



Energy for
generations

INVESTOR UPDATE HY 2019

24 September, 2019

www.esb.ie/ir



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H1 2019 Highlights

ESB delivered improved financial results as it continues its transition to a low carbon energy future



- **EBITDA €664 million; Capex €396 million; Gearing 52%**
- Capital expenditure €396 million, including 77% (€305 million) on regulated networks capital infrastructure.

Networks: Regulated Networks Businesses in Ireland; 67% of Group EBITDA¹ and 77% of capital expenditure, supported by established and transparent regulatory frameworks

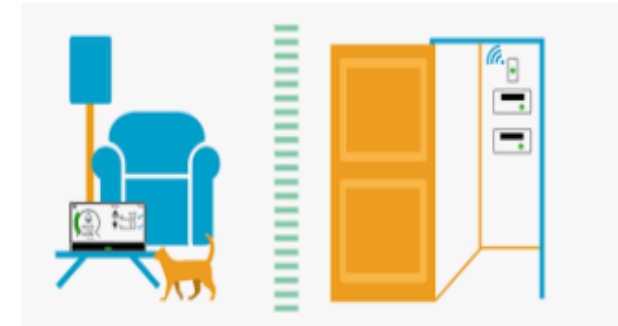
Generation & Trading: Improved financial results, continuing investment in low carbon renewable generation

Customer Solutions (including Electric Ireland): Electric Ireland competing effectively with an Irish market share of 33%

Strong liquidity position of €2.2 billion at 30 June 2019

Credit ratings reaffirmed A- / A3

Climate Action Plan: ESB strategy is aligned with the Government's recently published Climate Action Plan which is targeting significant increases in renewables and the electrification of heat and Transport.



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
- Targeting to increase renewables to 50% of generation capacity (generating 40% electricity) by 2030
- Targeting a 50% reduction in carbon intensity by 2030

Investment Focus

- Core Markets Ireland & UK
 - Smart reliable networks
 - Low carbon energy
 - New business growth potential





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FINANCIAL OVERVIEW

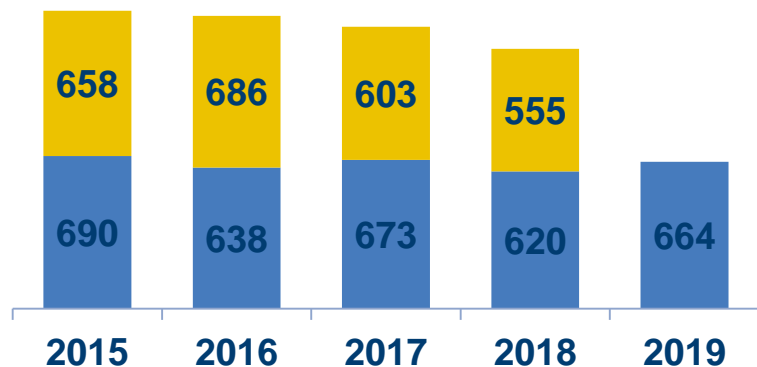


Consistent Financial Performance

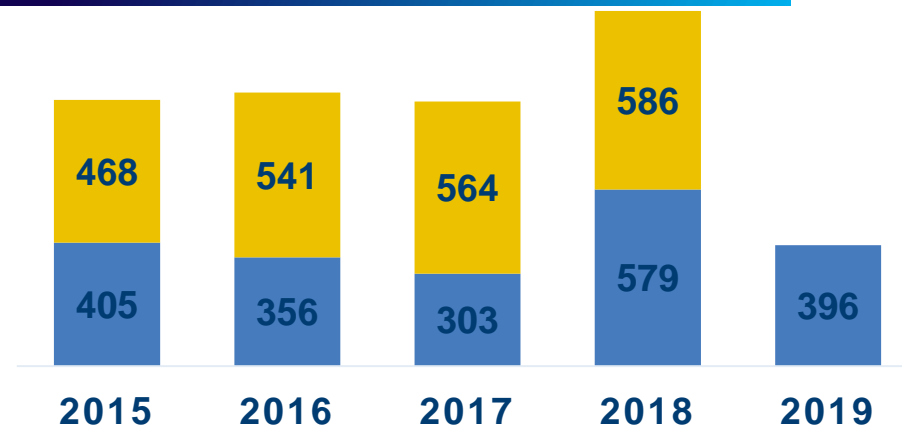


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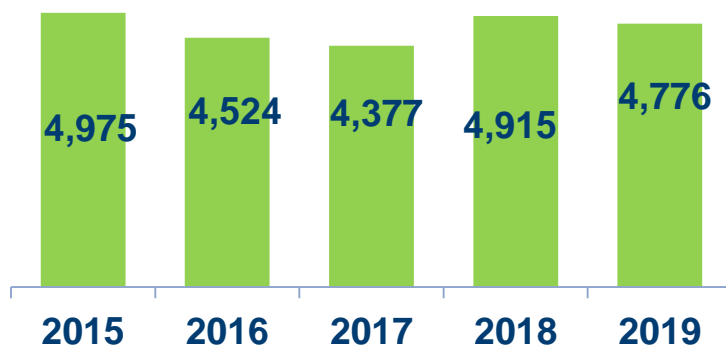
EBITDA (€m)



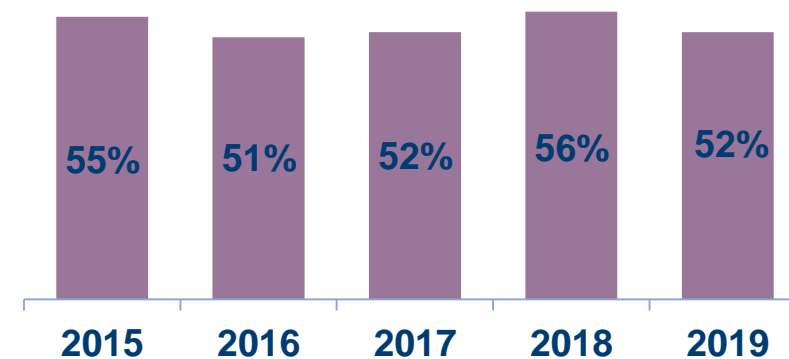
Capital Expenditure (€m)*



Net Debt (€m)



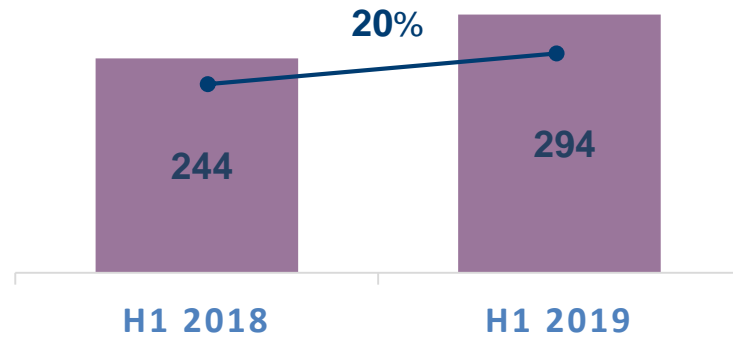
Gearing (%)



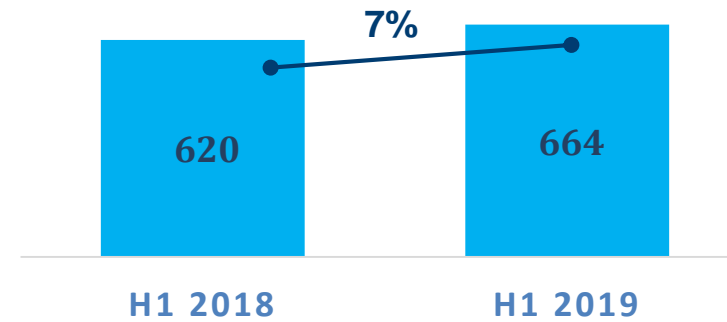
- 2015-2017 Capex is net of capital contributions (Avg €150 p.a)
- 2018 & 2019 capex is gross of capital contributions

H1 2019 – Key Financial Highlights

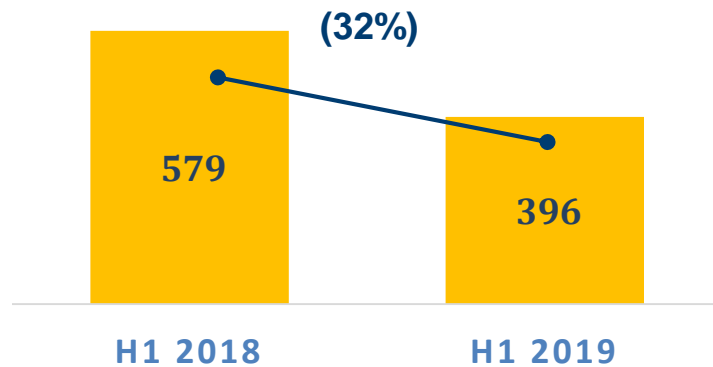
Operating Profit (€m)



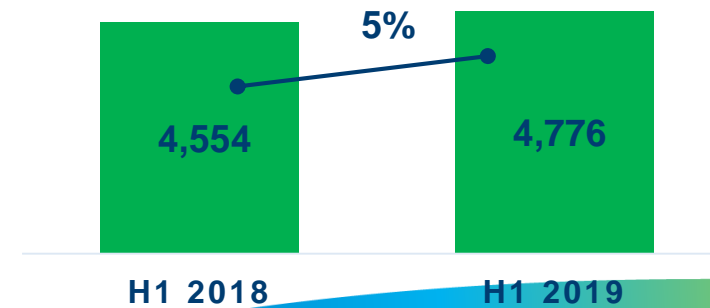
EBITDA (€m)



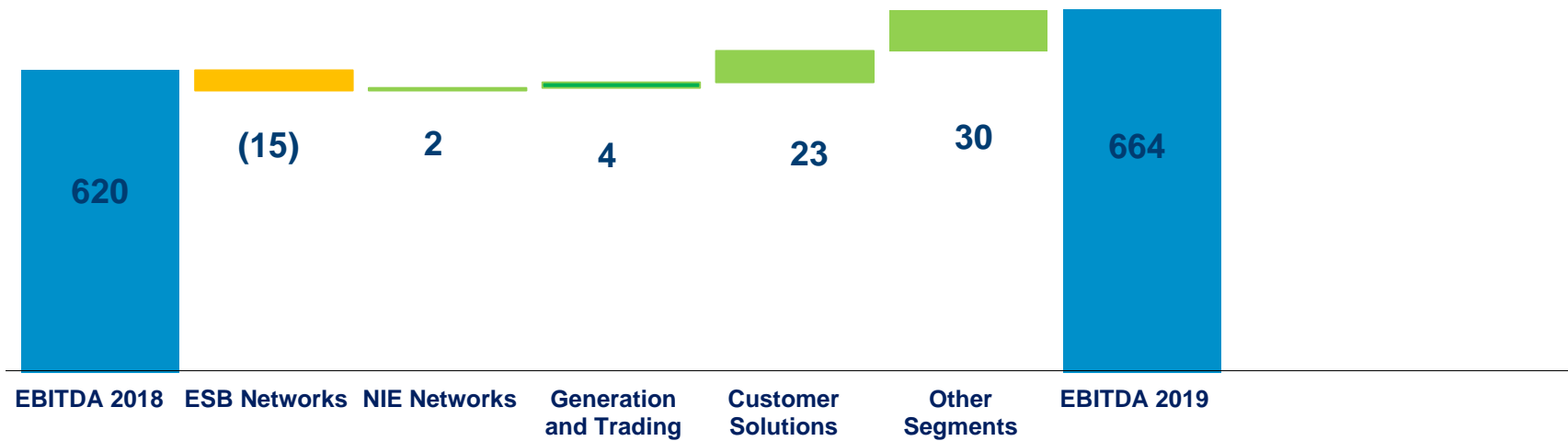
Capital Expenditure (€m)



Net Debt (€m)



EBITDA Movement – H1 2019 vs H1 2018





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BUSINESS REVIEW



Operating Environment

Ireland

- Irish economy performing strongly
- GDP +8.2% 2018 +4.9% 2019 forecast
- Strong Irish sovereign rating : A+ Stable (S&P) and A2 Stable (Moody's)
- SEM Electricity demand growth
- Energy market stable following ISEM transition

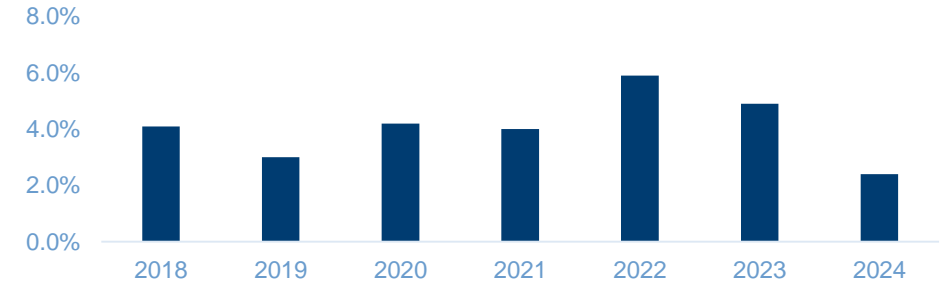
Great Britain

- UK GDP +1.4% 2018 & +1.2% 2019 forecast
- Brexit
 - Sterling assets matched with sterling funding;
 - SEM underpinned by pre-existing legislation in NI and ROI;
 - NIE Networks has no volume risk; visibility to end Q1 2024
- UK Capacity Market remains suspended. The impact for 2019 is €11m



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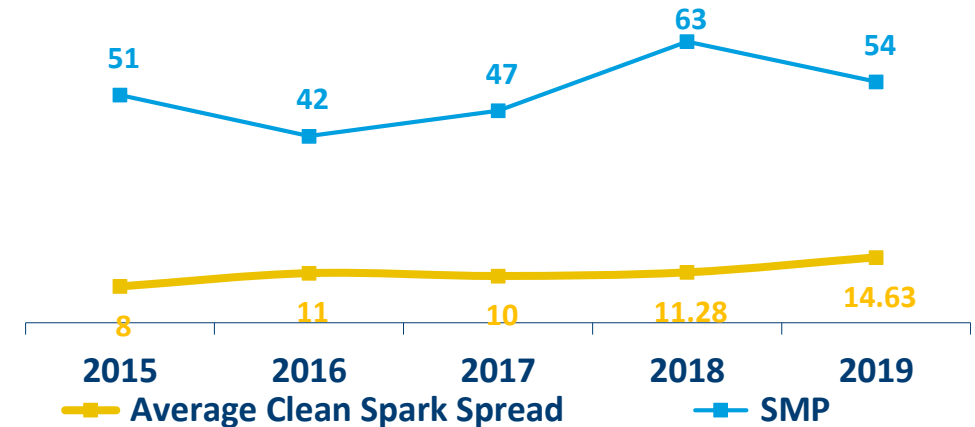
SEM¹ System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid

Market Price Trend



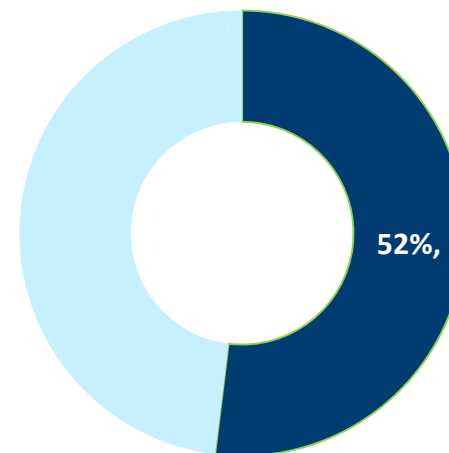
Forecast Irish GDP Source: Central Bank of Ireland Q3 2019 Bulletin

UK GDP Source: Office of Budget Responsibility 13th March 2019

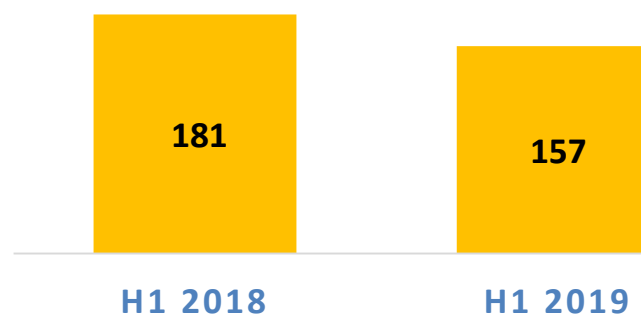
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Business Highlights

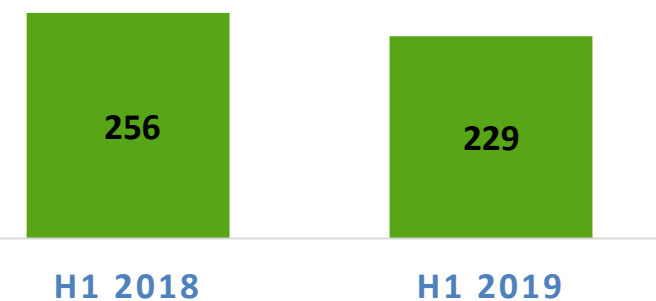
- 52% of Group EBITDA and 56% Group Assets.
- Operating profit decrease due to lower volumes resulting from milder weather and higher depreciation.
- Capex decrease relates to lower Transmission spend due to timing of projects.
- Regulated Asset Base (RAB) 30 June 2019 €8.1bn.
- PR4 Revenue Determination (2016-2020)
 - €3.1 billion capex programme
 - WACC 4.95% pre tax real¹
- **Focus:** PR4 delivery, PR5 submissions to CRU due in Q4 2019



Operating Profit (€m)



Capital Expenditure (€m)



Northern Ireland Electricity (NIE) Networks

Business Strategy -Smart Reliable Networks to support decarbonisation

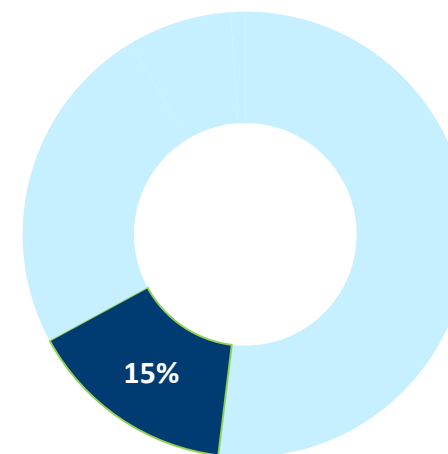


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H1 2019 EBITDA - €664m

Business Highlights

- 15% of Group EBITDA and 19% Group Assets
- Operating profit is down due to lower revenue offset by reduced payroll costs
- Capex decrease is due to lower generation connections
- Regulated Asset Base 2019 €1.8bn / £1.6bn
- RP6 revenue determination (Oct '17 – Mar '24)
 - RP6 WACC 3.2% vanilla real¹ (3.8% pre tax real)
- **Focus:** RP6 Implementation



Operating Profit (€m)



H1 2018

H1 2019

Capital Expenditure (€m)



H1 2018

H1 2019

Generation & Trading (GT)

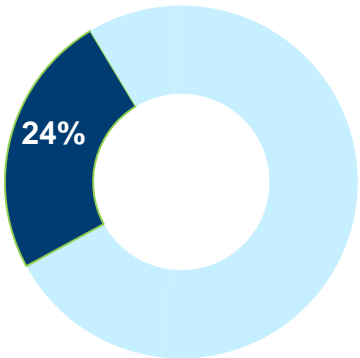
Business Strategy – Transition to low carbon generation portfolio



Business Highlights

- 24% of Group EBITDA and 18% Group Assets
- All-Island SEM¹ market share 32% by volume
- Increase in operating profit reflects lower overhaul costs and lower depreciation offset by lower energy margin.
- Lower energy margin - reduced running of Moneypoint in 2019 and lower capacity income partially offset by higher gas spreads
- Decrease in Capex reflects 2018 12.5% acquisition in the Galloper offshore windfarm (€127m)
- Diversified fuel mix
- **Focus:** Build pipeline of renewable projects, successfully operate within SEM

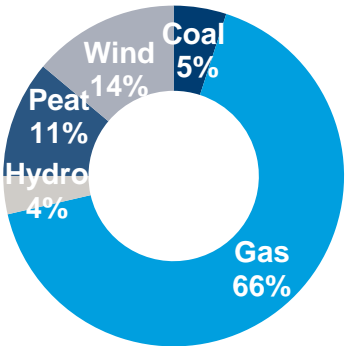
H12019 EBITDA - €664m



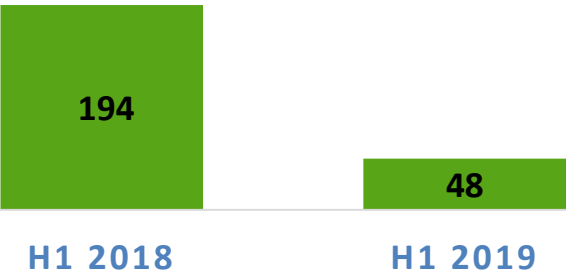
Operating Profit (€m)



Fuel Mix Total Generation



Capital Expenditure (€m)



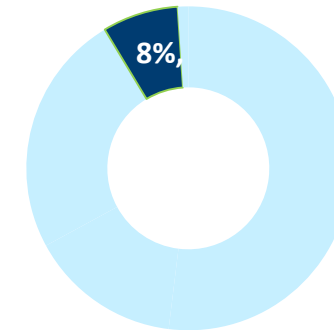
Customer Solutions (incl Electric Ireland)

Business Strategy – Competitive offerings & excellent customer service to meet customer needs



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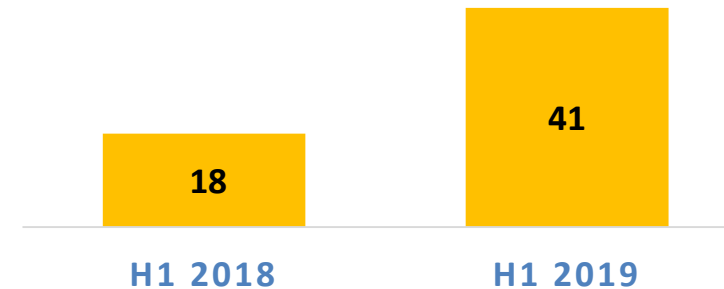
H1 2019 EBITDA - €664m



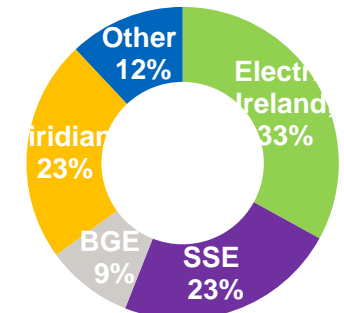
Business Highlights

- Customer-facing businesses including supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Customer Solutions contributed 8% of Group EBITDA
- Operating profit €41m.
- Operating profit increase driven by the timing of 2 price increases since August 2018.
- Irish market share 33% with 1.3m customer accounts
- **Focus:** Meet customer energy needs through value driven solutions at appropriate margins

Operating Profit (€m)



SEM Retail Market Share (MWh)



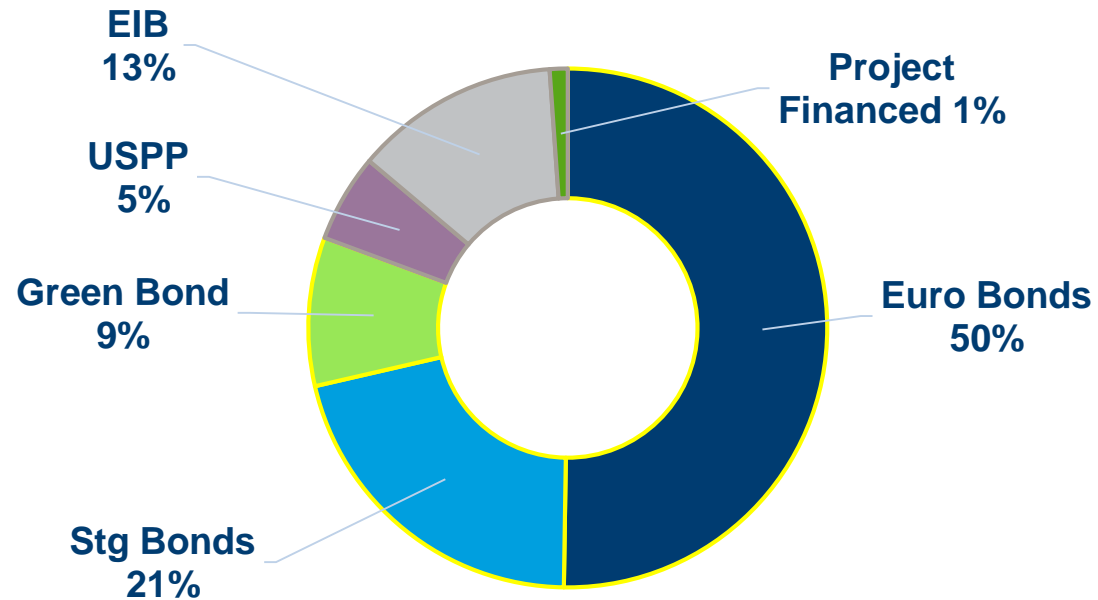
¹ Irish= Republic of Ireland and Northern Ireland



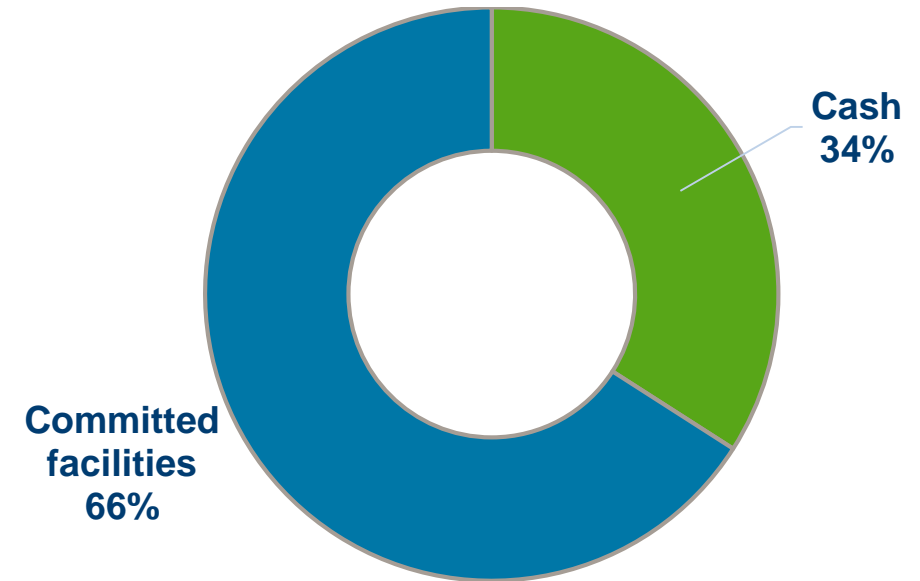
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FUNDING & LIQUIDITY

**Group Debt 30 June
2019 €5.4bn**

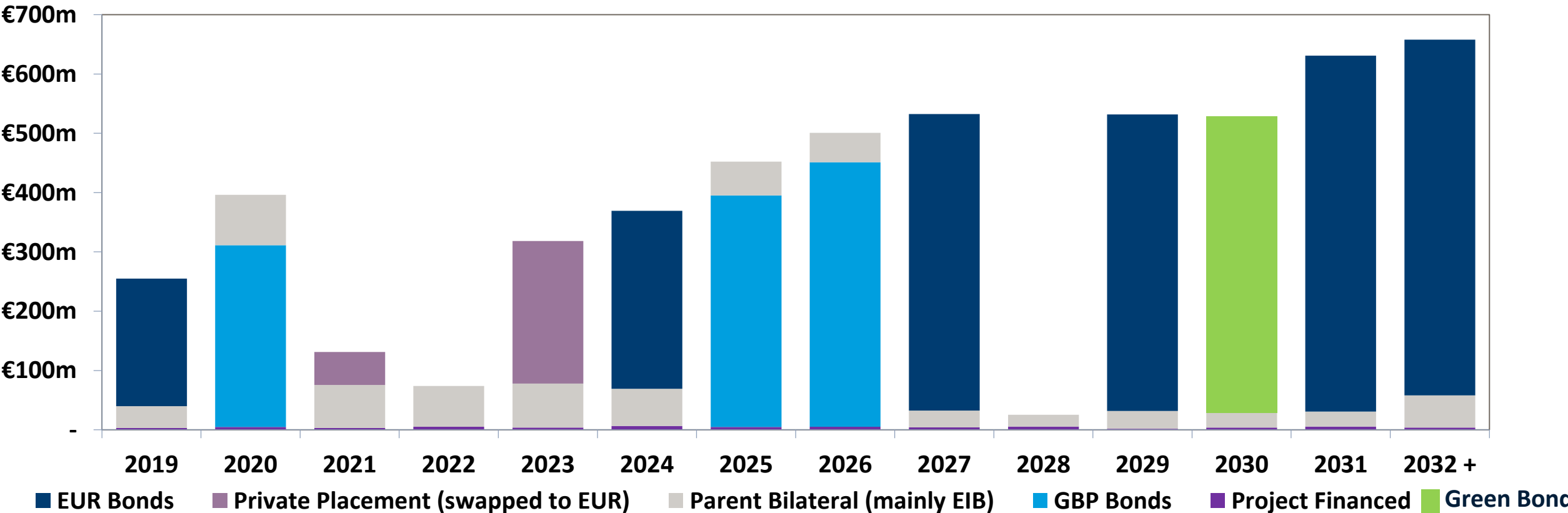


**Available Liquidity 30 June
2019 €2.2bn**



Included above is ESB's inaugural Green Bond issued in June 2019 – coupon 1.125% maturity June 2030

Debt Repayment Profile as at 30 June 2019



Note: Excludes Joint Venture Debt

S&P Global
Ratings

A-

(Stable Outlook)
Long Term Rating

MOODY'S
INVESTORS SERVICE

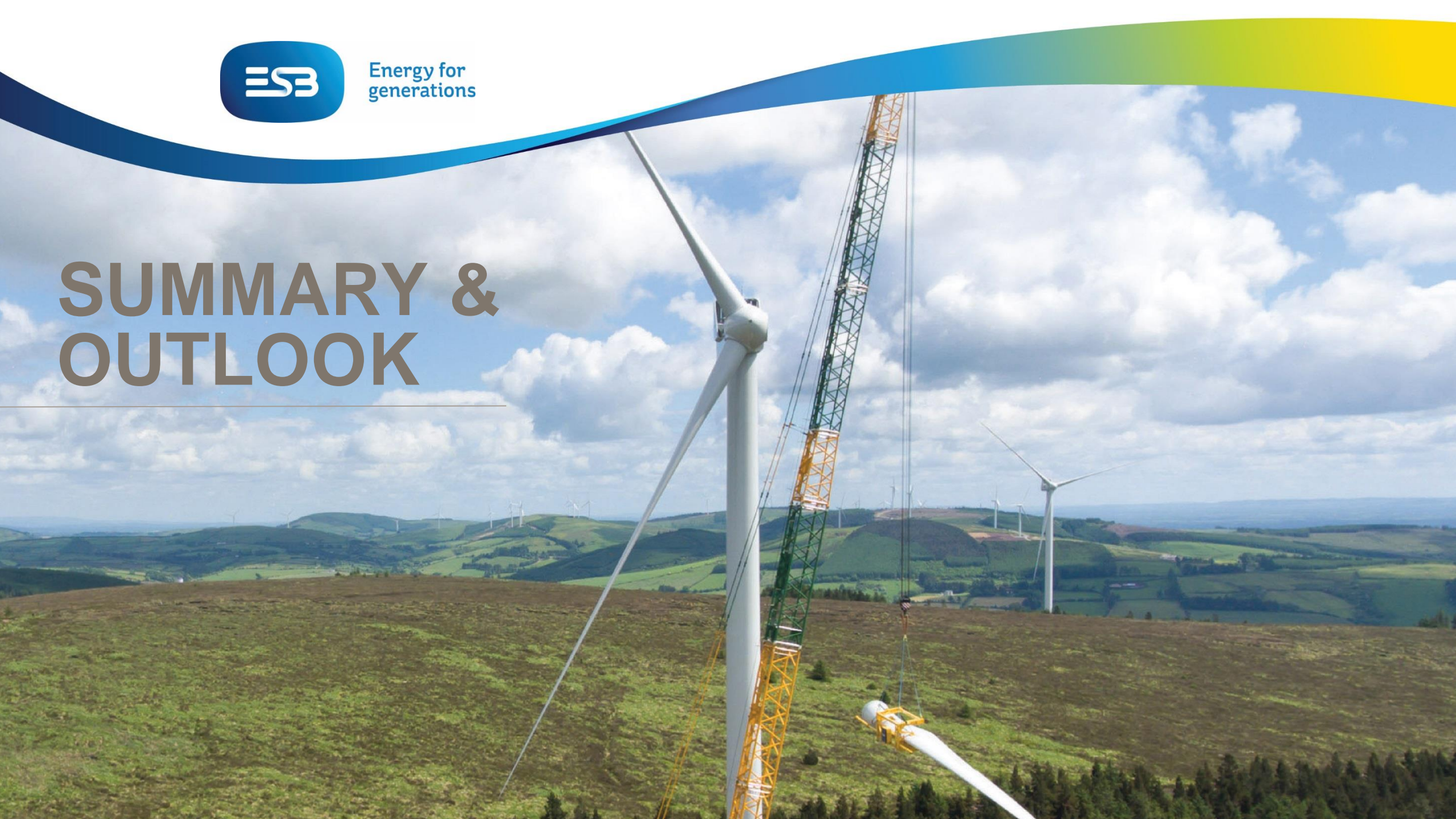
A3

(Stable Outlook)
Long Term Rating



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SUMMARY & OUTLOOK



- **Strategy**

- ESB strategy is aligned with the recently published Climate Action Plan which is targeting significant increases in renewables and the electrification of heat and transport.
- ESB remains focused on transitioning to a low carbon energy future

- **Economy**

- Continued growth in Irish economy and SEM electricity demand expected

- **Networks**

- ESB Networks (ROI) PR4 delivery and preparation for PR5
- NIE Networks (NI) RP6 delivery

- **Generation (GT)**

- Low carbon and renewable investment
- Challenging period for thermal generation

- **Customer Solutions**

- Meet customer energy needs through value driven solutions at appropriate margins

- **Ongoing focus on strategy delivery while maintaining financial strength**





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