INTERIM FINANCIAL REPORT

FOR THE PERIOD TO 30 JUNE 2019

Energy for generations

CONTENTS

FINANCE REVIEW JUNE 2019

"I am pleased to report improved financial results in the six months to 30 June 2019, during which ESB sucessfully issued Ireland's first corporate public Green Bond."

Pat Fenlon, Executive Director, Group Finance and Commercial.

FIGURE 1: FIVE-YEAR SUMMARY
SIX MONTHS TO 30 JUNE

	June 2019 € 'm	June 2018 € 'm	June 2017 € 'm	June 2016 € 'm	June 2015 € 'm
Revenue and other operating income[1]	**1,897**	1,782	1,691	1,647	1,720
Operating profit	**294**	244	297	287	337
EBITDA[2]	**664**	620	673	638	690
Capital expenditure[3]	**396**	579	303	356	405
	June 2019 € 'm	December 2018 € 'm	December 2017 € 'm	December 2016 € 'm	December 2015 € 'm
Net debt[4]	**4,776**	4,915	4,337	4,524	4,975
Gearing (%)[5]	**52%**	56%	52%	51%	55%
Total assets	**13,854**	13,304	12,294	12,907	13,157

[1] Revenue and other operating income: 2018 has been restated to reflect impact of IFRS 15 'Revenue from Contracts with Customers' to reflect change in accounting treatment of supply contributions

[2] EBITDA: operating profit before interest, taxation, depreciation and amortisation (including amortisation of supply contributions), impairments and non-trading net impairment losses on financial assets

[3] 2018 Capex has been restated to reflect impact of IFRS 15 'Revenue from Contracts with Customers' to reflect change in accounting treatment of supply contributions

[4] Borrowings and other debt, net of cash and cash equivalents, in 2019 net debt includes lease liabilities recognised in accordance with IFRS 16 'Leases'

[5] Net debt divided by the sum of net assets and gross debt excluding joint ventures

HIGHLIGHTS

OPERATING PROFIT:

€294 million

(€50 MILLION INCREASE ON JUNE 2018)

CAPITAL EXPENDITURE:

€396 million

(€183 MILLION DECREASE ON JUNE 2018)

INTERIM DIVIDEND PROPOSED:

€38 million

FOR 2019 (2018 €30 MILLION)

See note 26 in the condensed consolidated financial statements for dividend details

FIGURE 2: SUMMARISED EBITDA CALCULATION

	June 2019 € 'm	June 2018 € 'm
Operating profit	**294**	**244**
Depreciation and amortisation	389	385
Amortisation of supply contributions	(33)	(31)
Impairments	14	22
EBITDA	**664**	**620**

SEGMENTAL PERFORMANCE

The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Further details on the business segments are included in note 5 of the interim financial statements. The Group operating profit of €294 million is set out below on a segmental basis.

- Generation and Trading (GT) operating profit of €70 million is up €26 million due to a decrease in major overhaul costs and depreciation offset by lower energy margin as capacity income decreased following the introduction of the new Integrated Single Electricity Market (I-SEM) in H2 2018 and lower running in Moneypoint (due to outages and increased carbon costs) offset by higher margin in gas plants.
- Customer Solutions operating profit of €41 million, is up €25 million due to timing of price changes, arising from changes in energy costs and network charges.
- Other Segments include Engineering & Major Projects, Corporate Centre and Enterprise Services which provide services

segment, which includes most of the financing costs of the Group, reported an operating loss of €5 million for 2019, a €27 million improvement on 2018 largely due to lower write downs on financial asset investments, FX gains and lower net operating costs.

- ESB Networks operating profit of €157 million is down €24 million as a result of lower revenue due to lower demand, higher payroll due to increased headcount and higher depreciation reflecting a higher asset base.
- Northern Ireland Electricity Networks (NIE Networks) operating profit of €31 million is down €4 million due to lower Public Service Obligation (PSO) income and use of system revenue and higher depreciation offset by lower payroll costs due to non-recurrence of 2018 severance scheme costs.

FIGURE 3: SUMMARISED INCOME STATEMENT

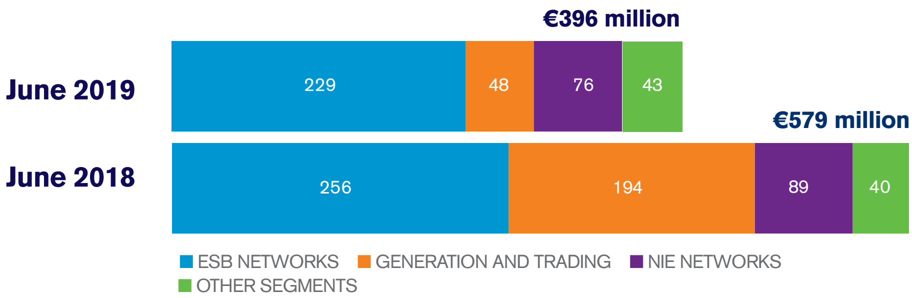
	2019 € 'm	2018 € 'm
Revenue and other operating income	1,897	1,782
Operating costs*	(1,603)	(1,538)
Operating profit	**294**	**244**
Total finance costs	(92)	(92)
Fair value movements on financial instruments	(46)	29
Share of equity accounted investees loss	(2)	(8)
Profit before tax	**154**	**173**
Tax charge	(22)	(32)
Profit after tax	**132**	**141**

***includes net impairment losses on financial assets**

FIGURE 4: SUMMARISED CASH FLOW STATEMENT

	2019 € 'm	2018 € 'm
EBITDA	664	620
Provision utilisation and working capital	71	74
Interest and tax	(123)	(147)
Net cash inflow from operating activities	**612**	**547**
Disposal Proceeds	3	3
Capital expenditure (including investing activities with equity accounted investees)	(360)	(624)
Net cash outflow from investing activities	**(357)**	**(621)**
Net cash inflow/(outflow) from financing activities	**253**	**(75)**
Net increase/(decrease) in cash (before foreign exchange movements)	**508**	**(149)**

FIGURE 5: CAPITAL EXPENDITURE (INCLUDING PURCHASE OF FINANCIAL ASSETS)



CAPITAL EXPENDITURE* (INCLUDING PURCHASE OF FINANCIAL ASSETS) (FIGURE 5)

*2018 Capex figure has been restated in line with IFRS 15 'Revenue from Contracts with Customers' for treatment of supply contributions.

Capital Expenditure in Generation and Trading at €48 million is down €146 million largely due to ESB's €127 million, 12.5% investment in 2018 in the 353 MW Galloper off shore wind farm located off the east coast of the UK.

ESB Networks expenditure of €229 million is down €27 million mainly due to lower spend on transmission network projects.

NIE Networks expenditure of €75 million is down €13 million due to lower spend on generation connections.

Other Segments expenditure of €43 million is broadly in line with the prior period and inlcudes spend on the redevelopment at the Fitzwilliam Street Head Office Complex.

NET DEBT AND GEARING

Net debt of €4.8 billion at 30 June 2019 comprises borrowings of €5.4 billion (31 December 2018: €5.1 billion), cash of €735 million (31 December 2018: €229 million) and lease liabilites of €130 million recognised under IRFS 16 'Leases' (31 December 2018: €nil). Net debt has reduced in the first six months of the year, as increased EBITDA has more than offset capital expenditure. The increased cash balance is primarily due to funding (outlined below) to meet debt repayment and other contractual commitments required in the second half of 2019.

The gearing level of 52% at 30 June 2019 has reduced since December 2018 (56%) reflecting lower net debt.

FUNDING

Group Treasury's funding activities support ESB's capital expenditure programme, the refinancing of maturing debt and the maintenance of a sufficient liquidity buffer against future political or economic events, such as the risk of a "hard Brexit", which may have an impact on the debt capital markets.

The Group raised €600 million in new borrowings in the first six months of the year under its Euro Medium Term Note (EMTN) public bond programme. This primarily comprised an 11 year €500 million "Green Bond", which issued in June 2019 at a coupon of 1.125%, and was more than eight times oversubscribed. This bond was the first ever Irish corporate public Green Bond, with the net proceeds from the transaction being allocated to finance eligible green projects, including renewable energy generation, network connections for onshore wind farms and electric vehicle charging infrastructure.

ESB's Revolving Credit Facility provides standby liquidity of €1.44 billion for the period to January 2022. The weighted average interest rate on the Group's portfolio of outstanding borrowings at 30 June 2019 had fallen to 3.1% (31 December 2018: 3.4%), and the weighted average duration of such borrowings as at that date was over eight years.

With over €2.2 billion in available liquidity at 30 June 2019 (between undrawn committed facilities and cash on hand), the Group's debt maturity profile does not pose a significant risk to the Group. 97% of borrowings are fixed to maturity or inflation linked.

Almost £1.6 billion of Group borrowings are Sterling denominated, amounting to just under one third of the total borrowings portfolio by value at prevailing exchange rates. These borrowings have been raised to fund assets in Great Britain and Northern Ireland, which earn, or will earn in the future, Sterling denominated net revenues.

ESB's strong liquidity, position reflects its underlying financial strength and credit ratings of A- and A3 with Standard & Poor's and Moody's respectively both with a stable outlook. Standard & Poor's and Moody's re-affirmed their ratings during the period. The Group continues to proactively manage its borrowings repayment profile and maintains its ability to fund in the future through close ongoing engagement with its credit rating agencies, debt investors, and relationship banks. Furthermore, the development of ESB's Green Bond Framework, and the issuance of an inaugural Green Bond during 2019, has deepened the Group's pool of potential debt investors, as well as underlining ESB's commitment to climate change mitigation as outlined in its Brighter Future Strategy.

BREXIT

The UK has voted to leave the EU and this is scheduled to take place by 31 October 2019 however there remains much uncertainty about the form and phasing of the UK's exit and the full consequences will play out over years rather than months. ESB has considered potential Brexit impacts across the range of its activities with a view to ensuring business continuity post Brexit. ESB has adopted a range of prudent financial management policies to manage the financial risks and business risks of Brexit.

ESB's investment in Northern Ireland Electricity Networks (NIE Networks) increases the scale of its regulated asset base, and irrespective of Brexit, ESB would expect to operate within a stable system of regulation that encourages investment in Northern Ireland (NI). ESB's Strategy 2030 seeks to grow its Generation-Trading-Supply (GTS) business of scale in Republic of Ireland, Northern Ireland and Great Britain. As Ireland and the UK maintain their commitment to the decarbonisation of electricity generation, ESB continues to see opportunities for investment in energy assets as older and more carbon intense generation assets are replaced.

Subsequent to the UK's decision to leave the EU, the Regulatory Authorities in NI and the ROI jointly reaffirmed their commitment to the Integrated Single Electricity Market (I-SEM) project (which went live in 2018), which maintains a single, harmonised, wholesale all-island market.

PRINCIPAL RISKS AND OPPORTUNITIES

The Board of ESB is responsible for the Group's risk management and internal control systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives. The Board has approved the annual review and update of the Group Risk Management Policy and Governance Framework which sets out delegated responsibilities and procedures for the management of risk across the Group.

Following completion of the mid-year risk review process, it is confirmed that the principal risks and opportunities facing the Group, as set out on pages 28 to 35 of the 2018 Annual Report (together with the principal mitigation measures), continue to be the principal risks and opportunities facing the Group for the remaining six months of the financial year, albeit with an increased focus on aspects of environmental risk.

What is included in the Annual Report is not an exhaustive statement of all relevant risks and opportunities. Matters which are not currently known to the Board or events which the Board considers to be of low likelihood could emerge and give rise to material consequences. The mitigation measures that are maintained in relation to these risks are designed to provide a reasonable and not an absolute level of protection against the impact of the events in question.

CLIMATE ACTION PLAN

In July 2019, the Irish Government published its Climate Action Plan. The Plan is designed to set a pathway to 2030, enabling Ireland to meet its EU climate targets in that period, and to lay the foundations for achieving net zero carbon emissions by 2050. The Plan sets a renewable electricity target of 70%, anticipates c.1 million Electric Vehicles and projects a substantial increase in electricity usage from domestic heat production by 2030. This is consistent with ESB's Strategy 2030 and therefore ESB welcomed and is supportive of the plan.

OUTLOOK

ESB's position as Ireland's leading energy utility, its stable business profile and its solid financial position ensures it is well positioned to meet the challenges that lie ahead and to support its strategic ambition to lead the transition to reliable, affordable low-carbon energy for the benefit of its customers.

RESPONSIBILITY STATEMENT OF THE BOARD MEMBERS IN RESPECT OF THIS INTERIM FINANCIAL REPORT

The Board members are responsible for preparing this Interim Financial Report including the Condensed Consolidated Financial Statements in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

We confirm that to the best of our knowledge and belief that the unaudited condensed consolidated set of financial statements for the six month period ended 30 June 2019, which comprise the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement, and the related notes thereto, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

The Board members are responsible for the maintenance and integrity of the corporate and financial information included on the ESB website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

On behalf of the Board,

Ellvena Graham OBE, Chairman

Pat O'Doherty, Chief Executive

17 September 2019

INDEPENDENT REVIEW REPORT TO THE ELECTRICITY SUPPLY BOARD (ESB)

REPORT ON THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Our Conclusion

We have reviewed ESB's Condensed Consolidated Financial Statements (the interim financial statements) in the Interim Financial Report of ESB for the six month period ended 30 June 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

What we have reviewed

The interim financial statements, comprise:

- the Condensed Consolidated Balance Sheet as at 30 June 2019;
- the Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended;
- the Condensed Consolidated Cash Flow Statement for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Financial Report have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

As disclosed in note 3 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of ESB is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the Board members

The Interim Financial Report, including the interim financial statements, is the responsibility of, and has been approved by, the Board members. The Board members are responsible for preparing the Interim Financial Report in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Financial Report, based on our review. This report, including the conclusion, has been prepared for and only for ESB in accordance with the terms of our engagement and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the United Kingdom and Ireland. A review of interim financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Financial Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers
Chartered Accountants
Dublin

17 September 2019

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2019

	Notes	**Unaudited June 2019 € '000**	Unaudited June 2018 € '000
Revenue[1]	6	**1,895,063**	1,793,456
Other operating income / (expense) (net)[1]	7	**1,981**	(11,793)
Net impairment losses on financial assets	8	**(15,445)**	(22,768)
Operating costs[1]	8	**(1,587,437)**	(1,514,538)
Operating profit		**294,162**	244,357
Net interest on borrowings	9	**(80,895)**	(80,606)
Financing charges	9	**(12,097)**	(13,222)
Fair value movement on financial instruments	9	**(45,548)**	28,889
Finance income	9	**884**	1,326
Net finance cost		**(137,656)**	(63,613)
Share of equity accounted investees loss, net of tax	13	**(2,402)**	(7,971)
Profit before taxation		**154,104**	172,773
Income tax expense	16	**(22,352)**	(32,050)
Profit after taxation		**131,752**	140,723
Attributable to:			
Equity holders of the Parent		**131,704**	141,372
Non-controlling interest	15	**48**	(649)
Profit for the financial period		**131,752**	140,723

Notes 1 to 27 form an integral part of these financial statements.

[1]June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2019

	Unaudited June 2019 € '000	Unaudited June 2018 € '000
Profit for the financial period	**131,752**	140,723
Items that will not be reclassified subsequently to profit or loss:		
NIE Networks pension scheme actuarial (losses) / gains	**(10,404)**	85,046
Tax on items that will not be reclassified to profit or loss	**1,769**	(14,459)
	(8,635)	70,587
Items that are or may be reclassified subsequently to profit or loss:		
Effective hedge of a net investment in foreign subsidiary	**20**	(19)
Translation differences on consolidation of foreign subsidiaries	**4,414**	978
Translation differences on consolidation of non-controlling interest	**-**	(488)
Fair value losses on cash flow hedges	**(1,889)**	(7,422)
Fair value (losses) / gains on cash flow hedges in equity accounted investees	**(748)**	1,896
Transferred to income statement on cash flow hedges	**(34,088)**	(15,847)
Tax on items transferred to income statement	**4,228**	1,840
Tax on items that are or may be reclassified subsequently to profit or loss	**4**	974
Tax on items that are or may be reclassified subsequently to profit or loss for equity accounted investees	**94**	(308)
	(27,965)	(18,396)
Other comprehensive (expense) / income for the financial period, net of tax	**(36,600)**	52,191
Total comprehensive income for the financial period	**95,152**	192,914
Attributable to:		
Equity holders of the Parent	**95,104**	194,051
Non-controlling interest	**48**	(1,137)
Total comprehensive income for the financial period	**95,152**	192,914

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2019	Notes	Unaudited June 2019 € '000	Audited December 2018 € '000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**10,742,058**	10,755,177
Intangible assets		**344,305**	401,804
Right of use assets	12	**128,781**	-
Goodwill		**169,261**	169,643
Investments in equity accounted investees	13	**178,931**	189,787
Financial asset investments at fair value through profit or loss	13	**12,214**	10,452
Trade and other receivables		**36,125**	47,183
Derivative financial instruments	18	**69,426**	68,582
Deferred tax assets		**179,023**	176,257
Total non-current assets		**11,860,124**	11,818,885
Current assets			
Inventories	14	**139,884**	133,986
Derivative financial instruments	18	**224,733**	156,534
Current tax asset		**-**	23,312
Trade and other receivables		**894,471**	942,291
Cash and cash equivalents		**735,001**	229,073
Total current assets		**1,994,089**	1,485,196
Total assets		**13,854,213**	13,304,081
EQUITY			
Capital stock		**1,970,782**	1,970,782
Capital redemption reserve		**9,100**	9,100
Translation reserve		**(342)**	(4,776)
Cash flow hedging reserve		**(11,715)**	20,684
Other reserves		**(231,901)**	(223,266)
Retained earnings		**2,004,186**	1,877,448
Equity attributable to equity holders of the Parent		**3,740,110**	3,649,972
Non-controlling interest		**(5,865)**	(5,913)
Total equity		**3,734,245**	3,644,059
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	17	**4,770,924**	4,537,692
Lease liabilities	12	**113,641**	-
Liability – ESB pension scheme	20	**99,196**	99,426
Liability – NIE Networks pension scheme	19	**112,099**	110,807
Employee related liabilities		**32,354**	40,195
Deferred income		**1,202,327**	1,192,713
Provisions		**337,161**	336,295
Deferred tax liabilities		**633,740**	648,145
Derivative financial instruments	18	**654,800**	625,182
Total non-current liabilities		**7,956,242**	7,590,455
Current liabilities			
Borrowings and other debt	17	**609,722**	606,275
Lease liabilities	12	**16,403**	-
Liability – ESB pension scheme	20	**297,768**	295,811
Employee related liabilities		**74,052**	68,250
Trade and other payables		**707,290**	789,102
Deferred income		**82,201**	83,356
Provisions		**94,068**	118,471
Current tax liabilities		**8,469**	-
Derivative financial instruments	18	**273,753**	108,302
Total current liabilities		**2,163,726**	2,069,567
Total liabilities		**10,119,968**	9,660,022
Total equity and liabilities		**13,854,213**	13,304,081

Ellvena Graham OBE, Chairman

Pat O'Doherty, Chief Executive

Pat Fenlon, Executive Director, Group Finance and Commercial

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2019

Unaudited reconciliation of changes in equity	Capital stock € '000	Translation reserve € '000	Capital redemption reserve € '000	Cash flow hedging reserve[1] € '000	Other reserves[2] € '000	Retained earnings € '000	Total € '000	Non-controlling interest € '000	**Total equity € '000**
Balance at 1 January 2018	1,975,182	2,740	4,700	58,620	(242,604)	1,917,619	3,716,257	(3,738)	**3,712,519**
Change in accounting policy - IFRS 9	-	-	-	-	-	(62,780)	(62,780)	-	**(62,780)**
Restated total equity at the beginning of the financial period	1,975,182	2,740	4,700	58,620	(242,604)	1,854,839	3,653,477	(3,738)	**3,649,739**
Total comprehensive income / (expense) for the period									
Profit for the financial period	-	-	-	-	-	141,372	141,372	(649)	**140,723**
NIE Networks pension scheme actuarial gains	-	-	-	-	85,046	-	85,046	-	**85,046**
Translation differences net of hedging	-	959	-	-	-	-	959	(488)	**471**
Cash flow hedges:									
- Net fair value (losses)	-	-	-	(7,422)	-	-	(7,422)	-	**(7,422)**
- Transfers to income statement									
- Finance income (interest)	-	-	-	3,222	-	-	3,222	-	**3,222**
- Finance cost (foreign translation movements)	-	-	-	(14,295)	-	-	(14,295)	-	**(14,295)**
- Other operating expenses	-	-	-	(4,774)	-	-	(4,774)	-	**(4,774)**
- Fair value gains for hedges in equity accounted investees	-	-	-	1,896	-	-	1,896	-	**1,896**
Tax on items taken directly to OCI	-	-	-	974	(14,459)	-	(13,485)	-	**(13,485)**
Tax on items transferred to income statement	-	-	-	1,840	-	-	1,840	-	**1,840**
Tax on items taken directly to OCI for equity accounted investees	-	-	-	(308)	-	-	(308)	-	**(308)**
Total comprehensive income / (expense) for the period	-	959	-	(18,867)	70,587	141,372	194,051	(1,137)	**192,914**
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	(4,573)	(4,573)	-	**(4,573)**
Balance at 30 June 2018	1,975,182	3,699	4,700	39,753	(172,017)	1,991,638	3,842,955	(4,875)	**3,838,080**
Balance at 1 January 2019	**1,970,782**	**(4,776)**	**9,100**	**20,684**	**(223,266)**	**1,877,448**	**3,649,972**	**(5,913)**	3,644,059
Total comprehensive income / (expense) for the period									
Profit for the financial period	-	-	-	-	-	131,704	131,704	48	**131,752**
NIE Networks pension scheme actuarial losses	-	-	-	-	(10,404)	-	(10,404)	-	**(10,404)**
Translation differences net of hedging	-	4,434	-	-	-	-	4,434	-	**4,434**
Cash flow hedges:									
- Net fair value (losses)	-	-	-	(1,889)	-	-	(1,889)	-	**(1,889)**
- Transfers to income statement									
- Finance cost (interest)	-	-	-	(1,884)	-	-	(1,884)	-	**(1,884)**
- Finance income (foreign translation movements)	-	-	-	(5,247)	-	-	(5,247)	-	**(5,247)**
- Other operating expenses	-	-	-	(26,957)	-	-	(26,957)	-	**(26,957)**
- Fair value losses for hedges in equity accounted investees	-	-	-	(748)	-	-	(748)	-	**(748)**
Tax on items taken directly to OCI	-	-	-	4	1,769	-	1,773	-	**1,773**
Tax on items transferred to income statement	-	-	-	4,228	-	-	4,228	-	**4,228**
Tax on items taken directly to OCI for equity accounted investees	-	-	-	94	-	-	94	-	**94**
Total comprehensive income / (expense) for the period	**-**	**4,434**	**-**	**(32,399)**	**(8,635)**	**131,704**	**95,104**	**48**	95,152
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	(4,966)	(4,966)	-	**(4,966)**
Balance at 30 June 2019	**1,970,782**	**(342)**	**9,100**	**(11,715)**	**(231,901)**	**2,004,186**	**3,740,110**	**(5,865)**	3,734,245

[1]Included within the cash flow hedge reserve at 30 June 2019 are amounts of €3.5 million (December 2018: €0.5 million) relating to currency basis risk.

[2]Other reserves include (i) other reserves relating to the Northern Ireland Electricity Networks Limited (NIE Networks) pension scheme of (€213.9) million (December 2018: (€205.0) million), (ii) a non-distributable reserve of (€5.0) million (December 2018: (€5.0) million) which was created on the sale of the Group's share in Ocean Communications Limited in 2001; and (iii) an ESOP repurchase provision which relates to the amount that ESB has committed to date to purchase from the ESOP internal market (€11.8) million (31 December 2018: (€11.8) million). Refer to note 25 for information on the ESOP repurchase.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six month period ended 30 June 2019

	Notes	**Unaudited June 2019 € '000**	Unaudited June 2018 € '000
Cash flows from operating activities			
Profit after taxation		**131,752**	140,723
Adjustments for:			
Depreciation and amortisation[1]	8	**388,912**	384,591
Amortisation of supply contributions and other deferred income[1]		**(62,843)**	(55,898)
Net emissions costs		**55,328**	3,842
Profit on disposal of non-current assets	7	**(1,981)**	(1,190)
Inventory impairment[3]		**1,100**	3,100
Net finance cost	9	**137,656**	63,613
Impact of fair value adjustments in operating costs		**23,970**	4,591
Losses from equity accounted investees	13	**2,402**	7,971
Income tax expense	16	**22,352**	32,050
Net impairment losses on financial assets[2]	8	**15,445**	22,768
Impairment charge	8	**3,181**	-
Operating cash flows before changes in working capital and provisions		**717,274**	606,161
Charge in relation to provisions		**2,860**	10,193
Charge in relation to employee related liabilities		**31,350**	29,819
Utilisation of provisions		**(9,012)**	(10,209)
Payments in respect of employee related liabilities		**(49,601)**	(49,054)
Deferred income received[1]		**72,911**	102,987
Decrease in trade and other receivables[2]		**12,619**	37,196
(Increase) / decrease in inventories[3]		**(6,998)**	1,983
(Decrease) in trade and other payables		**(36,641)**	(35,185)
Cash generated from operations		**734,762**	693,891
Current tax paid		**(174)**	(11,574)
Financing costs paid		**(122,508)**	(135,238)
Net cash inflow from operating activities		**612,080**	547,079
Cash flows from investing activities			
Purchase of property, plant and equipment[1]		**(349,715)**	(389,438)
Purchase of intangible assets		**(46,164)**	(47,728)
Proceeds from sale of non-current assets		**2,907**	2,974
Amounts advanced to equity accounted investees as shareholder loans		**-**	(59,500)
Amounts repaid from equity accounted investees on shareholder loans		**28,694**	-
Dividends received from associate undertaking		**7,536**	-
Purchase of financial assets		**(1,764)**	(128,104)
Interest received		**884**	774
Net cash outflow from investing activities		**(357,622)**	(621,022)
Cash flows from financing activities			
Dividends paid	15	**(4,966)**	(4,573)
Repayments of term debt facilities		**(248,805)**	(62,090)
Proceeds from the issue of bonds		**592,867**	-
Repayments of revolving credit facility and other borrowings		**(70,000)**	-
Lease payments		**(8,738)**	-
Payments on inflation linked interest rate swaps		**(7,065)**	(8,296)
Net cash inflow/ (outflow) from financing activities		**253,293**	(74,959)
Net increase/ (decrease) in cash and cash equivalents		**507,751**	(148,902)
Cash and cash equivalents at 1 January		**229,073**	380,405
Effect of exchange rate fluctuations on cash held		**(1,823)**	137
Cash and cash equivalents at 30 June		**735,001**	231,640

[1] June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).
[2] Net Impairment losses on financial assets have been included as a separate line for June 2018 comparatives to ensure consistency in the two years being presented.
[3] June 2018 comparative has been restated to ensure consistency in the two years being presented.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

ESB is a statutory body domiciled in the Republic of Ireland. The condensed consolidated financial statements of ESB as at and for the six months ended 30 June 2019 comprise the results of ESB and its subsidiaries (together referred to as ESB or the Group) and the Group's interests in associates and joint arrangements. These results are unaudited. The condensed consolidated financial information herein does not constitute the statutory financial statements of ESB, which were prepared as at and for the year ended 31 December 2018 and are available on our website www.esb.ie. The auditor's report on those financial statements was unmodified.

2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 - Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 2018 consolidated financial statements.

- IFRS 16 became applicable in the current reporting period. The impact of the adoption of this standard and the new accounting policies are disclosed in the note 3 (b) below.

3. SIGNIFICANT ACCOUNTING POLICIES

A list of the accounting policies applicable in the current reporting period are detailed in note 1 of the 2018 consolidated financial statements, other than as set out below.

New standards or amendments

A number of new standards, amendments and interpretations have been issued in the current reporting period. See table below.

Effective Date	New standards or amendments	Material effect on the results and financial position of the group
01 January 2019	IFRS 16 Leases	Material effect
01 January 2019	IFRIC 23 Uncertainty over Income Tax Treatments	No material effect
01 January 2019	IAS 19 Employee Benefits (amendments) Plan Amendments, Curtailment or Settlement	No material effect

Changes in accounting policies

(a) IFRS 15 Revenue from Contracts with Customers

Accounting for supply contributions

There is a reclassification impact at 1 January 2018 on the Group's supply contributions due to the withdrawal of IFRIC 18 Transfer of Assets from Customers. Under IFRIC 18 non-repayable supply contributions received after 1 July 2009 (the effective date of the interpretation) were included in property, plant and equipment in line with the associated capitalised costs. IFRS 15 has resulted in a reclassification of the capital contributions not yet depreciated at 1 January 2018 in ESB Networks and NIE Networks business units to deferred income which is released to the income statement on a basis consistent with the depreciation policy of the relevant asset. It should be noted that the accounting for supply contributions area remains under consideration within the industry and the accounting profession more broadly, and that the accounting treatment ultimately adopted by the Group in this area could therefore be impacted by the outcome of these ongoing discussions.

As this accounting policy change for supply contributions was adopted by ESB after the 2018 condensed consolidated financial statements were published the comparative numbers have been restated in line with the year end accounting policy. Due to this change in accounting policy, amortisation of supply contributions which were previously included in the other income line are now included in the revenue line in the Group income statement. This restatement is a reclassification and does not effect the reported profit or net assets of the Group for the period to June 2018.

The introduction of IFRS 15 has resulted in reclassifications to comparative figures as at and for the period ended June 2018. Revenue was increased by €31.0 million, other operating income was reduced by €17.6 million and the depreciation charge in operating costs was increased by €13.4 million. There was a reclassification of €79.5 million of a credit balance from property, plant and equipment to deferred income receivable. These reclassifications were also reflected in the Group cash flow statement.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)
(b) IFRS 16 Leases

The Group has applied IFRS 16 Leases on 1 January 2019, comparatives for the 2018 financial year have not been restated.

Impact on the condensed consolidated financial statements on the adoption of IFRS 16
ESB have selected the modified retrospective approach upon transition to IFRS 16. Under this transtition option:

- The standard is applied from the beginning of the transition accounting period (1 January 2019).
- Lease liabilities are measured as at the transition date (1 January 2019) for the remaining lease payments and are measured using the discount rate, lease term and other assumptions (reasonable certainty of extensions, terminations, etc) as at 1 January 2019.

The following tables summarise the impact of transition to IFRS 16 on the opening balance of Group assets and liabilities.

Balance sheet extract	Original carrying amount 31 Dec 2018 €'000	IFRS 16 transition impact €'000	New carrying amount 1 Jan 2019 €'000
Non-current asset			
Right of use (RoU) assets	-	132,888	132,888
Non-current liabilities			
Lease Liabilities	-	(117,975)	(117,975)
Current liabilities			
Lease Liabilities	-	(14,913)	(14,913)

	€ '000
Operating lease commitments disclosed as at 31 December 2018	**168,445**
Discounted using the Group's incremental borrowing rate	(23,108)
Add / (Less) adjustments for:	
- Service charges included as part of IFRS 16 Lease Liability	6,604
- Timing of lease signings	(4,227)
- Different treatment of extension and termination options	(13,671)
- Short-term leases recognised on a straight-line basis as expense	(798)
- Low-value leases recognised on a straight-line basis as expense	(357)
Lease liability recognised as at 1 January 2019	**132,888**
Analysed as follows:	
Non-current liabilities	(117,975)
Current liabilities	(14,913)
Total	**(132,888)**

Practical Expedients
A number of practical expedients were availed of by ESB in relation to IFRS 16, these are detailed below.
(i) Grandfather exemption
ESB have availed of the 'Grandfather Exemption' transition expedient in relation to IRFS 16. ESB is not required to reassess whether a contract is, or contains, a lease at the date of initial application. Instead, ESB is permitted:
a) to apply this Standard to contracts that were previously identified as leases applying IAS 17 Leases and IFRIC 4 determining whether an Arrangement contains a Lease.
b) not to apply this Standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4.
- ESB have availed of this exemption and has recognised all leases included in the operating lease obligation note in the 2018 consolidated financial statements in the opening IFRS 16 RoU asset/lease liability.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) IFRS 16 Leases (continued)

(ii) Low value exemption

The low value lease exemption (where the value of the underlying asset is less than €5,000) has been applied where relevant. The associated lease payments are expensed to the income statement in the period in which they are incurred.

(iii) Short-term lease exemption

Short-term lease exemption has been applied for leases with a term of 12 months or less and lease agreements that expire within 12 months of the transition date. The associated lease payments are expensed to the income statement as incurred.

(iv) Non-lease components

ESB have elected not to separate non-lease components from lease components. The non-lease components comprise of service charges on property leases.

Key Judgements

(i) Discount rates

Discount rates were calculated at transition date by contract currency and lease term using the forward interest swap rates plus an appropriate credit margin. Discount rates ranged from 0.01% to 2.60%.

(ii) Lease terms

Lease terms were determined with reference to each lease agreement and decisions on extensions and break clauses were assessed on a case by case basis in line with IFRS 16.

Lease contracts

The Group leases various land and buildings, wind farm land and motor vehicles. Rental contracts are typically made for fixed periods but may have extension options as described in note 12. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

4. GOING CONCERN

The Group's performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the 2018 annual report.

The funding and liquidity management of the Group are described in note 20 of the ESB Group Annual Report. The amount of cash and cash equivalents that the Group had on hand on 30 June 2019 was €735 million and with a revolving credit facility of €1.44 billion providing standby liquidity to January 2022, there is over €2.2 billion of liquidity available to the Group.

Note 21 to the condensed consolidated financial statements includes an overview of financial risk management, details of the Group's financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries the Board is satisfied that ESB has adequate resources to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, the condensed consolidated financial statements are prepared on the going concern basis of accounting.

5. SEGMENT REPORTING

The Group has applied IFRS 8 Operating Segments, and has made the appropriate disclosures in these financial statements.

For management purposes, the Group is organised into four key reportable segments, being the Group's strategic divisions which are managed separately and in respect of which internal management information is supplied to Executive Management and to the Board being collectively the Chief Operating Decision Maker (CODM) of the Group. Three further corporate divisions provide support and other services to the principal operating divisions of the Group and are combined as Other Segments in the following information.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING (continued)

(a) Income statement

(i) Segment revenue - 2019	Customer Solutions € '000	ESB Networks € '000	Generation and Trading € '000	NIE Networks € '000	Other Segments € '000	Consolidation and eliminations € '000	Total € '000
External revenues	1,057,355	392,546	297,031	133,522	14,609	-	**1,895,063**
Inter-segment revenue	3,215	180,286	537,789	17,982	131,183	(870,455)	**-**
Revenue	1,060,570	572,832	834,820	151,504	145,792	(870,455)	**1,895,063**
(ii) Segment operating costs - 2019							
Depreciation and amortisation	(8,815)	(213,489)	(77,401)	(76,728)	(12,479)	-	**(388,912)**
Net other operating costs	(1,005,820)	(202,500)	(673,574)	(43,083)	(138,841)	870,455	**(1,193,363)**
Net impairment losses on financial assets	(4,465)	-	(11,134)	(21)	175	-	**(15,445)**
Impairment charge	-	-	(3,181)	-	-	-	**(3,181)**
(iii) Operating result - 2019							
Operating profit / (loss)	41,470	156,843	69,530	31,672	(5,353)	-	**294,162**
Net finance cost	(226)	(1,178)	(19,348)	(21,258)	(95,646)	-	**(137,656)**
Share of equity accounted investees' profit / (loss)	-	-	4,585	-	(6,987)	-	**(2,402)**
Profit / (loss) before taxation	41,244	155,665	54,767	10,414	(107,986)	-	**154,104**

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

(i) Segment revenue - 2018	Customer Solutions[1] € '000	ESB Networks[2] € '000	Generation and Trading € '000	NIE Networks[2] € '000	Other Segments[1] € '000	Consolidation and eliminations[1] € '000	Total € '000
External revenues[1&2]	929,726	389,453	312,398	144,509	17,370	-	**1,793,456**
Inter-segment revenue[1]	3,376	189,158	472,511	15,163	118,368	(798,576)	**-**
Revenue	933,102	578,611	784,909	159,672	135,738	(798,576)	**1,793,456**
(ii) Segment operating costs - 2018							
Depreciation and amortisation[2]	(5,549)	(201,436)	(97,368)	(71,396)	(8,842)	-	**(384,591)**
Net other operating costs	(906,333)	(196,431)	(626,172)	(52,468)	(158,912)	798,576	**(1,141,740)**
Net impairment losses on financial assets[1]	(4,950)	-	(17,500)	(315)	(3)	-	**(22,768)**
(iii) Operating result - 2018							
Operating profit / (loss)	16,270	180,744	43,869	35,493	(32,019)	-	**244,357**
Net finance cost	(65)	(1,213)	(21,796)	(23,981)	(16,558)	-	**(63,613)**
Share of equity accounted investees' loss	-	-	(395)	-	(7,576)	-	**(7,971)**
Profit / (loss) before taxation	16,205	179,531	21,678	11,512	(56,153)	-	**172,773**

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

[1]The 2018 reported numbers have been restated due to the organisational effectiveness review that came into effect on 1 January 2019. A number of entities transferred from Other Segments to the Customer Solutions reporting segment.

[2]June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. SEGMENT REPORTING (continued)

(b) Other disclosures

Additions to non-current assets	June 2019 € '000	June 2018 € '000
Customer Solutions[2]	**11,108**	7,026
ESB Networks[1]	**229,312**	255,829
Generation and Trading	**48,413**	193,593
NIE Networks[1]	**75,803**	89,352
Other Segments[2]	**31,763**	33,021
Total	**396,399**	578,821

[1] 2018 comparative numbers have been restated due to the adoption of IFRS 15, see note 3 (a).

[2] The 2018 reported numbers have been restated due to the organisational effectiveness review that came into effect on 1 January 2019. A number of entities transferred from the Other Segments to the Customer Solutions reporting segment.

Additions to non-current assets include investments in property, plant and equipment, intangible assets (excluding emission allowances), financial assets and equity accounted investees.

6. REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. ESB has determined that the disaggregation using existing segments and the nature of revenues is appropriate for its circumstances.

30 June 2019	Customer Solutions € '000	ESB Networks € '000	Generation & Trading € '000	NIE Networks € '000	Other Segments € '000	Consolidation and eliminations € '000	Total € '000
External revenues							
Revenue from Power Generation	-	-	297,031	-	-	-	**297,031**
Revenue from Use of System charges to customers	-	366,985	-	125,633	-	-	**492,618**
Amortisation of supply contributions	-	25,561	-	7,889	-	-	**33,450**
Revenue from sales to electricity and gas customers	1,040,183	-	-	-	-	-	**1,040,183**
Other revenue	17,172	-	-	-	14,609	-	**31,781**
Revenue from contracts with customers	**1,057,355**	**392,546**	**297,031**	**133,522**	**14,609**	**-**	**1,895,063**
Inter-segment revenue	3,215	180,286	537,789	17,982	131,183	(870,455)	**-**
Total ESB Group revenue	**1,060,570**	**572,832**	**834,820**	**151,504**	**145,792**	**(870,455)**	**1,895,063**

30 June 2018	Customer Solutions[2] € '000	ESB Networks[1] € '000	Generation & Trading € '000	NIE Networks[1] € '000	Other Segments[2] € '000	Consolidation and eliminations € '000	Total € '000
External revenues							
Revenue from Power Generation	-	-	312,398	-	-	-	312,398
Revenue from Use of System charges to customers	-	366,672	-	136,304	-	-	502,976
Amortisation of supply contributions[1]	-	22,781	-	8,205	-	-	30,986
Revenue from sales to electricity and gas customers	915,319	-	-	-	-	-	915,319
Other revenue[2]	14,407	-	-	-	17,370	-	31,777
Revenue from contracts with customers	**929,726**	**389,453**	**312,398**	**144,509**	**17,370**	**-**	**1,793,456**
Inter-segment revenue	3,376	189,158	472,511	15,163	118,368	(798,576)	**-**
Total ESB Group revenue	**933,102**	**578,611**	**784,909**	**159,672**	**135,738**	**(798,576)**	**1,793,456**

[1]June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).

[2]The 2018 reported numbers have been restated due to the organisational effectiveness review that came into effect on 1 January 2019. A number of entities transferred from Other Segments to the Customer Solutions reporting segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. OTHER OPERATING INCOME / (EXPENSES)

	June 2019 € '000	June 2018[1] € '000
Profit on disposal of property, plant and equipment and intangible assets	**1,981**	1,190
Fair value movements on assets held at fair value through profit and loss[2]	**-**	(12,983)
Total	**1,981**	(11,793)

[1] June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).

[2] These fair value movements relate to adjustments to the value of investments held by ESB Novusmodus Limited Partnership, a subsidiary, see note 13.

8. OPERATING COSTS (including net impairment losses on financial assets)

	June 2019 € '000	June 2018 € '000
Employee costs (note 10)	**253,000**	252,819
Energy costs[1]	**707,812**	590,259
Operations and maintenance	**234,532**	286,869
Net impairment losses on financial assets[2]	**15,445**	22,768
Other impairment charges	**3,181**	-
Depreciation and amortisation[3]	**388,912**	384,591
Total	**1,602,882**	1,537,306

[1]Included in energy costs is a charge of €12.4 million (30 June 2018: gain of €6.6 million) relating to the fair valuing of fuel commodity swaps which have not been designated as accounting hedges.

[2]Net impairment losses on financial assets include impairment losses incurred on trade and other receivables of €4.3 million (30 June 2018 €5.3 million) and impairment of loans to equity accounted investees in Tilbury Green Power Holdings Limited of €11.1 million (30 June 2018: €17.5 million).

[3]June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. NET FINANCE COST AND OTHER FINANCING CHARGES

	June 2019	June 2018
	€ '000	€ '000
Interest payable on borrowings	**93,887**	93,687
Less capitalised interest	**(12,992)**	(13,081)
Net interest on borrowings	**80,895**	80,606
Financing charges:		
- on NIE Networks pension scheme (note 19)	**1,465**	1,773
- on ESB pension scheme (note 20)	**7,677**	9,546
- on employee related liabilities	**(11)**	123
- on asset retirement costs	**1,347**	1,689
- on other provisions	**(33)**	91
- on lease obligations (note 12)	**1,652**	-
Total financing charges	**12,097**	13,222
Fair value losses / (gains) on financial instruments:		
- currency / interest rate swaps: cash flow hedges, transfer from OCI	**(1,884)**	3,222
- interest rate swaps and inflation-linked swaps not qualifying for hedge accounting	**47,299**	(32,111)
- foreign exchange contracts not qualifying for hedge accounting	**133**	-
Total fair value losses / (gains) on financial instruments	**45,548**	(28,889)
Finance cost	**138,540**	64,939
Finance income	**(884)**	(1,326)
Net finance cost	**137,656**	63,613

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the 2018 consolidated financial statements - see note 1 in the 2018 consolidated financial statements for further details.

In addition to the amounts transferred from other comprehensive income relating to interest rate swaps and foreign exchange contracts disclosed above, a gain of €5.3 million (30 June 2018: gain of €14.3 million) has been transferred from the cash flow hedging reserve to net finance cost and other financing charges during the period. However, these amounts are substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

Included in finance income is interest on borrowings receivable from Aldeburgh Offshore Wind Holdings Limited €nil (30 June 2018: €1.6 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

10. EMPLOYEES

Employee costs in period	June 2019 € '000	June 2018 € '000
Current staff costs (excluding pension)		
Salaries	**263,655**	252,789
Overtime	**21,011**	20,535
Social welfare costs (PRSI and national insurance)	**20,958**	20,760
Other payroll benefits[1]	**18,087**	17,286
Payroll cost for employees	**323,711**	311,370
Pension and other employee benefit costs		
Exit costs - severance programmes[2]	**463**	8,070
Pensions charge - other schemes[3]	**24,543**	24,188
NIE Networks pension scheme charge[4]	**3,878**	5,011
	28,884	37,269
Capitalised payroll	**(99,595)**	(95,820)
Total employee related costs charged to the income statement	**253,000**	252,819

[1]These benefits primarily include travel and subsistence allowances.

[2]Included in severance programme costs are pension curtailment costs in respect of NIE Networks of €nil (30 June 2018: €4.0 million).

[3]The pension charge for other schemes include contributions to the ESB Defined Contribution Scheme, the ESB Defined Benefit Pension Scheme, the Options section of the NIE Networks Pension Scheme (NIE Networks Scheme) and the stakeholder pension scheme for Great Britain (GB) employees (FMUK Pension Scheme). See note 19 and 20 of the Condensed Consolidated Financial Statements.

[4]The NIE Networks pension scheme charge relates solely to the Focus section of the Northern Ireland Electricity Networks Scheme (the NIE Networks Scheme). See note 19 for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. PROPERTY, PLANT & EQUIPMENT

	Land and buildings € '000	Plant and machinery € '000	Total assets in commission € '000	Assets under construction € '000	**Total € '000**
Cost					
Balance at 1 January 2018	1,314,445	18,192,791	19,507,236	880,552	**20,387,788**
IFRS 15 transfer to deferred income[1]	-	687,818	687,818	103,897	**791,715**
Restated balance at 1 January 2018	1,314,445	18,880,609	20,195,054	984,449	**21,179,503**
Additions[1]	-	202,332	202,332	200,657	**402,989**
Retirements / disposals	(58)	(11,683)	(11,741)	(5,457)	**(17,198)**
Transfers out of assets under construction	15,457	81,120	96,577	(96,577)	**-**
Transfers to intangible assets	-	(3,083)	(3,083)	-	**(3,083)**
Other transfers	(81,839)	81,839	-	-	**-**
Translation differences	21	6,116	6,137	-	**6,137**
Balance at 30 June 2018	1,248,026	19,237,250	20,485,276	1,083,072	**21,568,348**
Balance at 1 January 2019	1,217,046	19,417,945	20,634,991	1,236,207	**21,871,198**
Additions	12,315	195,612	207,927	140,547	**348,474**
Retirements / disposals	(896)	(5,552)	(6,448)	-	**(6,448)**
Transfers out of assets under construction	7,797	171,585	179,382	(179,382)	**-**
Translation differences	(519)	(12,421)	(12,940)	(23)	**(12,963)**
Balance at 30 June 2019	1,235,743	19,767,169	21,002,912	1,197,349	**22,200,261**
Depreciation					
Balance at 1 January 2018	769,351	9,613,457	10,382,808	-	**10,382,808**
IFRS 15 transfer to deferred income[1]	-	58,417	58,417	-	**58,417**
Restated balance at 1 January 2018	769,351	9,671,874	10,441,225	-	**10,441,225**
Charge for the period[1]	14,679	350,833	365,512	-	**365,512**
Retirements / disposals	(58)	(10,323)	(10,381)	-	**(10,381)**
Transfers to intangible assets	-	(360)	(360)	-	**(360)**
Other transfers	(39,653)	39,653	-	-	**-**
Translation differences	-	1,869	1,869	-	**1,869**
Balance at 30 June 2018	744,319	10,053,546	10,797,865	-	**10,797,865**
Balance at 1 January 2019	713,294	10,402,727	11,116,021	-	**11,116,021**
					-
Charge for the period	10,867	341,393	352,260	-	**352,260**
Retirements / disposals	(268)	(5,254)	(5,522)	-	**(5,522)**
Impairment	71	1,731	1,802	-	**1,802**
Translation differences	(9)	(6,349)	(6,358)	-	**(6,358)**
Balance at 30 June 2019	723,955	10,734,248	11,458,203	-	**11,458,203**
Net book value at 30 June 2019	**511,788**	**9,032,921**	**9,544,709**	**1,197,349**	**10,742,058**
Net book value at 31 December 2018	503,752	9,015,218	9,518,970	1,236,207	**10,755,177**
Net book value at 30 June 2018	503,707	9,183,704	9,687,411	1,083,072	**10,770,483**

[1] June 2018 comparative numbers have been restated due to a change in treatment of accounting for supply contributions under IFRS 15, see note 3 (a).

During the period the Group capitalised interest of €13.0 million (30 June 2018: €13.1 million) in assets under construction, using an effective interest rate of 3.2% (30 June 2018: 3.5%).

Due to the new accounting standard IFRS 15 which became effective on 1 January 2018, supply contributions are now accounted for as deferred income and released to the income statement on a basis consistent with the depreciation policy of the underlying asset.

Impairment charge

The impairment charge relates to a wind farm.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. RIGHT OF USE ASSETS AND LEASE LIABILITIES

(a) Amounts recognised in the balance sheet

Right of use assets	Land and buildings € '000	Motor vehicles € '000	Total € '000
Balance at 1 January 2019	**127,599**	**5,289**	**132,888**
Additions	3,879	664	**4,543**
Depreciation	(7,223)	(1,147)	**(8,370)**
Translation differences	(158)	(122)	**(280)**
Balance at 30 June 2019	**124,097**	**4,684**	**128,781**

Lease liabilities	Total € '000
Balance at 1 January 2019	**(132,888)**
Additions	**(4,543)**
Interest expense	**(1,652)**
Lease payments	**8,738**
Translation differences	**301**
Balance at 30 June 2019	**(130,044)**
Analysed as follows:	
Non-current liabilities	**(113,641)**
Current liabilities	**(16,403)**
Total	**(130,044)**

(b) Other amounts recognised in the statement of profit or loss

	2019 € '000
Expenses relating to short-term leases	**257**
Expenses relating to low-value assets that not short-term leases	**38**
Expenses relating to variable lease payments not included in lease liabilities	**465**
Total	**760**

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES

	Equity accounted investees €'000	Financial assets at fair value through profit or loss €'000	Total €'000
Balance at 1 January 2018	68,334	22,165	**90,499**
Additions	126,829	1,275	**128,104**
Share of loss (net)	(7,971)	-	**(7,971)**
Share of fair value movement on cash flow hedges	1,588	-	**1,588**
Fair value movement (note 7)	-	(12,983)	**(12,983)**
Translation differences	(107)	-	**(107)**
Balance at 30 June 2018	**188,673**	**10,457**	**199,130**
Balance at 1 January 2019	189,787	10,452	**200,239**
Additions	-	1,762	**1,762**
Share of loss (net)	(2,402)	-	**(2,402)**
Share of fair value movement on cash flow hedges	(655)	-	**(655)**
Dividends received	(7,536)	-	**(7,536)**
Translation differences	(263)	-	**(263)**
Balance at 30 June 2019	**178,931**	**12,214**	**191,145**

Oriel Windfarm Limited

ESB invested €1.8 million in the Oriel Wind Farm poject, a 330 MW development located off the coast of Co. Louth during the period.

14. INVENTORIES

	June 2019 € '000	December 2018 € '000
Materials	**42,003**	39,800
Fuel	**49,094**	59,505
Construction work in progress	**48,787**	34,681
Total	**139,884**	133,986

Construction work in progress includes property assets which are being constructed for resale and stated at the lower of cost and net realisable value.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. CHANGES IN EQUITY

(i) Non-controlling interest

Non-controlling interests at 31 December 2018 and 30 June 2019 relate to the minority shareholdings in Crockahenny Wind Farm DAC, Mountain Lodge Power DAC, Airvolution Energy Limited and wind farms associated with Coriolis Energy.

(ii) Dividends	June 2019 € '000	June 2018 € '000
Dividends on capital stock:		
Total dividend paid 0.25 (30 June 2018: 0.23) cents per unit of capital stock	**4,966**	4,573

Total dividends paid during the period ended 30 June 2019 included a final dividend of €5.0 million in respect of 2018 (30 June 2018: €4.6 million in respect of 2017).

16. TAXATION

Income tax expense	June 2019 € '000	June 2018 € '000
Current tax expense		
Current tax	**33,399**	30,948
Prior year (over) / under provision	**(763)**	2,173
	32,636	33,121
Deferred tax expense		
Origination and reversal of temporary differences	**(10,490)**	81
Prior year under / (over) provision	**206**	(1,152)
	(10,284)	(1,071)
Total	**22,352**	32,050

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. BORROWINGS AND OTHER DEBT

	Recourse borrowings € '000	Non-recourse borrowings € '000	June 2019 Total € '000	December 2018 Total € '000
Current borrowings				
- Repayable by instalments	84,797	5,284	**90,081**	85,915
- Repayable other than by instalments	519,641	-	**519,641**	520,360
Total current borrowings	604,438	5,284	**609,722**	606,275
Non-current borrowings				
- Repayable by instalments				
Between one and two years	79,098	4,526	**83,624**	85,837
Between two and five years	214,032	12,767	**226,799**	220,016
After five years	314,296	37,335	**351,631**	406,340
	607,426	54,628	**662,054**	712,193
- Repayable other than by instalments				
Between one and two years	54,085	-	**54,085**	307,425
Between two and five years	550,178	-	**550,178**	305,343
After five years	2,671,223	833,384	**3,504,607**	3,212,731
	3,275,486	833,384	**4,108,870**	3,825,499
Total non-current borrowings	3,882,912	888,012	**4,770,924**	4,537,692
Total borrowings outstanding	4,487,350	893,296	**5,380,646**	5,143,967

Current borrowings by facility	Ref	June 2019 € '000	December 2018 € '000
ESB Eurobonds	1	**521,647**	214,210
Non-recourse long-term project finance debt	2	**5,284**	1,789
Non-recourse NIE Networks Eurobonds	3	**-**	-
Long-term bank borrowings	4	**82,791**	152,925
Private placement borrowings	5	**-**	237,351
		609,722	606,275

Non-current borrowings by facility	Ref	June 2019 € '000	December 2018 € '000
ESB Eurobonds	1	**2,971,310**	2,684,567
Non-recourse long-term project finance debt	2	**54,627**	58,766
Non-recourse NIE Networks Eurobonds	3	**833,384**	835,030
Long-term bank borrowings	4	**604,346**	653,427
Private placement borrowings	5	**307,257**	305,902
		4,770,924	4,537,692

With the exception of borrowings relating to non-recourse project finance debt, which is secured against specific assets, none of the borrowings are secured against the Group assets.

ESB was rated A- from Standard & Poor's (outlook stable) and A3 (equivalent to BBB+) from Moody's (outlook stable) in May 2019.

1. ESB Eurobonds

The table below provides details of ESB Eurobonds included in borrowings at 30 June 2019:

Issuer	Value	Issue Date	Tenor	Coupon
ESB Finance DAC	Stg£275.0 million	March 2010	10 years	6.500%
ESB Finance DAC	Euro €215.2 million	November 2012	7 years	4.375%
ESB Finance DAC	Euro €300.0 million	November 2013	10 years	3.494%
ESB Finance DAC	Euro €500.0 million	June 2015	12 years	2.125%
ESB Finance DAC	Euro €600.0 million	June 2016	15 years	1.875%
ESB Finance DAC	Euro €500.0 million	January 2017	12 years	1.750%
ESB Finance DAC	Euro €500.0 million	November 2018	15 years	2.125%
ESB Finance DAC	Euro €100.0 million	April 2019	25 years	2.000%
ESB Finance DAC	Euro €500.0 million	June 2019	11 years	1.125%

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

17. BORROWINGS AND OTHER DEBT (continued)

2. Non-recourse long-term project finance debt

Castlepook Power DAC became a 100% subsidiary in December 2018 and at 30 June 2019 has outstanding debt of €44.2 million (31 December 2018: €44.9 million). The remainder of this debt is in relation to a wind farm in Great Britain (GB).

3. Non-recourse NIE Networks Eurobonds

In June 2011, NIE Networks Limited issued a Stg£400.0 million 15 year sterling bond with a fixed coupon rate of 6.375%.

In September 2018, NIE Networks Limited issued a Stg£350.0 million 7 year sterling bond with a fixed coupon rate of 2.5%.

4. Long-term bank borrowings

Long-term bank borrowings include €146.0 million (31 December 2018: €267.0 million) of floating rate debt borrowed on a bilateral basis, while the remainder is fixed interest debt.

A €1.44 billion revolving credit facility with a syndicate of 14 banks to draw down bank finance as required up to January 2022 is available to the Group. This is undrawn as at 30 June 2019 (31 December 2018: €70.0 million).

A €200.0 million facility with the European Investment Bank (EIB) was agreed in 2013 and 2014 to support renewable connections to the electricity network in the southwest of Ireland, dependent on the completion of certain specified capital expenditure. At 30 June 2019, the full €200.0 million of this facility had been drawn down (31 December 2018: €200.0 million).

5. Private placement borrowings

The first private placement senior unsecured notes were issued, to a range of institutional investors, in December 2003. These fixed rate notes were issued in US dollars and sterling and at 30 June 2019 comprise US$237.5 million, maturing in 2023, and Stg£10.0 million, maturing in 2023.

The second private placement senior unsecured notes were issued in June 2009. These notes were issued in US dollars, sterling and euro and at 30 June 2019 comprise Stg£50.0 million, maturing in 2021. US$226.0 million and €40.0 million of this debt was repaid in June 2019 as scheduled.

The private placement debt and certain other facilities have conditions which require ESB to maintain certain interest cover and asset covenants. At 30 June 2019, ESB is fully in compliance with all the covenant requirements associated with the private placement debt and other facilities.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value by class of derivative financial instrument

Derivative financial instruments are carried at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis using an appropriate discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair values of financial instruments, grouped by class of instrument, are as follows:

	June 2019				
	Non-current assets € '000	Current assets € '000	Non-current liabilities € '000	Current liabilities € '000	**Total € '000**
Interest rate swaps	4,412	-	(2,053)	(3,435)	**(1,076)**
Inflation linked interest rate swaps	-	-	(582,980)	(15,570)	**(598,550)**
Currency swaps	4,992	-	(13,155)	-	**(8,163)**
Foreign exchange contracts	735	3,060	(1,585)	(4,810)	**(2,600)**
Forward fuel price contracts	20,236	187,493	(54,966)	(249,906)	**(97,143)**
Forward electricity price contracts	39,051	34,180	(61)	(32)	**73,138**
	69,426	**224,733**	**(654,800)**	**(273,753)**	**(634,394)**

	December 2018				
	Non-current assets € '000	Current assets € '000	Non-current liabilities € '000	Current liabilities € '000	Total € '000
Interest rate swaps	5,079	-	(3,691)	(94)	1,294
Inflation linked interest rate swaps	-	-	(544,340)	(13,935)	(558,275)
Currency swaps	4,098	35,461	(21,276)	-	18,283
Foreign exchange contracts	914	2,300	(285)	(2,119)	810
Forward fuel price contracts	10,541	82,852	(55,433)	(91,345)	(53,385)
Forward electricity price contracts	47,950	35,921	(157)	(809)	82,905
	68,582	156,534	(625,182)	(108,302)	(508,368)

Certain foreign exchange contracts, currency swaps, forward fuel price contracts and forward electricity price contracts are designated as cash flow hedges of interest rate, currency or commodity risk arising from highly probable forecast interest, revenue, or other operating cost cash flows.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Fair value by class of derivative financial instrument (continued)

(i) Interest rate swaps

The Group has executed interest rate swaps of Stg£469.2 million (31 December 2018: Stg£470.7 million) in connection with a certain portion of its borrowings, including project finance debt secured by fixed rate borrowings held by the Parent and ESB Finance DAC, West Durham Wind Farm Limited and debt held in other wind farms assets within the Group. These have all been classified as cash flow hedges.

For interest rate swaps, the fair value takes into account the fixed, floating and market rates prevailing at the balance sheet date. As interest rate swaps are marked to market at 30 June 2019, their carrying value is equal to their fair value.

Total movement reflects a decrease of €2.3 million (30 June 2018: increase of €0.1 million) during the period in relation to interest rate swaps which were recognised directly in finance costs in the income statement.

(ii) Inflation linked interest rate swaps

Inflation linked interest rate swaps with a fair value on acquisition of €272.5 million were acquired in December 2010 as part of the purchase of the NIE Networks business. The inflation linked interest rate swaps did not qualify for hedge accounting under IFRS 9 (previously IAS 39) on acquisition of the NIE Networks business. The fair value of the inflation linked interest rate swaps is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the United Kingdom (UK).

Arising from movements in forward interest rates, UK RPI forward prices, foreign currency exchange rates and payments during the period, the fair value of the liability has increased by €40.3 million on these swaps in the period ended 30 June 2019 (30 June 2018: fair value of the liability decreased by €43.1 million). The movement reflects negative mark to market movements in the underlying swaps of €49.4 million (30 June 2018: Positive movement €36.0 million), reflected in finance costs in the income statement (note 9) and payments of €7.0 million (30 June 2018: €8.3 million) arising under the swaps during the period. In addition, positive translation movements of €2.1million (30 June 2018: negative translation movement of €1.2 million) during the period on translation of the swaps from sterling to euro are reflected in the OCI.

(iii) Currency swaps

The fair value of currency swaps is affected by movements in foreign exchange and interest rates. ESB's currency swaps are primarily classified as cash flow hedges and relate mainly to the cross currency swaps entered into in connection with the private placement debt, which is described in note 17. These cross currency swaps were entered into in order to swap US dollar and sterling interest and principal repayments on the underlying debt to euro, thereby hedging the risk on these payments over the periods to maturity from 2010 to 2023. During 2019, a portion of the cross currency swaps matured due to US$226.0 million of private placement debt being repaid.

No ineffectiveness under the meaning of IFRS 9 arose on the currency swaps during the period (30 June 2018: credit €0.1 million). Separately included in the income statement for the period 30 June 2019 is a gain of €5.3 million (2018: gain of €14.3 million) arising on cross currency swaps which is substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates (see note 9).

In addition to foreign exchange contracts entered into in relation to the Group's borrowings, the Group has entered into foreign exchange contracts in relation to energy costs and fuel purchase requirements (which are in US dollar and sterling). These contracts have maturities extending until 2024. Total negative fair value movements of €3.4 million (30 June 2018: positive movements of €3.2 million) were recognised during the period in relation to such foreign exchange contracts, of which a positive fair value movement of €0.1 million (2018: negative movements of €0.1 million) was recognised through OCI and a positive fair value movement of €3.5 million (30 June 2018: negative movement of €3.1 million) was recognised in the income statement.

Fair value hierarchy

Further information on the methods of valuing financial instruments is included in note 21.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. PENSION LIABILITIES

Northern Ireland Electricity Networks (NIE Networks) Pension Scheme

	June 2019 €'000	June 2018 €'000
Change in benefit obligation		
Net deficit at 1 January	**(110,807)**	(143,056)
Movements during the period:		
Actuarial (losses)/gains recognised in OCI during the period	**(10,404)**	85,045
Charge to the income statement - current service cost	**(3,878)**	(5,011)
Charge to the income statement - curtailment cost	**-**	(3,983)
Pension contributions paid	**14,142**	17,265
Charged to the income statement: net pension scheme interest	**(1,465)**	(1,773)
Translation differences	**313**	(833)
Net deficit at 30 June	**(112,099)**	(52,346)

The majority of the employees in NIE Networks are members of the NIE Networks Pension Scheme (the NIE Networks Scheme). This has two sections: Options, which is a money purchase arrangement whereby the employer generally matches the members' contributions up to a maximum of 7% of salary, and Focus which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the NIE Networks Scheme are held under trust and invested by the Trustees on the advice of professional investment managers.

The actuarial losses for the period arise due to a change in financial assumptions €100.7 million partly offset by a higher return on assets €90.3 million. The discount rate used to value the scheme liabilities decreased from 2.8% at 31 December 2018 to 2.2% at 30 June 2019.

20. LIABILITY - ESB PENSION SCHEME AND EMPLOYEE RELATED LIABILITIES

	Liability - ESB pension scheme € '000
Balance at 1 January 2018	**394,320**
Movements during the period:	
Utilised during the period	**(6,195)**
Financing charge	**9,546**
Balance at 30 June 2018	**397,671**
Balance at 1 January 2019	**395,237**
Movements during the period:	
Utilised during the period	**(5,950)**
Financing charge	**7,677**
Balance at 30 June 2019	**396,964**
Analysed as follows:	
Non-current liabilities	**99,196**
Current liabilities	**297,768**
Total	**396,964**

Liability - ESB pension scheme

During 2010, the Group reached agreement with the ESB Group of Unions to amend pension arrangements within the ESB statutory body and this is explained in note 22 of the 2018 consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) Overview of financial risk management

Risk environment

The main financial risks faced by the Group relate to foreign exchange (particularly movements in the value of the euro relative to sterling and the US dollar) and commodity (electricity and fuel) price movements. Liquidity risk, and exposure to interest rate volatility, are key long-term financial risks also, but have been substantially addressed in the short run. Policies to protect the Group from these risks and other risk areas, such as credit risk, are regularly reviewed, revised and approved by the Board as appropriate. During 2019, the Board has reviewed and approved the Group's Interest Rate, Foreign Exchange, and Funding & Liquidity policies. Group Treasury is responsible for the day-to-day treasury activities of the Group. The Finance and Investment Committee is regularly updated on key treasury matters, risk and associated mitigants.

Commodity price risk is managed by the front and middle office functions of the relevant business units: ESB Trading (within Generation and Trading) and Customer Solutions. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit and it is the responsibility of the Trading Risk Management Committees (overseen by the Group Trading Committee (GTC)) to ensure that internal audit findings and recommendations are adequately addressed. The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way designed to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. Financial instruments are derecognised on settlement or sale.

Risk reporting structure

Through the Chief Executive, the Board has delegated to the GTC the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerances and business strategies. The GTC has established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities. Furthermore, the Group Trading Risk Management Policy is applicable to each of these businesses.

In both Generation and Trading and Customer Solutions, separate Trading Risk Management Committees meet on a monthly basis (or more frequently as required), and serve as the primary overseer of trading risk at individual ring-fenced business unit level. These committees include the head of the Front Office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the business unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management, and for ensuring that an effective control framework is in place.

The Middle Office function in each business unit maintains a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is adequately managed in accordance with Group Trading Risk Management Policy.

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds. ESB also uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise in the normal course of operations from US dollar and sterling denominated borrowings, from its foreign currency subsidiaries and from the use of foreign currency suppliers. Hedge accounting pursuant to IFRS 9 is used both for hedges of foreign currency liabilities and interest rate risks from current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. Certain arrangements meet the specific hedging accounting criteria of IFRS 9. Up to 1 January 2019, where the IFRS 9 hedge criteria are met in respect of cross currency swaps, interest rate swaps, foreign exchange contracts, forward fuel price contracts and forward electricity price contracts, these instruments were designated as cash flow hedges of highly probable forecast interest, revenue or other operating cost cash flows.

From 1 January 2019, the group decides at inception whether to designate financial instruments into hedge relationships. Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Fair value

The fair values of financial assets and liabilities carried at amortised cost together with the carrying amounts shown in the balance sheet are as follows:

	June 2019		December 2018	
	Carrying value € '000	**Fair value € '000**	Carrying value € '000	Fair value € '000
Long-term debt	**4,770,924**	**5,361,025**	4,537,692	5,364,685
Short-term borrowings	**609,722**	**630,731**	606,275	626,337
Total borrowings	**5,380,646**	**5,991,756**	5,143,967	5,991,022
Lease liabilities	**130,044**	**130,044**	-	-
Current trade and other payables	**644,576**	**644,576**	727,418	727,418
Non-current trade and other receivables	**(36,125)**	**(36,125)**	(47,183)	(47,183)
Current trade and other receivables	**(779,076)**	**(779,076)**	(852,646)	(852,646)
Cash and cash equivalents	**(735,001)**	**(735,001)**	(229,073)	(229,073)
Net liabilities	**4,605,064**	**5,216,174**	4,742,483	5,589,538

Current trade and other receivables and trade and other payables are all due within one year, and have been provided for where impaired, their carrying value is considered to be materially in line with their fair value.

The fair value of non-current trade and other receivables is calculated based on the present value of future cash flows, discounted at the market rate, interest rate or where applicable a specific interest rate has been applied.

ESB and NIE Networks Eurobonds are regarded Level 1 fair values (see Note 17). The fair value of Eurobonds is derived from observation of the most recent traded values for these bonds in liquid markets at the balance sheet date. Other borrowings and debt are Level 2 fair values. The primary valuation technique used for borrowings and other debt classified as Level 2 fair values is discounting of the future associated cash flows using the zero coupon discount curve of the relevant currency.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels relevant to financial assets and liabilities held by the Group have been defined as follows:
- Level 2: inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 2019	Level 2 € '000	Level 3 € '000	**Total € '000**
ASSETS			
Derivative financial instruments			
- Interest rate swaps	4,412	-	**4,412**
- Currency swaps	4,992	-	**4,992**
- Foreign exchange contracts	3,795	-	**3,795**
- Forward fuel price contracts	207,628	101	**207,729**
- Forward electricity price contracts	-	73,231	**73,231**
Financial assets at fair value through profit or loss	-	12,214	**12,214**
	220,827	**85,546**	**306,373**
LIABILITIES			
Derivative financial instruments			
- Interest rate swaps	(5,488)	-	**(5,488)**
- Currency swaps	(13,155)	-	**(13,155)**
- Foreign exchange contracts	(6,395)	-	**(6,395)**
- Forward fuel price contracts	(232,836)	(72,036)	**(304,872)**
- Forward electricity price contracts	-	(93)	**(93)**
- Inflation-linked interest rate swaps	(598,550)	-	**(598,550)**
	(856,424)	**(72,129)**	**(928,553)**
Net (liability) / asset	**(635,597)**	**13,417**	**(622,180)**

December 2018	Level 2 € '000	Level 3 € '000	Total € '000
ASSETS			
Derivative financial instruments			
- Interest rate swaps	5,079	-	5,079
- Currency swaps	39,559	-	39,559
- Foreign exchange contracts	3,214	-	3,214
- Forward fuel price contracts	80,357	13,036	93,393
- Forward electricity price contracts	-	83,871	83,871
Financial assets at fair value through profit or loss	-	10,452	10,452
	128,209	107,359	235,568
LIABILITIES			
Derivative financial instruments			
- Interest rate swaps	(3,785)	-	(3,785)
- Currency swaps	(21,276)	-	(21,276)
- Foreign exchange contracts	(2,404)	-	(2,404)
- Forward fuel price contracts	(89,488)	(57,290)	(146,778)
- Forward electricity price contracts	-	(966)	(966)
- Inflation-linked interest rate swaps	(558,275)	-	(558,275)
	(675,228)	(58,256)	(733,484)
Net (liability) / asset	(547,019)	49,103	(497,916)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Measurement of fair values - valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Currency swaps, foreign exchange contracts and interest rate swaps	Level 2 - Present valuation of future cash flows constructed using market observable inputs and discounted back to present value.		
Forward fuel and electricity price contracts	Level 2 - The fair value of forward fuel contracts is determined by reference to gas, coal and carbon prices with the resulting value discounted to present values. Level 3 - The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable.	Forward electricity prices	The estimated fair value would increase / (decrease) if Wholesale Electricity Price was higher / (lower). Generally a change in gas prices is accompanied by a directionally similar change in Wholesale Electricity Price.
Inflation-linked interest rate swaps	Level 2 - Independent valuations are used and validated using the present valuation of expected cash flows using the interest rate yield curve of the relevant currency. Future cash flows are estimated using expected RPI benchmark levels as well as expected LIBOR rate sets.		
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss are carried at fair value. Where applicable, valuations are based on the most recent information available at the period end, taking into account any other known and relevant factors. Unquoted investments are valued by deriving an enterprise value using one of the following methodologies: ▪ the price of a recent investment; ▪ revenue multiple; ▪ cost, less any required provision; ▪ realised value. As this requires the use of model based valuation techniques, with a number of unobservable inputs, all financial assets at fair value through profit or loss have been categorised as Level 3 investments in the current year.	Forecast annual revenue growth rate. Forecast gross margin	Novusmodus typically assess the value of investments based on its expectations of the proceeds which could be realised in a disposal. See Note 7 and 13. This value will usually be driven by a number of inputs including the ability of the investee to grow its revenue and associated margins leading to higher EBITDA thus higher values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

The following table shows a reconciliation from opening balances at 1 January 2019 to the period ended 30 June 2019 for fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit or loss € '000	Forward electricity price contracts € '000	Forward fuel price contracts € '000	Total € '000
Balance at 1 January 2018 - net	22,165	93,318	1,823	**117,306**
Additions	1,275	-	-	**1,275**
Total gains / (losses):				
- in profit or loss	(12,983)	-	-	**(12,983)**
- in OCI	-	(32,370)	30,441	**(1,929)**
Settlements	-	(21,003)	1,191	**(19,812)**
Balance 30 June 2018 - net	**10,457**	**39,945**	**33,455**	**83,857**
Balance 1 January 2019 - net	10,452	82,905	(44,254)	**49,103**
Additions	1,762	-	-	**1,762**
Total gains / (losses):				
- in profit or loss	-	-	-	**-**
- in OCI	-	1,497	(25,461)	**(23,964)**
Settlements	-	(11,264)	(2,220)	**(13,484)**
Balance 30 June 2019 - net	**12,214**	**73,138**	**(71,935)**	**13,417**

22. COMMITMENTS AND CONTINGENCIES

	June 2019 € '000	December 2018 € '000
(a) Capital commitments		
Contracted for	**349,561**	358,086

(b) Fuel contract commitments

There are a number of long term gas supply arrangements in place for different periods up to the end of 2019. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives have been separated and valued in accordance with IFRS 9.

(c) Other disclosures

Following on from flooding in Cork in November 2009, Aviva as University College Cork's (UCC) insurer pursued a legal action against ESB in the High Court seeking recovery of €19 million for property damage. The High Court judgement found ESB liable for the damage caused by the flood but discounted the award to UCC by 40% to reflect UCC's contributory negligence.

ESB appealed the decision to the Court of Appeal. On 20 March 2018 the Court of Appeal delivered its judgement which held that ESB is not liable for any damage caused to UCC's property by the flood.

In October 2018 the Supreme Court granted UCC leave to appeal the judgement of the Court of Appeal. The appeal was heard by the Supreme Court in early July 2019 and the judgement of the Court was reserved. It is possible the judgement of the Supreme Court will be delivered by the end of 2019. The issue of the legal costs of the High Court and Court of Appeal cases is stayed pending the outcome of the Supreme Court appeal.

In addition to the UCC claim ESB has, since the judgement of the High Court in the UCC case, been served with 388 sets of proceedings relating to the flooding in Cork in November 2009. Details of amounts claimed in relation to these proceedings have not yet been received and therefore it is not possible to make a reliable estimate of their cost (should the Supreme Court not uphold the decision of the Court of Appeal) at this time. However, ESB does not anticipate that the total amount of damages awarded, if any, and related costs for all of the actions, including the Aviva / UCC action, would exceed its applicable insurance cover.

On the basis of the internal and external legal advice received, ESB believes that it is probable that the judgement of the Court of Appeal will be upheld and accordingly, no provision has been made for such claims in the financial statements.

Other than as disclosed above, a number of other lawsuits, claims and dispute with third parties have arisen in the normal course of business. While any litigation or dispute has an element of uncertainty, the Board members believe that there were no contingent liabilities which would have a material adverse effect on the Group's financial position.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. RELATED PARTY TRANSACTIONS

Equity accounted investees

	Sale of goods / services[1]		Purchase of goods / services[2]		Amounts owed (to) / from as at period / year end[3]		Equity advanced during the year	
	June 2019 € '000	June 2018 € '000	**June 2019 € '000**	June 2018 € '000	**June 2019 € '000**	December 2018 € '000	**June 2019 € '000**	December 2018 € '000
Raheenleagh DAC	**317**	305	**4,841**	5,344	**2,036**	1,968	**-**	-
Oweninny DAC	**2,203**	775	**-**	-	**16,992**	13,947	**-**	-
Castlepook Power DAC[4]	**-**	786	**-**	3,090	**-**	-	**-**	-
Emerald Bridge Fibres DAC	**180**	123	**-**	-	**248**	-	**-**	1,350
Tilbury Green Power Holdings Ltd[5]	**629**	480	**17,957**	5,705	**21,979**	33,868	**-**	-
Kingspan ESB DAC	**-**	12	**-**	-	**52**	321	**-**	-
SIRO Ltd[6]	**4,054**	2,147	**-**	1,586	**99,202**	107,326	**-**	6,500
Aldeburgh Offshore Wind Holdings Ltd	**-**	-	**-**	-	**-**	28,553	**-**	126,551
Total	**7,383**	4,628	**22,798**	15,725	**140,509**	185,983	**-**	134,401

[1]ESB provided electricity sales, management and other professional services during the year to equity accounted investees as set out in the above table. Certain of these costs relate to capital projects.
[2]ESB has purchased power and services in relation to telecoms and maintenance during the year from equity accounted investees as set out in the above table.
[3]Amounts owed (to) / from equity accounted investees include shareholders loans (shown net of any impairments), interest on these loans and trade receivable and payable balances of €0.7 million (31 December 2018: €2.6 million), interest receivable on borrowings relates to Oweninny DAC €1.2 million (31 December 2018: €1.1 million) and Aldeburgh Offshore Wind Holdings Ltd €nil million (31 December 2018: €1.6 million).
[4]On 20 December 2018, Castlepook Power DAC became a 100% subsidiary of ESB Group, with the group acquiring the remaining 50% equity share in the company. Consequently, Castlepook Power DAC is no longer included as an equity accounted investee from this date.
[5]During the period ended 30 June 2019, ESB has recognised impairments on shareholders loans advanced to equity accounted investees to Tilbury Green Power Holdings Limited €11.1 million (31 December 2018: €17.5 million.)
[6]ESB has committed to provide capital funding to SIRO Ltd of €93.0 million, of which €93.0 million has been advanced as a short-term shareholder loan as disclosed above. ESB has guaranteed a 50% share of a €200.0 million loan facility held by SIRO of which €79.7 million was drawn down as at 30 June 2019 (31 December 2018: €28.0 million).

Terms and Conditions

Sales to and purchases from equity accounted investees and associates are conducted in the ordinary course of business. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with equity accounted investees and associates are unsecured and settlement arises in cash.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

24. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the income statement and the valuation of the assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

Key judgements are described in note 30 of the 2018 consolidated financial statements. There has been no change to the nature of these during the period and they are still considered to be the most relevant judgements and estimates in preparing our financial statements.

25. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as Trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the Company. The Trustee Company is chaired by an independent professional Trustee with four directors representing ESB employees and two directors representing ESB. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with IFRS 10 Consolidated Financial Statements, the financial statements for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

26. EVENTS SINCE THE BALANCE SHEET DATE

On 17 September 2019 the ESB Board approved an interim dividend of €38.2 million in respect of 2019.

There are no other post balance sheet events that the directors believe require adjustment to or disclosure in the financial statements.

27. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 17 September 2019.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