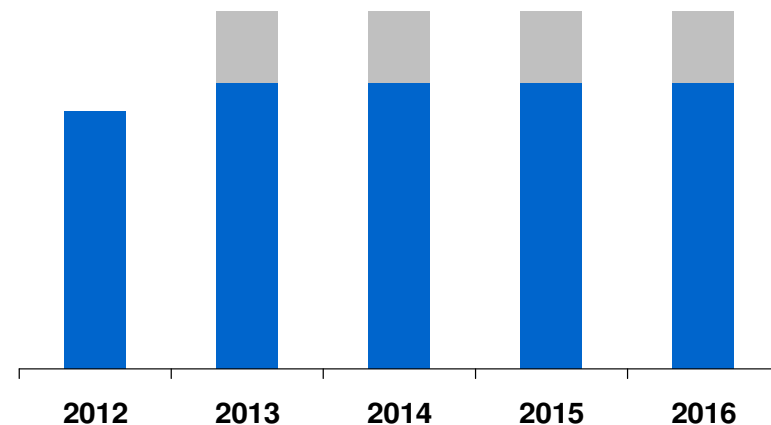
ESB Strategy Summary

- Leading Irish Energy Utility competing successfully across the Value Chain
- Focussed on maintaining financial strength; Strong investment grade metrics
- All Island position on T&D Networks – growth through investment; leadership in performance and Smart Grid development
- Renewed, diversified Generation Portfolio positioned to compete strongly in the All Island and emerging All Islands Market; Growth in GB
- Rebranded and repositioned Supply business competing to serve Customers in Electricity, Gas and Energy Services

Capex €5bn to €6bn over 5 yrs

€0.9Bn

€1.0Bn to €1.25bn p.a.



70% Capex on Regulated Networks Assets



Supportive Government Policy

- Irish Government developing a strategic perspective on State Assets
- July 2011 – Government Decision on Transmission Asset Ownership in context of EU Third Energy Package:
 - **ESB to retain ownership of the Electricity Transmission assets**
- September 2011 - Establishment of NewERA - a new 'Shareholder Executive' function under the National Treasury Management Agency to manage the Governments shareholding in Commercial Semi-state companies.
- September 2011 - Government decision to sell a minority stake in ESB as an integrated utility
 - **Maintain ESB as a Vertically Integrated Utility under State Control**
- February 2012 – Decision not to proceed with minority sale
 - Sale of only some non strategic generation assets
 - Government reaffirms its commitment to maintaining ESB as a Vertically Integrated Utility under State control



Agenda

1. ESB Overview & Strategy

2. 2011 Review

- Business Environment
- Summary Financials
- Funding and Liquidity

3. Looking Forward

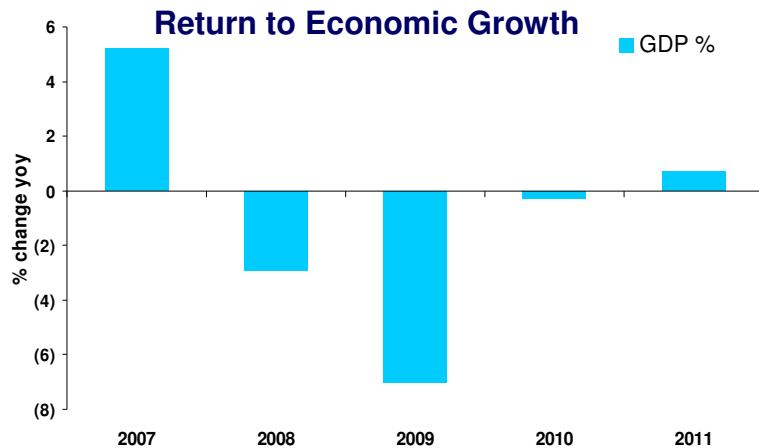
- Irish Economy
- ESB Business



Business Environment 2011

Ireland

- Strong export growth
- Balance of payments surplus
- Gradual recovery with positive GDP growth
- Troika targets met



Source: CSO

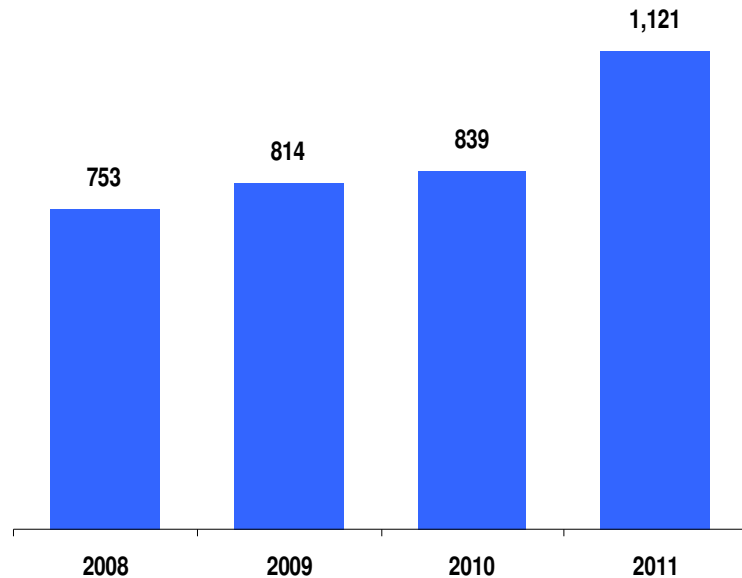
ESB Highlights

- Strong 2011 financial performance
- Stable Regulated Networks income
- Cost reduction programme on target with €165m delivered to date
- Delivery of continued investment programme with Capex of €0.9bn
- Bad debts low and reducing to 0.8% of income
- Stabilised market share following full de-regulation of supply from April 1st 2011



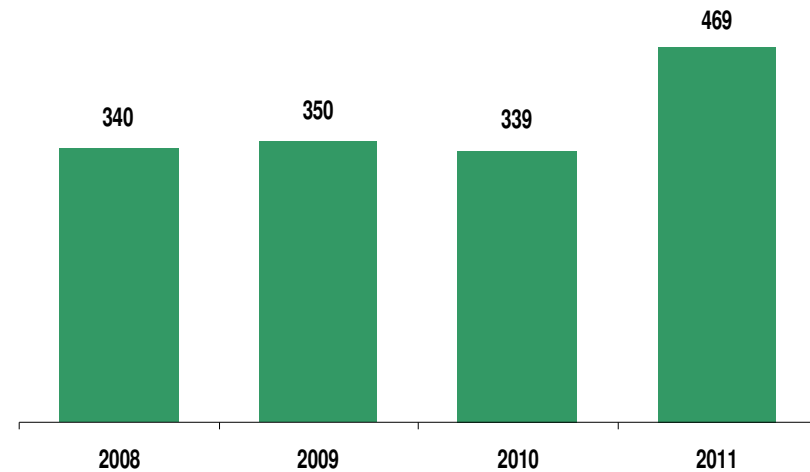
Summary ESB 2011 Financials

EBITDA (€m)



■ EBITDA up 34% on 2010 at €1.12bn

Operating Profit (€m)



■ Operating Profit (adjusted*) up 38% on 2010 at €469m

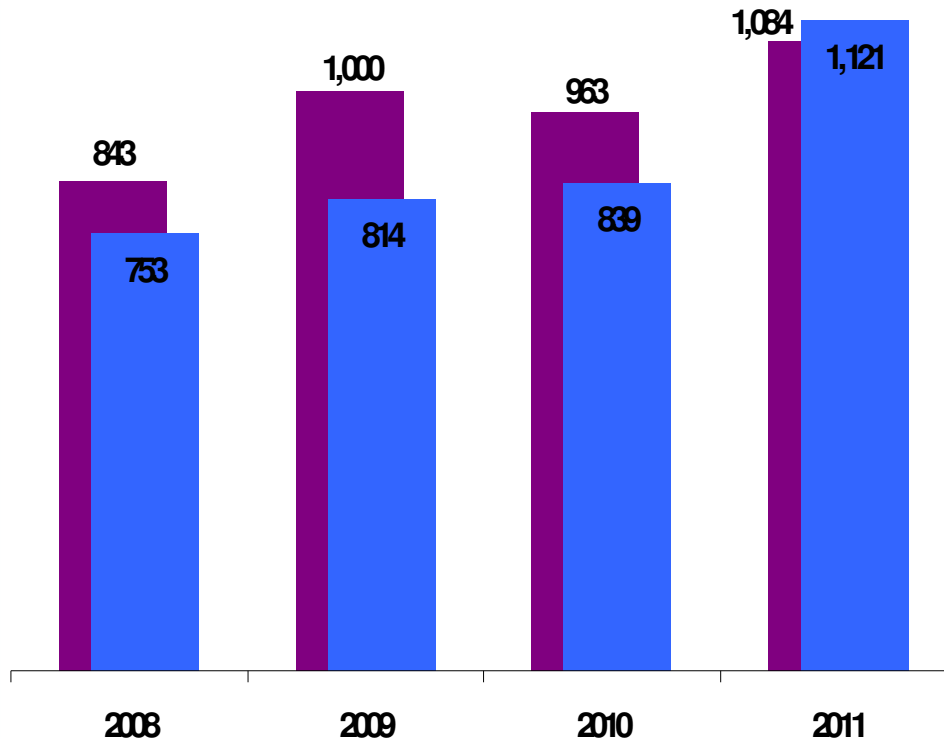
* 2010 excludes the impact of an exceptional pension charge (€330 million). 2009 excludes the impact of an exceptional profit on disposal (€265 million)

** Numbers are based on IFRS accounting.



EBITDA

EBITDA Versus Adjusted EBITDA Calculation



EBITDA Adjusted

■ Group PBIT + JV PBIT +
Depreciation – Amortisation –
Financing Charge on Provisions +/-
non cash items

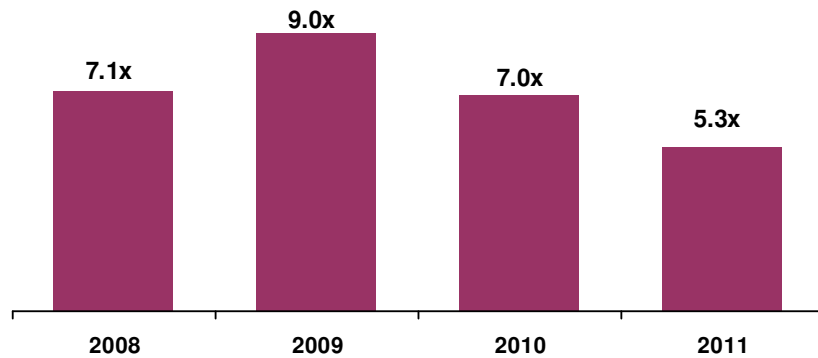
EBITDA as per IFRS Audited Accounts

■ Group PBIT (before exceptional
charges) + Depreciation –
Amortisation

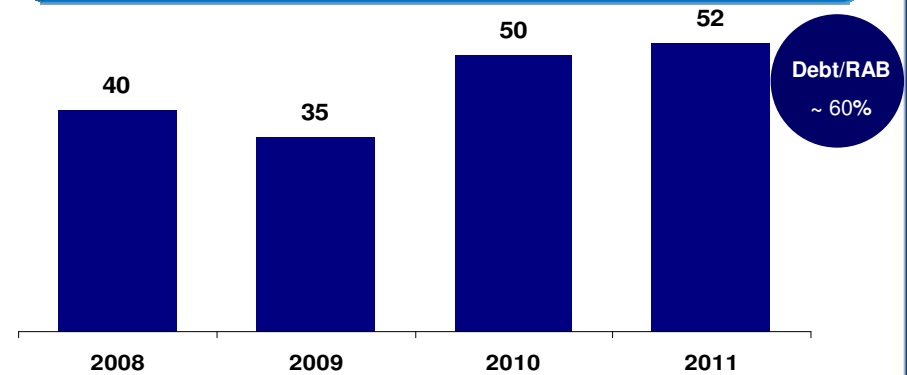
=> Difference mainly due to non-cash
IAS 19 adjustment and JV PBIT

2011 Interest Cover & Gearing

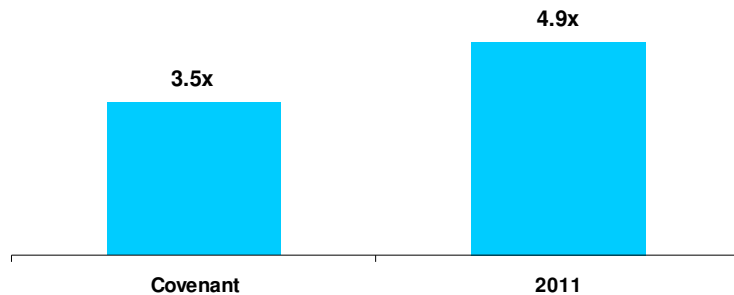
Interest Cover (IFRS)



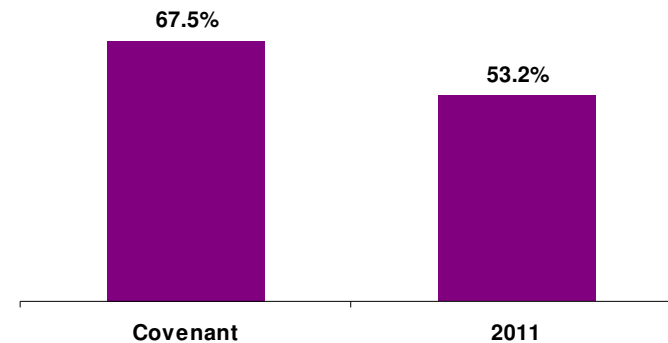
Gearing % (IFRS)



Interest Cover (GAAP)

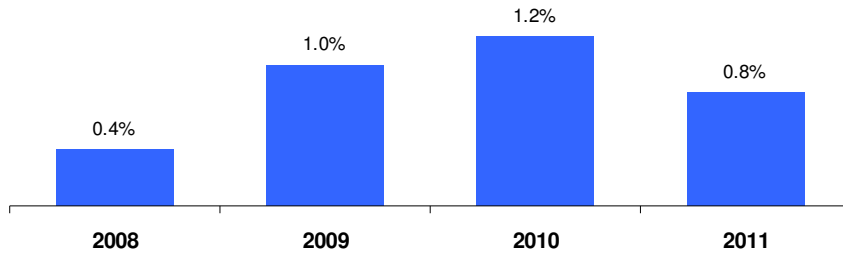


Gearing % (GAAP)



Other Key Metrics

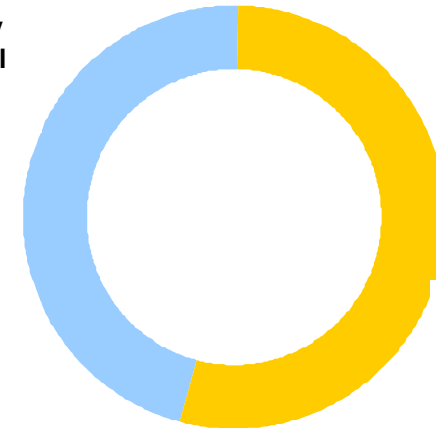
Group Bad Debts as a % of Revenue



Generation 2011 Market Share

ESB Energy International

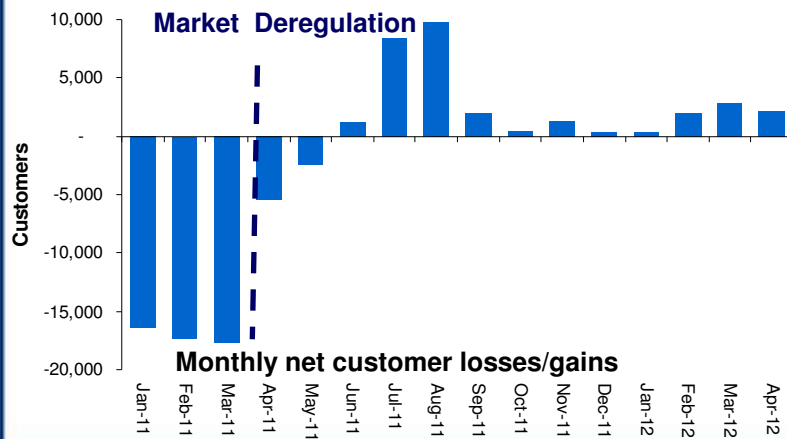
46%



Independent power producers

54%

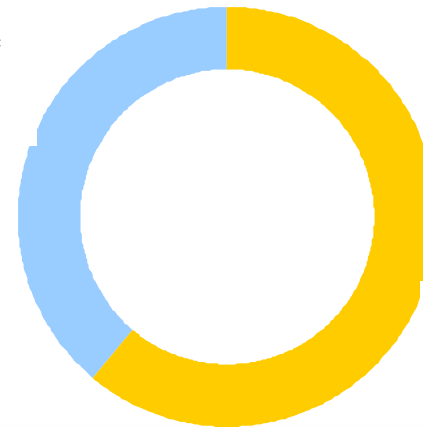
Attracting new customers



Supply 2011 Market Share

ESB Electric Ireland

39%



Independent energy suppliers

61%



Reducing Cost Base

- Target €280m annual cost reductions between 2010 and 2015 (equates to an overall reduction of 25%)
- €165m annual achieved to date
- Substantial headcount reductions have already been achieved and further targeted as part of Pay Agreement negotiated in 2011
- ESB reached agreement on restructuring its pension scheme in 2010, resolving a €2bn actuarial deficit
- April 2012 – ESB staff accept proposals for c. 1,000 staff reductions and €140m p.a. in overall payroll cost reductions

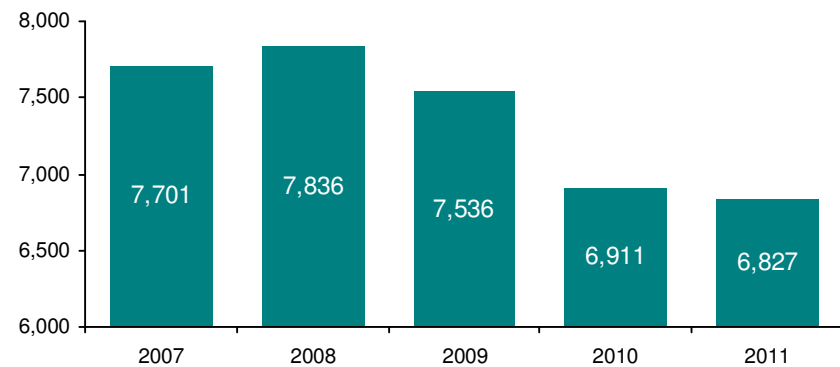
Cost Savings (€m)

	Target	Achieved to date
5 Year Savings Target	280	
- Savings 2010		95
- Savings 2011		70
	280	165

Pay Agreement negotiated in 2011:

Target: 1,000 exits by 2015 (700 on Voluntary Severance)

ESB Group Headcount



Note: 2011 excludes staff numbers for NIE of c. 1,400



Agenda

1. ESB Overview & Strategy

2. 2011 Review

- Business Environment
- Summary Financials
- Funding and Liquidity

3. Looking Forward

- Irish Economy
- ESB Business



ESB Continues to Fund Successfully

€1.3bn new Funding
Raised in 2011

■ NIE 15 Year Bond	£400m
■ Bank Syndicated Term Loan	£308m
■ EIB Loan	€235m
■ Carbon sale/buyback	€145m
■ Bank Bilateral Loans	€125m

4.5%
8.5 Years

£810m NIE
Acquisition loan
repaid

Full repayment of NIE acquisition facility of £810m
without exercising optional extension

Prudent Capital
Planning

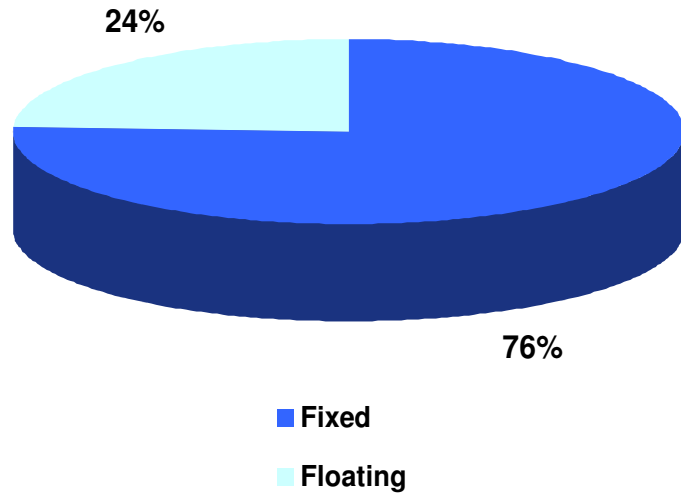
Prudent management of capital expenditure levels:
➤ Reduction of €0.7Bn in 2012/13 capex approved
by the ESB Board.



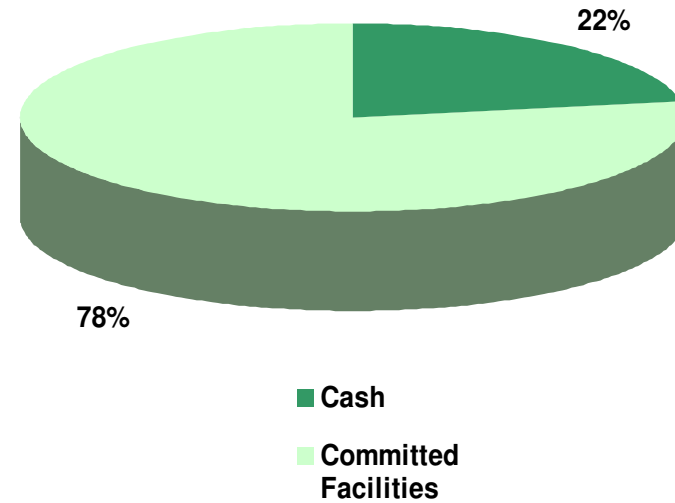
Debt & Liquidity

December 2011

Group Debt €4.6Bn



Available Liquidity €1.2Bn

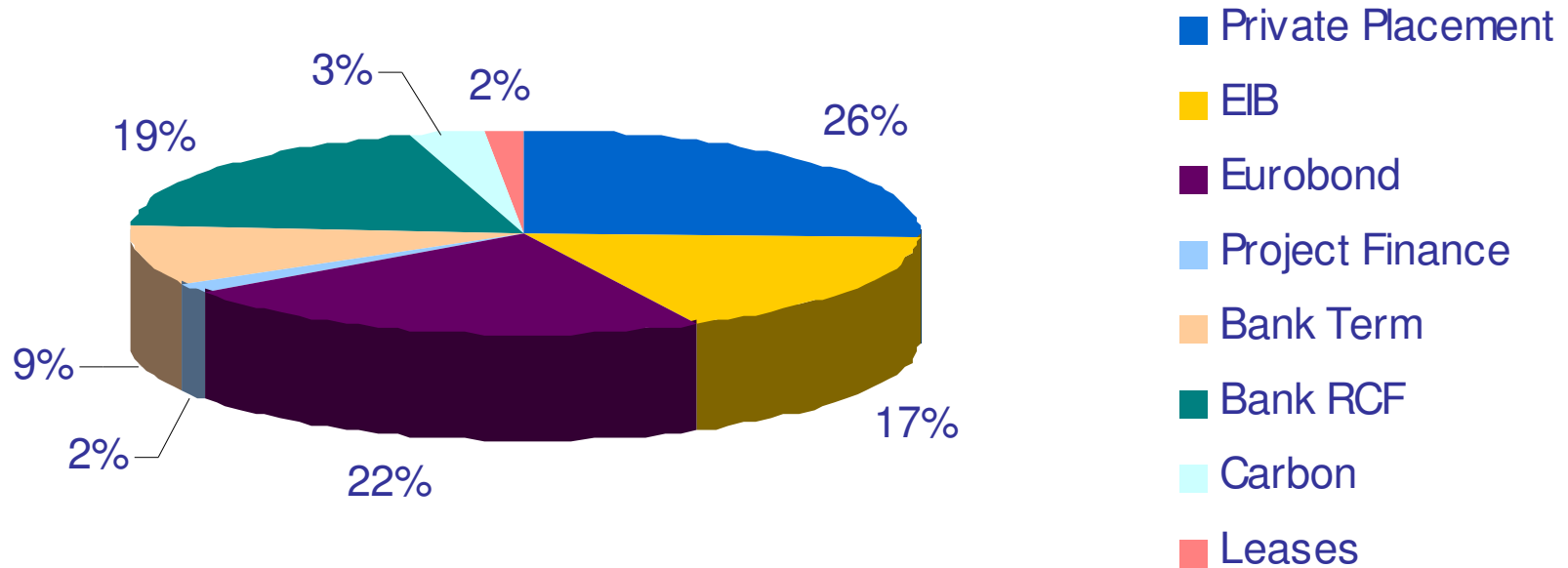


€1.2Bn in undrawn committed facilities (incl cash) at end 2011, of which €960m is immediately available.

Note. Group includes Subsidiaries & excludes JV's. Fixed includes Inflation Linked.



ESB Funding Sources



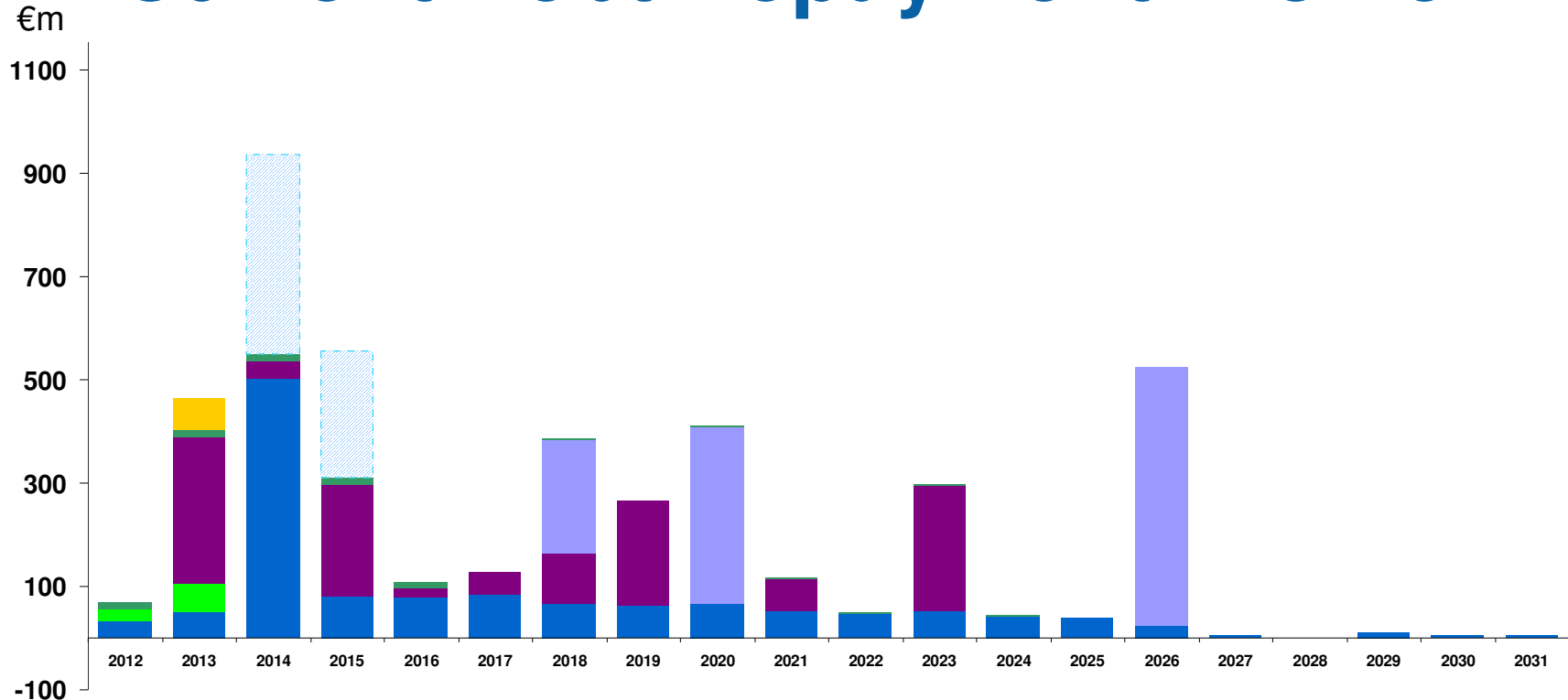
Total ESB Group Debt €4.6bn*

ESB Sources Finance From A Diverse Range Of Sources

Group includes subsidiaries, excludes JVs.



Current Debt Repayment Profile



■ Bank
 ■ LEASES
 ■ Private Placement
 ■ Bonds
 ■ Projects
 ■ RCF
 ■ Carbon

- Profile is very manageable: €1.2Bn existing liquidity and EBITDA > €1Bn p.a.
- Any 2012 Funding will be used primarily to refinance debt maturing in 2013 & 2014
- Plan to renew Bank RCF Facility in 2013 – well in advance of maturity.



ESB Credit Ratings: BBB+/Baa3/BBB+

S&P – BBB+ (neg.) *(Re-affirmed 18 Jan 2012)*

- “strong business risk profile underpinned by leading market position in the Irish electricity market”
- “significant proportion of stable and predictable cash flows from its low-risk regulated electricity transmission and distribution network operations”
- “its cost-saving program is aiding profitability.....its cash flow coverage of debt ratios could strengthen from 2012”
- “ESB has integrated and well-balanced power generation and supply operations”
- “About 70% of capex is being invested in regulated assets, which will boost earnings”

Moodys – Baa3 (neg.) *(Re-affirmed 17 Oct 2011)*

- “Despite ESB’s currently solid standalone financial position, its ratings are constrained by that of Ireland”
- “A one notch differential between ESB and Ireland is considered appropriate”
- “Significant improvement in ESB's liquidity position due to the recent refinancing of short-term debt and the Group's intention to re-phase or defer capital expenditure”
- “high proportion of earnings arising from the company's transmission and distribution operations in the Republic of Ireland and Northern Ireland”
- “low business risk profile and stable returns under well-established and transparent regulatory frameworks”
- “ESB’s networks business is complemented by a well balanced generation and supply operation”
- “well diversified portfolio of generating assets, with a mix of fuel types and base load and peaking capacity”

Fitch – BBB+ (neg.) *(Re-affirmed 11 Jan 2012)*

- “improved liquidity position after it raised EUR1.4bn of new debt (with an average cost of 4.5%) during 2011”
- “Around 65% of the expected earnings...over the next four years will derive from the regulated network businesses, compared with up to about one-third for most peers.”



Agenda

1. ESB Overview & Strategy

2. 2011 Review

- Business Environment
- Summary Financials
- Funding and Liquidity

3. Looking Forward

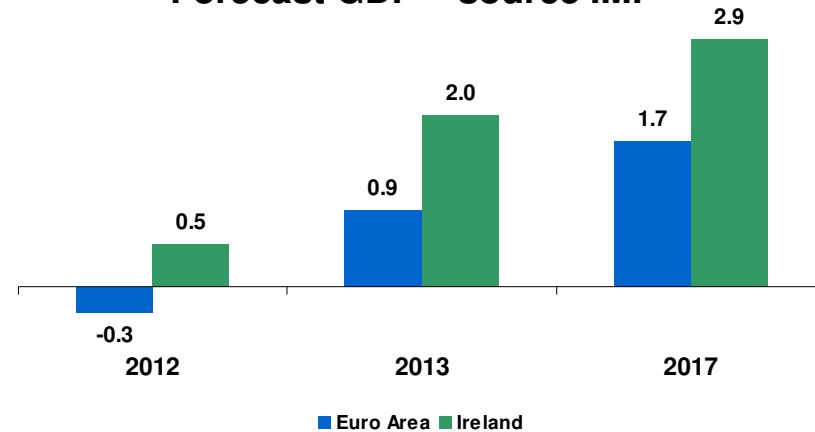
- Irish Economy
- ESB Business



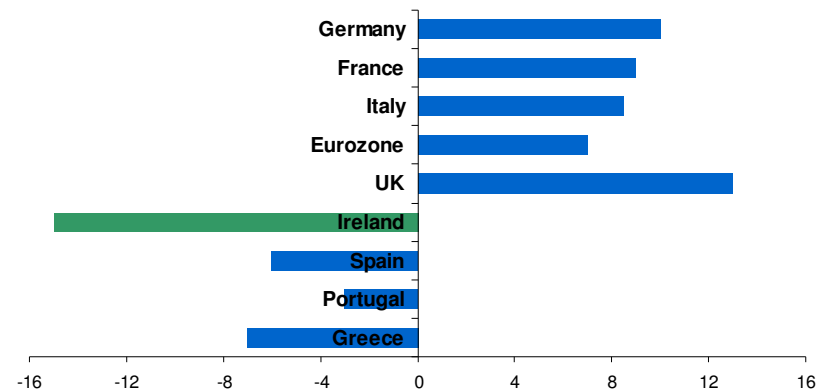
Ireland's Progress

- GDP expected to grow by 2.0 to 2.5 per cent on average over the next 5 years
- Strong export growth expected to continue; exports total c. 100% of GDP
- Significant correction in unit labour costs with a reduction of c. 15% expected by 2013
- 10 year yields on Irish Government bond have fallen from above 14 per cent to c. 7.5 per cent over the past year
- Ireland Ranked second for Inward Investment per Capita (Source: IBM's 2011 Global Location Trends report)

Forecast GDP – source IMF



Unit Labour Costs 2009-2013 (%Change)



Source: EU Commission May 2012

Foreign Direct Investment

8 out of 10

Global ICT corporations



10

Top "Born on the Internet" companies



9 out of 10

Global Pharmaceutical corporations



More than
50%

Of the world's
leading Financial
Services Firms



Ireland's International FDI Rankings:

- 1st** for value of Investment Projects¹
- 2nd** for Inward Investment per Capita¹
- 2nd** most attractive country globally for Foreign Direct Investment²

1 IBM's 2011 Global Location Trends Report
2 NIB/FDI Intelligence Inward Investment Performance Monitor 2011

twitter

Google

facebook

PayPal



Boston
Scientific

Over 1,000 overseas companies located in Ireland (515 US Companies)

Source: IDA Ireland

ESB 2012 & Beyond

- ESB to remain a strong State owned Vertically Integrated Utility
- Continued investment in regulated network assets
- New generation investment focussed in the UK (e.g. project financing of Carrington Power)
- Further delivery of cost reduction program with expected savings of €280m per annum by 2015 (60 per cent delivered to date)
- Continued strong financial performance remains top priority

