



Debt Investor Presentation 2017 Results and Business Update

March 15th 2018

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Agenda

2017 Highlights

2017 Financial Review

Business Review

Funding and Liquidity

Outlook and Summary



Energy for generations



ESB's strategy to 2030 affirmed

Satisfactory performance in challenging generation market conditions

- Consistent underlying performance: EBITDA €1.28bn; Capex €867m; Gearing 52%
- Regulated Networks Businesses in Ireland: 72% operating profit¹ and 74% capex and assets supported by established and transparent regulatory frameworks
- Prudent exceptional non-recurring impairment of generation assets €276m (~2% total assets)

Networks

- ESB Networks (ROI) PR4 2016-20 delivery
- NIE Networks (NI) RP6 final revenue determination (October 2017- March 2024)

Generation (G&WM)

- Good plant availability 90%. Irish market share 42%. Investment in low carbon renewable. Lower energy margins.

Supply (Electric Ireland)

- Good Performance. Competing effectively. Irish market share 34%.

Strong liquidity position €1.9 bn.

Moody's credit rating upgrade to A3. S&P rating A- affirmed. Both with stable outlook.

¹ All references to operating profit in presentation are before exceptional items. 2017 exceptional non-cash impairment charge of generation assets €276m (~2% total assets). Prudent estimate of impact on projected revenues of introduction of Integrated Single Electricity Market (I-SEM) from May 2018 and lower energy margins esb.ie/ir

ESB - Strategy for a Brighter Future



ESB's Purpose

Create a brighter future for our customers by leading the transition to reliable, affordable, low carbon energy

- **Meet customers' energy needs through diverse businesses across energy value chain**
- **Markets – Ireland and Great Britain**
- **Investment focus**
 - Smart reliable networks
 - Low carbon energy
 - New business growth potential

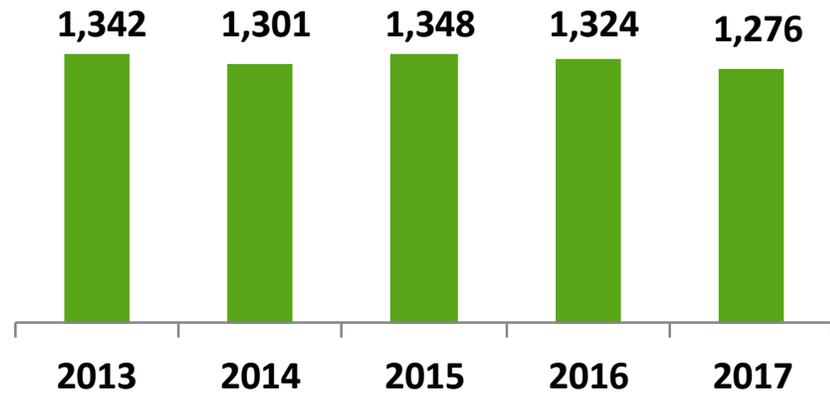


2017 Financial Highlights

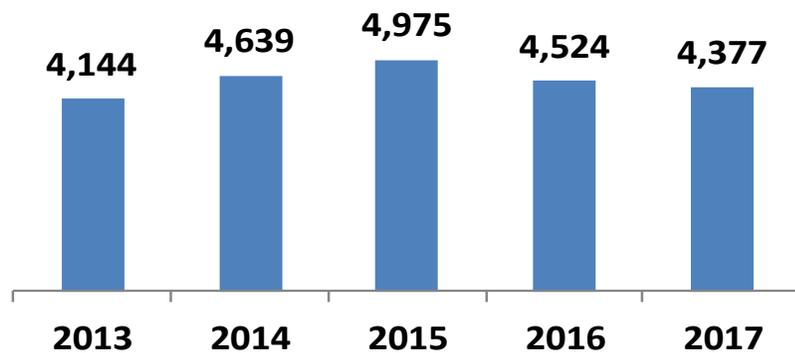


Consistent Financial Performance

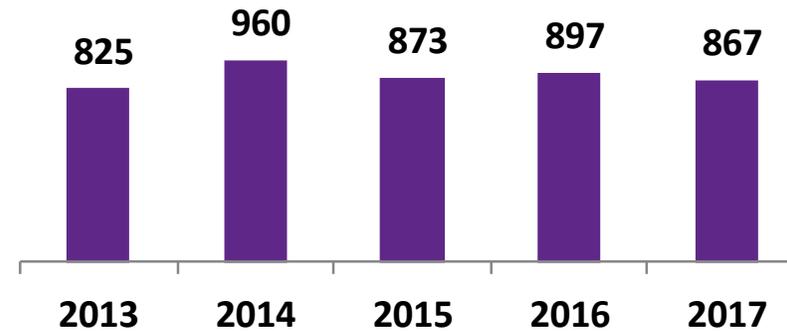
EBITDA (€m)



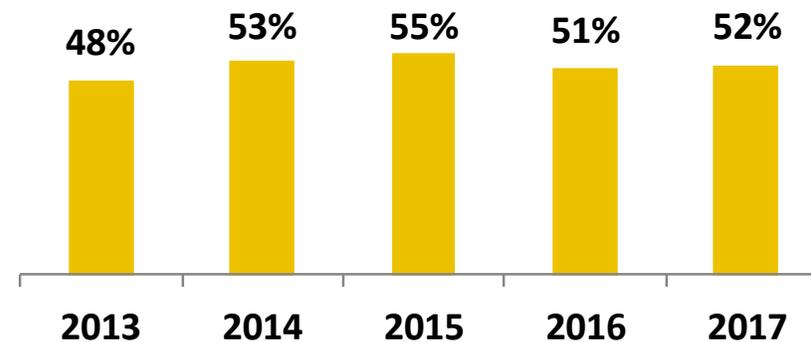
Net Debt (€m)



Capital Expenditure (€m)



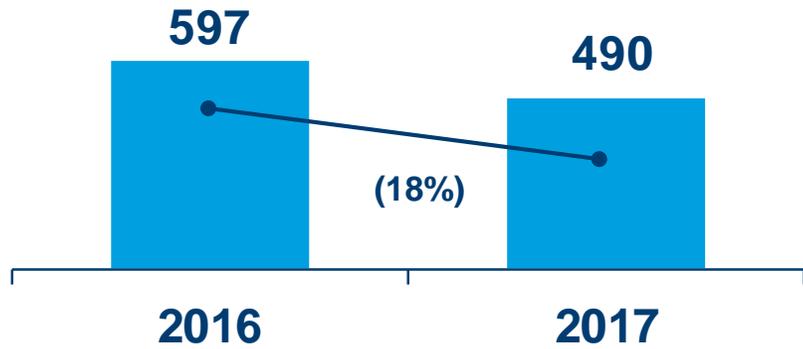
Gearing (%) ¹



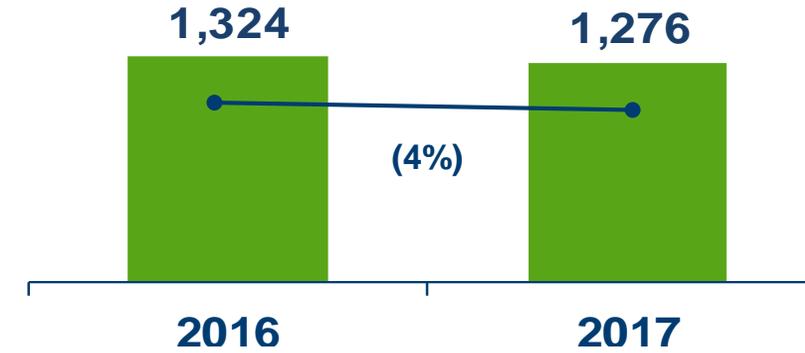
¹ Gearing = Net Debt / (Debt + Equity) on IFRS basis

2017 – Key Financial Highlights

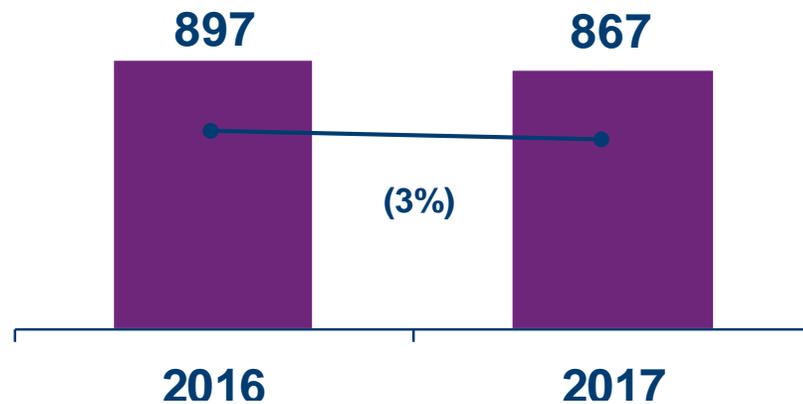
Operating Profit (€m)



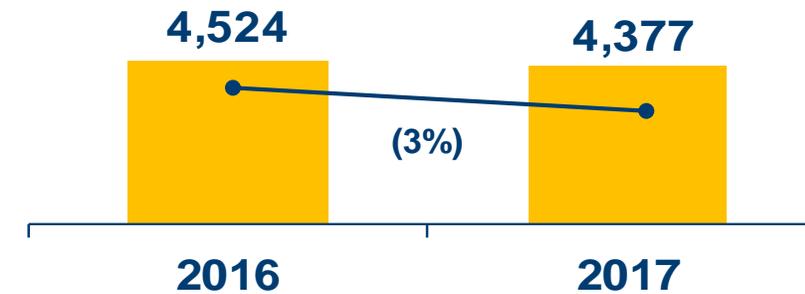
EBITDA (€m)



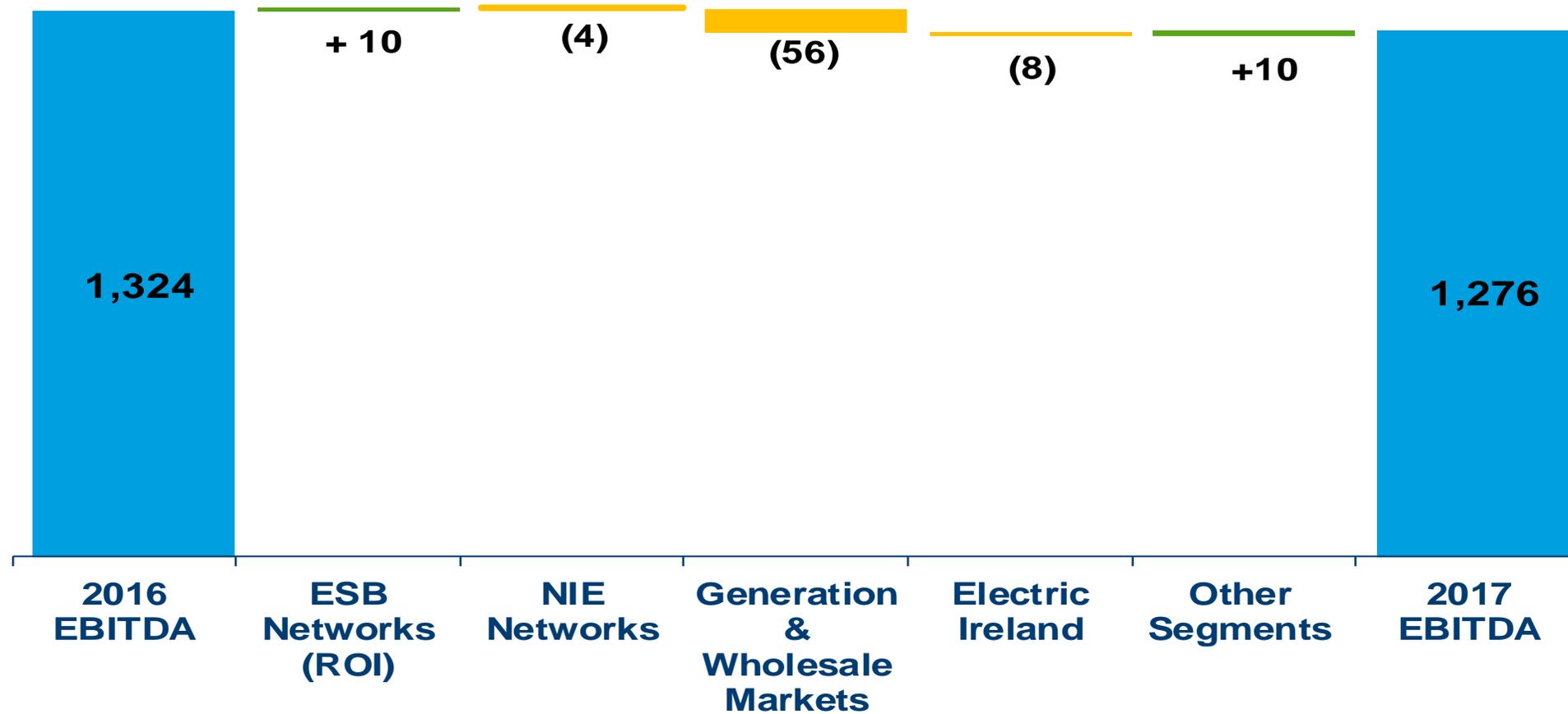
Capital Expenditure (€m)



Net Debt (€m)



EBITDA Movement – 2017 vs 2016





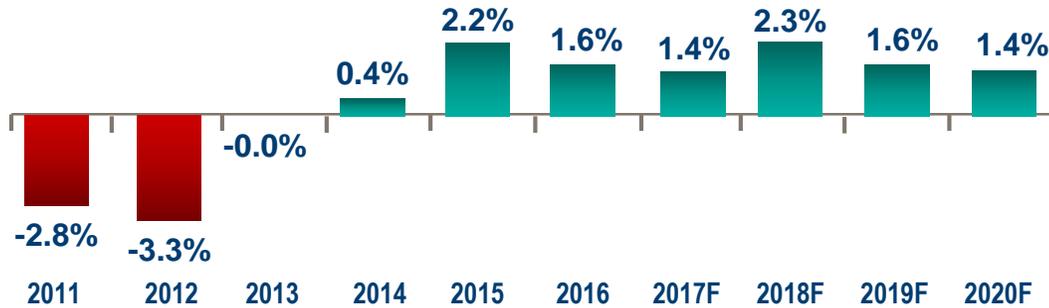
Energy for generations

Business Review



Macro Environment

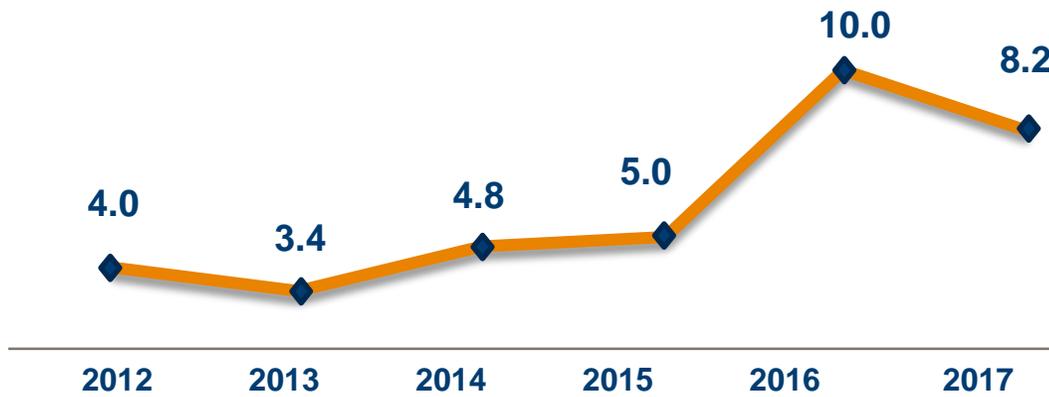
SEM¹ System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid

GB Base Load Clean Spark Spread (£/ MWh)



Source: Epex & Marex Spectron

Ireland

- Irish economy performing strongly
- Forecast GDP 7% 2017 4.4% 2018
- SEM Electricity demand growth
- Irish sovereign rating strengthened
 - A+ Stable (S&P and Fitch) and A2 Stable (Moody's)

UK

- GDP 1.7% 2017 & 1.4% 2018 forecast
- Brexit: Uncertainty persists but prudent financial management protecting ESB's credit metrics
- UK Electricity
 - Tight capacity reserve margins
 - Increasing spreads 2016 & 2017

Forecast Irish GDP Source: Central Bank of Ireland

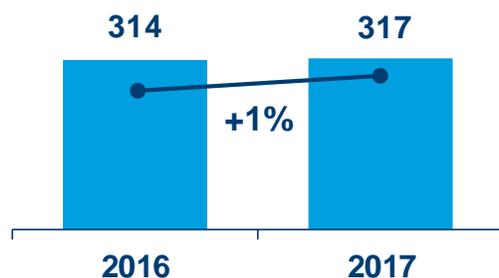
UK GDP Source: Office of Budget Responsibility

Highlights

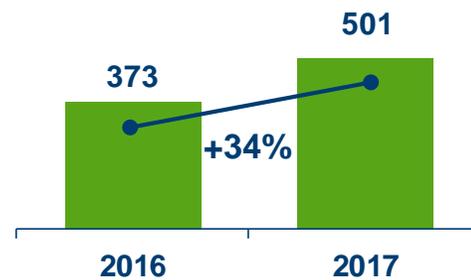
- 65% of group operating profit and 58% of group capex
- Regulated Asset Base (RAB) 2017 €7.7bn
- Strategy: Smart Reliable Networks
- PR4 Revenue Determination (2016-2020)
 - Significant capital investment
 - Higher transmission and distribution capex in 2017
 - WACC 4.95% pre tax real¹
- Operating profit broadly in line with 2016
- Focus: PR4 delivery



Operating Profit (€m)



Capital Expenditure (€m)



¹ WACC pre tax real calculated real pre tax cost of debt and real pre tax cost of equity

Northern Ireland Electricity (NIE) Networks

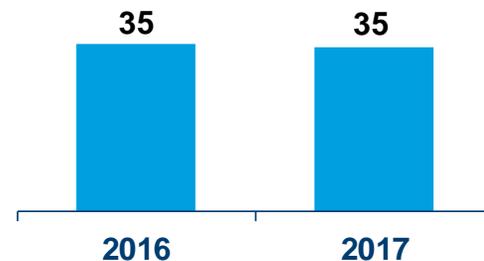
Highlights

- 7% of group operating profit and 16% group capex
- Regulated Asset Base 2017 €1.7bn / £1.5bn
- Strategy: Smart Reliable Networks
- Operating profit and capex in line with 2016
- RP6 (Oct 2017 – Mar 2024)
Satisfactory but challenging final revenue determination
- RP6 WACC 3.2% vanilla real¹ (3.8% pre tax real), reflecting low interest rate environment
- Focus: RP6 Implementation

Capital Expenditure (€m)



Operating Profit (€m)



¹ Vanilla WACC calculated real pre tax cost of debt and real post tax cost of equity

Networks' Excellent Response to Storm Ophelia

- Oct 2017: Worst Storm in over 50 Years. Winds over 190 km / h
- National Emergency Co-ordination Group
Excellent co-ordination, communication and customer engagement
- Safely and speedily repaired networks and restored power to 442,000 customers c. 14% Irish electricity customers

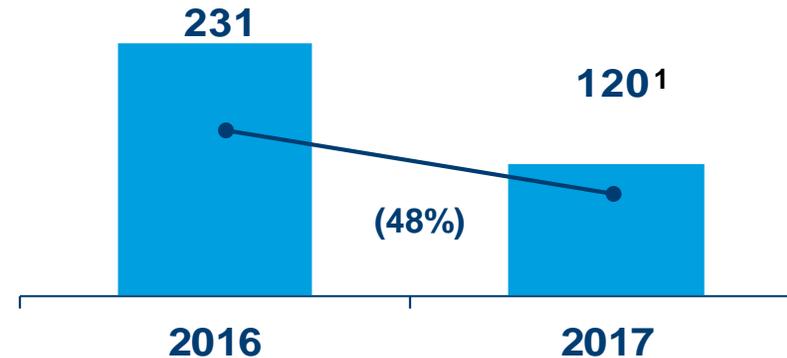


Generation & Wholesale Markets (G&WM)

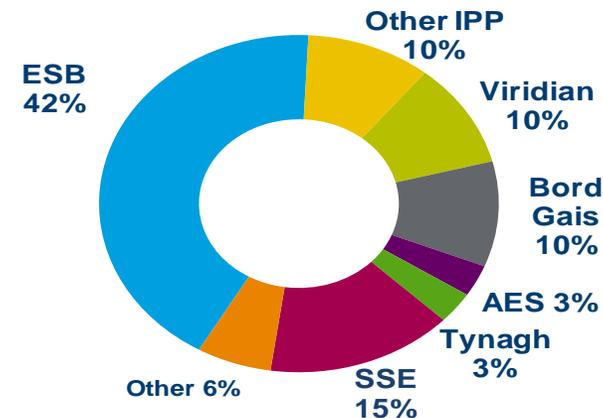
Highlights

- 25% of group operating profit and 15% group capex
- Strategy: Balanced low carbon portfolio of thermal & renewable generation
- Good generation plant availability 90%
Irish market share 42%
- Investment:
 - Low carbon renewables
 - 2017 €128m v €262m 2016. Carrington completed 2016 & delay in renewables
- Operating profit reflects lower energy margins
- Prudent exceptional non-recurring impairment of generation assets €276m (~2% total assets)
- Focus: Integrated Single Electricity Market
Renewable Investment

Operating Profit¹ (€m)



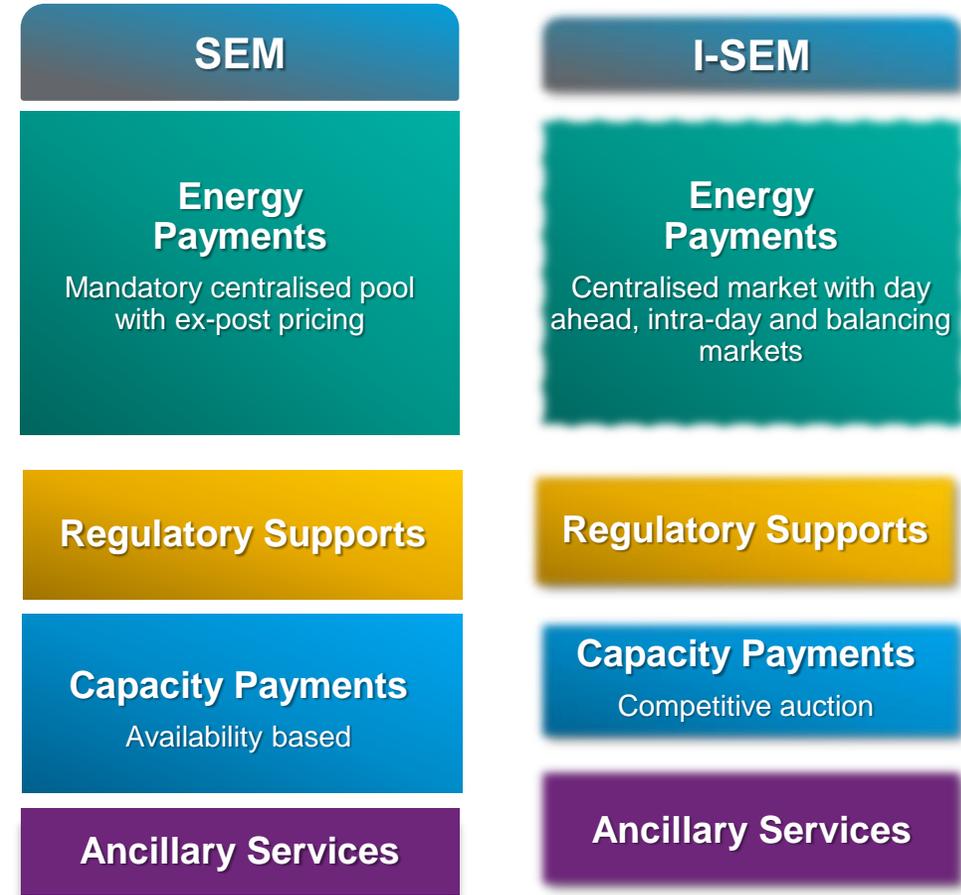
SEM Generation Market Share (MWh)



Integrated Single Electricity Market Transition

- EU Internal Energy Market compliance to align energy trading more closely with EU
- “Go live” planned May 2018
- Capacity payments remain, but lower.
Capacity auction for 23rd May 2018 to 30 Sept 2019
91% of G&WM plant MW secured contracts. Market clearing price €41.80/kW/pa
- Ancillary services market revenue cap increasing from €75m in 2016 to cap €235m by 2020
- Significant energy margin expected to continue from capacity payments and quasi-regulated regulatory supports
- More challenging but ESB portfolio mix advantageous and well positioned with focus on
 - Cost efficiency
 - Availing of additional revenue opportunities and
 - Investing in balanced low carbon portfolio of thermal & renewable generation

Broad Indicative Changes

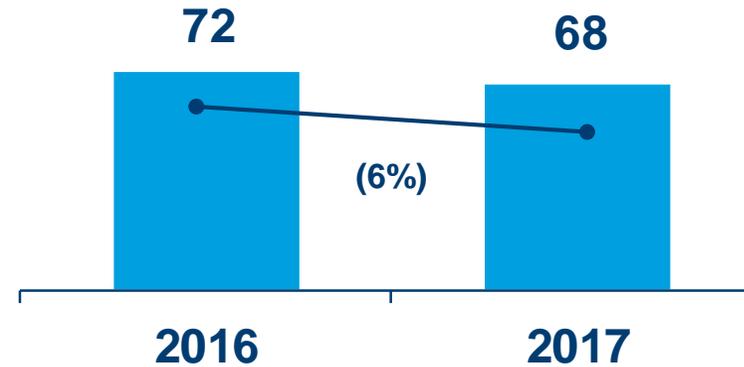


Supply: Electric Ireland

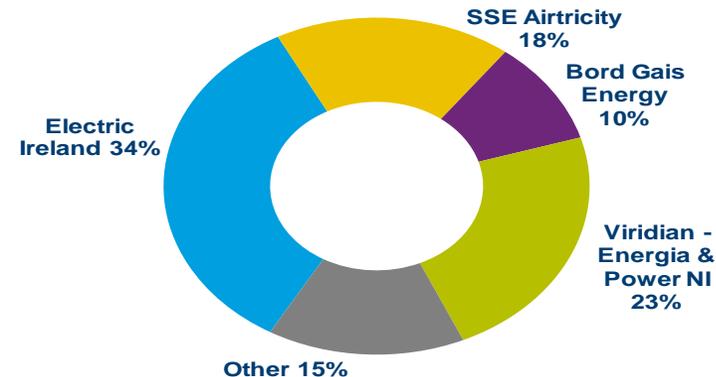
Highlights

- 14% of group operating profit
- Strategy: Meet customer energy needs
 - Competitive Offerings
 - Excellent Customer Service
 - Innovative and value driven solutions
- Operating profit €68m. Margin 3.7%
- Competing effectively
- Market share 34% with 1.4m customer accounts
- GB Supply residential market entry under brand “ESB Energy” as long term growth opportunity
- Focus: Meet customer energy needs through value driven solutions at appropriate margins

Operating Profit (€m)



SEM Retail Market Share (MWh)



Funding & Liquidity

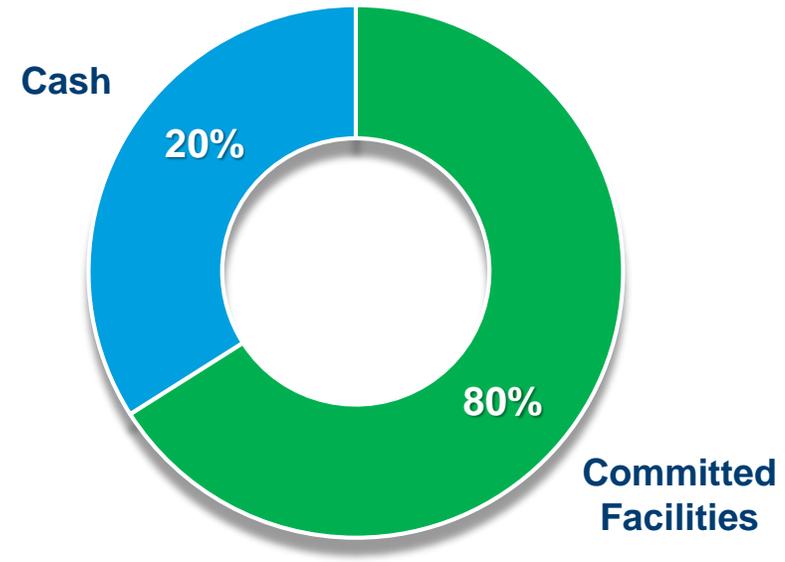
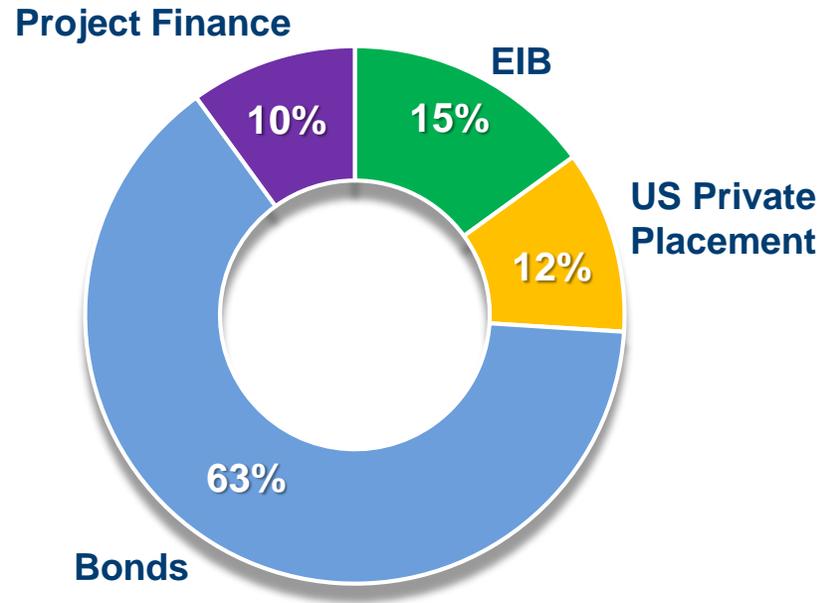


ESB Group Debt – Diversified Funding and Strong Liquidity



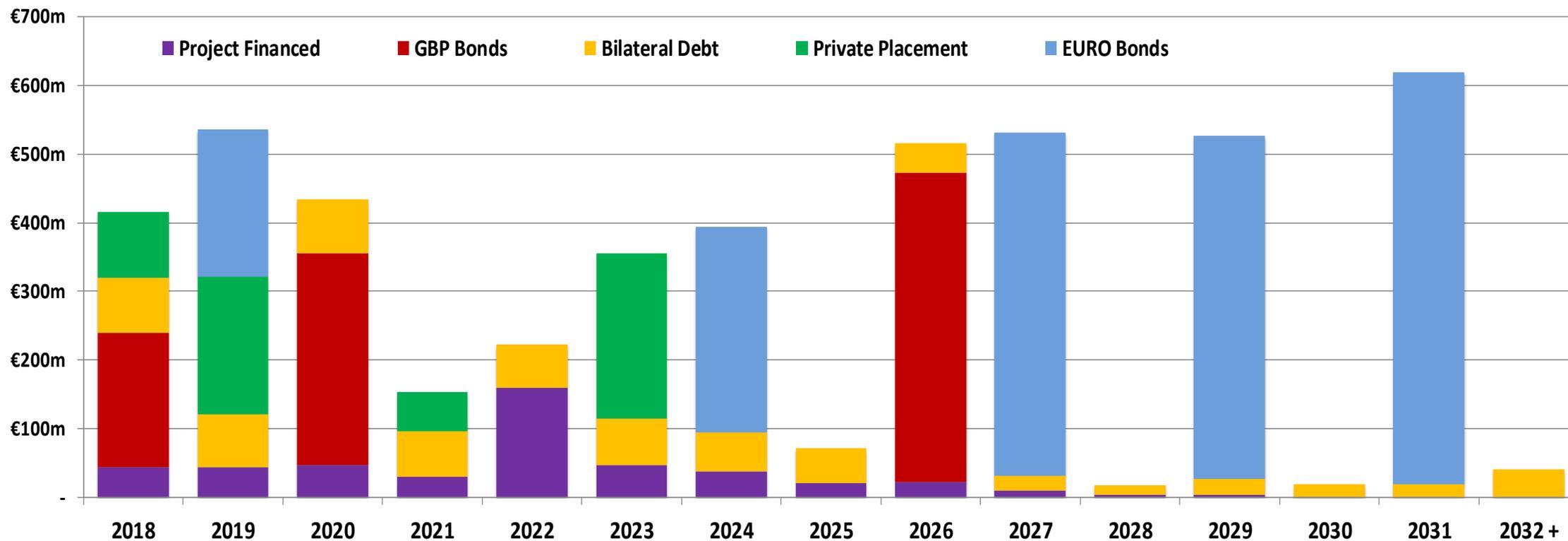
Group Debt 31 December 2017 - €4.8bn

Available Liquidity - €1.9 bn



● €500m 12 year bond issued early 2017 at 1.75%

Repayment Profile – 31st December 2017



- Manageable profile. €1.9 bn liquidity and EBITDA ~ €1.3bn pa.

Note: Excludes Joint Venture Debt

ESB Credit Ratings

	Long Term Rating
S&P Global Ratings	A-
MOODY'S INVESTORS SERVICE	A3

- Fitch Ratings ceased from 1st March 2018 (last rated senior unsecured debt A-)



Energy for generations

Outlook & Summary



- **Continued growth in Irish economy and SEM electricity demand expected**
- **Networks**
 - ESB Networks (ROI) PR4 2016-20 delivery
 - NIE Networks (NI) RP6 (Oct 2017-March 2024) implementation
- **Generation (G&WM)**
 - Integrated Single Electricity Market (I-SEM)
 - Low carbon renewable investment
- **Supply (Electric Ireland)**
 - Meet customer energy needs through value driven solutions at appropriate margins
- **Ongoing focus on strategy delivery while maintaining financial strength**

- **Leading Irish energy utility**
- **Stable business profile**
- **2017 satisfactory performance in challenging generation market conditions**
 - 2017 consistent solid underlying performance : EBITDA €1.28bn and Gearing 52%
 - Diversified funding and strong liquidity position €1.9bn
 - Credit ratings of A- and A3 both with stable outlooks

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