

ESB Investor Update

21st September 2020
www.esb.ie/ir



Energy for
generations

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PAT FENLON

GROUP FINANCE DIRECTOR



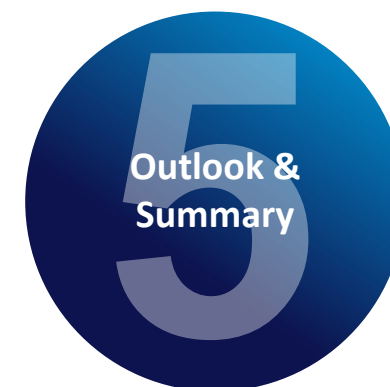
GERRY TALLON

GROUP TREASURER



ÉILISH DOLAN

MANAGER, INVESTOR
RELATIONS & CREDIT RATING



H1 2020 - Highlights

- In the context of an extremely challenging operating environment brought about by the global COVID-19 pandemic ESB delivered :
- **EBITDA* €604m; Operating profit before exceptionals €249m; Capex €395m; Gearing 55%**
 - Impairment charge of €177m relating to Carrington gas plant in UK has resulted in Loss After Interest and Tax of €66m
- **Networks:** Regulated Networks Businesses in Ireland; 73% of Group EBITDA¹ and 84% of capital expenditure, supported by established and transparent regulatory frameworks
- **Generation & Trading:** Carrington impairment as a result of projected reduction in UK thermal margins; continuing transition to low carbon renewable generation
- **Customer Solutions** (including Electric Ireland): Electric Ireland competing effectively with an Irish market share of 36%^
- **Strong liquidity** position of €1.6 billion at 30 June 2020; **Credit ratings** reaffirmed A- / A3
- **Climate Action Plan:** ESB strategy is aligned with the Irish Government's Climate Action Plan which is targeting significant increases in renewables and the electrification of heat and transport.



*All references to EBITDA in presentation are before exceptional items.

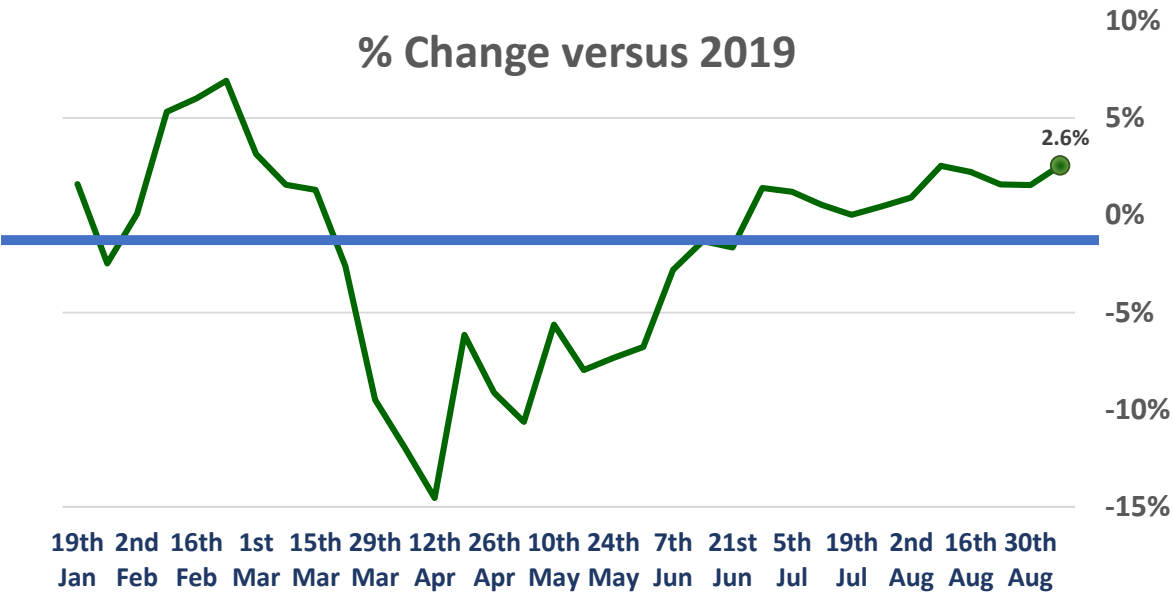
^ESB estimate. ESB market share at 31 December 2019 per CRU was 34%

- As the provider of an essential service, **ESB has a critical role to play in supporting the Irish Government's response** to this crisis. The principles underpinning our approach to the crisis are:
 - ❖ Maintain the *safety, health and wellbeing* of all ESB employees, contractors, their families, customers and the public;
 - ❖ Maintain a *secure and reliable electricity service*;
 - ❖ Remain *agile and responsive*, adapting rapidly and appropriately as the situation evolves.
- We have instigated several *key contingency measures* to ensure the business continues to operate effectively including:
 - ❖ remote working, remote operation of assets, additional PPE etc
- ESB is **financially resilient** driven by:
 - ❖ *Demand* - Electricity demand has recovered and since July is running slightly above 2019 levels;
 - ❖ ESB Networks and NIE Networks revenue is secured under regulatory contracts;
 - ❖ *Profitability* - ESB maintained its profitability in 2020 delivering an operating profit before exceptional items of €249 million
 - ❖ *Strong Balance Sheet*
 - ❖ Liquidity as at 30 June 2020 was €1.6 billion; RCF refinanced in Feb 2020; GBP £325m bond; Euro €200m green "tap"
 - ❖ Strong investment grade credit rating from S&P and Moody's (A- / A3) both reaffirmed in June



COVID-19 ESB Impact – 2020

COVID-19 Impact	€m
Lower revenue	-23
Higher bad debts provision	-5
Higher payroll costs (annual leave accrual and less capitalised)	-15
Impact of COVID-19 on Operating Profit	-43



Strategic Objectives

- 5 Strategic Objectives to deliver the Brighter Future Strategy

Investment Focus

- Core Markets Ireland & UK
- Smart reliable networks
- Low carbon generation

Climate Action Plan (CAP)

- ESB Strategy is fully aligned with Government of Ireland CAP
 - Target of 70% of electricity from renewable sources by 2030
 - Targeting c. 1 million EV's by 2030
 - 600k heat pumps to be installed by 2030



How is ESB Leading the Transition?

Generation & Trading:

- Offshore Wind: Neart na Gaoithe (Scotland), Galloper (England) and Oriel (ROI)
- Onshore Wind: Grousemount & Oweninny (Ireland) & Coriolis (Scotland)
- Long term partnerships: Coillte , Equinor, Harmony Solar
- Peat stations will close end 2020 & Moneypoint (c. 900MW) will not burn coal after 2025

Networks:

- C. 70k SMART meters installed under National Smart Metering Programme (NSMP)
- 5.2 GW of renewable generation connected to the grid

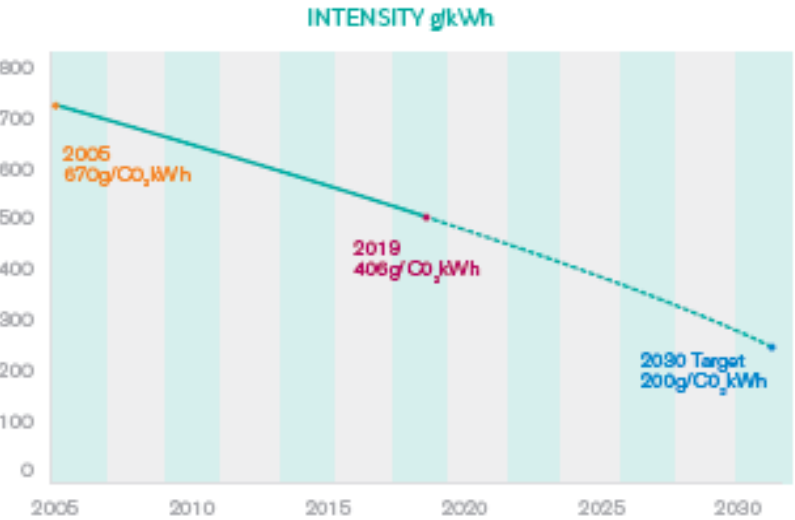
Customer Solutions:

- Electric Vehicle (EV) infrastructure upgrade commenced & new pricing framework
- Rollout of 100% renewable rapid charging networks in Birmingham



- 2019 Sustainability Report
- Green Bond Framework and Report for 2019/2020
- CDP Score Improvement

ESB'S CARBON INTENSITY



CDP SCORE REPORT - CLIMATE CHANGE 2019



ESB Group

Region	Europe
Country	Ireland
Questionnaire	Electric utilities
Activity Group	Thermal power generation

The CDP Score Report allows companies to understand their score and indicate which categories require attention in order to reach higher levels. This enables companies to progress towards environmental stewardship through benchmarking and comparison with peers, in order to continuously improve their climate governance. Investors will additionally receive a copy of the CDP Score Report upon request. For further feedback please contact your account manager of your key CDP contact.

Your CDP score



Average performance



Thermal power generation



Europe



Global Average

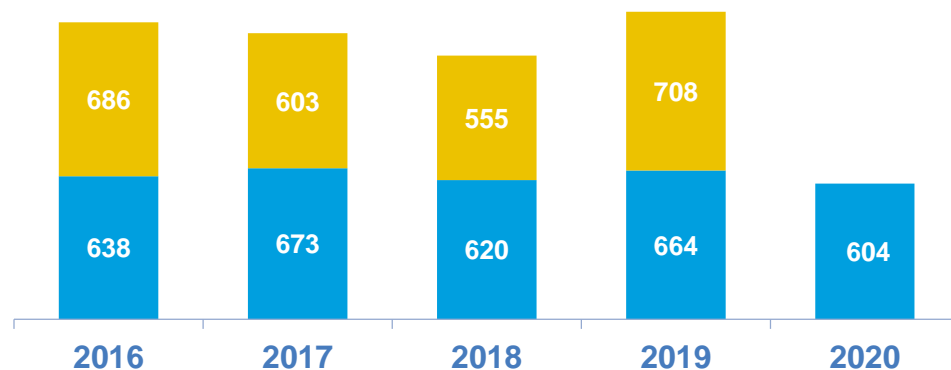


www.esb.ie/investor-relations/green-bond

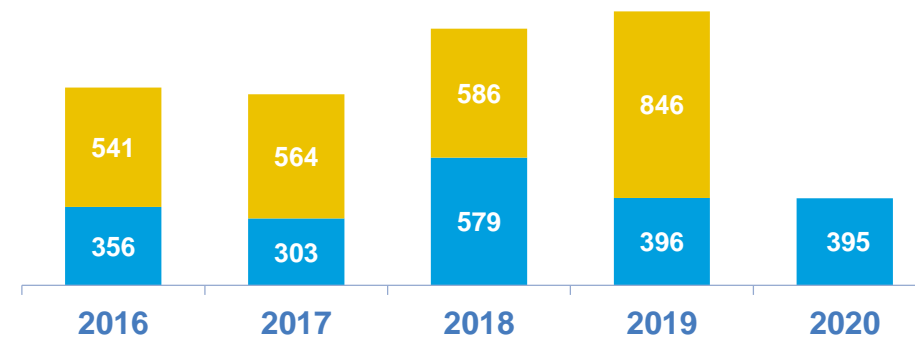
FINANCIAL OVERVIEW

Consistent Financial Performance

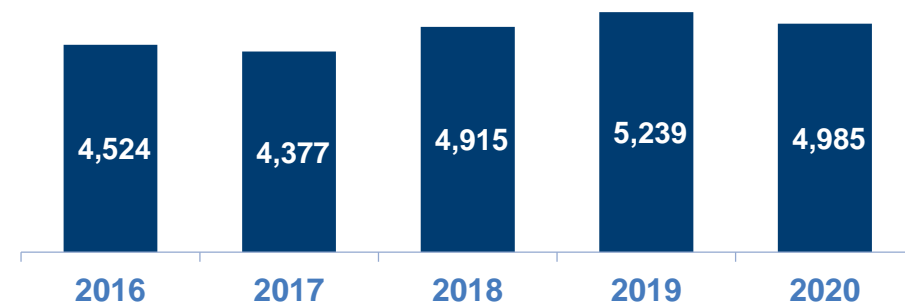
EBITDA (€m)



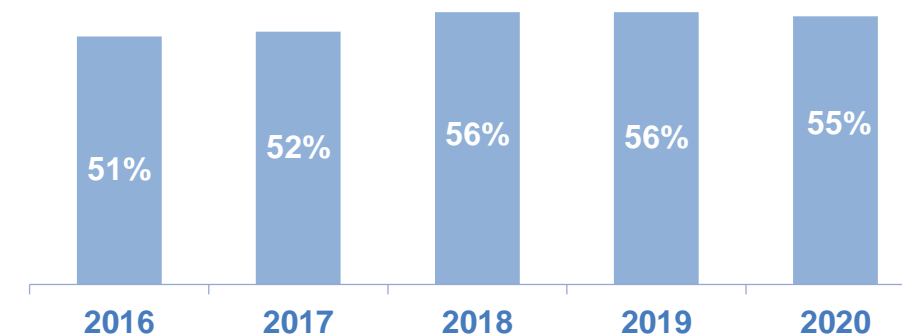
Capital Expenditure (€m)*



Net Debt (€m)



Gearing (%)



- 2015-2017 capex is net of capital contributions (Avg €150 p.a)
- 2018 - 2020 capex is gross of capital contributions

2020 Financial Highlights

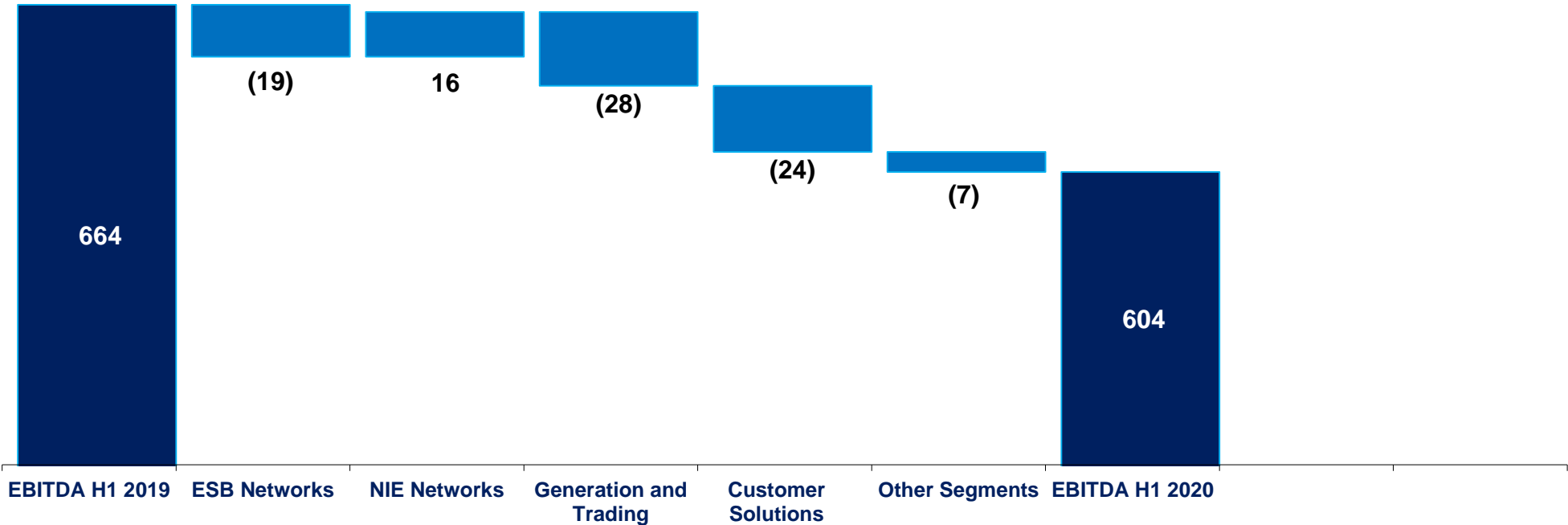
Highlights	H1 2020	Change vs H12019	Commentary
EBITDA	€604m	-9%	Lower energy margins and higher operating costs in Income Statement 73% of EBITDA in regulated businesses
Capex	€395m	0%	Reduction in renewables spend and increase in SMART spend c.84% of capex in regulated businesses
Gearing	55%	+3%	Reflecting the increase in Net Debt since H12019. Gearing reduced by 1% since 31 December 2019
Liquidity	€1.6bn	+€100m	£325m bond Jan 2020 €200m tap of Green Bond July 2020
Credit Ratings	A-/A3	-	Ratings with both agencies re-affirmed in 2019

Points of Note

Impairment	Reduced forward thermal prices has led to €177m impairment charge on Carrington gas plant in UK
Interim Dividend	Reported Loss after Interest & Tax of €66m and ongoing COVID-19 uncertainty has led to decision not to declare an interim dividend.
UCC Flooding	Post Balance Sheet event recognising a provision relating to damages in respect to UCC flooding of €97m. This is covered by insurance and we have recognised a corresponding asset relating to expected reimbursement costs.

EBITDA Movement – H1 2020 vs H1 2019

9% decrease in EBITDA (v 2019) driven by lower energy margins and additional operating costs in the income statement



BUSINESS REVIEW



Operating Environment

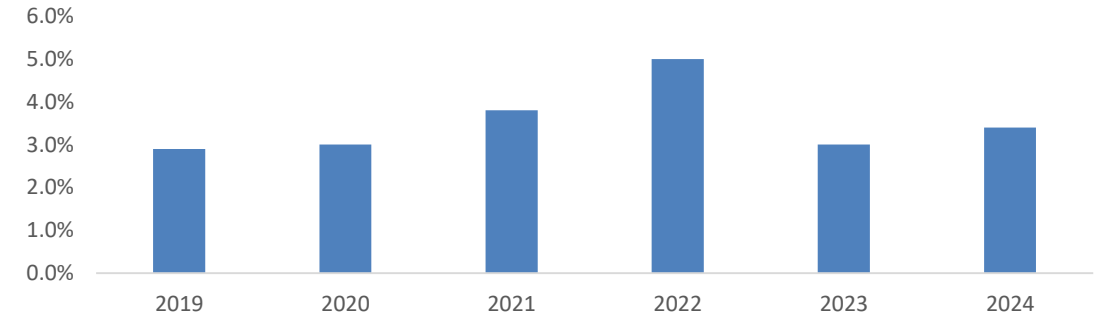
Ireland

- Irish GDP +5.5% 2019, -9% 2020F*, +5.7% 2021F*
- Strong Irish sovereign rating : AA- (S&P) and A2 (Moody's)
- NTMA – “The strong progress Ireland has made improving its debt profile over the past five years leaves us well placed to address any borrowing challenges posed by the economic fallout of Covid-19”
- SEM electricity demand growth forecast driven by data centres

Great Britain

- UK GDP +1.4% 2019F, -9.5% 2020F**, +9% 2021F**
- 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

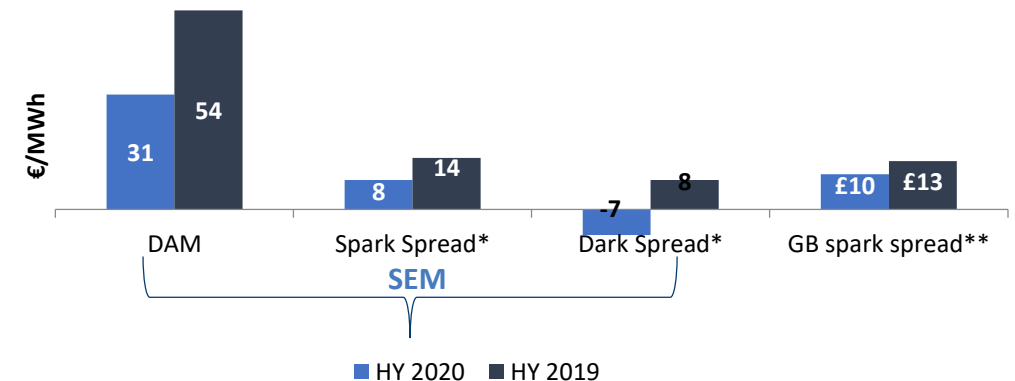
SEM System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid Sept 2020

Wholesale Energy Market Prices



*Forecast Irish GDP Source: Central Bank of Ireland Q3 2020 Bulletin

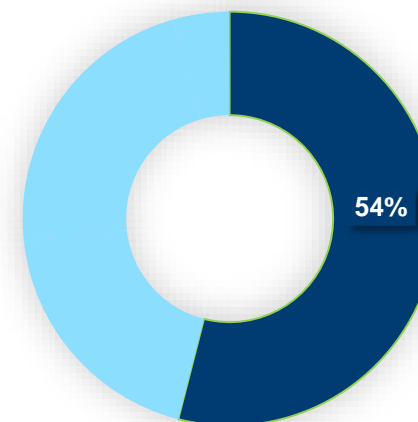
**Forecast UK GDP Source: Bank of England

Business Strategy - Smart Reliable Networks to Support Decarbonisation

Business Highlights

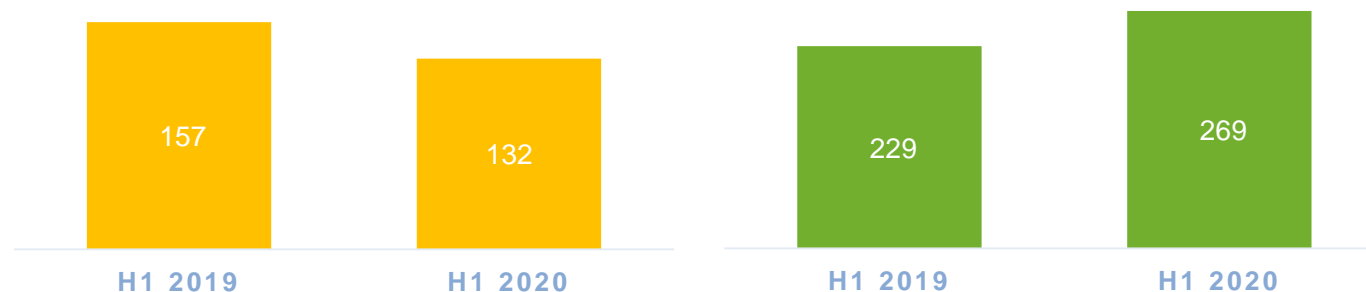
- 54% of Group EBITDA and 55% of Group Assets
- Operating profit is down €25 million reflecting higher payroll costs due to the impact of COVID-19 on capital activities offset by higher agreed tariffs offset somewhat by the negative impact revenue from COVID-19
- Capex increase reflects higher spend on SMART meters and transmission projects
- Regulated Asset Base (RAB) 30 June 2020 €8.14bn
- **Focus:**
 - PR5 (2021-2025) draft determination issued July 2020; final determination due Q4 2020.

2020 ESB Group EBITDA - €604m / ESB Networks EBITDA - €326m



Operating Profit (€m)

Capital Expenditure (€m)



ESB Networks – PR5 Objectives

To meet our collective challenge to deliver the National Climate Action Plan.



To secure the funding to deliver metrics in line with a strong investment grade credit rating.



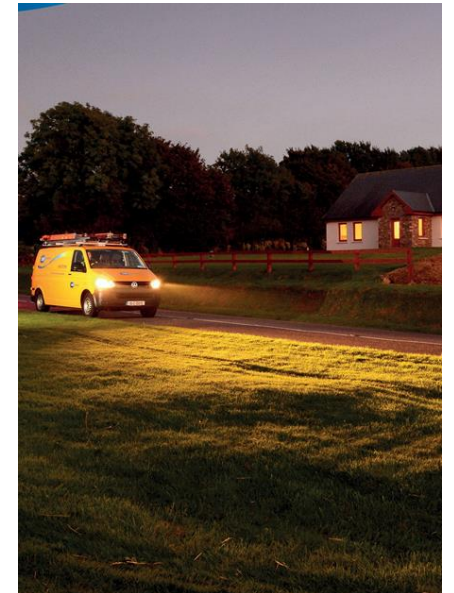
To secure sustainable incentives to invest in a period of change.



To meet customers' changing needs and expectations, while keeping our prices affordable.



To deliver a safe and reliable low carbon system.



ESB Networks –PR4 Outturn vs PR5 Submission vs PR5 Draft*

ESB Networks	PR4 Outturn	PR5 ESB Submission	PR5 Draft Determination
WACC (pre-tax, real)	4.95%	4.20%	3.80%
Net Capex*	€2.9 bn	€4.2 bn	€3.5bn
Operating Allowances*	€1.7 bn	€2.0 bn	€1.9bn



- Consultation period ends 18th September
- Our response will focus on:
 - Financeability
 - Delivery of Climate Action Plan

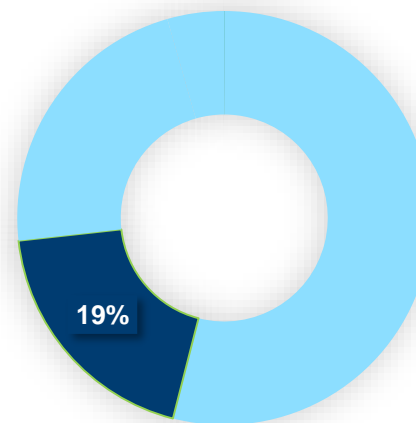
Northern Ireland Electricity (NIE) Networks

Business Strategy - Smart Reliable Networks to Support Decarbonisation

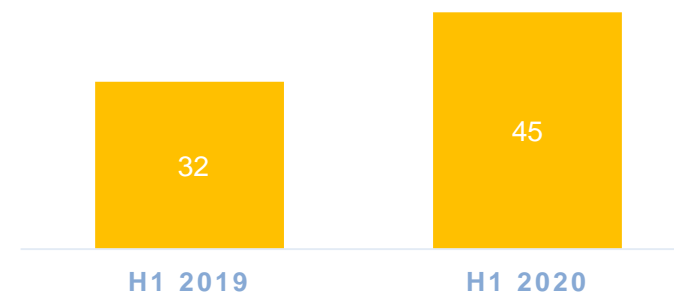
Business Highlights

- 19% of Group EBITDA and 16% of Group Assets
- Operating profit is higher than 2019 due to higher tariffs offset by the negative impact of COVID-19
- Capex is down €15 million due to lower core network spend and connections driven by delays as a result of COVID-19
- RAB at 30 June 2020 €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

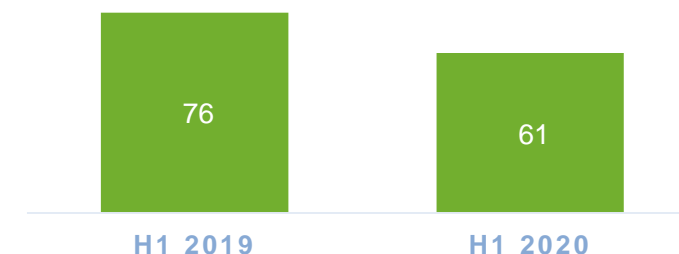
2020 ESB Group EBITDA - €604m / NIE Networks EBITDA - €116m



Operating Profit (€m)



Capital Expenditure (€m)



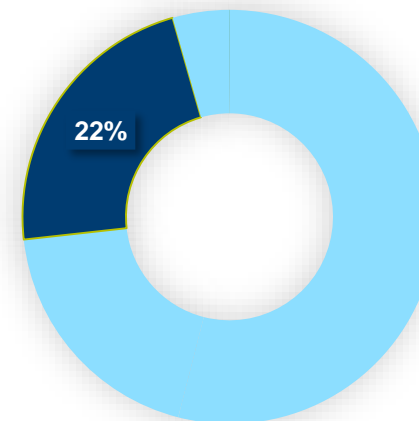
Generation & Trading (GT)

Business Strategy – Transition to Low Carbon Generation Portfolio

Business Highlights

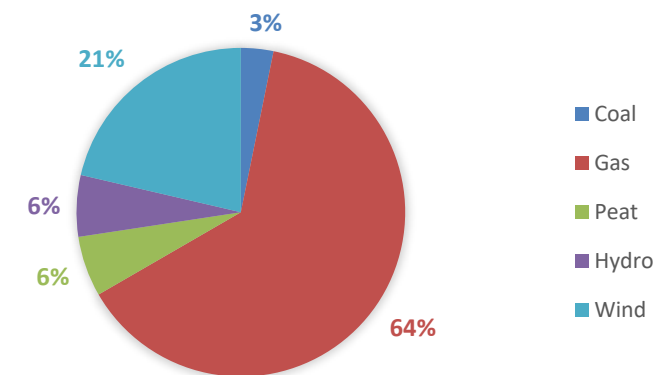
- 22% of Group EBITDA and 18% of Group Assets
- All-Island SEM market share of 25.2% by volume
- Operating profit is in line with 2019 but
 - lower energy margins and increased costs due to a station closure provision for peat stations; offset by
 - lower depreciation as a result of the peat stations being fully written down and the non-recurrence of certain 2019 costs
- Lower energy margin driven by lower SEM volumes and lower DAM prices offset by the positive impact of SEM hedging and increased capacity income.
- Reduction in capex reflects lower renewables spend at the half year
- **Focus:**
 - Build pipeline of renewable projects

2020 ESB EBITDA - €604m /
GT EBITDA - €135m

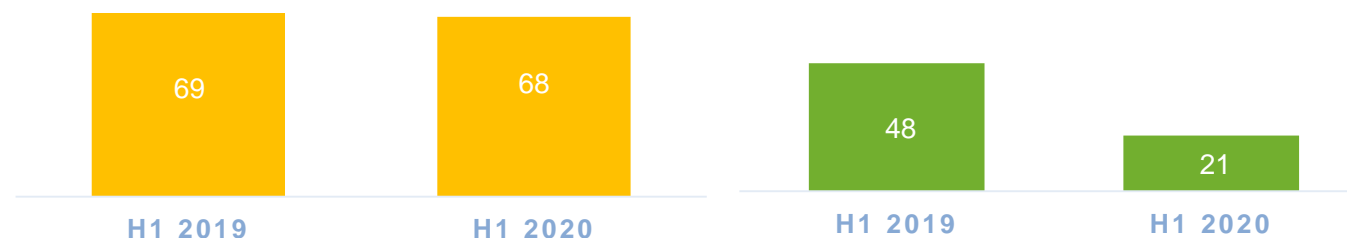


Operating Profit (€m)

Fuel Mix:
SEM & GB Generation



Capital Expenditure (€m)



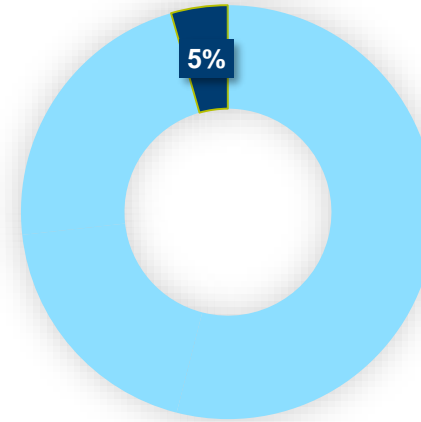
Customer Solutions (including Electric Ireland)

Business Strategy – Competitive Offerings & Excellent Customer Service to Meet Customer Needs

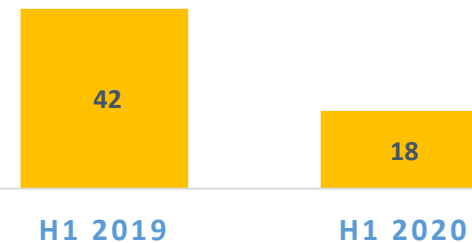
Business Highlights

- Customer-facing businesses including supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Customer Solutions contributed 5% of Group EBITDA
- Operating profit is down €24 million due to lower energy margins reflecting the impact of COVID-19 restrictions on SME sector, price reductions and a higher bad debt charge
- Irish market share 36%^ with 1.4m customer accounts
- **Focus:**
 - Meet customer energy needs through value driven solutions at appropriate margins

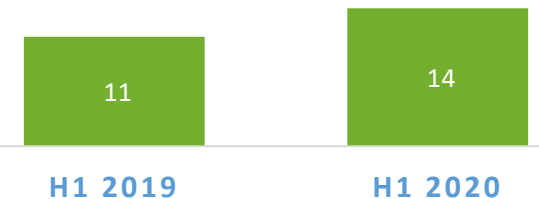
2020 ESB Group EBITDA - €604m / Customer Solutions EBITDA - €27m



Operating Profit (€m)



Capital Expenditure (€m)





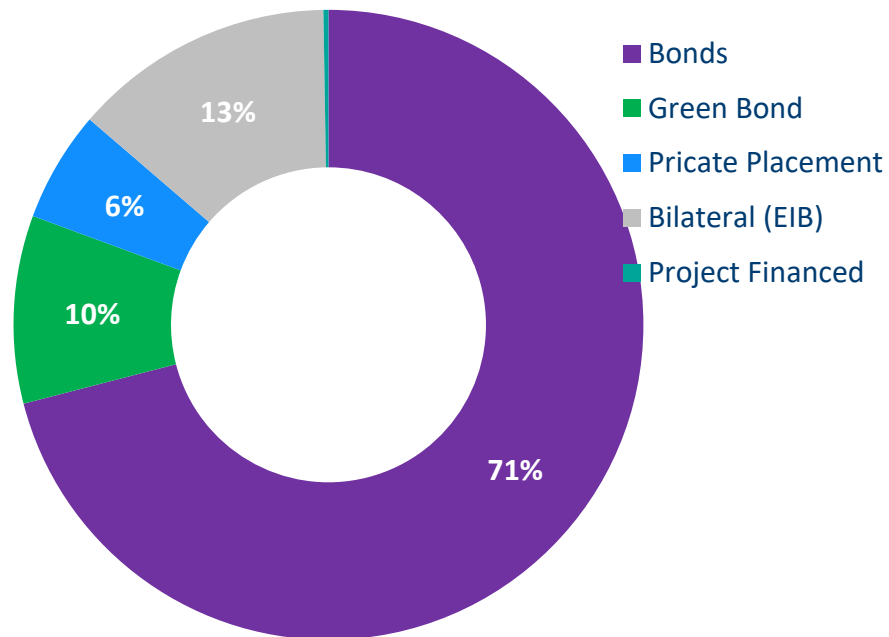
Funding & Liquidity



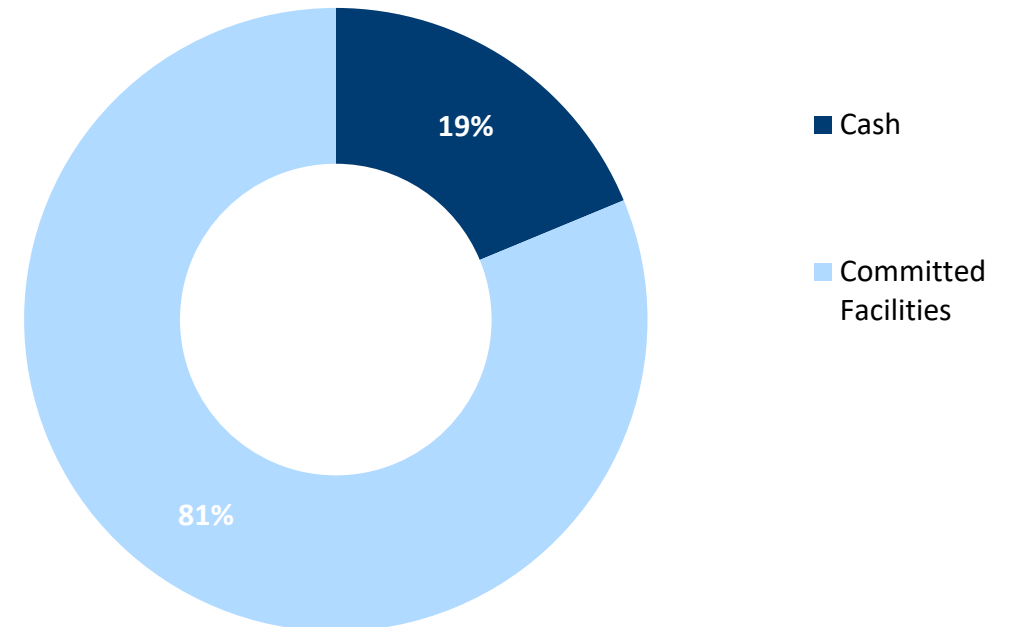
Energy for
generations

ESB Group Debt – Diversified Funding & Liquidity

Group Debt 30 June 2020 €5.2 billion

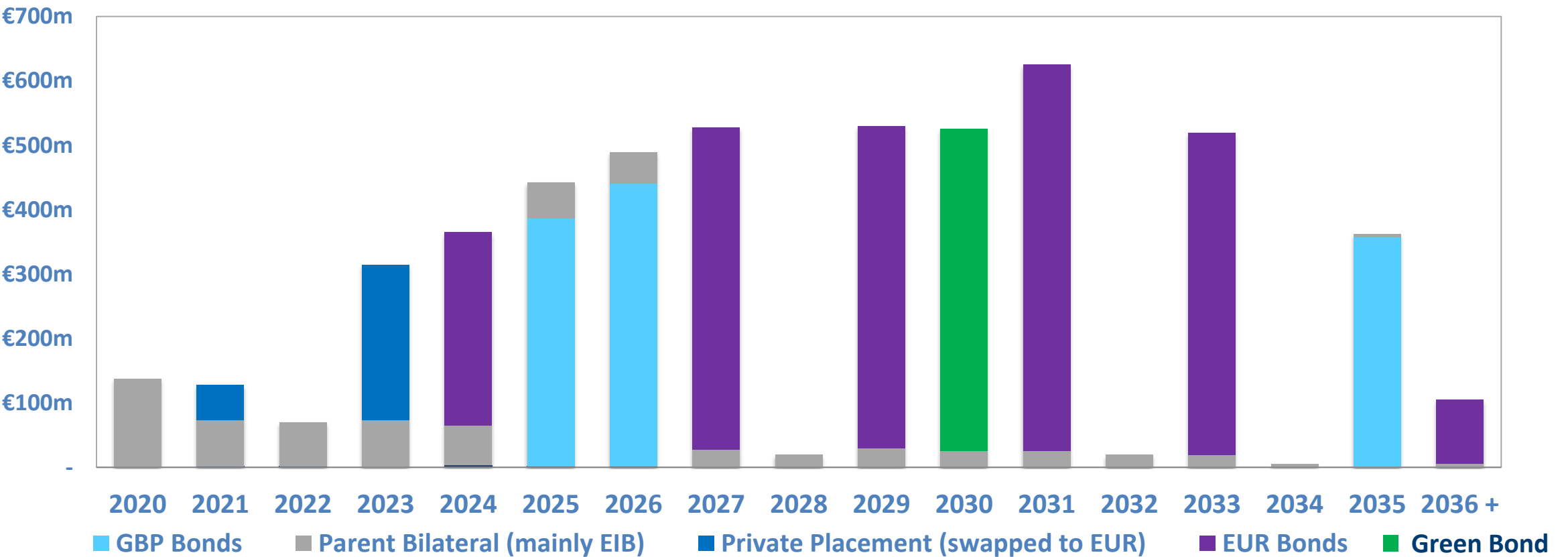


Available Liquidity 30 June 2020 €1.6 billion



- January 2020 – issued £325 million bond, coupon 1.875%, maturity July 2035
- February 2020 - signed a new 5-year €1.4 billion sustainability linked RCF
- July 2020 - €200 million tap of the 2030 Green Bond

Debt Repayment Profile as at 30 June 2020



Note: Excludes Joint Venture Debt

S&P Global
Ratings

A-

(Stable Outlook)
Long Term Rating

MOODY'S
INVESTORS SERVICE

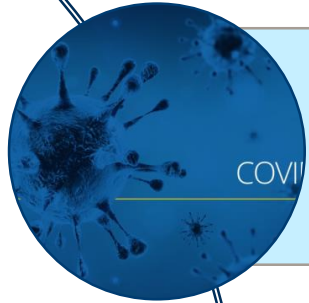
A3

(Stable Outlook)
Long Term Rating

Outlook & Summary



Energy for
generations



COVID 19 has impacted ESB Performance in H1 but we have ***remained financially resilient***. As electricity demand recovered to 2019 levels, we delivered an operating profit of €249m and maintained a strong liquidity position



ESB's strategy is to lead the transition to a low carbon energy future and aligns with the Irish Government's Climate Action Plan; new government is fully committed to the CAP.

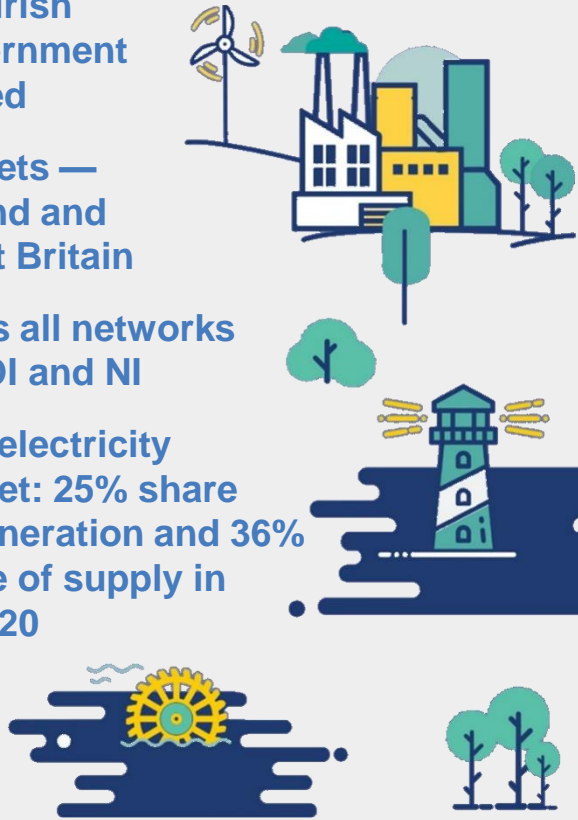


Ongoing focus on strategy delivery while ***maintaining financial strength***.

Key Credit Strengths

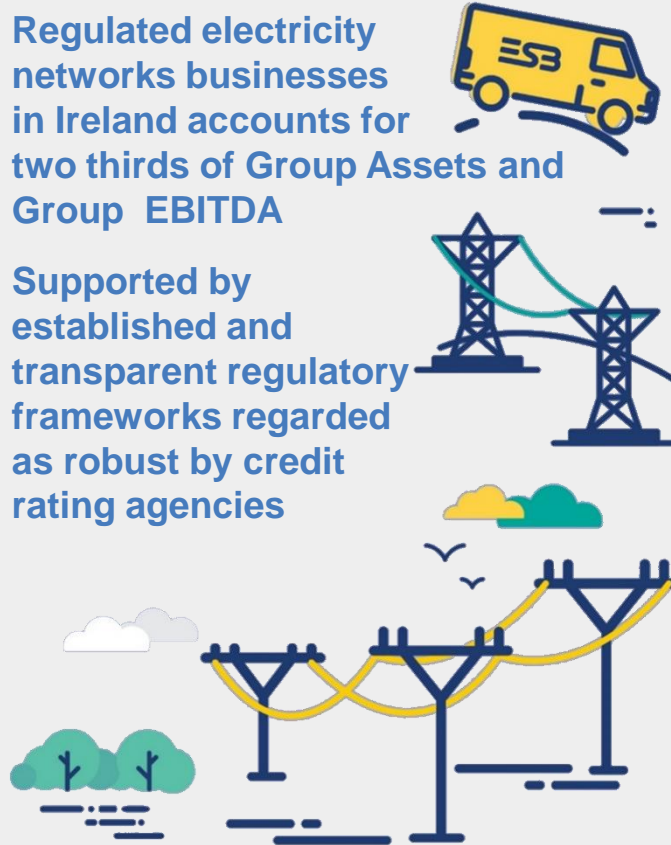
Leading Irish Energy Utility

- 96% Irish Government owned
- Markets — Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 25% share of generation and 36% share of supply in H12020



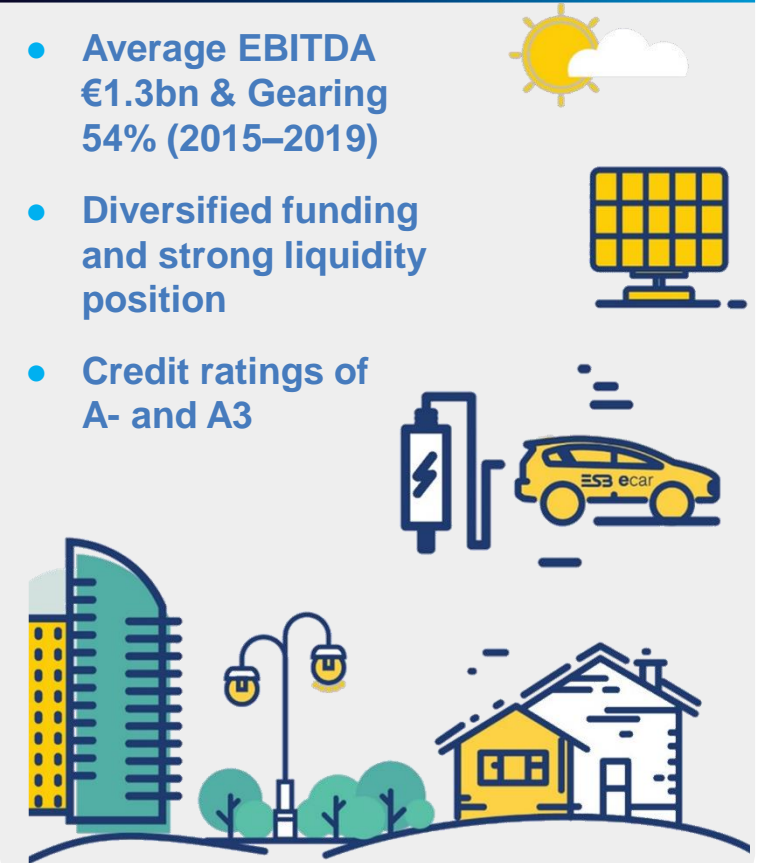
Stable Business Profile

- Regulated electricity networks businesses in Ireland accounts for two thirds of Group Assets and Group EBITDA
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies



Consistent Financial Performance

- Average EBITDA €1.3bn & Gearing 54% (2015–2019)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3





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