

Debt Investor Presentation

Business Update

April 2018



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Agenda



ESB Background and Strategy

Financial Overview

Business Profile

Funding and Liquidity

Outlook & Summary



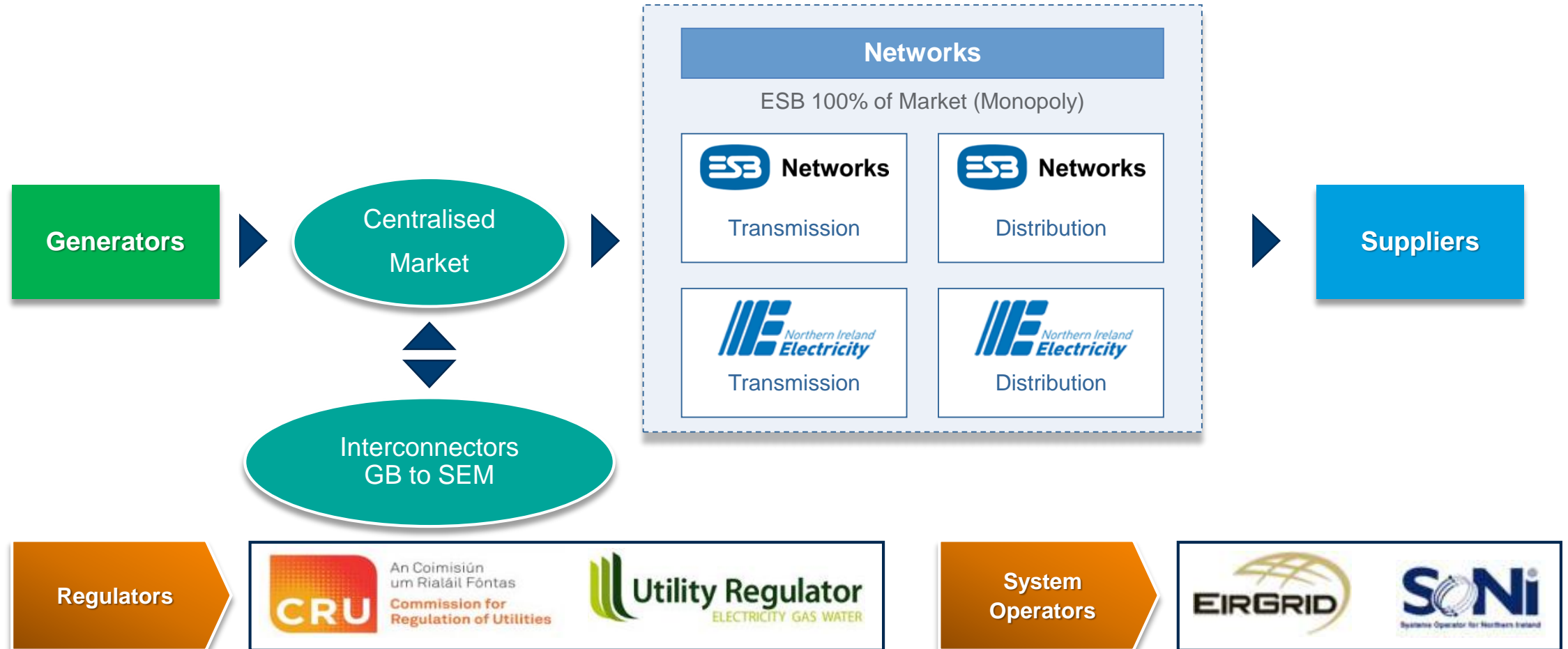
Energy for generations

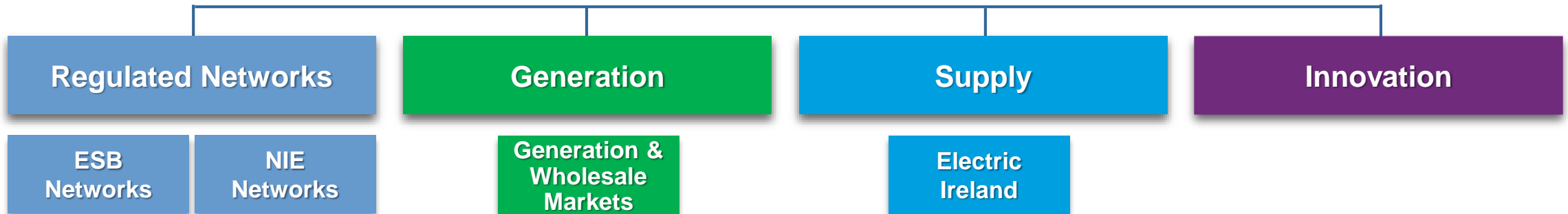
ESB Background and Strategy



Electricity Industry Structure: Ireland

One Single Electricity Market (SEM) - All-Island





History	<ul style="list-style-type: none"> Established 1927, Leading Irish Utility, 95% Government-owned. Markets Ireland & UK
Networks	<ul style="list-style-type: none"> Owner of the Regulated Republic of Ireland transmission & distribution networks (2017 RAB €7.7bn) Owner of the Regulated Northern Ireland transmission & distribution networks (2017 RAB €1.7bn)
Generation	<ul style="list-style-type: none"> Portfolio 5.8 GW. Irish¹ capacity 4.5 GW and 42% market share. GB capacity 1.3 GW. Diversified fuel mix. Benefits from capacity and regulatory supports.
Supply	<ul style="list-style-type: none"> 34% Irish¹ electricity supply market share and 1.4 million customers accounts
Innovation	<ul style="list-style-type: none"> New business opportunities: International engineering consultancy, Telecoms, Smart energy services, e-Transport and e-Heat
Financial	<ul style="list-style-type: none"> Regulated Networks Businesses account for ~ 66% of EBITDA, capex and assets Solid EBITDA 2017 €1.28bn, Assets €12.3bn, Gearing 52% Strong liquidity position and credit ratings A- / A3

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 Irish Energy Utility



- 95% Irish Government owned
- Markets — Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 42% share of generation and 34% share off supply

Stable Business Profile



- Regulated electricity networks businesses in Ireland account for approximately two thirds EBITDA, capex and assets
- Supported by established and transparent regulatory frameworks which are similar to Ofgem

Consistent Financial Performance



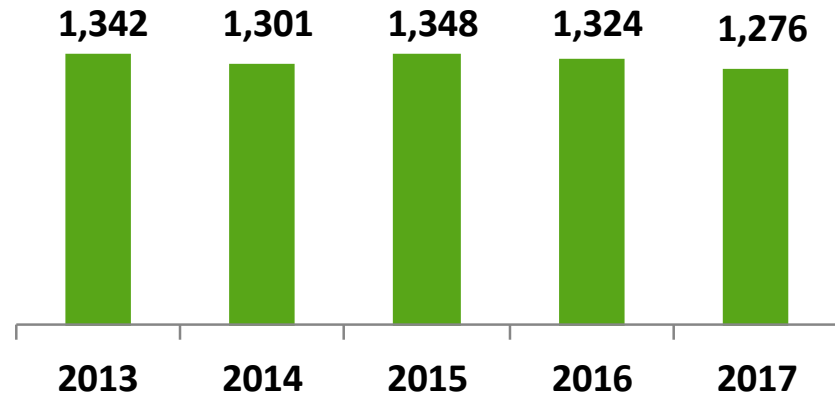
- Consistently robust EBITDA and Gearing
- Diversified funding and strong liquidity position
- Credit ratings of A- / A3

Financial Overview

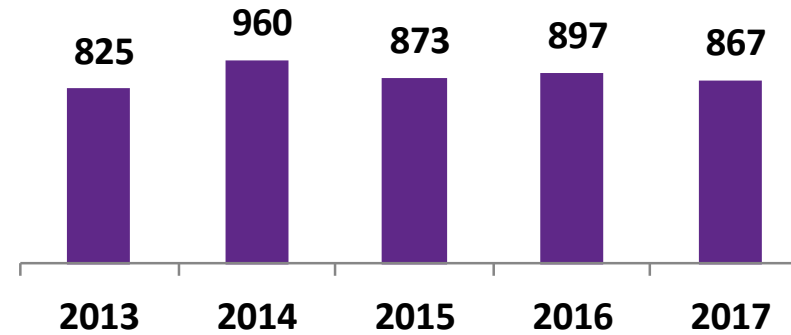


Consistent Financial Performance

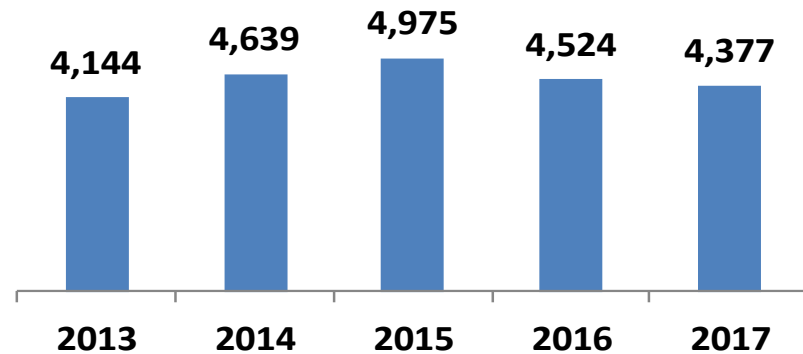
EBITDA (€m)



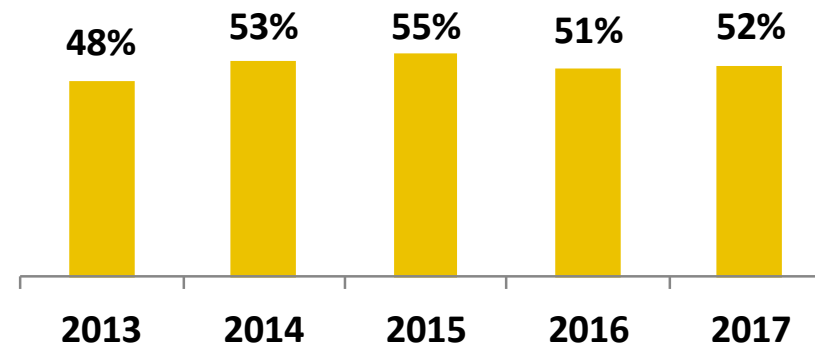
Capital Expenditure (€m)



Net Debt (€m)



Gearing (%) ¹



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



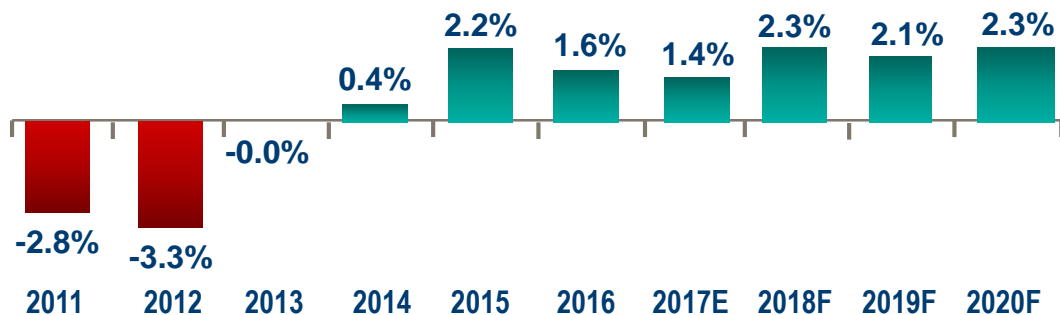
Energy for generations

Business Profile



Macro Environment

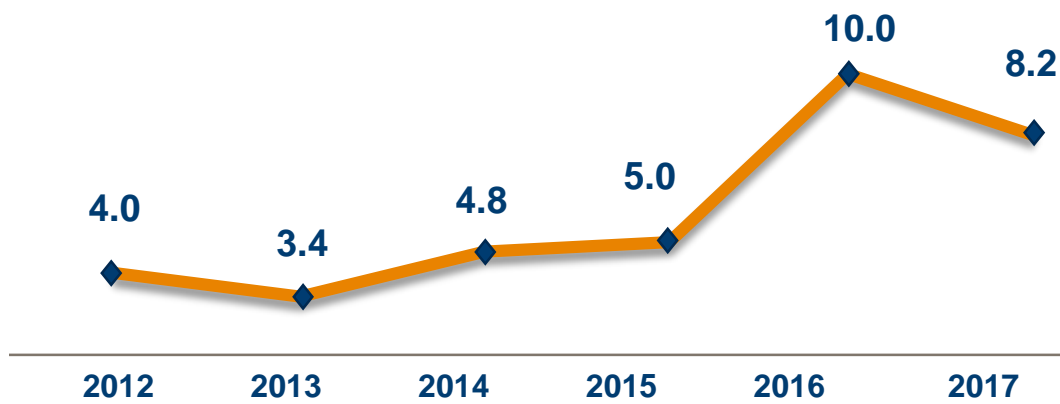
SEM¹ System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid

GB Base Load Clean Spark Spread (£/ MWh)



Source: Epex & Marex Spectron



Ireland

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

UK

- GDP 1.7% 2017 & 1.4% 2018 forecast
- 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

UK GDP Source: Office of Budget Responsibility

Network Regulation Overview in Ireland



- Revenue determined by ROI and NI Regulators
 - CRU (Republic of Ireland) for ESB Networks
 - Utility Regulator (Northern Ireland) for NIE Networks
- Similar principles as apply in Great Britain
- Regulatory objectives: Protect customers' interests, while ensuring safe, secure, sustainable Networks at reasonable cost, that earn a fair return
- Multi-year Price / Revenue Control Cycles
 - Allowance for Opex and Capex
 - Allowed real return on Regulated Asset Base (RAB)
 - No volume risk. Inflation adjustment to opex, capex and RAB.
 - Incentives for strategic innovation, customer service and network performance
- Model well established and considered robust by investors and rating agencies



ESB Networks



Business Description

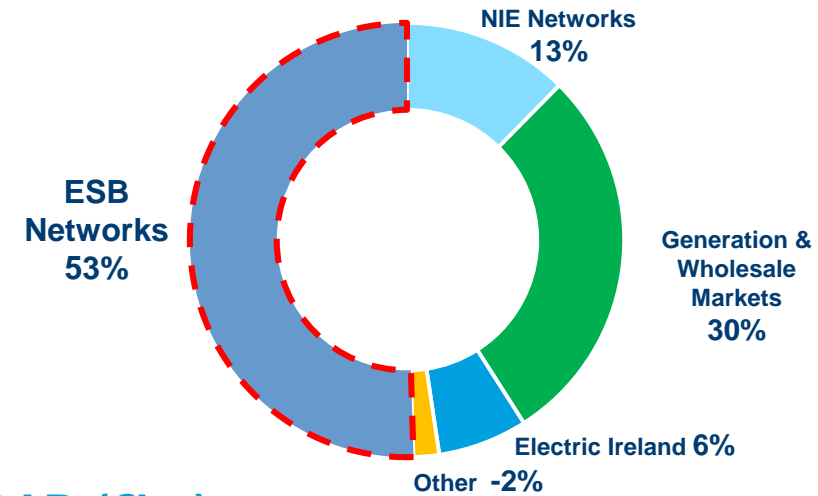
- ~ 53% of Group EBITDA and 56% Group Assets
- Sole owner and operator of distribution network and sole owner of transmission network in Republic of Ireland
- Regulated Asset Base (RAB) 2017 €7.7bn
- Strategy: Smart Reliable Networks
- PR4 Revenue Determination (2016-2020)

Significant Capital Investment

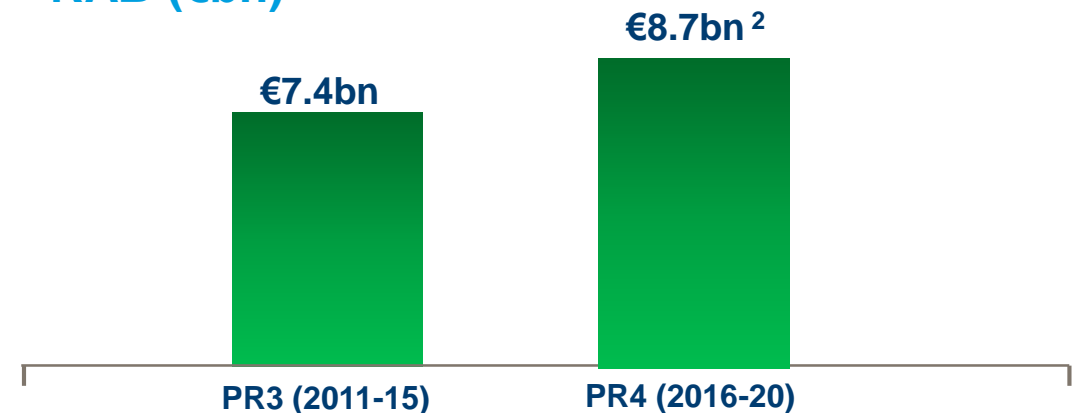
WACC 4.95% pre tax real ¹

- Focus: PR4 delivery

2017 EBITDA - €1.28 bn



RAB (€bn)



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

² Estimated RAB value end 2020 (in 2014 money) per CRU published PR4 revenue determination

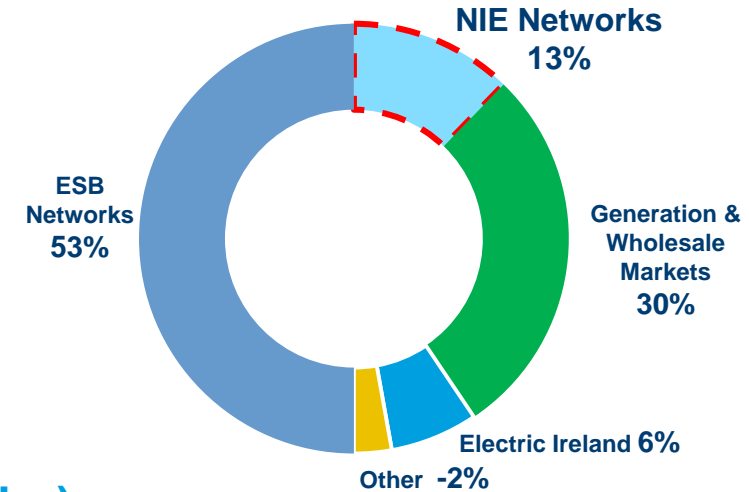
Northern Ireland Electricity (NIE) Networks



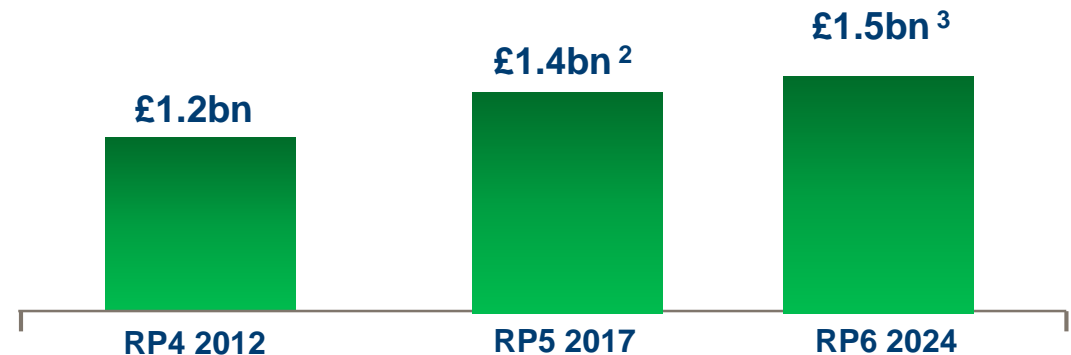
Business Description

- 13% of Group EBITDA and 16% Group Assets
- Sole owner and operator of distribution network and sole owner of transmission network in Northern Ireland
- Regulated Asset Base 2017 €1.7bn / £1.5bn nominal
- Strategy: Smart Reliable Networks
- RP6 revenue determination (Oct 2017 – Mar 2024)
Revenue visibility to March 2024
- RP6 WACC 3.2% vanilla real ¹ (3.8% pre tax real) reflecting low interest rate environment¹
- Focus: RP6 Implementation

2017 EBITDA - €1.28 bn



RAB (€bn)



¹ Vanilla WACC ACC calculated real pre tax cost of debt and real post tax cost of equity
² RAB value Sept 2017 in 2016 money
³ Estimated RAB value March 2024 (in 2016 money) per UR published RP6 revenue determination

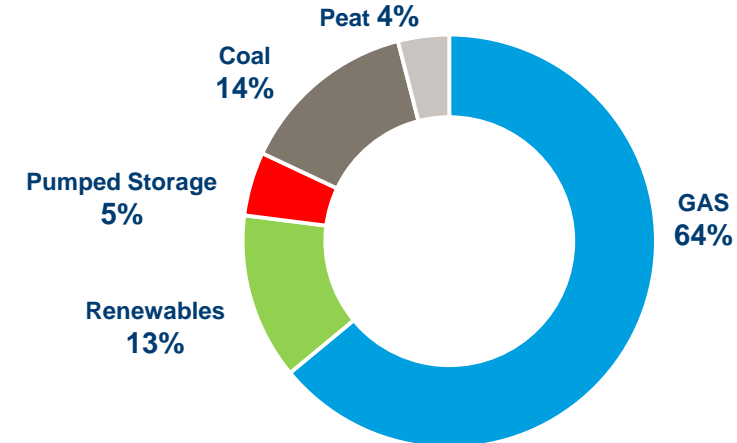
Generation & Wholesale Markets (G&WM)



Business Description

- ~ 30% of Group EBITDA and 20% Group Assets
- Strategy: Transition to low carbon energy
Develop energy services
- 5.8 GW: 4.5 GW All-Island and 1.3 GW in GB
- All-Island SEM¹ market share 42% by volume
- Diversified fuel mix: gas, renewables, coal and peat
- SEM¹ portfolio benefits from capacity & quasi regulatory supports
- Investment: low carbon renewables
- Focus: Integrated Single Electricity Market
Renewable Investment

2017 Installed Capacity by Fuel Type



SEM Generation Market Share (MWh) 2017

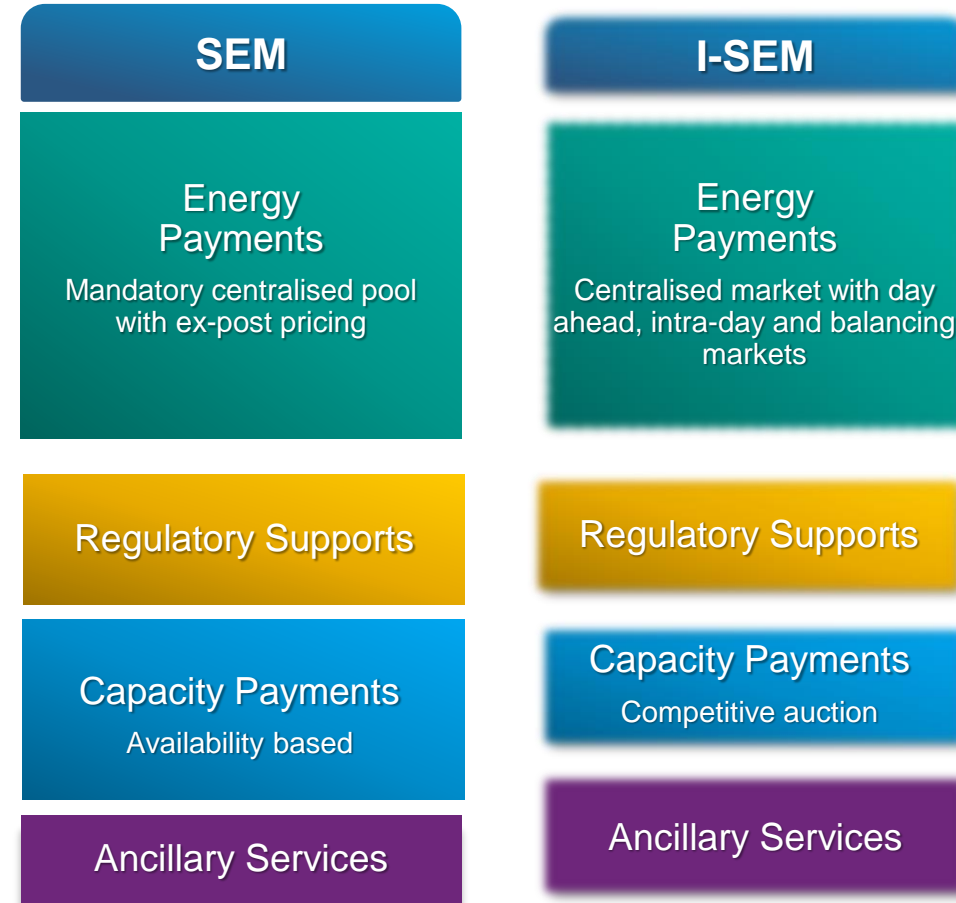


¹ SEM = Republic of Ireland and Northern Ireland

Integrated Single Electricity Market Transition

- EU Internal Energy Market compliance to align energy trading more closely with EU
- Revised “Go live” planned Oct 2018 (from May 2018)
- Capacity payments remain, but lower.
Capacity auction for 23rd May 2018 to 30 Sept 2019
91% of G&WM plant MW secured contracts. Market clearing price €41.80/kW/pa
- Ancillary services market revenue cap increasing from €75m in 2016 to cap €235m by 2020
- Significant energy margin expected to continue from capacity payments and quasi-regulated regulatory supports
- More challenging but ESB portfolio mix advantageous and well positioned with focus on
 - Availing of additional revenue opportunities
 - Cost efficiency and
 - Investing in balanced low carbon portfolio of thermal & renewable generation

Broad Indicative Changes

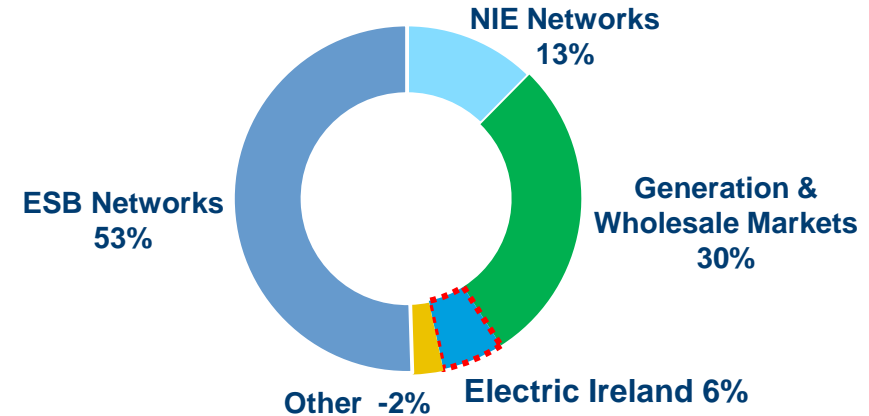


Supply: Electric Ireland

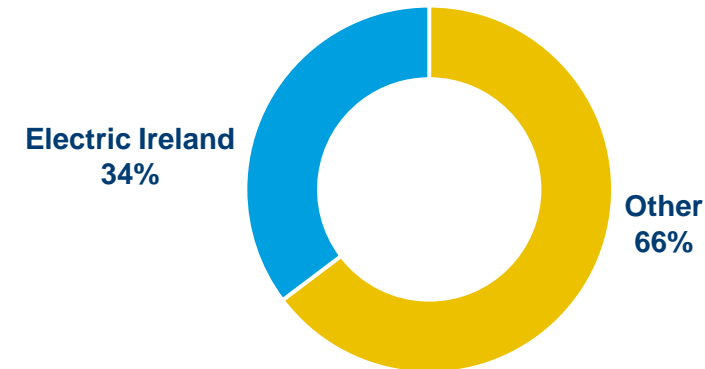
Business Description

- ~6% of Group EBITDA
- Strategy: Meet customer energy needs
 - Competitive Offerings
 - Excellent Customer Service
 - Innovative and value driven solutions
- Competing effectively
- Irish market share¹ 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

2017 EBITDA - €1.28 bn



SEM Retail Market Share (MWh) 2017



¹ Irish= Republic of Ireland and Northern Ireland

Funding & Liquidity

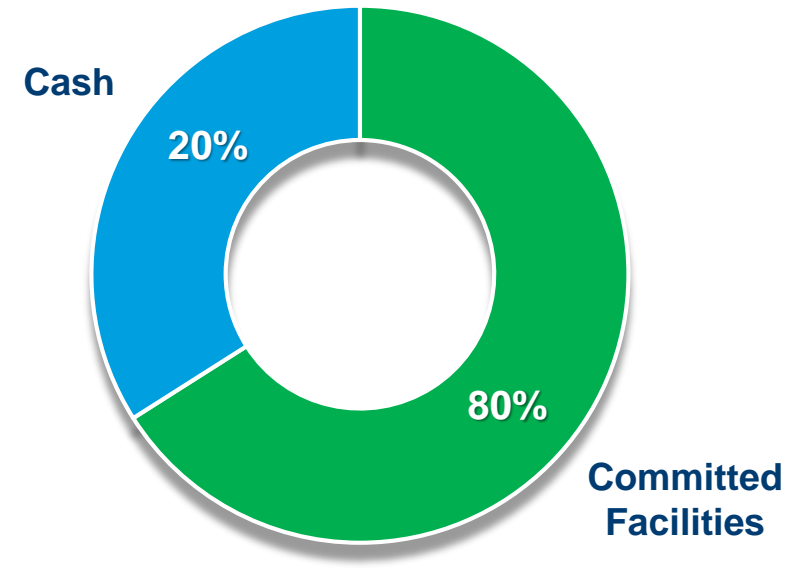
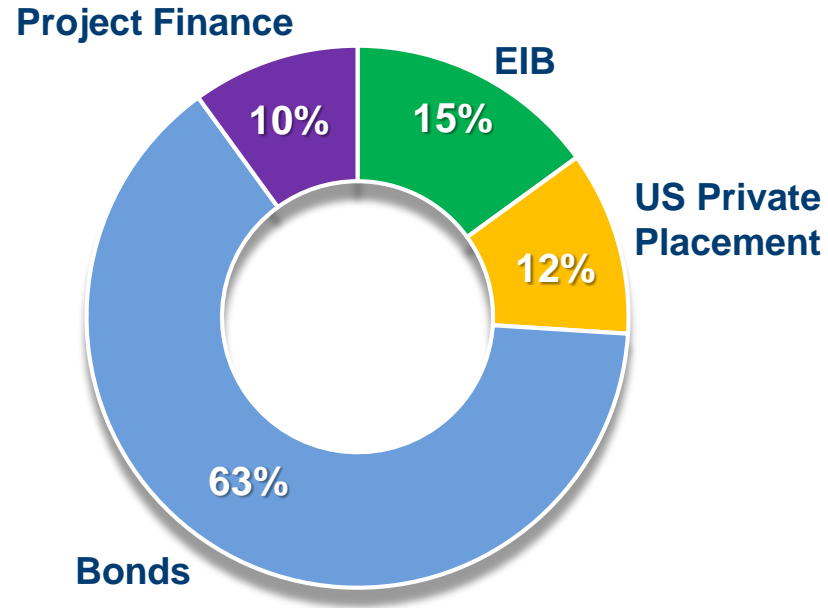


ESB Group Debt – Diversified Funding and Strong Liquidity



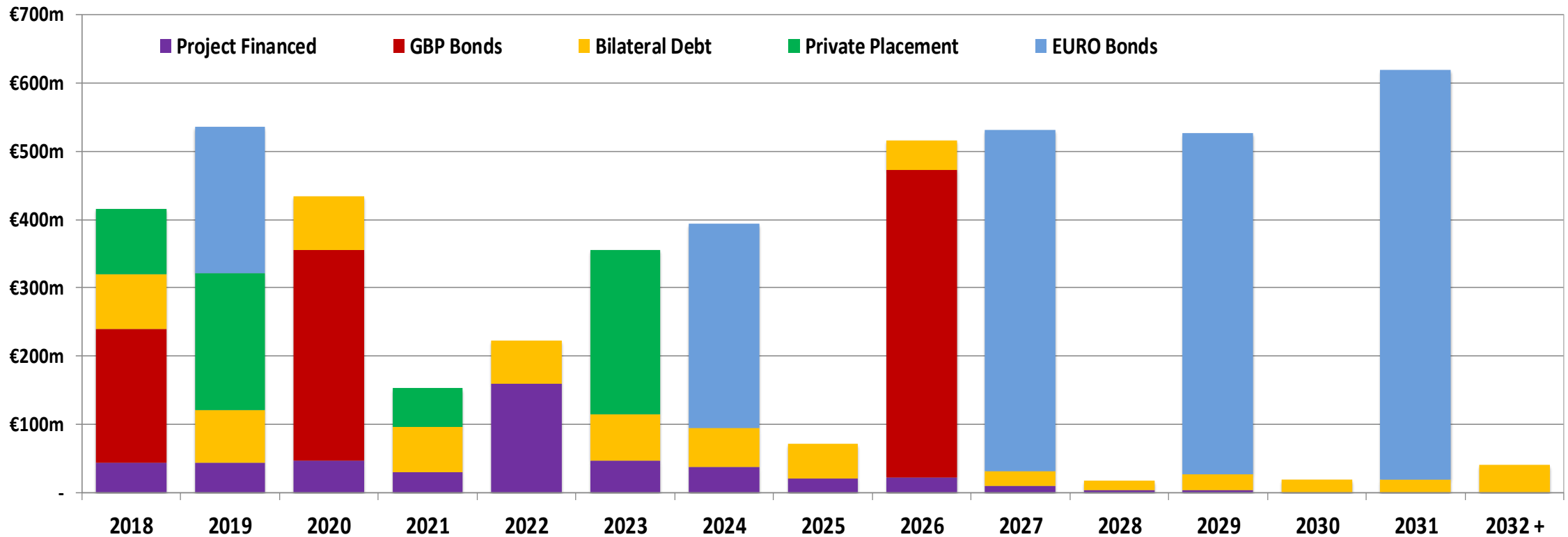
Group Debt 31 December 2017 - €4.8bn

Available Liquidity - €1.9 bn



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

Repayment Profile – 31st December 2017



- €1.9 bn liquidity December 2017 and EBITDA ~ €1.3bn pa.

Dividend Policy

- Dividend Policy agreed in 2013 with Irish Government (95% Shareholder)
- Target dividend pay-out ratio of 40% of normalised profits after tax
- Irish Government agreed that sustaining a minimum BBB+ Credit Rating is key ESB policy objective

Pensions

- ESB DB Pension Scheme does not have a deficit on an ongoing actuarial basis at end 2017
- NIE Networks DB Pension scheme. Deficit at the end of 2017 and funding plan has been agreed. Any deficit related to pre March 2012 substantially funded by customers through regulatory model

ESB Credit Ratings



	Long Term Rating
S&P Global Ratings	A- (Stable Outlook)
MOODY'S INVESTORS SERVICE	A3 (Stable Outlook)



Energy for generations

Outlook & Summary



Outlook 2018



- Continued growth in Irish economy and SEM electricity demand expected
- Networks
 - ESB Networks (ROI) PR4 2016-20 delivery
 - NIE Networks (NI) RP6 (Oct 2017-March 2024) implementation
- Generation (G&WM)
 - 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



- 95% Irish Government owned
- Markets — Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 42% share of generation and 34% share off supply

Stable Business Profile



- Regulated electricity networks businesses in Ireland account for approximately two thirds EBITDA, capex and assets
- Supported by established and transparent regulatory frameworks which are similar to Ofgem

Consistent Financial Performance



- Consistently robust EBITDA and Gearing
- Diversified funding and strong liquidity position
- Credit ratings of A- / A3

Contacts



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