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generations

ESB

Debt Investor Presentation 2016 Results and Business Update

Pat Fenlon
Gerry Tallon
Ted Browne

Group Finance Director
Group Treasurer
Manager, Credit Rating and Investor Relations

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ESB Team



Pat Fenlon

**Finance
Director**



Gerry Tallon

**Group
Treasurer**



Ted Browne

**Investor Relations
& Credit Rating**

Agenda



- 2016 Highlights
- 2016 Financial Review
- Business Review
- Funding and Liquidity
- Outlook and Summary

2016 Highlights

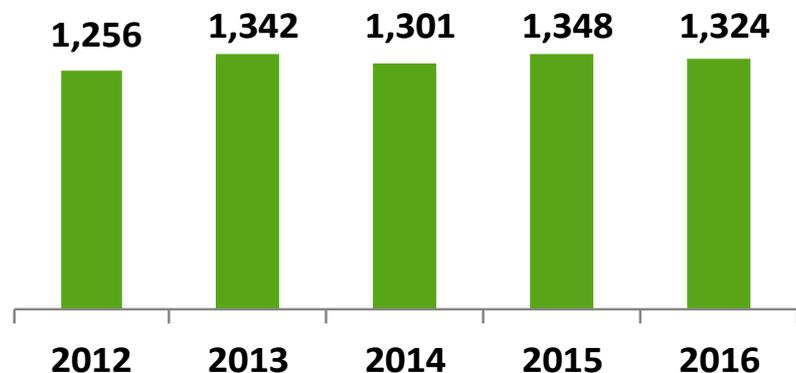


- Strong operational performance resulted in healthy financial performance
 - Sustained solid performance : EBITDA € 1,324 m; Capex € 897 m; Gearing 51%
 - Prudent financial management protected ESB's key credit metrics
 - Regulated Networks Businesses in Ireland account for 63% of EBITDA and 57% Capex
- Networks
 - ROI: PR4 2016-20 delivery ~ 50% of Group EBITDA
 - NI : NIE Networks RP6 (Oct 2017 - March 2024) submission
Draft Determination March 2017. Final determination June 2017.
- Generation (GWM) and Supply (Electric Ireland)
 - Excellent Plant availability. Lower SEM power prices: mitigated by increased profits in Electric Ireland
 - Carrington Plant commercial operation September. Strong performance to date.
- Strong liquidity position €1.7bn. €600m 15 year Bond.
Stable credit ratings of A- / Baa1 / BBB+

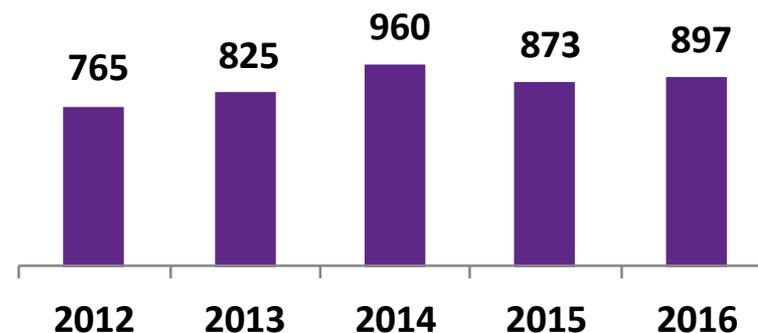
2016 Financial Review

Consistent Financial Performance

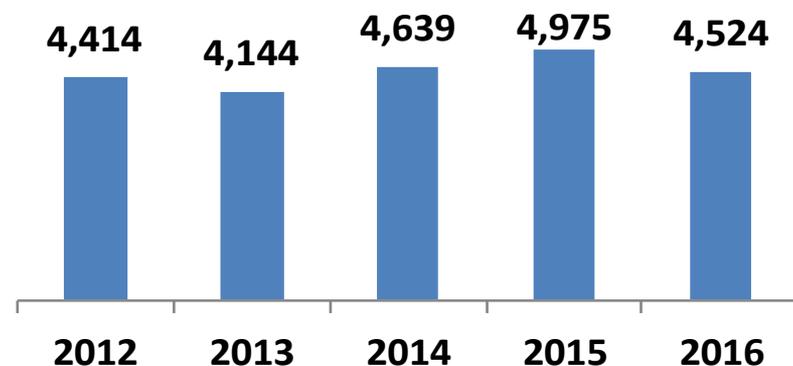
EBITDA¹ (€m)



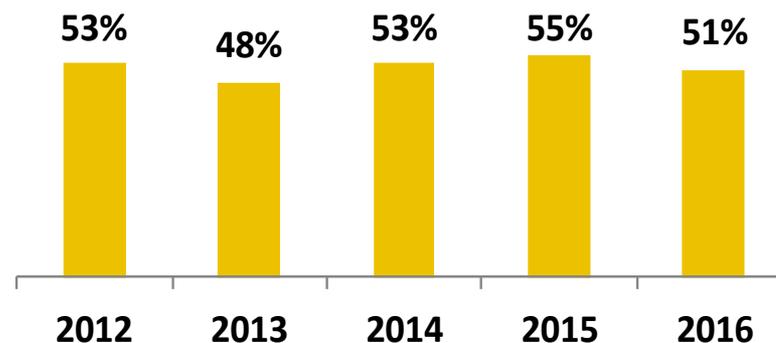
Capital Expenditure (€m)



Net Debt (€m)



Gearing (%)²

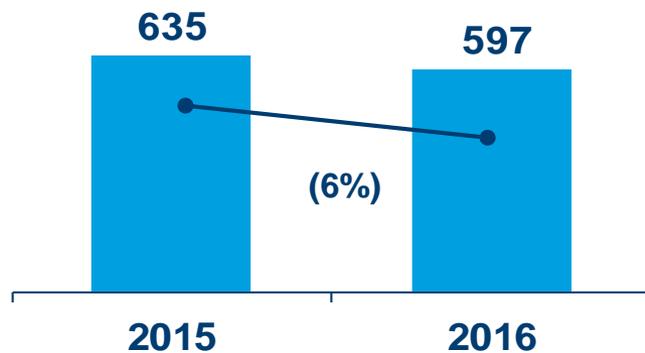


¹ Before Exceptional items

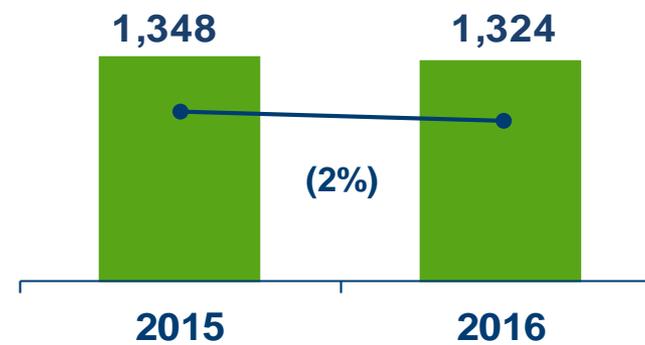
² Gearing = Debt / (Debt + Equity) on IFRS basis

2016 – Key Financial Highlights

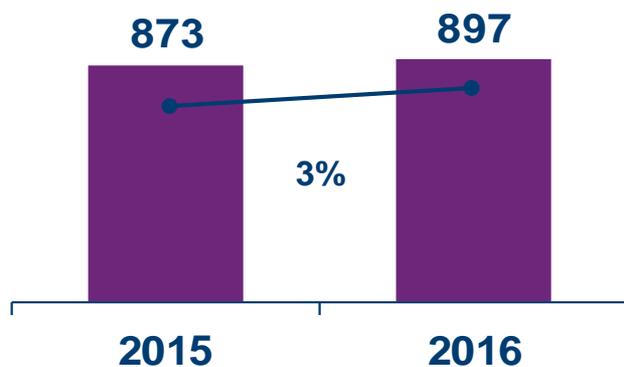
Operating Profit (€m)



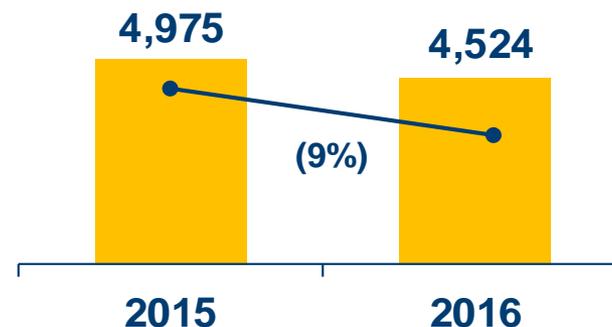
EBITDA (€m)



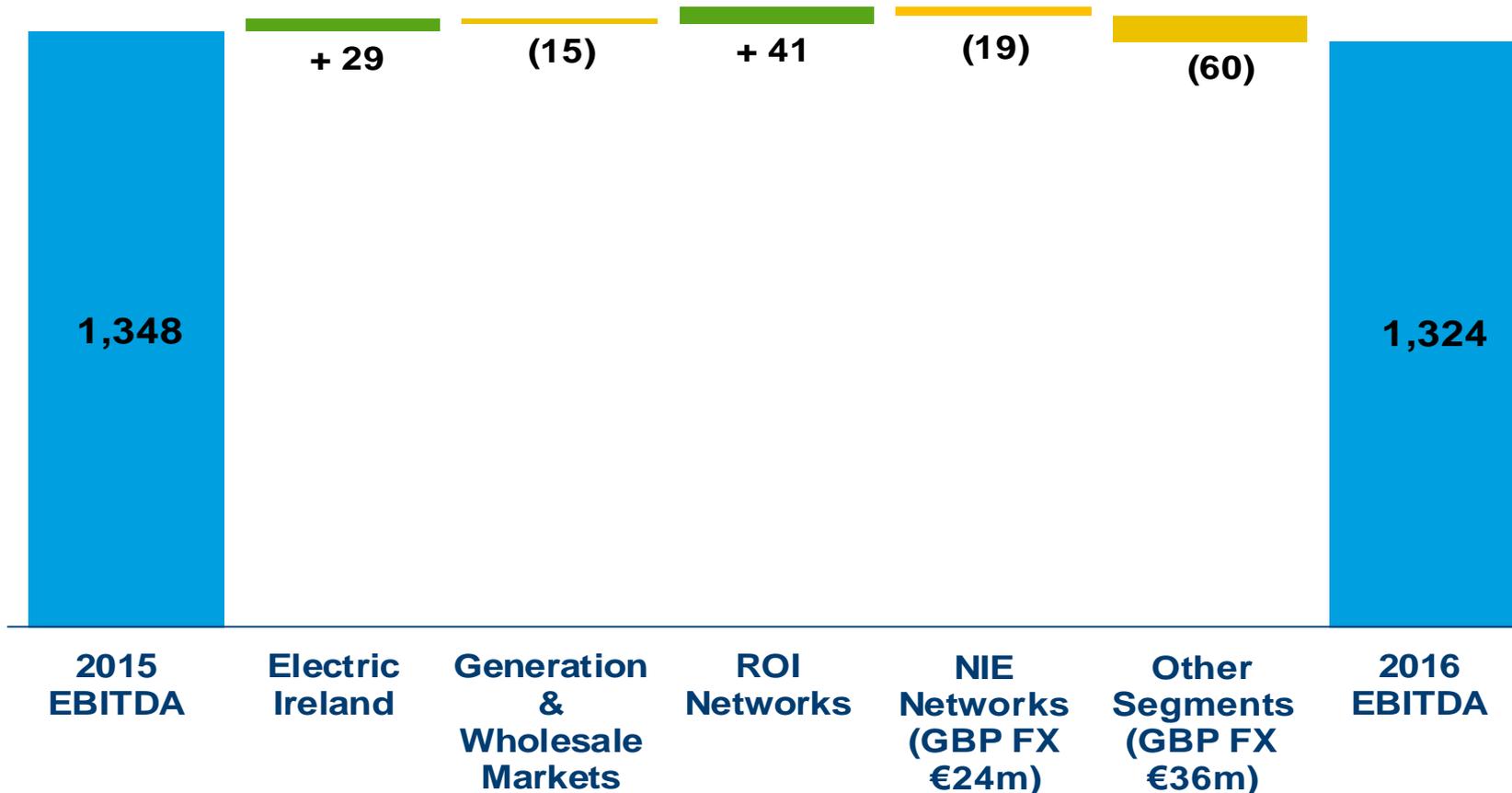
Capital Expenditure (€m)



Net Debt (€m)



EBITDA¹ Movement – 2016 vs 2015



¹ Before Exceptional items:
 2015: Generation Impairment charge (€104m) - Corby in GB (€58m) & Coolkeeragh in NI (€46m)

Interest Cover and Gearing

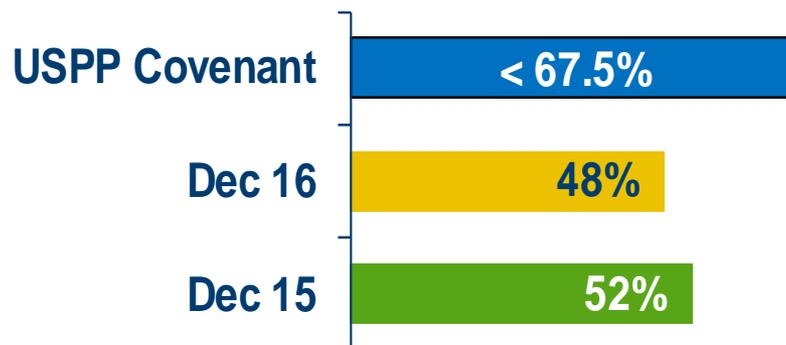
Gearing %



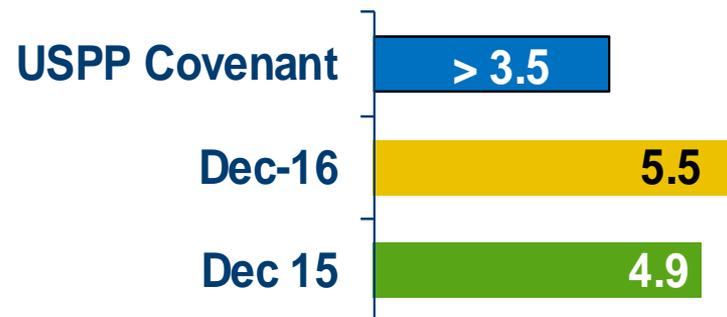
EBITDA Interest Cover (times)



Adjusted¹ Gearing %



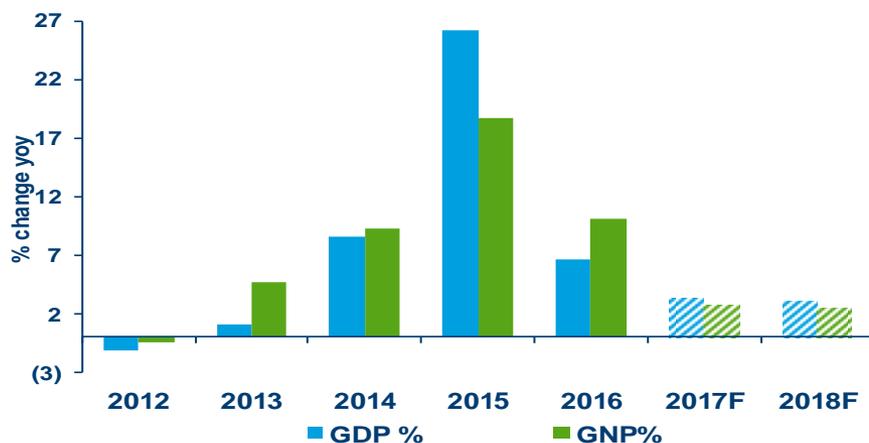
Adjusted¹ EBITDA Interest Cover (times)



¹Adjusted to restate financials to accounting principles in effect at time of ESB US Private Placement issue (UK GAAP 2002). 2016 Indicative – subject to final certification.

Business Review

Irish GDP Growth Strong



SEM System Demand Growth



Source: Eirgrid

Ireland

- Strong economic growth
- Forecast GDP 2016: 6.6% 2017F: 3.3%
- Broad based growth
- Irish sovereign rating strengthened
 - A+ Stable (S&P) / A Stable (Fitch) / A3 Positive (Moody's)
- SEM Electricity demand growth

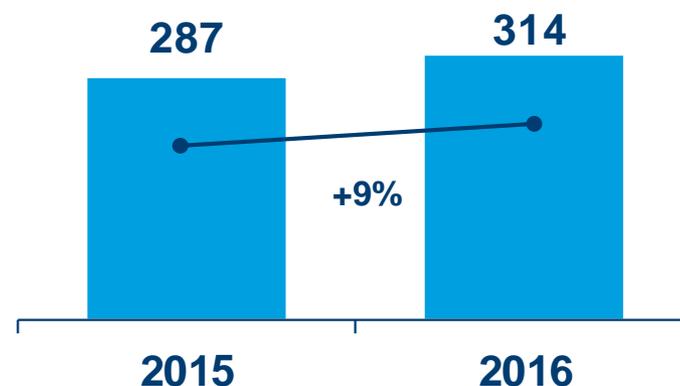
UK

- Brexit. Prudent financial management protecting ESB's Credit metrics. Ongoing review
- UK Electricity. Tight Capacity Reserve Margins

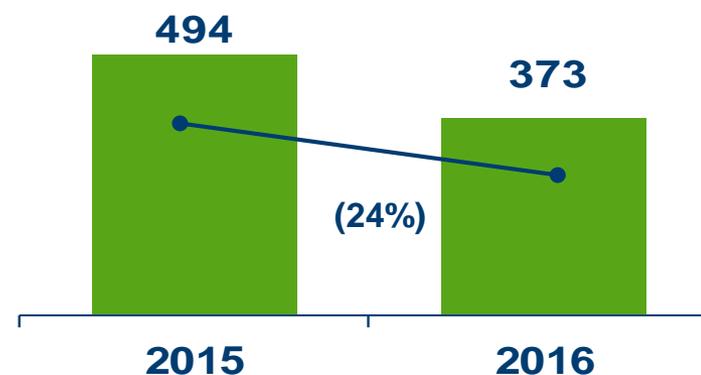
Highlights

- ~50% of Group EBITDA & assets
- RAB €7.5bn
- Strategy: Advanced Networks
- PR4 (2016-2020) delivery
- 2016 operating profit reflects increase in regulated tariffs
- 2016 capex down €121m due to lower transmission and distribution asset replacement spend and PR3 close out in 2015
- **2017 Focus:** PR4 delivery

Operating Profit (€m)



Capital Expenditure (€m)

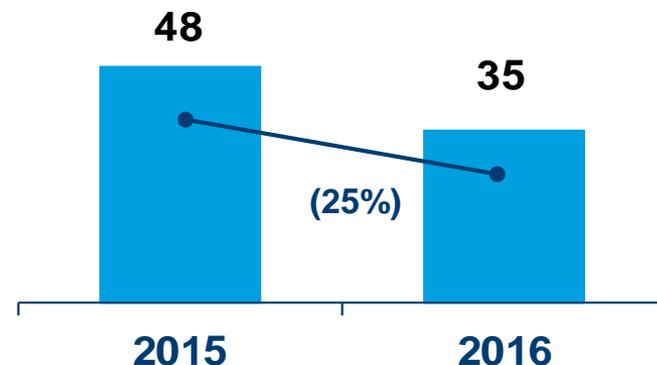


Northern Ireland Electricity Networks

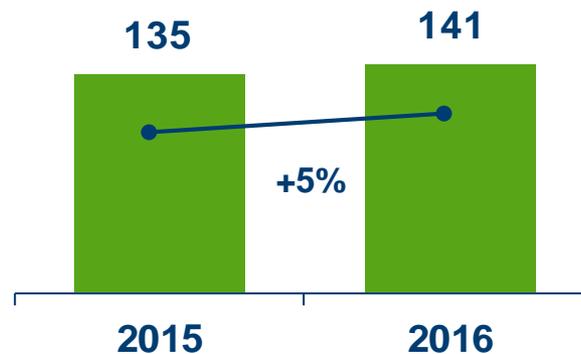
Highlights

- ~13% of Group EBITDA and 17% of assets
- RAB €1.6bn
- Strategy: Advanced Networks
- Operating Profit decrease reflects higher regulated tariffs in 2016, more than offset by weakening of Sterling
- Increased capex reflects implementation of agreed RP5 programmes
- RP6 Submission (Oct 2017-Mar 2024)
 - Draft Determination March 2017
 - Final determination June 2017
- **2017 Focus:** RP5 delivery & Satisfactory RP6

Operating Profit (€m)



Capital Expenditure (€m)

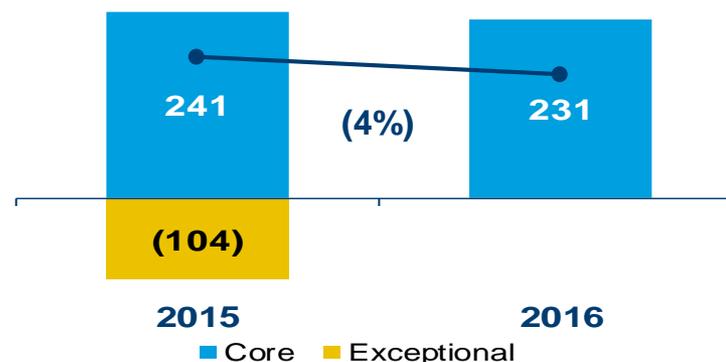


Generation & Wholesale Markets

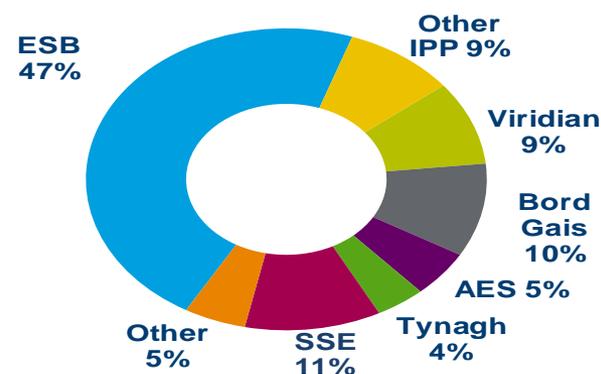
Highlights

- ~33% of EBITDA and 23% Assets
- Strategy: Generation Business of Scale
- Strong operating profit performance
- Excellent plant availability 93%
- Carrington commercial operation September Strong performance
- Higher capital expenditure €262m (2015: €176m). Renewables focus.
- **2017 Focus:**
 - Continued high plant availability
 - Carrington
 - Integrated Single Electricity Market (I-SEM)
 - Renewable Investment

Operating Profit (€m)



SEM Generation Market Share (MWh)

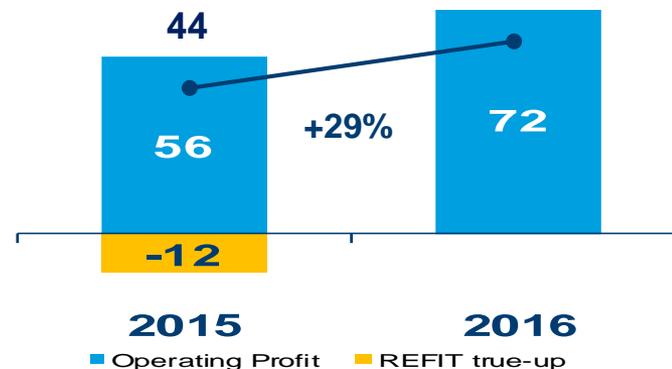


¹ Exceptional items:
2015: Generation Impairment charge (€104m) - Corby in GB (€58m) & Coolkeeragh in NI (€46m)

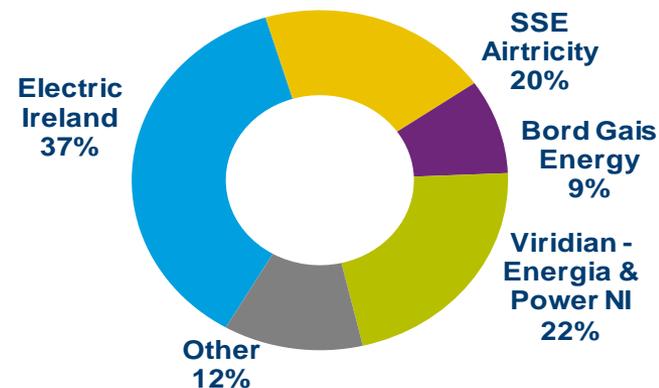
Highlights

- 6% of Group EBITDA
- Strategy: GTS Business of Scale
 - Competitive Offerings
 - Excellent Customer Service
 - New and Innovative products
- Higher 2016 operating profit due to higher energy margins
- Net margin of 3.5% (2015: 2.7%¹)
- Market share 37%
- NI Residential market entry progressing well
- **2017 Focus:** Customer service, value and market share at appropriate margins

Operating Profit (€m)



SEM Retail Market Share (MWh)

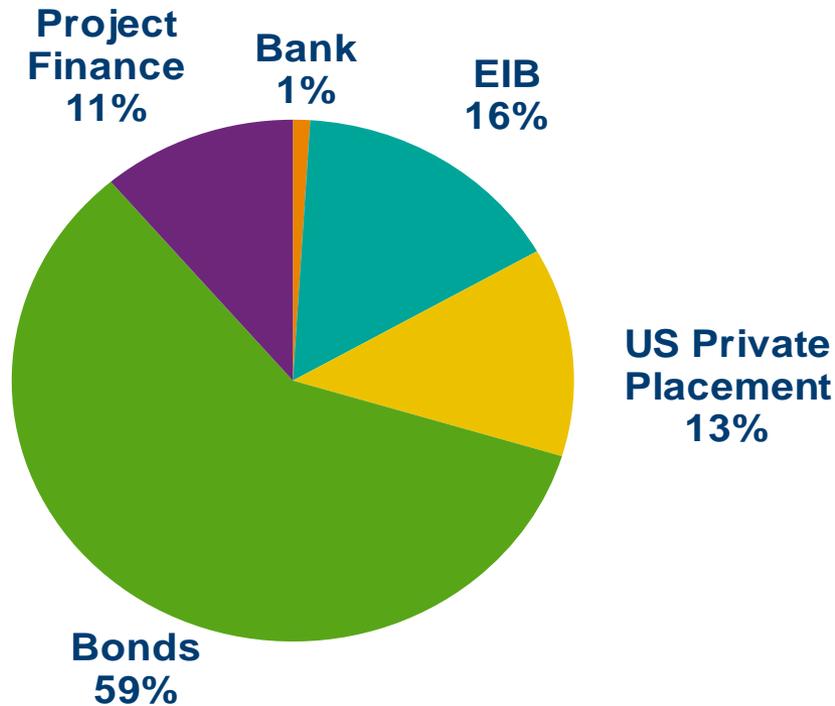


¹ PBIT margin excl. REFIT true-up. 2.1% including REFIT

Funding & Liquidity

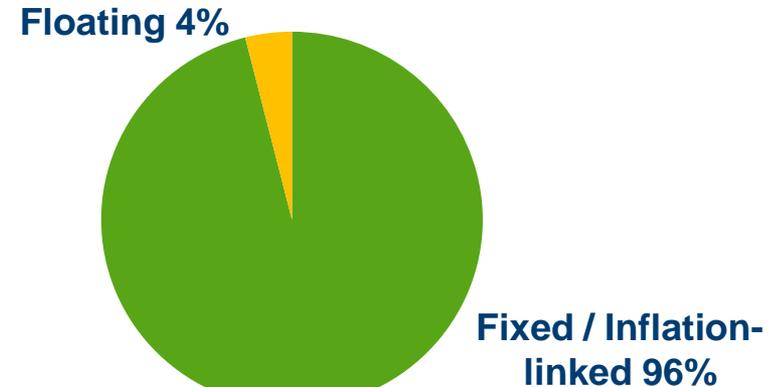
ESB Group Debt Overview

Group Debt 31 December 2016 - €4.9 bn

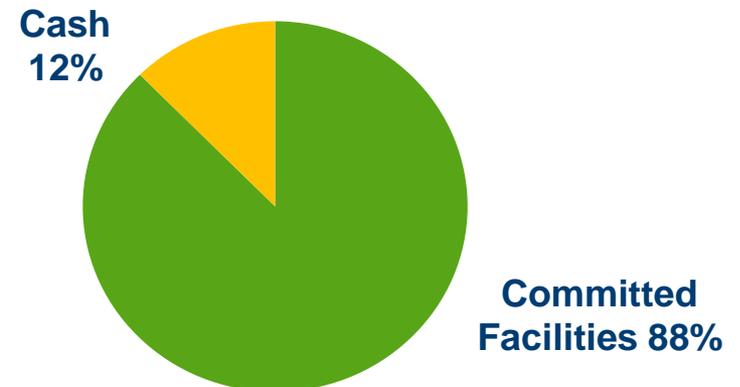


- €600m bond issued May 2016 – 15 years, 1.875%,
- GBP debt £1.6bn ~38% debt reduced by ~€300m due to weakening Sterling since 2015

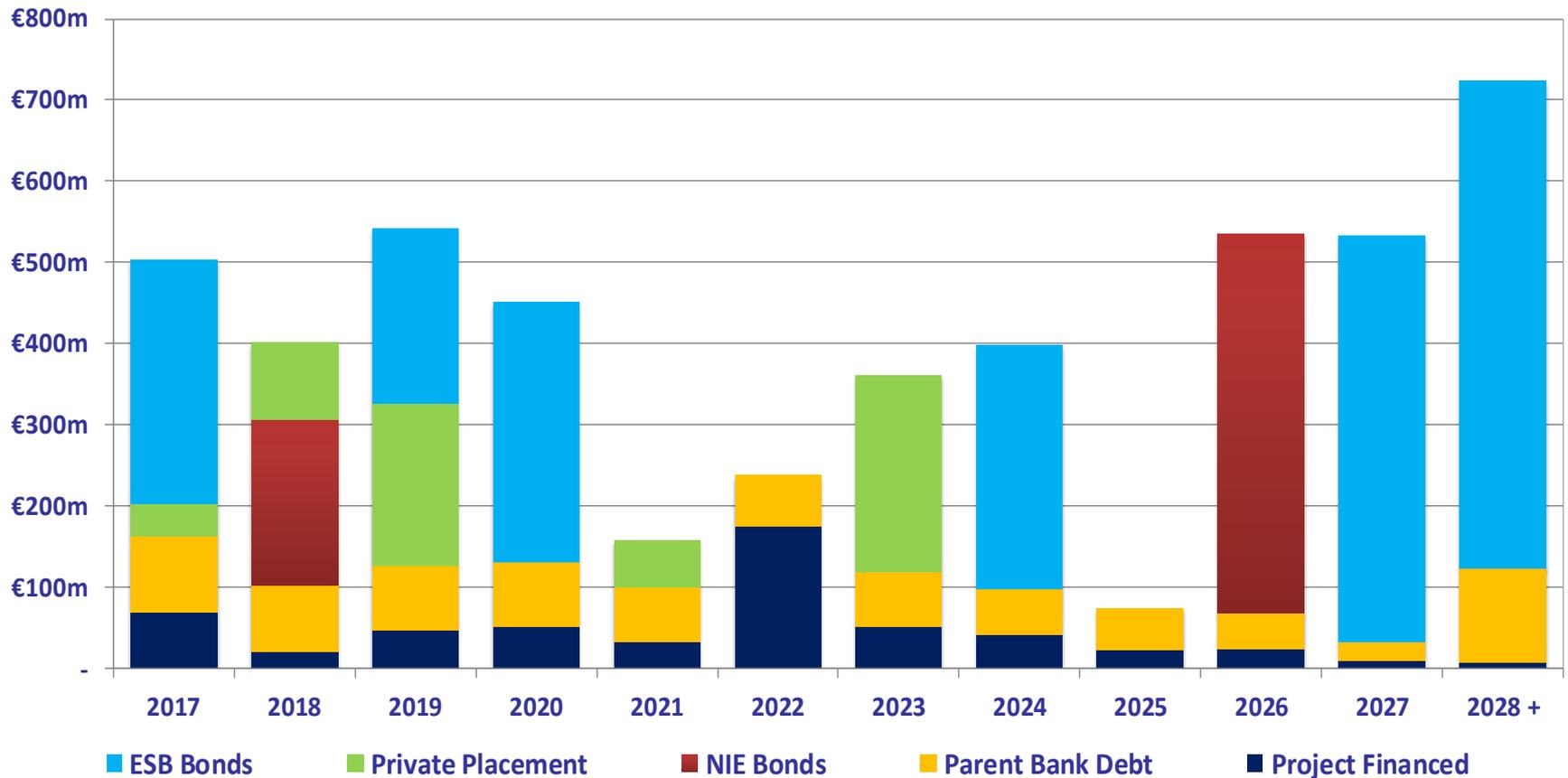
Interest Rate Management



Available Liquidity - €1.7bn



Repayment Profile – 31 December 2016



- Profile manageable. €1.7bn existing liquidity and EBITDA ~ €1.3bn pa.

Note: Excludes Joint Venture Debt

ESB Credit Ratings

- Ratings affirmed with all three rating agencies in 2016

	Current Rating
	A- (Stable Outlook)
	Baa1¹ (Positive Outlook)
	BBB+ (Stable Outlook)

¹ Moody's rating changed to positive from stable due to upgrade of Irish sovereign to A3 positive

Outlook and Summary

Outlook 2017



- Continued growth in Irish macro economy and SEM electricity demand expected
- Networks
 - ROI: PR4 2016-20 delivery ~ 50% of Group EBITDA
 - NI : NIE Networks RP6 secure satisfactory outcome
- Generation
 - Maintain Plant availability
 - Carrington Commercial Operation
 - Integrated Single Electricity Market (I-SEM)
 - Renewable Investment
- Electric Ireland
 - Continued focus on customer service, value and market share at appropriate margins
- Ongoing focus on maintaining financial strength

Summary : Consistent Financial Performance



- Strong operational performance resulted in healthy financial performance
- 2016 EBITDA €1,324 m; Gearing 51%
- Strong liquidity position €1.7bn
- Stable credit ratings of A- / Baa1 / BBB+

Contacts



ESB

ESB Two Gateway
East Wall Road
Dublin 3
D03 A995
Ireland
www.esb.ie

Ted Browne

Investor Relations Manager
+353 1 702 7432
ted.browne@esb.ie
www.esb.ie/who-we-are/investor-relations