

Investor Update

27 March 2019

www.esb.ie/ir



Disclaimer



Forward looking statements: This presentation contains certain "forward-looking statements" with respect to ESB's 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 any forward-looking statements.

No warranty as to accuracy: Neither ESB nor any person acting on its behalf (i) makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this presentation or (ii) 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 presentation is not an offer to sell, exchange or transfer any securities of ESB and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction.



Pat Fenlon

Group Finance
Director



Gerry Tallon

Group
Treasurer



Éilish Dolan

Manager, Investor
Relations
& Credit Rating

Agenda



Energy for
generations

2018 Highlights

2018 Financial Review

Business Review

Funding and Liquidity

Outlook & Summary

2018 Highlights

2018 Highlights



Energy for
generations

ESB delivered a satisfactory performance in challenging market conditions

- **EBITDA €1.2 billion; Capex €1.2 billion; Gearing 56%**
- Exceptional impairment charge of €140 million (c. 1% Total Assets) reflecting challenging generation market environment
- Capital expenditure c. €1.2 billion, 65% (€760 million) in regulated networks and €250 million on renewable generation projects as part of our transition to low carbon generation

Networks: Regulated Networks Businesses in Ireland; 77% of Group EBITDA¹ and total assets, 65% of capital expenditure, supported by established and transparent regulatory frameworks

Generation & Trading: Irish market share 38%, lower energy margins, investment in low carbon renewable generation

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

Strong liquidity position - €1.6 billion at 31 December 2018

Credit ratings reaffirmed A- / A3

¹All references to EBITDA in presentation are before exceptional items.

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



Leading the Transition to Low Carbon Future

Generation & Trading:

- ESB took first steps into Offshore Wind – Galloper (UK) and Oriel (ROI) investments
- Carbon intensity of generation portfolio reduced by 32% to 454 g/KWh (vs 2005)
- Developing options to transition Moneypoint out of coal by 2025

Networks:

- Investment in SMART Networks
- 536 MW of renewable generation connected to Networks in ROI & NI
- Dingle Project – trialling new technologies

Customer Solutions:

- Electric Ireland's Smarter Home and All Electric Offer
- Approved €26m capital expenditure to upgrade EV infrastructure

CDP score of B- issued to ESB in Feb 2019, above sector average of C

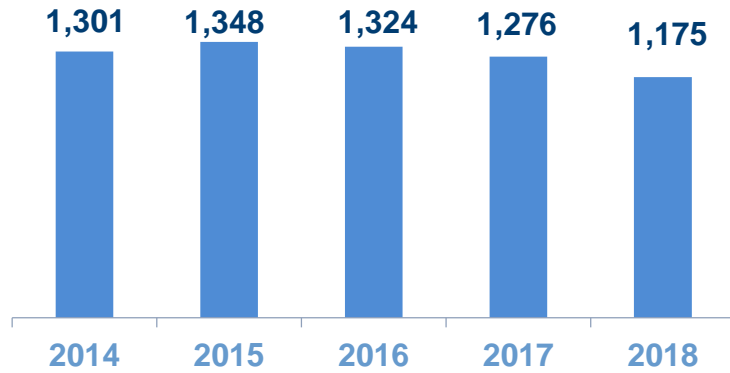


2018 Financial Review

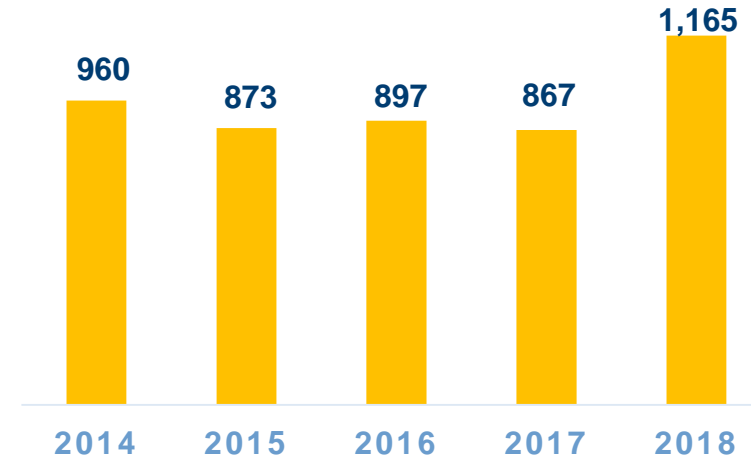


Consistent Financial Performance

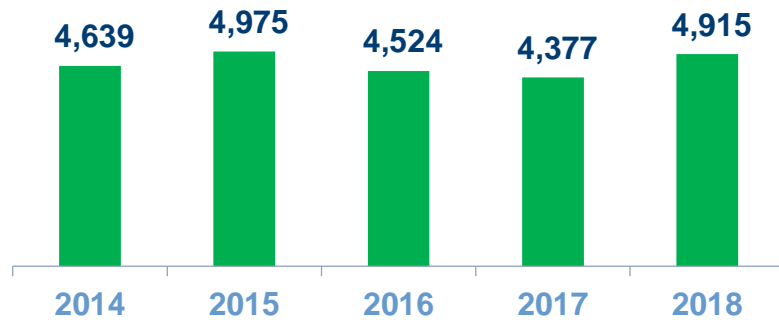
EBITDA (€m)



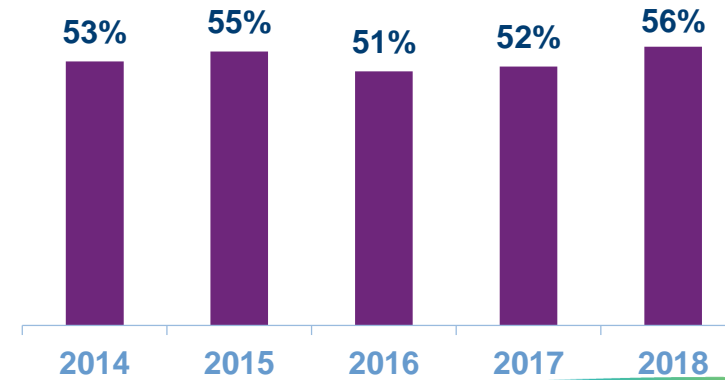
Capital Expenditure (€m)



Net Debt (€m)

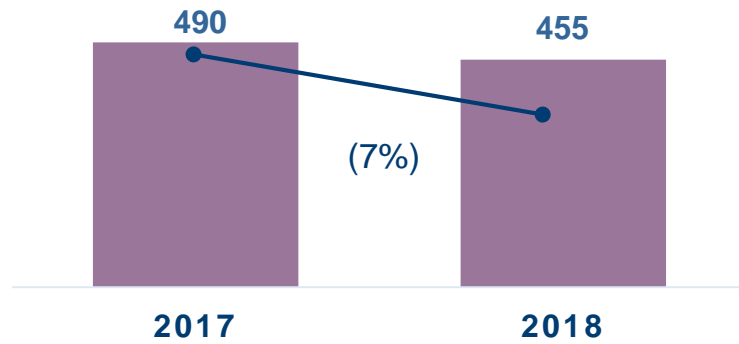


Gearing (%)

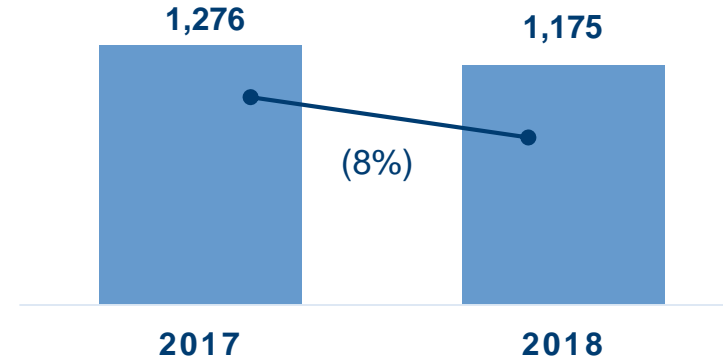


2018 – Key Financial Highlights

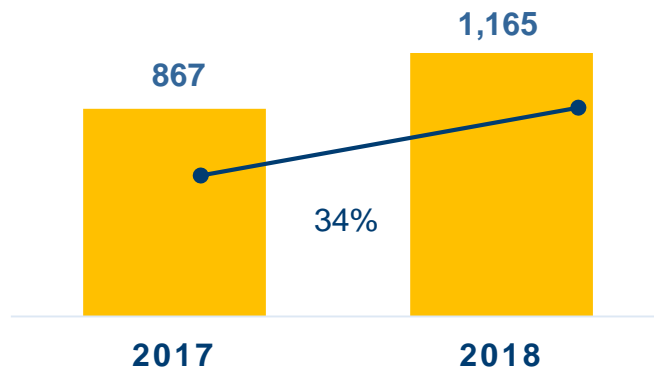
Operating Profit (€m)



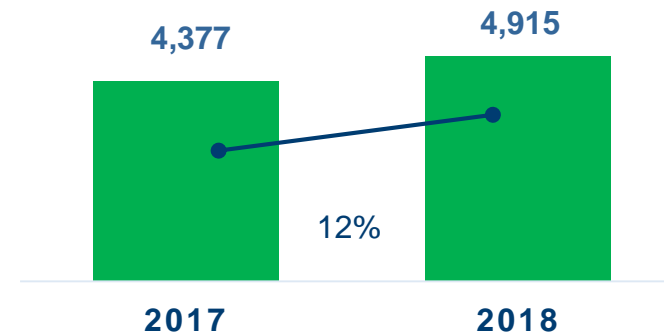
EBITDA (€m)



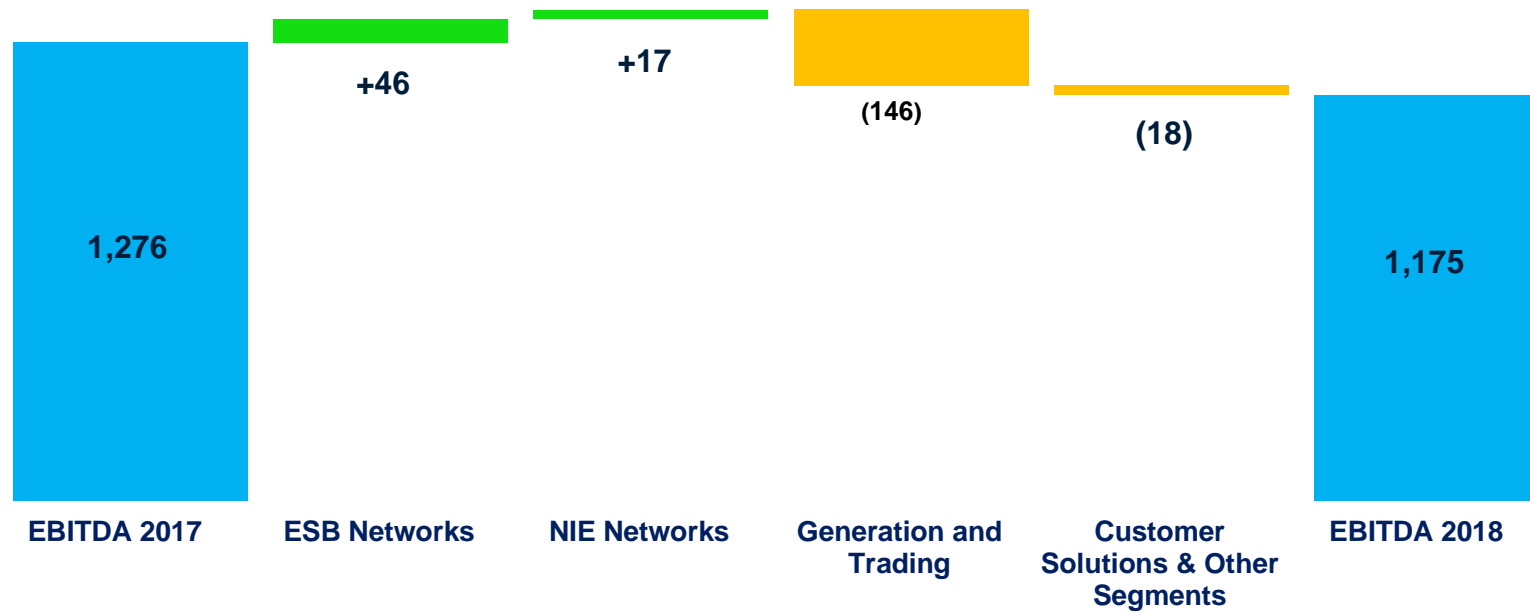
Capital Expenditure (€m)



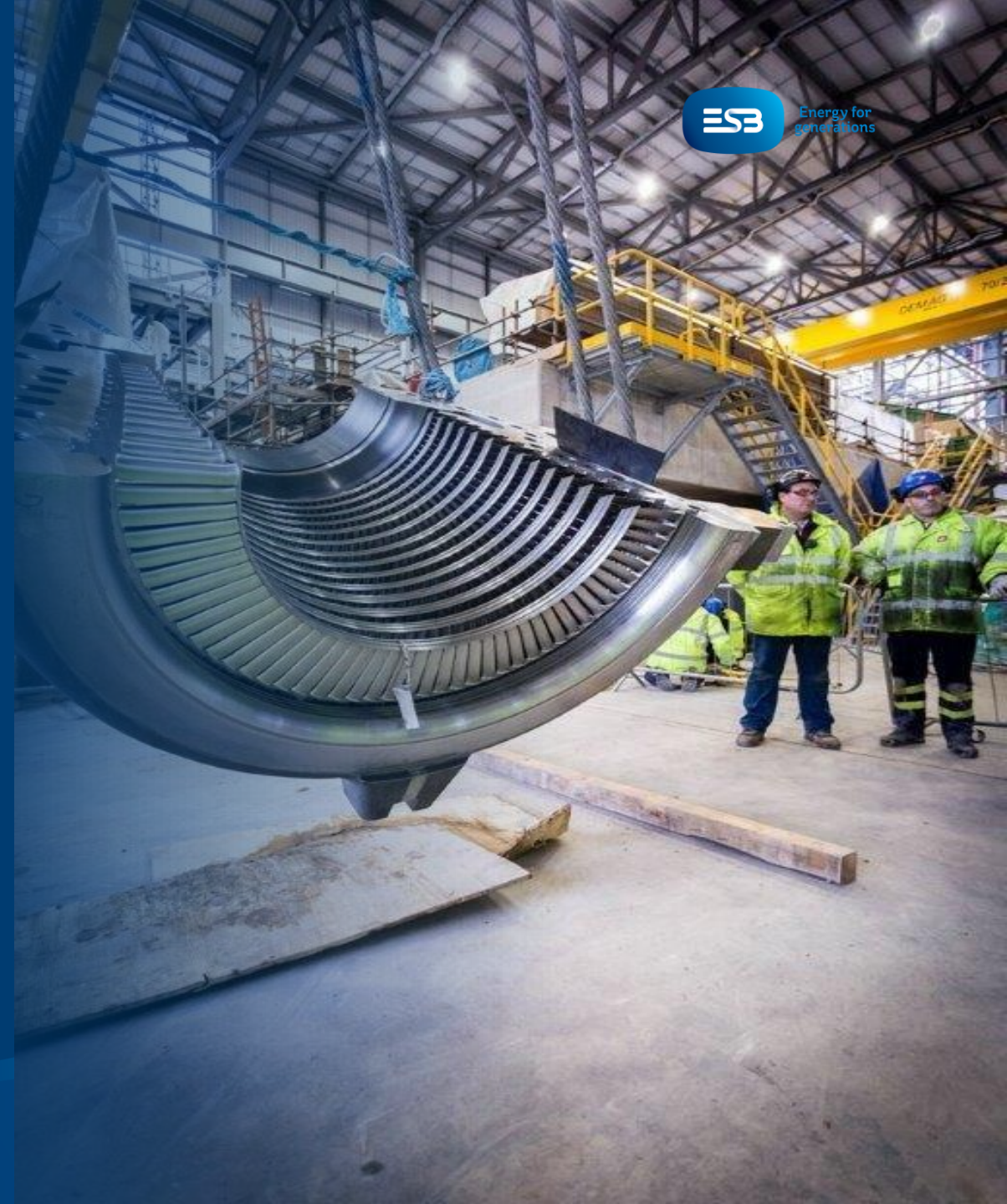
Net Debt (€m)



EBITDA Movement – 2018 vs 2017



Business Review



Macro Environment

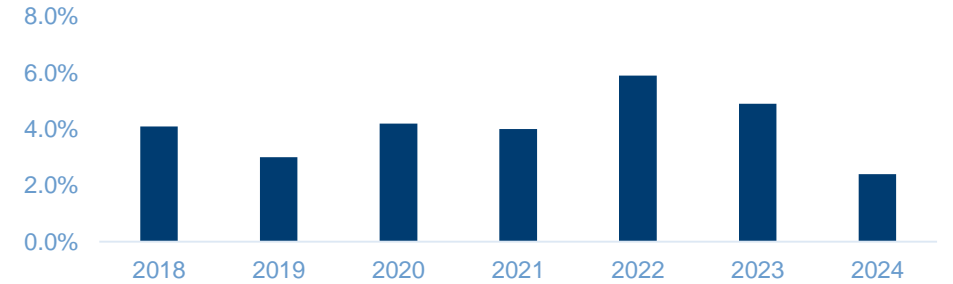
Ireland

- Irish economy performing strongly
- GDP +7.5% 2018 +4.4% 2019 forecast
- SEM Electricity demand growth
- Irish sovereign rating strengthened
 - A+ Stable (S&P) and A2 Stable (Moody's)

Great Britain

- UK GDP +1.4% 2018 & +1.2% 2019 forecast
- Brexit
 - Sterling assets matched with sterling funding;
 - SEM underpinned by pre-existing legislation in NI and ROI;
 - NIE Networks has no volume risk; visibility to end Q1 2024
- UK Capacity Market
 - Suspension has minimal financial impact for 2018/2019

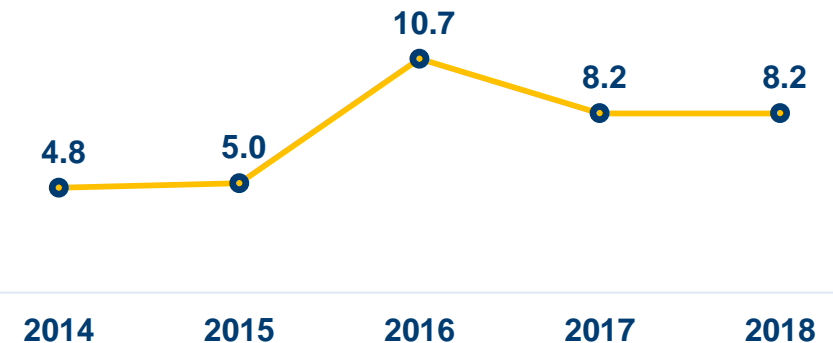
SEM¹ System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid

GB Base Load Clean Spark Spread (£/MWh)

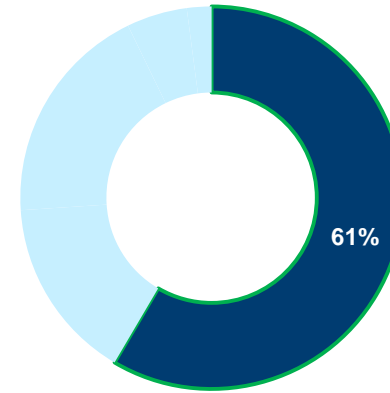


Forecast Irish GDP Source: Central Bank of Ireland Q1 2019 Bulletin

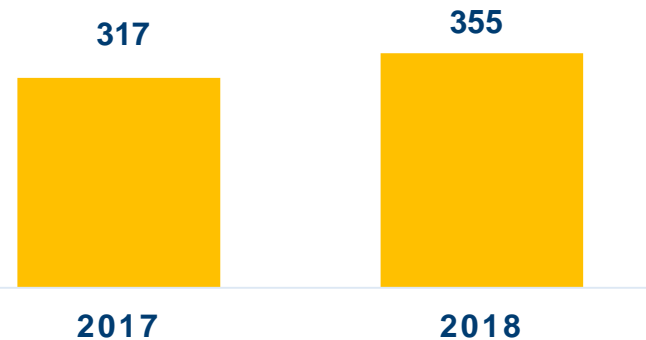
UK GDP Source: Office of Budget Responsibility 13th March 2019

Business Highlights

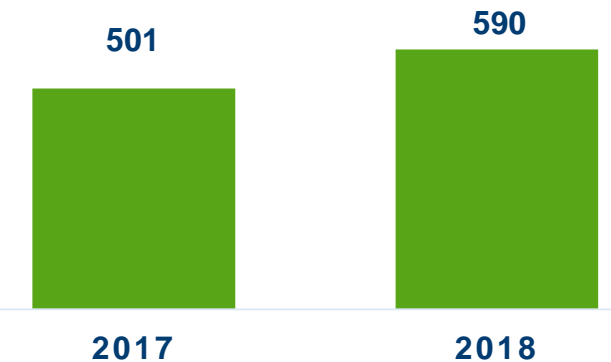
- 61% of Group EBITDA and 55% Group Assets
- Operating profit increase due to higher price and additional volume
- Capex increase mainly due to accounting for customer contributions (IFRS15)
- Regulated Asset Base (RAB) 2018 €7.9bn
- **Strategy:** Smart Reliable Networks to support decarbonisation
- PR4 Revenue Determination (2016-2020)
 - €3.1 billion capex programme
 - WACC 4.95% pre tax real¹
- **Focus:** PR4 delivery, preparation for PR5



Operating Profit (€m)



Capital Expenditure (€m)



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

Northern Ireland Electricity (NIE) Networks

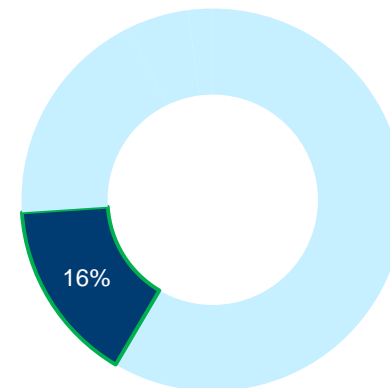


Energy for generations

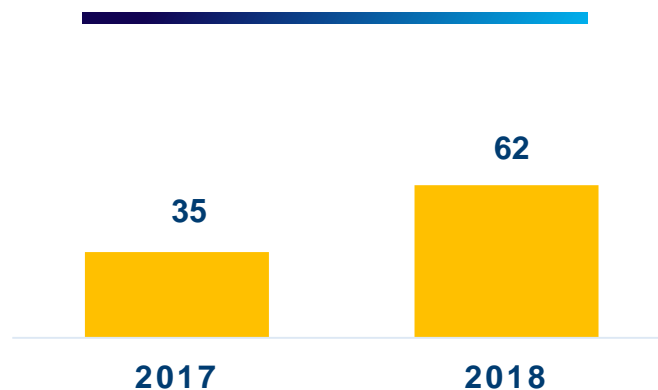
2018 EBITDA - €1.2bn

Business Highlights

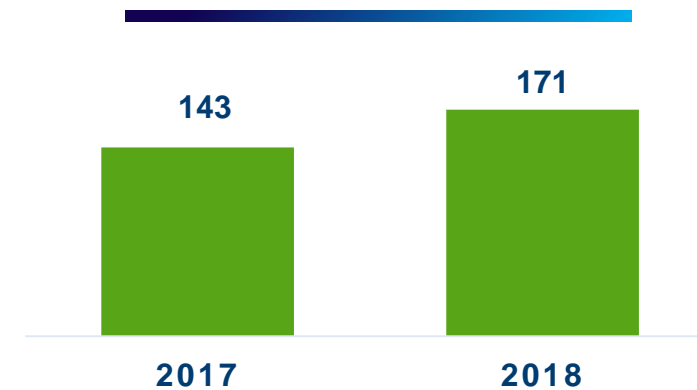
- 16% of Group EBITDA and 19% Group Assets
- Operating profit increase due to higher price and PSO revenue
- Capex increase mainly due to accounting for customer contributions (IFRS15)
- Regulated Asset Base 2018 €1.7bn / £1.6bn
- **Strategy:** Smart Reliable Networks to support decarbonisation
- RP6 revenue determination (Oct '17 – Mar '24)
 - RP6 WACC 3.2% vanilla real¹ (3.8% pre tax real)
- **Focus:** RP6 Implementation



Operating Profit (€m)



Capital Expenditure (€m)

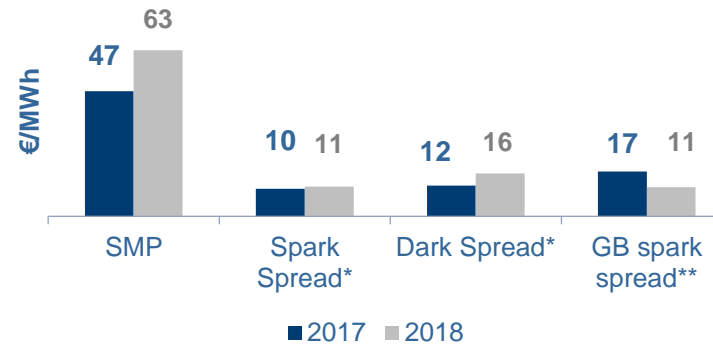


Generation & Trading (GT)

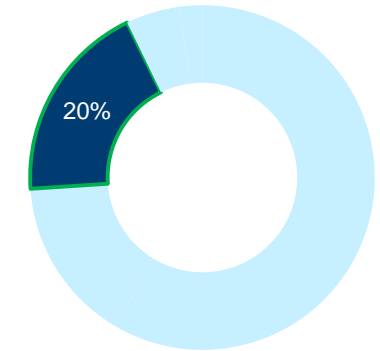
Business Highlights

- 20% of Group EBITDA and 19% Group Assets
- Capacity 5.9GW - 4.4GW All-Island and 1.5GW in GB
- All-Island SEM¹ market share 38% by volume
- Reduction in operating profit reflects lower energy margins and extended Moneypoint outage
- Market prices were higher in 2018 but volumes were lower resulting in a reduction in energy margin
- Impairment charge of €140m (1% of total assets)
- Increase in Capex reflects investment in renewable generation
- **Strategy:** Transition to low carbon energy. Increase of 78MW renewables in 2018
- **Focus:** SEM new market arrangements & Renewable Investment

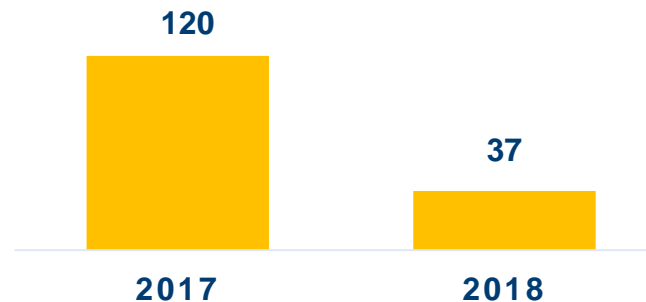
Market Prices



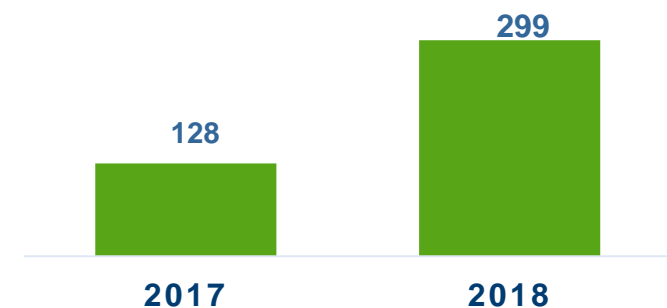
2018 EBITDA - €1.2bn



Operating Profit (€m)



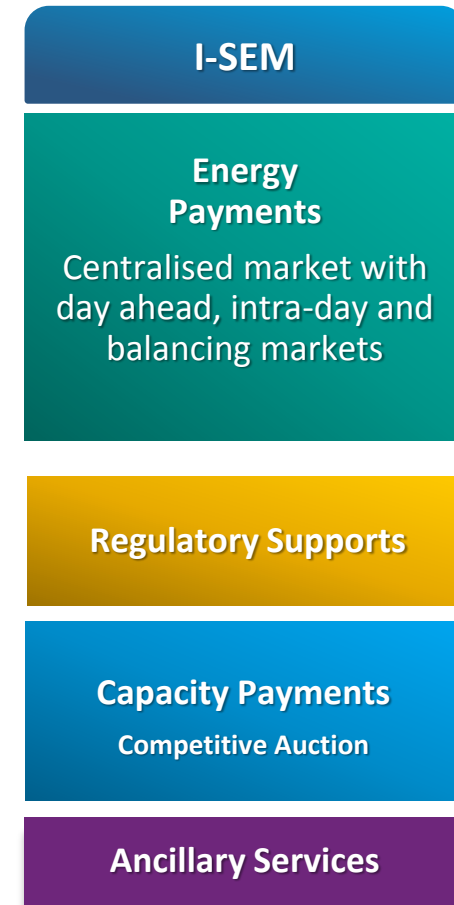
Capital Expenditure (€m)



1 SEM = Republic of Ireland and Northern Ireland
 *market spreads
 ** captured spreads (€/MWh)

Integrated Single Electricity Market

- EU Internal Energy Market compliance to align energy trading more closely with EU – went “live” successfully on 1st October 2018
- Capacity payments remain but are now secured by way of competitive auction
 - 3,280 MW of ESB plant secured contracts in the first T-1 auction in December 2017 at a market average price €41.80/kW/pa
 - 3,186 MW of ESB plant secured contracts in the second T-1 auction in December 2018 at a market average price of €40.65/KW/pa
 - T-4 auction (2022-2023) pre-qualification results announced. 7,880 MW of existing and 3,038 MW of new capacity has qualified. Initial results due out early April 2019.
- Ancillary services market revenue cap increasing from €75m in 2016 to a cap of €235m by 2020
- Market operating effectively however it will take time before a clear picture emerges given a number of plant outages which coincided with market go-live.



Customer Solutions: Electric Ireland

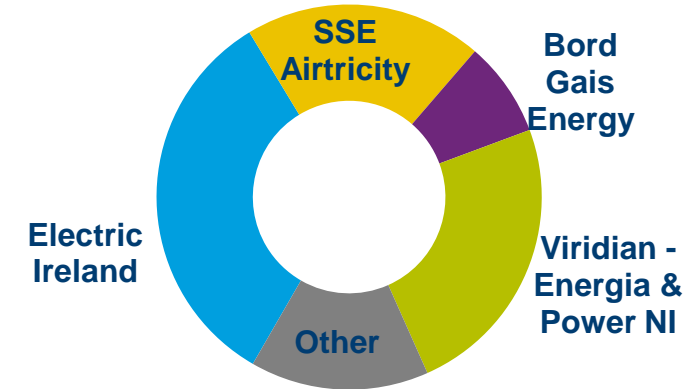


Energy for generations

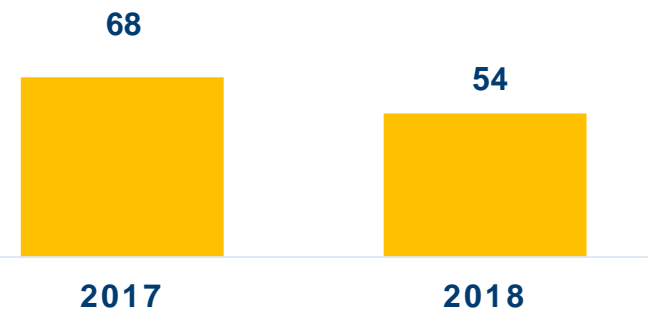
Business Highlights

- Customer-facing businesses including supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Electric Ireland contributed 5% of Group EBITDA
- Operating profit €54m. Margin of 3%
- **Strategy:** Meet customer energy needs through
 - Competitive Offerings
 - Excellent Customer Service
 - Innovative and value driven solutions
- Irish market share 33% with 1.25m customer accounts
- ESB's GB Supply business unit (ESB Energy) has successfully gained 36,000 customers to date
- **Focus:** Meet customer energy needs through value driven solutions at appropriate margins

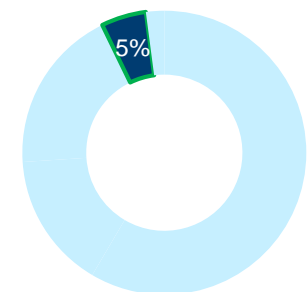
SEM Retail Market Share (MWh)



Operating Profit (€m)



2018 EBITDA - €1.2bn



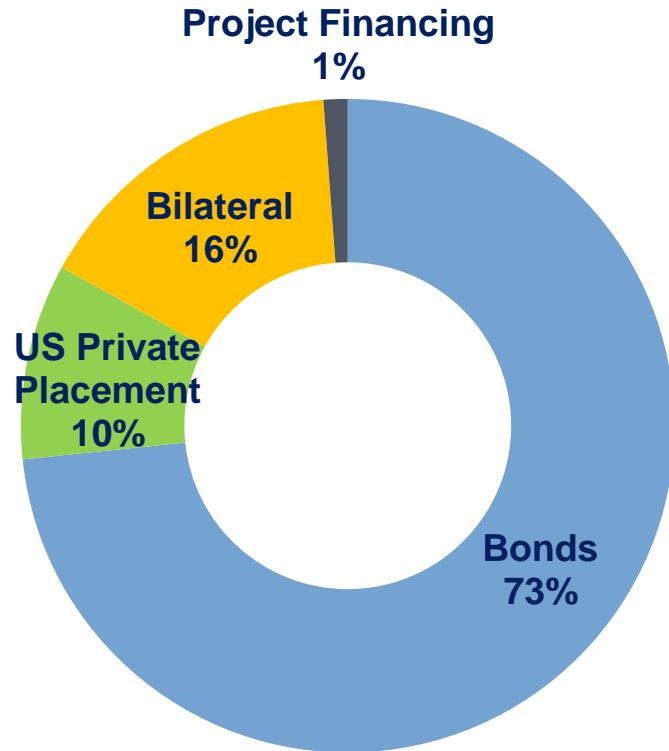
¹ Irish= Republic of Ireland and Northern Ireland

Funding & Liquidity

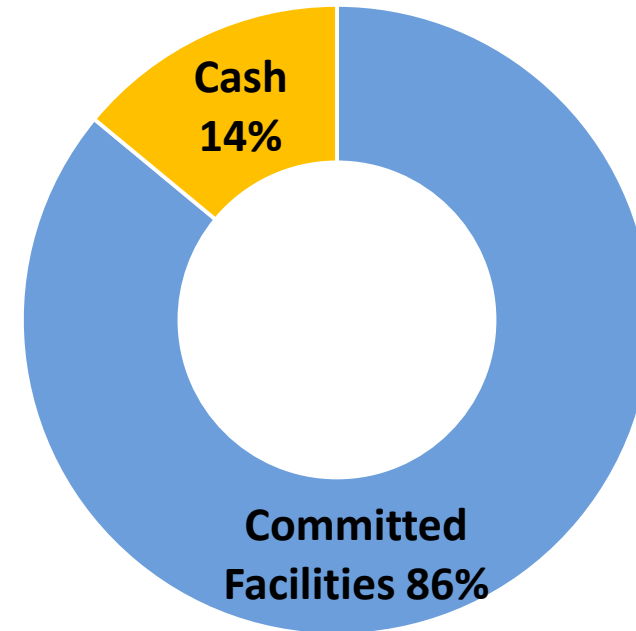
ESB Group Debt – Diversified Funding and Strong Liquidity



Group Debt 31 December 2018 - €5.1bn



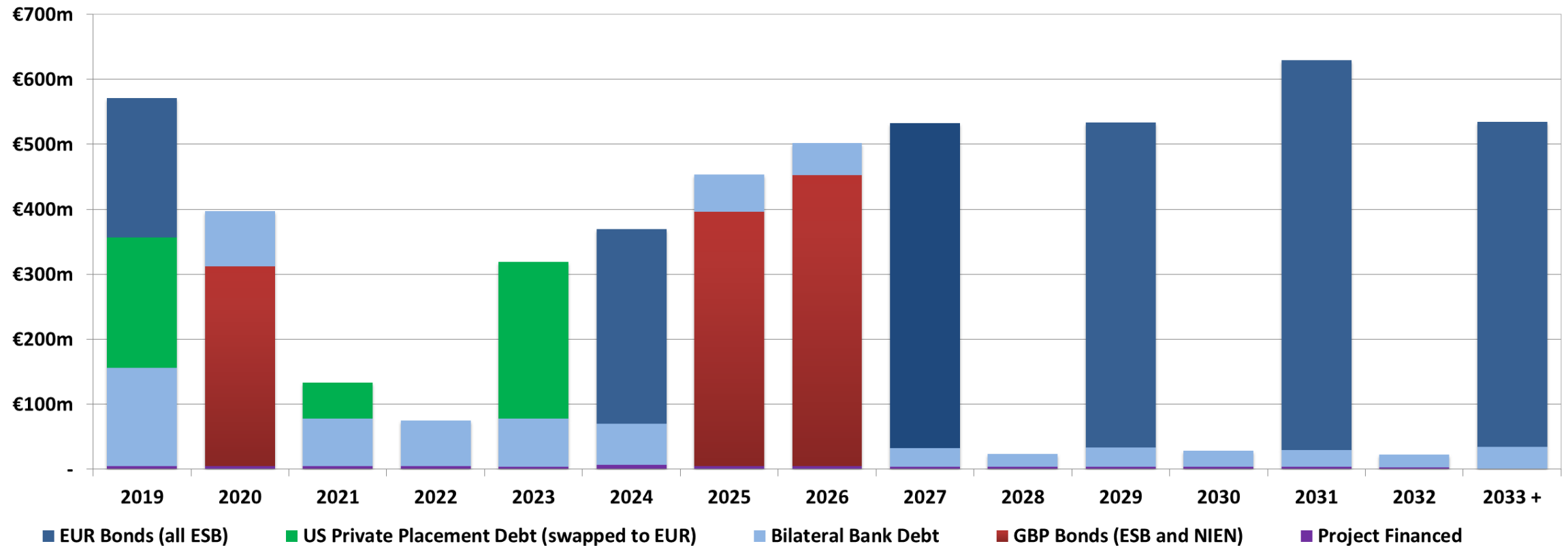
Available Liquidity 31 December 2018 - €1.6bn



Included above are 2 bonds issued in 2018:

- NIE Networks £350m bond issued September 2018, maturity October 2025 with 2.5% coupon
- ESB €500m bond issued October 2018, maturity 2033 with a coupon of 2.125%

Debt Repayment Profile as at 31 December 2018



Note: Excludes Joint Venture Debt

S&P Global
Ratings

A-

(Stable Outlook)
Long Term Rating

MOODY'S
INVESTORS SERVICE

A3

(Stable Outlook)
Long Term Rating

Credit ratings with both rating agencies reaffirmed with stable outlooks in May 2018

Outlook & Summary



Summary & Outlook

- Continued growth in Irish economy and SEM electricity demand expected
- Challenging period for thermal generation
- Transitioning to low carbon renewable investments
- **Networks**
 - ESB Networks (ROI) PR4 delivery and preparation for PR5
 - NIE Networks (NI) RP6 delivery
- **Generation (GT)**
 - Low carbon and renewable investment
- **Customer Solutions**
 - Meet customer energy needs through value driven solutions at appropriate margins
- **Ongoing focus on strategy delivery while maintaining financial strength**

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

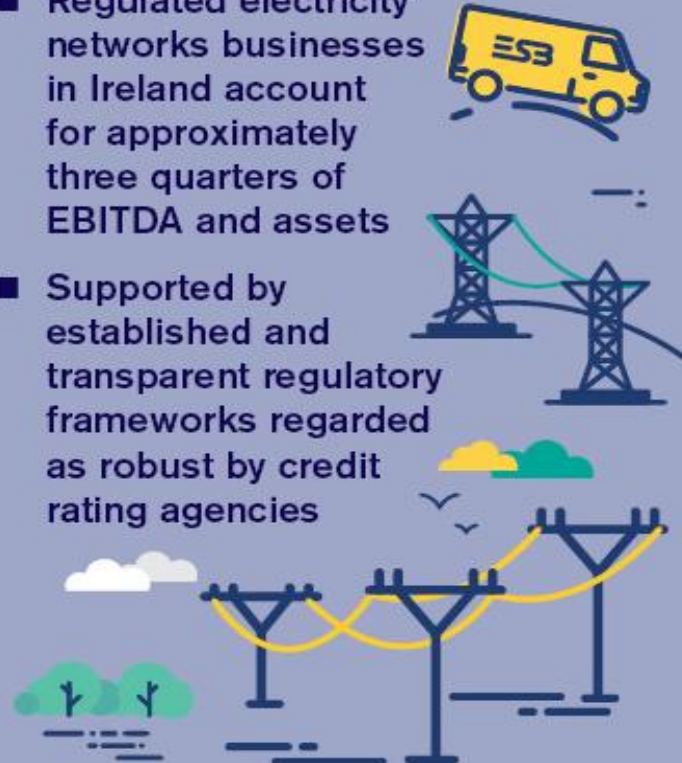
Leading Irish Energy Utility

- 95% Irish Government owned
- Markets - Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 38% share of generation and 33% share of supply in 2018



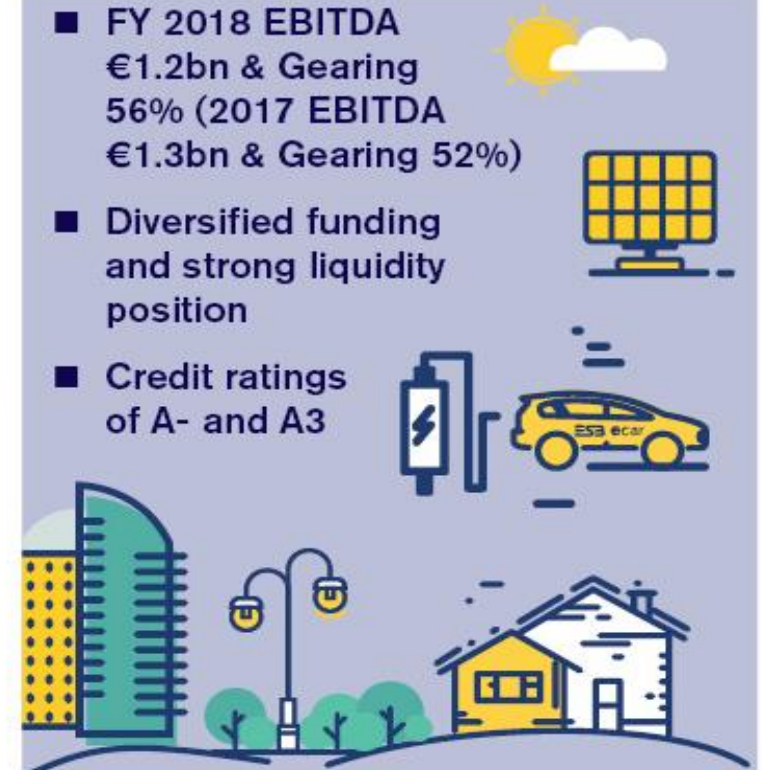
Stable Business Profile

- Regulated electricity networks businesses in Ireland account for approximately three quarters of EBITDA and assets
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies



Consistent Financial Performance

- FY 2018 EBITDA €1.2bn & Gearing 56% (2017 EBITDA €1.3bn & Gearing 52%)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3



Contacts



ESB
Two Gateway
East Wall Road
Dublin D03 A995
Ireland



Éilish Dolan
Manager, Investor Relations & Credit Rating
+353 1 702 6756
Eilish.dolan@esb.ie
www.esb.ie/ir