

Debt Investor Presentation 2017 Results and Business Update

March 15th 2018



Forward looking statements: This presentation contains certain “forward-looking statements” with respect to Electricity Supply Board’s and ESB Finance DAC’s (hereinafter collectively referred to as “ESB”) financial condition, results of operations and business and certain of ESB’s plans and objectives with respect to these items. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to and depend upon future events and circumstances. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. All forward-looking statements in the presentation are expressly qualified in their entirety by such factors. ESB does not intend to update these forward-looking statements.

No warranty as to accuracy: Neither ESB nor any person acting on its behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this presentation. Neither ESB nor any person acting on its behalf shall have any liability whatsoever for loss, howsoever arising, directly or indirectly, from use of the information contained within this presentation.

No invitation to engage in investment activity: This document is not an offer to sell, exchange or transfer any securities of ESB nor any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. This document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

Presentation not a prospectus: This presentation is not a prospectus for the purposes of Directive 2003/71/EC (as amended) or any implementing legislation in any jurisdiction. Electricity Supply Board and ESB Finance DAC have published a prospectus with respect to their Euro Medium Term Note Programme, copies of which are available from the website of the Central Bank of Ireland (www.centralbank.ie) or from the principal website esb.ie or its offices of Electricity Supply Board at Two Gateway, East Wall Road, Dublin 3, Ireland. This presentation does not purport to contain information which a prospective investor may require in order to evaluate a possible investment in securities of Electricity Supply Board or ESB Finance DAC



Pat Fenlon
**Group Finance
Director**



Gerry Tallon
Group Treasurer



Ted Browne
**Manager, Investor
Relations and Credit
Ratings**

Agenda

2017 Highlights

2017 Financial Review

Business Review

Funding and Liquidity

Outlook and Summary



Energy for generations



ESB's strategy to 2030 affirmed

Satisfactory performance in challenging market conditions

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

Networks

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

Generation (G&WM)

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

Supply (Electric Ireland)

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

Strong liquidity position €1.9 bn. €500m 12 year Bond issued.

Moody's credit rating upgrade to A3. S&P rating A- affirmed.

ESB - Strategy for a Brighter Future



ESB's Purpose

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

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

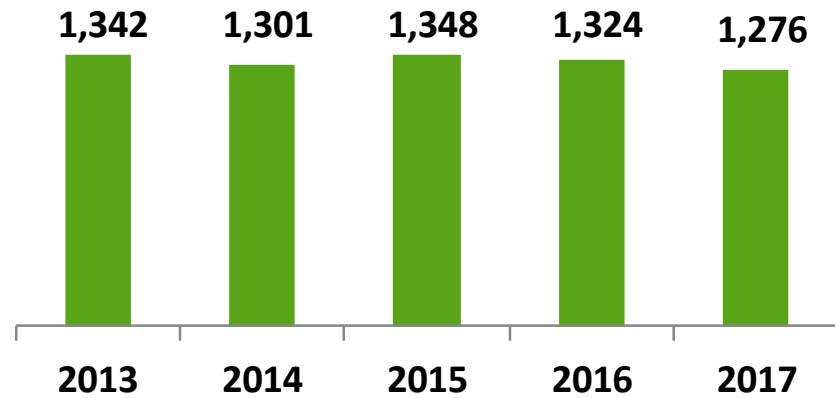


2017 Financial Highlights

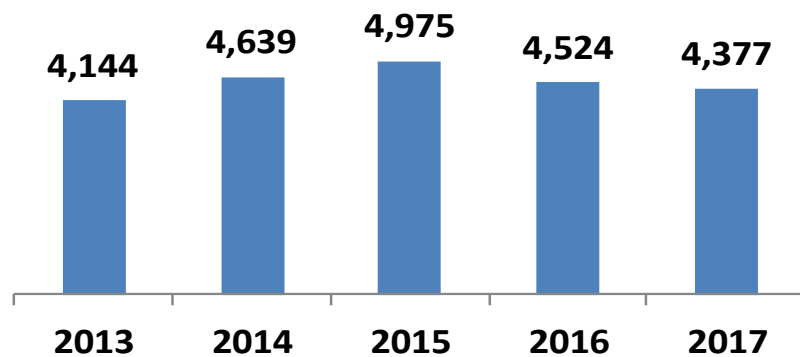


Consistent Financial Performance

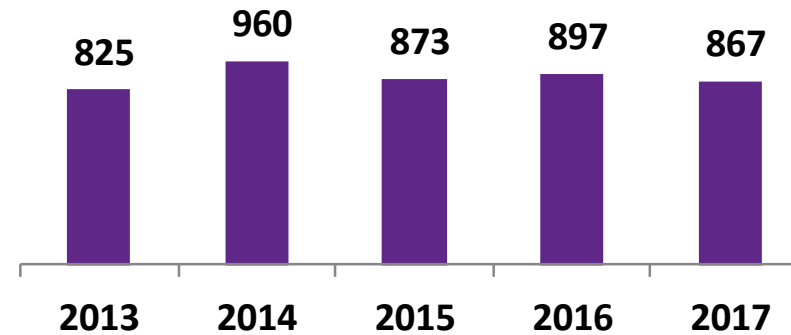
EBITDA (€m)



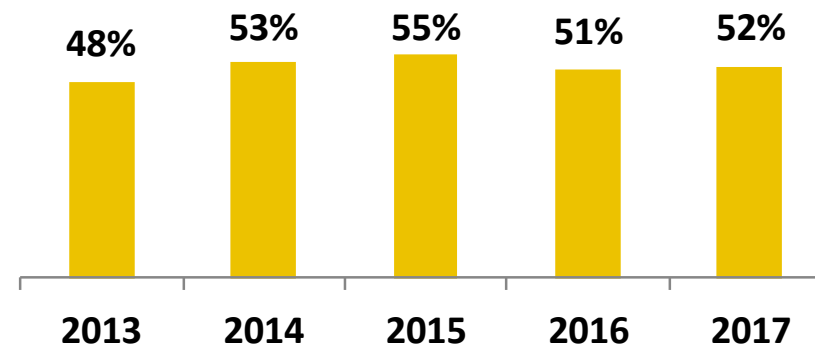
Net Debt (€m)



Capital Expenditure (€m)



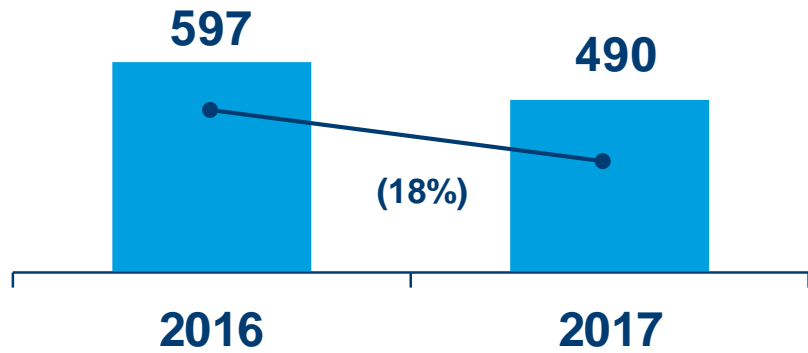
Gearing (%) ¹



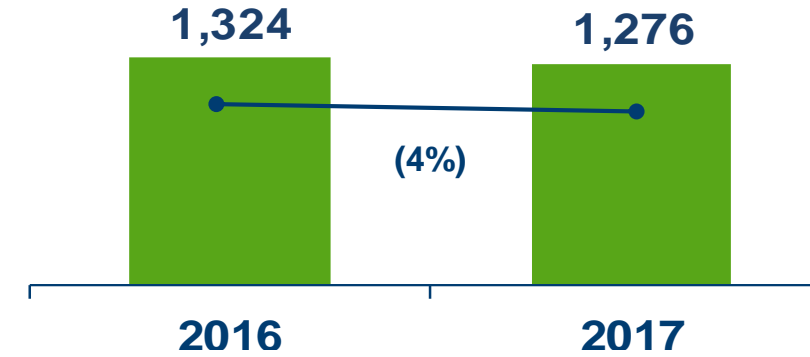
¹ Gearing = Net Debt / (Debt + Equity) on IFRS basis

2017 – Key Financial Highlights

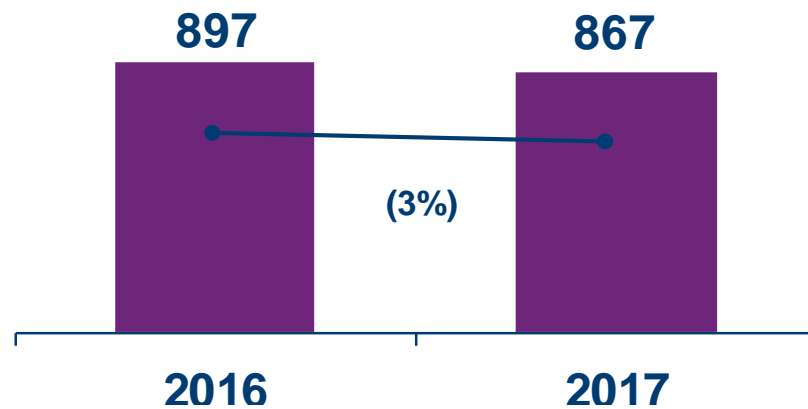
Operating Profit¹ (€m)



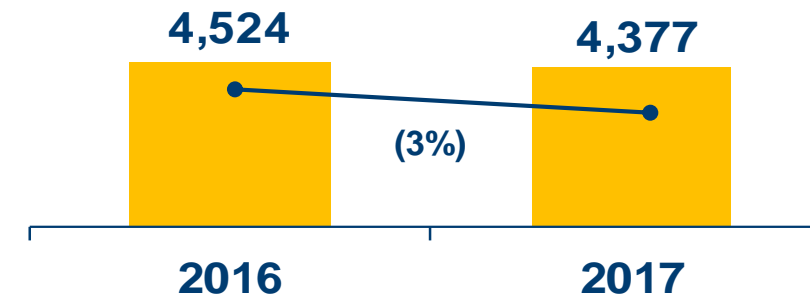
EBITDA (€m)



Capital Expenditure (€m)

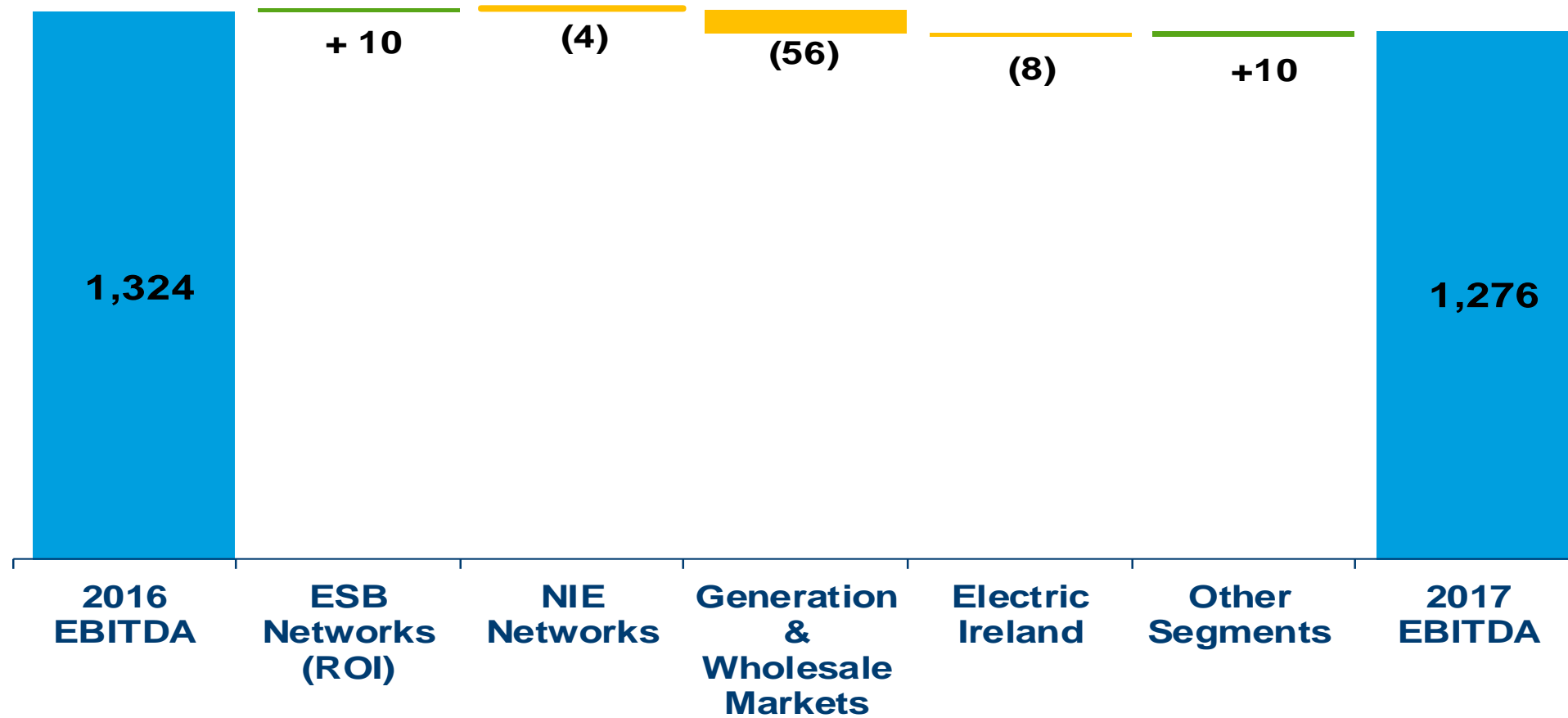


Net Debt (€m)



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

EBITDA Movement – 2017 vs 2016





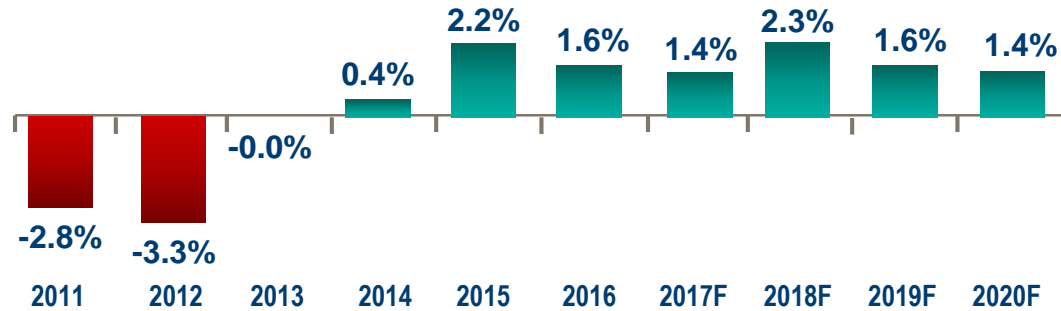
Energy for generations

Business Review



Macro Environment

SEM¹ System Demand Growth (%)



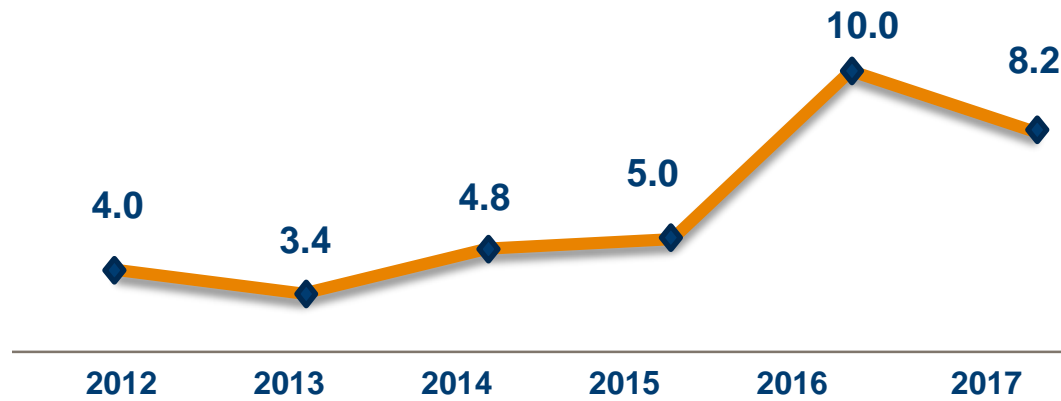
¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid

Ireland

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

GB Base Load Clean Spark Spread (£/ MWh)



Source: Epex & Marex Spectron

UK

- Forecast GDP 1.5% 2017 & 1.4% 2018
- Brexit: Uncertainty persists but prudent financial management protecting ESB's credit metrics
- UK Electricity
 - Tight capacity reserve margins
 - Increasing spreads 2016 & 2017

Forecast Irish GDP Source: Central Bank of Ireland

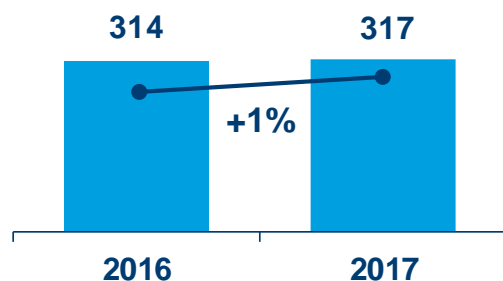
Forecast UK GDP Source: Office of Budget Responsibility

Highlights

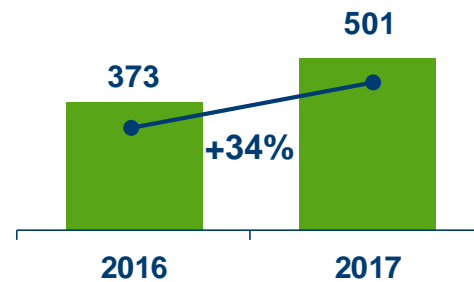
- 65% of group operating¹ profit and 58% of group capex
- Regulated Asset Base (RAB) 2017 €7.7bn
- Strategy: Smart Reliable Networks
- PR4 Revenue Determination (2016-2020)
 - Significant capital investment
 - Higher transmission capex in 2017
 - WACC 4.95% pre tax real²
- Operating profit broadly in line with 2016
- Focus: PR4 delivery



Operating Profit (€m)



Capital Expenditure (€m)



¹ Before exceptional items

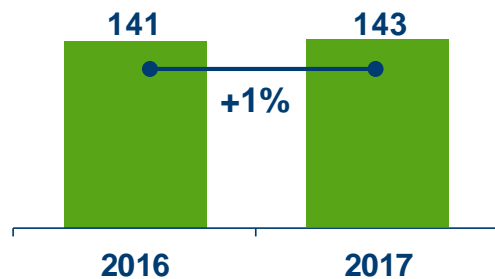
² WACC pre tax real calculated real pre tax cost of debt and real pre tax cost of equity esb.ie/ir

Northern Ireland Electricity (NIE) Networks

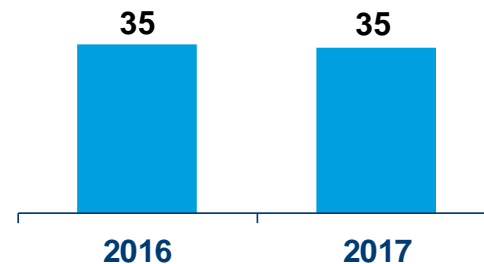
Highlights

- 7% of group operating profit¹ and 16% group capex
- Regulated Asset Base 2017 €1.7bn / £1.5bn
- Strategy: Smart Reliable Networks
- Operating profit and capex in line with 2016
- RP6 (Oct 2017 – Mar 2024)
Satisfactory but challenging final revenue determination
- RP6 WACC 3.2% vanilla real² (3.8% pre tax real), reflecting low interest rate environment
- Focus: RP6 Implementation

Capital Expenditure (€m)



Operating Profit (€m)



¹ Before Exceptional items

² Vanilla WACC calculated real pre tax cost of debt and real post tax cost of equity

Networks' Excellent Response to Storm Ophelia

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

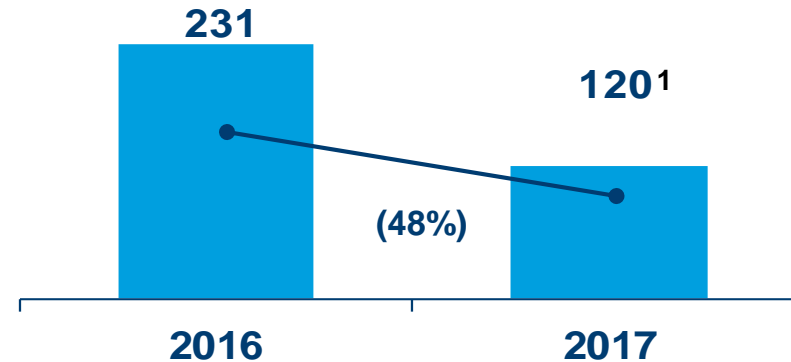


Generation & Wholesale Markets (G&WM)

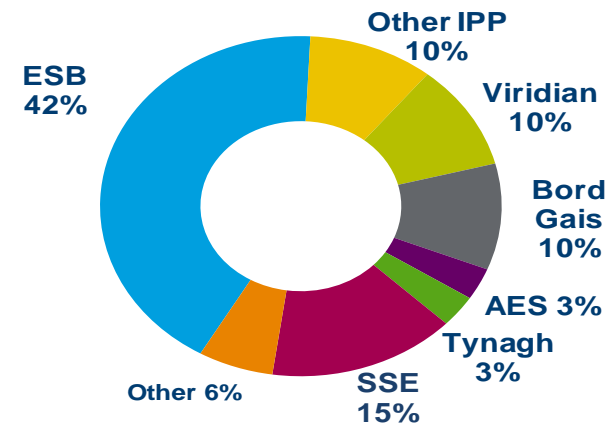
Highlights

- 25% of group operating profit¹ and 15% group capex
- Strategy: Balanced low carbon portfolio of thermal & renewable generation
- Good generation plant availability 90%
Irish market share 42%
- Investment:
 - low carbon renewables
 - 2017 €128m v €262m 2016. Carrington completed 2016 & delay in renewables
- Operating profit reflects lower energy margins
- Prudent exceptional non-recurring impairment of generation assets €276m
- Focus: Integrated Single Electricity Market
Renewable Investment

Operating Profit¹ (€m)



SEM Generation Market Share (MWh)

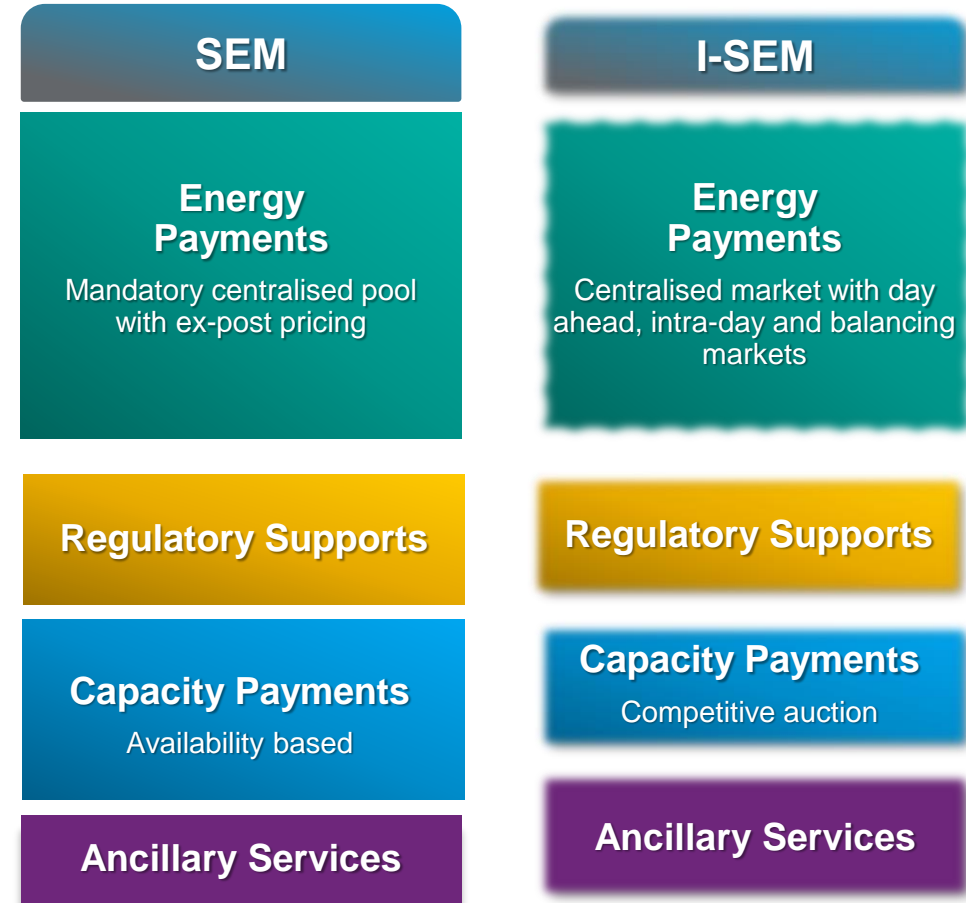


¹ Operating profit before exceptional items. 2017 exceptional non-cash impairment charge of generation assets €276m (~2% total assets)

Integrated Single Electricity Market Transition

- EU Internal Energy Market compliance to align energy trading more closely with EU
- “Go live” May 2018
- Capacity payments remain, but lower.
Capacity auction for 24th May 2018 to 30 Sept 2019
91% of G&WM plant MW secured contracts. Clearing price €41.8 /kW.
- Ancillary services revenue cap increased
Cap €235m 2020 from €75m 2016
- Significant energy margin expected to continue from capacity payments and quasi-regulated regulatory supports
- More challenging
- ESB portfolio mix advantageous and well positioned
Will take a number of years to evolve

Broad Indicative Changes

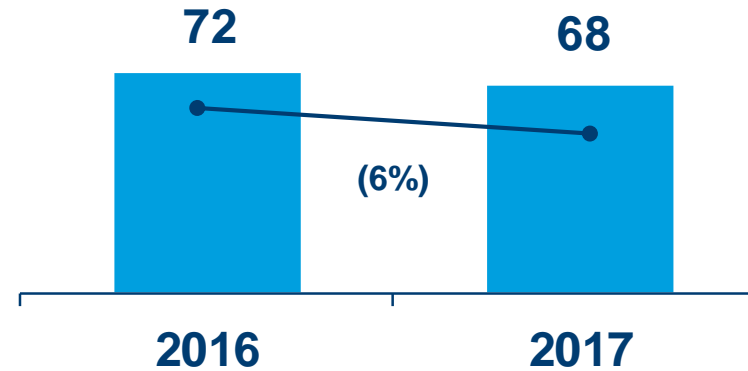


Supply: Electric Ireland

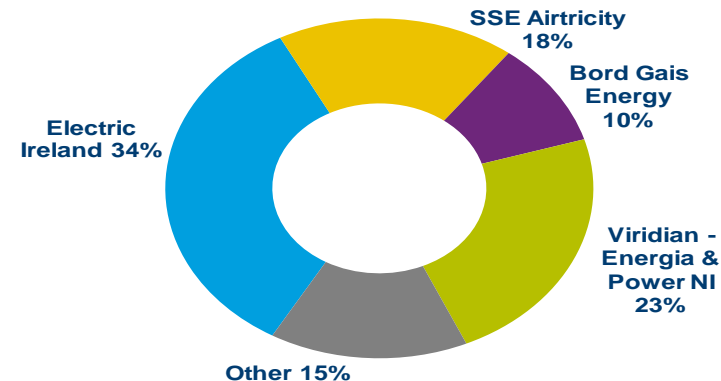
Highlights

- 14% of group operating profit¹
- Strategy: Meet customer energy needs
 - Competitive Offerings
 - Excellent Customer Service
 - Innovative and value driven solutions
- Operating profit €68m. Margin 3.7%²
- Competing effectively
- Market share 34% with 1.4m customer accounts
- GB Supply residential market entry as long term growth opportunity
- Focus: Meet customer energy needs through value driven solutions at appropriate margins

Operating Profit (€m)



SEM Retail Market Share (MWh)



¹ Before exceptional items

² Operating profit margin excluding non-cash mark to market accounting adjustments

Funding & Liquidity

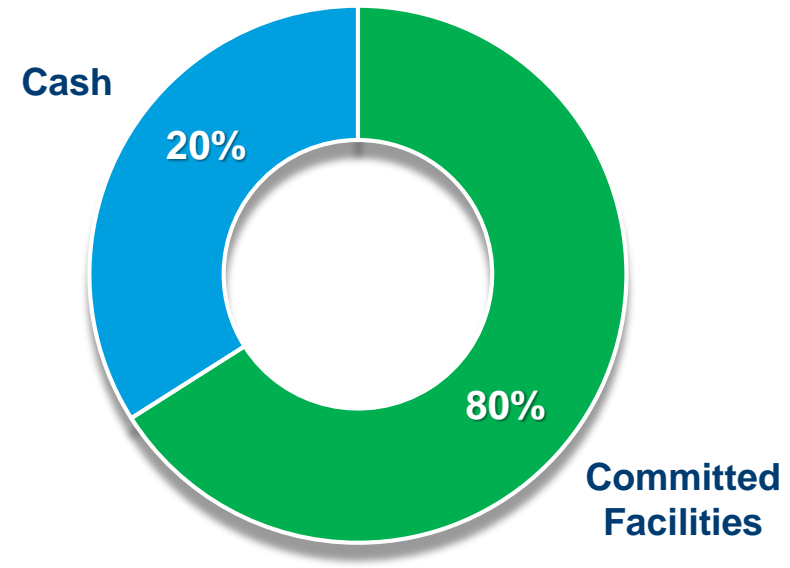
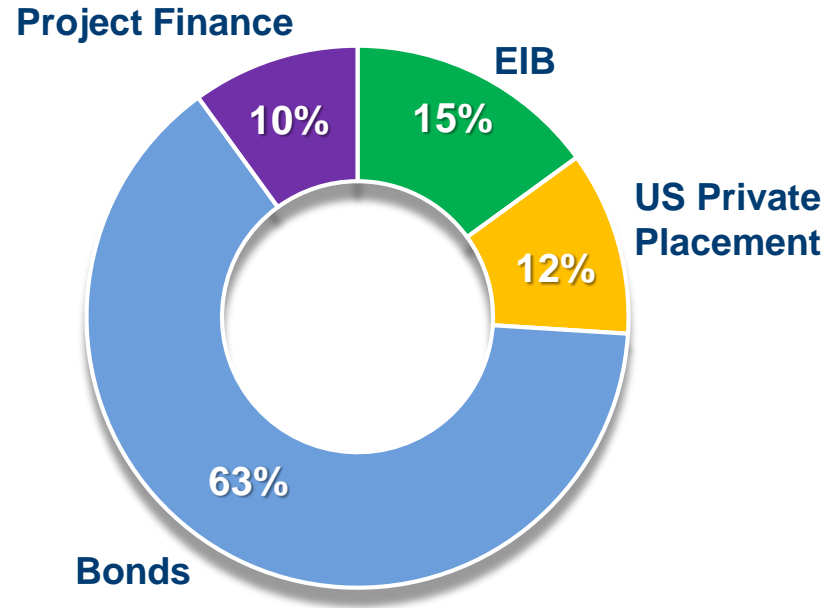


ESB Group Debt – Diversified Funding and Strong Liquidity



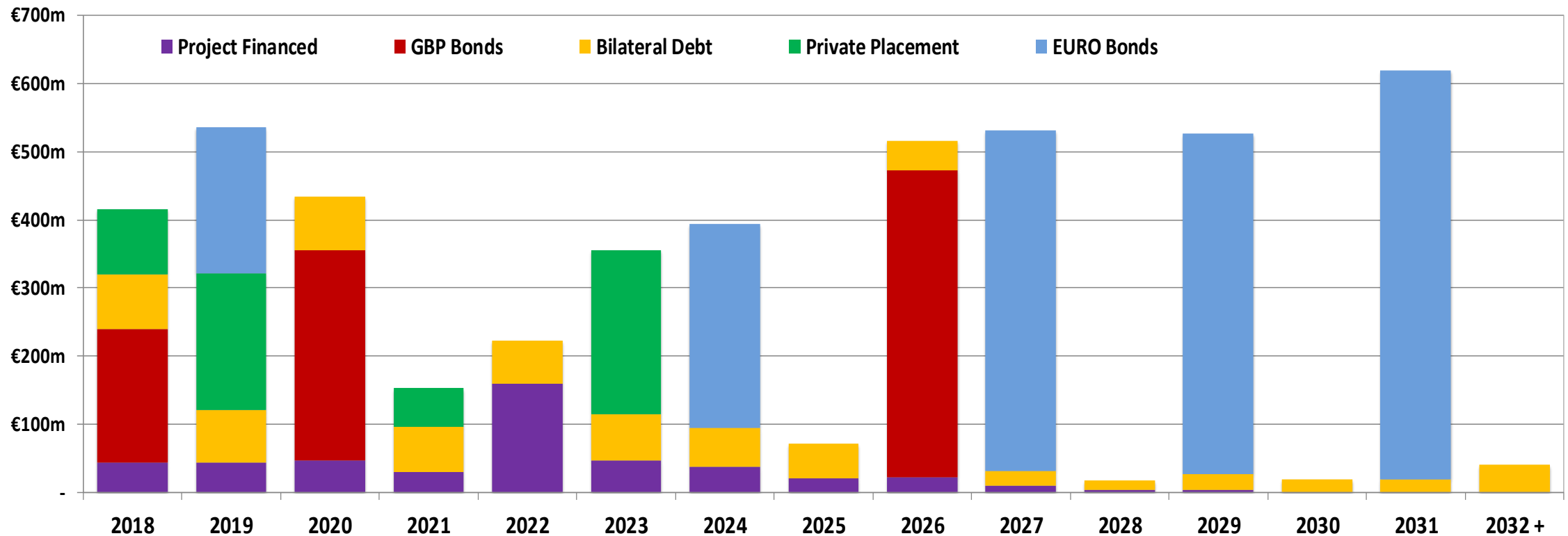
Group Debt 31 December 2017 - €4.8bn

Available Liquidity - €1.9 bn



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

Repayment Profile – 31st December 2017



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

ESB Credit Ratings

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

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



Energy for generations

Outlook & Summary



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

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

Contacts



ESB

Two Gateway
East Wall Road
Dublin D03 A995
Ireland

Ted Browne

Manager, Investor Relations & Credit Rating
+353 1 702 7432
ted.browne@esb.ie
www.esb.ie/ir