



Energy for
generations

ESB

Debt Investor Presentation

Business Update

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Agenda



ESB Background and Strategy

Financial Overview

ESB Business Profile

Funding and Liquidity

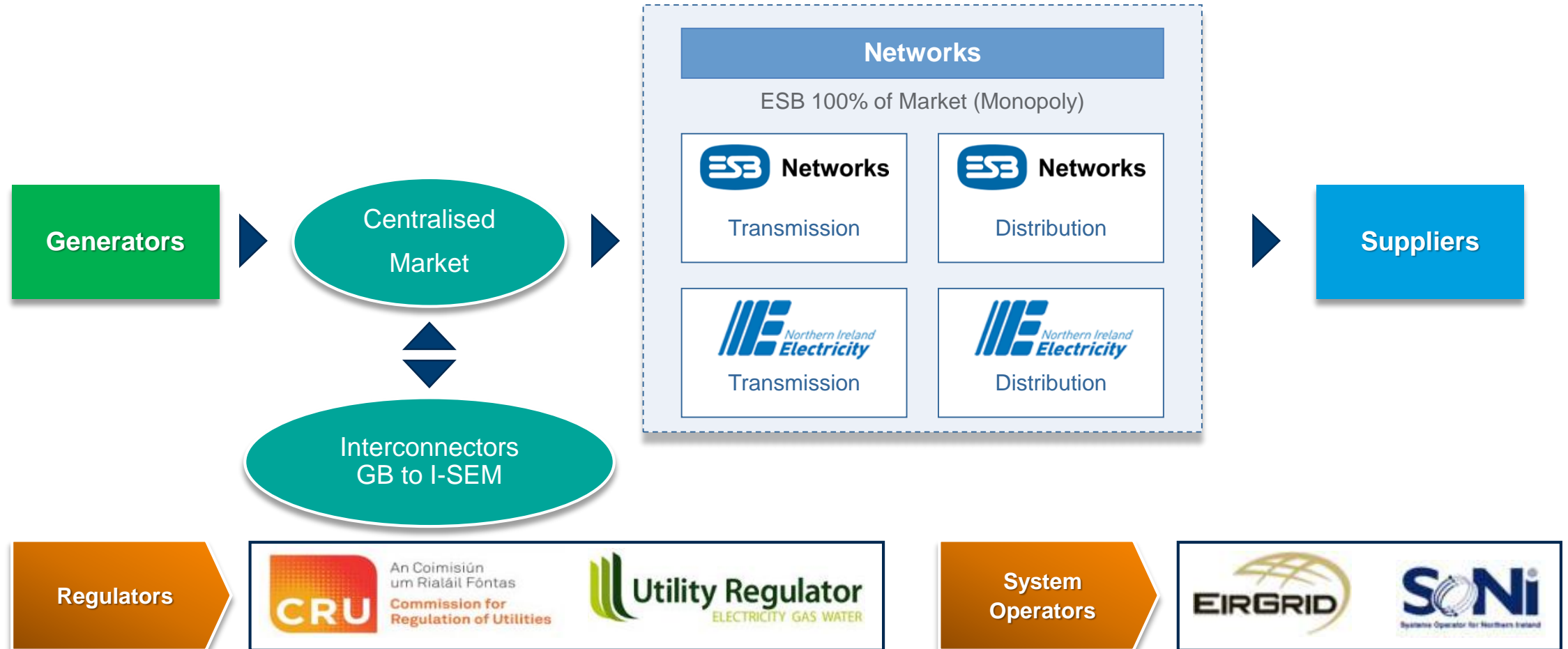
Outlook & Summary

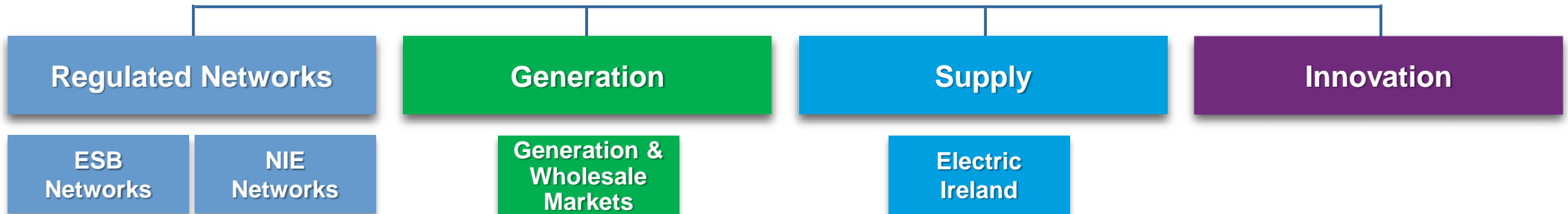
ESB Background and Strategy



Electricity Industry Structure: Ireland

One Single Electricity Market (SEM) - All-Island



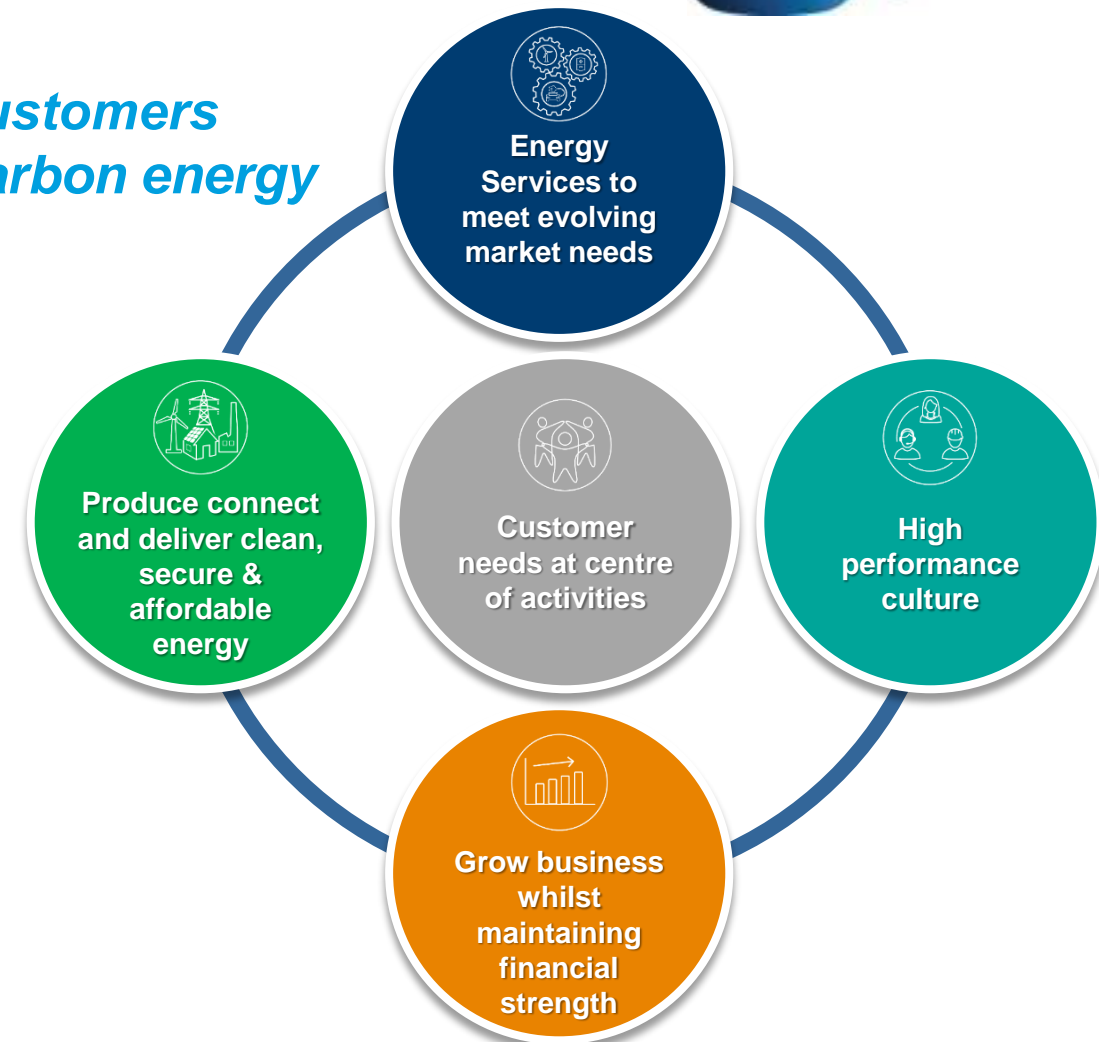


History	<ul style="list-style-type: none"> Established 1927, Leading Irish Utility, 95% Government-owned. Markets Ireland & UK
Networks	<ul style="list-style-type: none"> Owner of the Regulated Republic of Ireland transmission & distribution networks (2016 RAB €7.5bn) Owner of the Regulated Northern Ireland transmission & distribution networks (2016 RAB €1.6bn)
Generation	<ul style="list-style-type: none"> Portfolio 5.7 GW. All-Island ¹ capacity 4.4 GW and 43% Market Share. GB Capacity 1.3 GW. Diversified fuel mix. Benefits from capacity & regulatory supports.
Supply	<ul style="list-style-type: none"> 34% Market Share and 1.4 million customers accounts on an All-Island ¹ basis
Innovation	<ul style="list-style-type: none"> 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 and assets Solid EBITDA 2016 €1.32bn, Assets €12.9bn, Gearing 51% Strong liquidity position and senior unsecured debt credit ratings A- / A3 / A-

ESB - Strategy for a Brighter Future

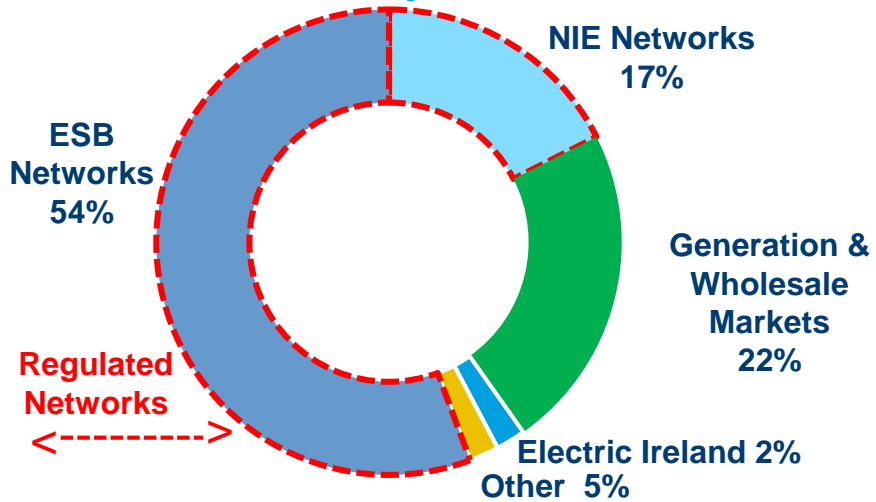
ESB's Purpose: Create a brighter future for our customers by leading transition to reliable, affordable, low carbon energy

- Diverse businesses across energy value chain
- Markets – Ireland and Great Britain
- Five strategic objectives
- Investment focus
 - Smart reliable networks
 - Low carbon energy
 - New business growth potential
- Prudent financial management

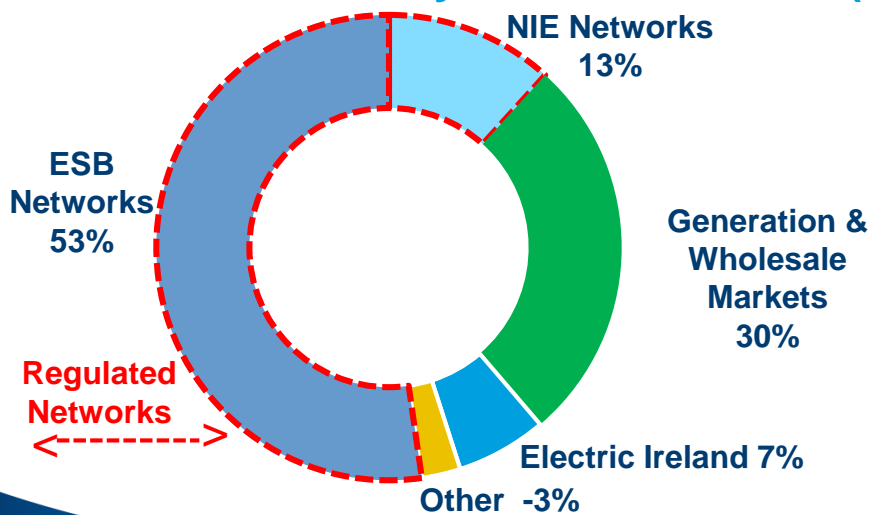


Stable Business Profile

H1 2017 Assets by Business - €12.9bn



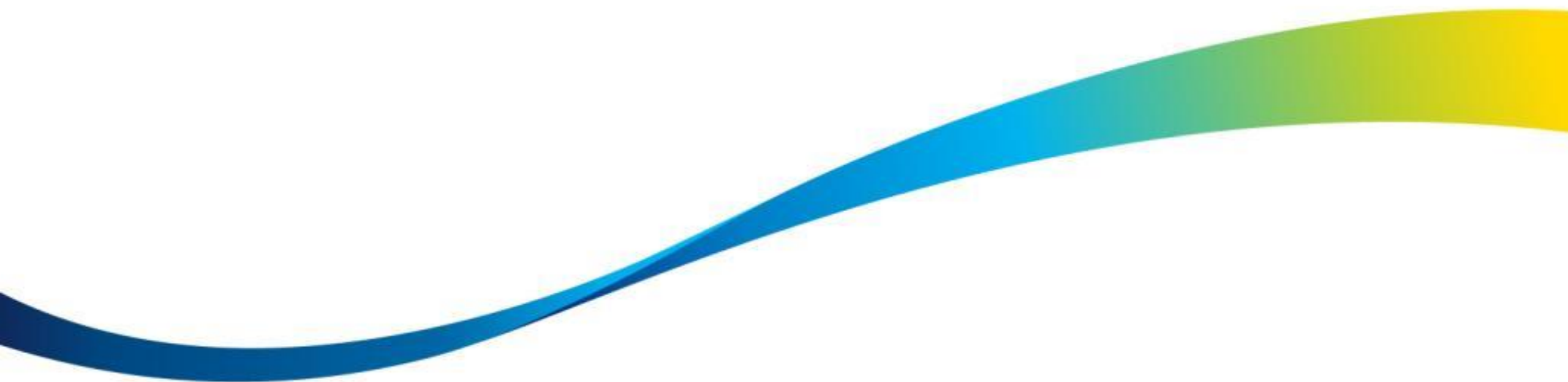
H1 2017 EBITDA by Business - €673 (€m)



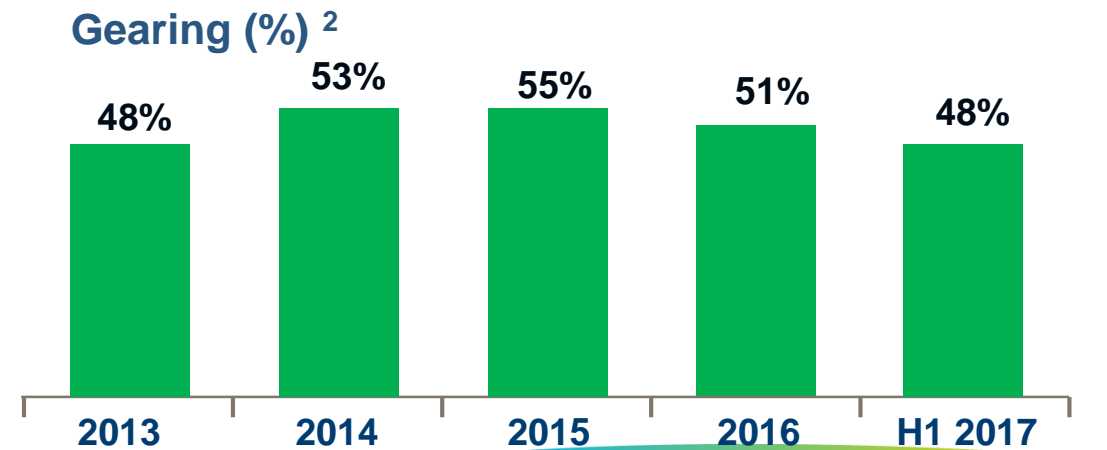
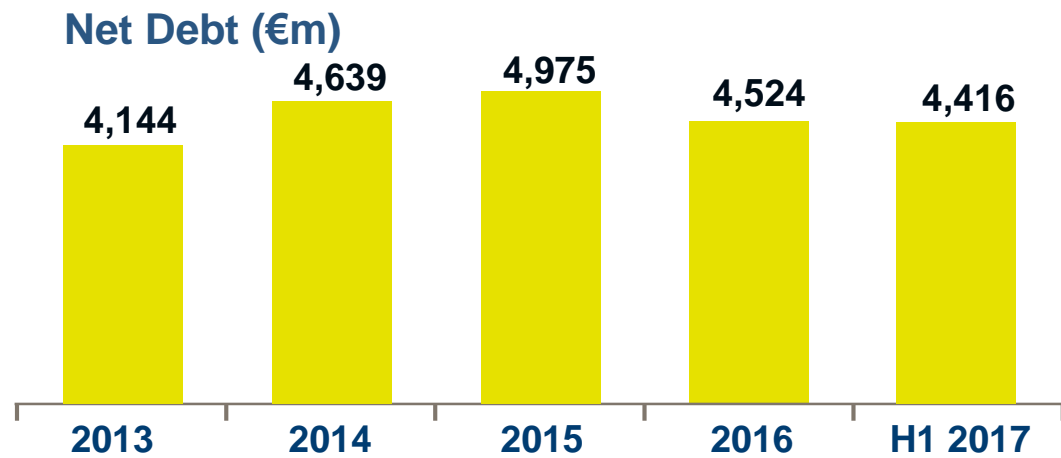
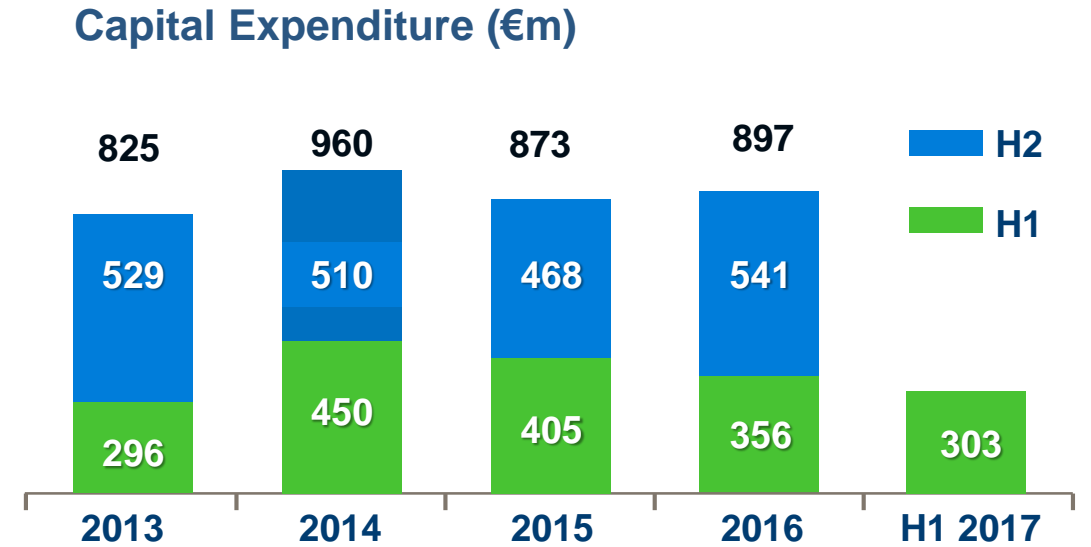
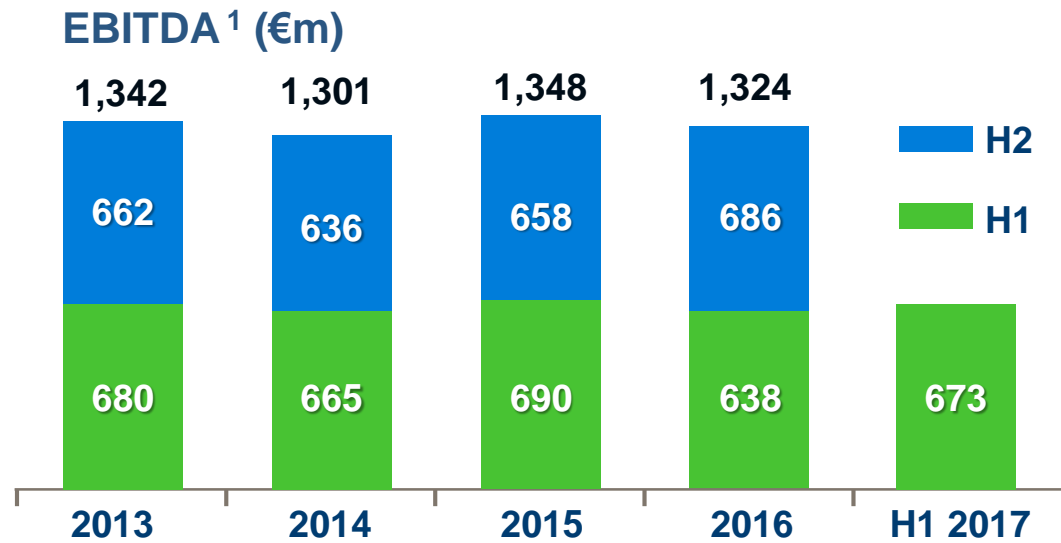
- Networks**
 Regulated electricity networks in Ireland account for ~ 2/3 of EBITDA and assets supported by established and transparent regulatory frameworks
- Generation**
 Generation portfolio has a diversified fuel mix benefitting from capacity and quasi-regulated supports. All Island Market share 43%
- Supply**
 Electric Ireland has leading position in supply of electricity, gas and energy services in Ireland with All-Island market share 34%

~ Meaning approximately

Financial Overview



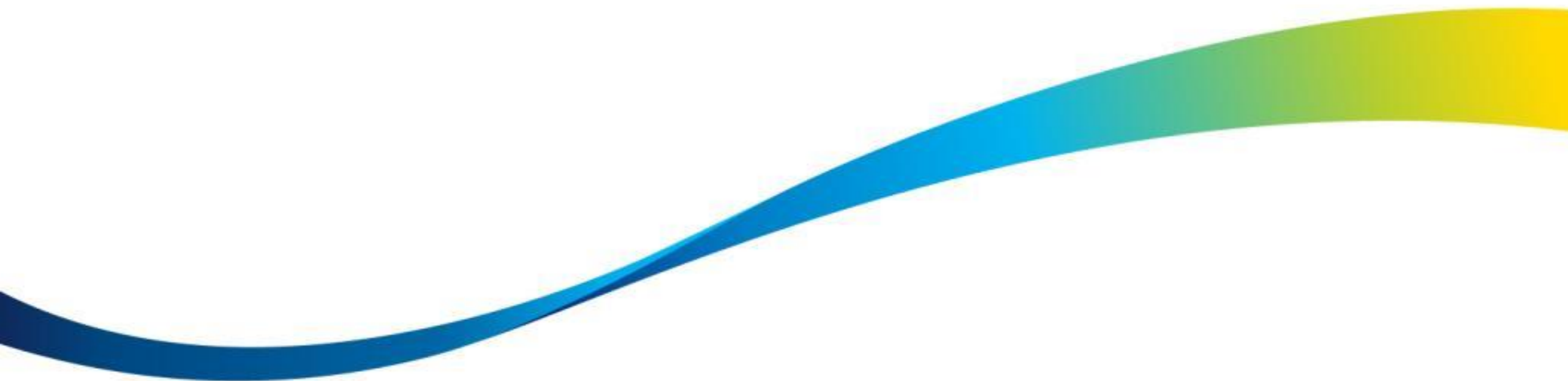
Consistent Financial Performance



¹ Before Exceptional items

² Gearing = Net Debt / (Debt + Equity) on IFRS basis

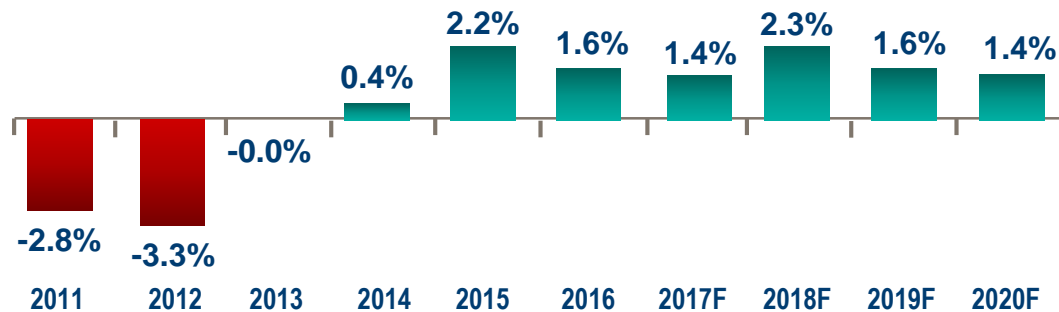
Business Profile



Macro Environment



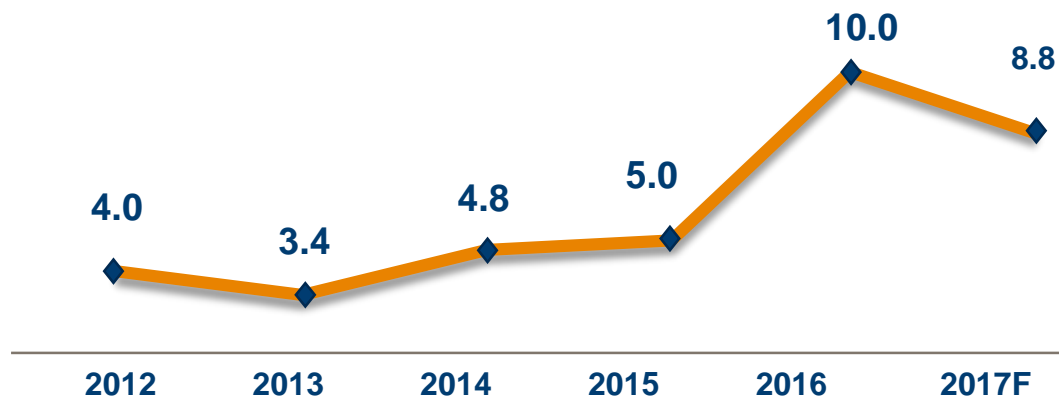
SEM¹ System Demand Growth (%)



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
- Forecast GDP 4.9% 2017 3.9% 2018
- SEM Electricity demand growth
- Irish sovereign rating strengthened
 - A+ Stable (S&P and Fitch) and A2 Stable (Moody's)

UK

- Forecast GDP 1.5% 2017 & 1.4% 2018
- Brexit: 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

Network Regulation Overview in Ireland

- Revenue determined by ROI and NI Regulators
 - CRU (Republic of Ireland)
 - Utility Regulator (Northern Ireland)
- 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
 - Incentives for Strategic Innovation, customer service and network performance
- Model well established and considered robust by investors and rating agencies



ESB Networks



Business Description

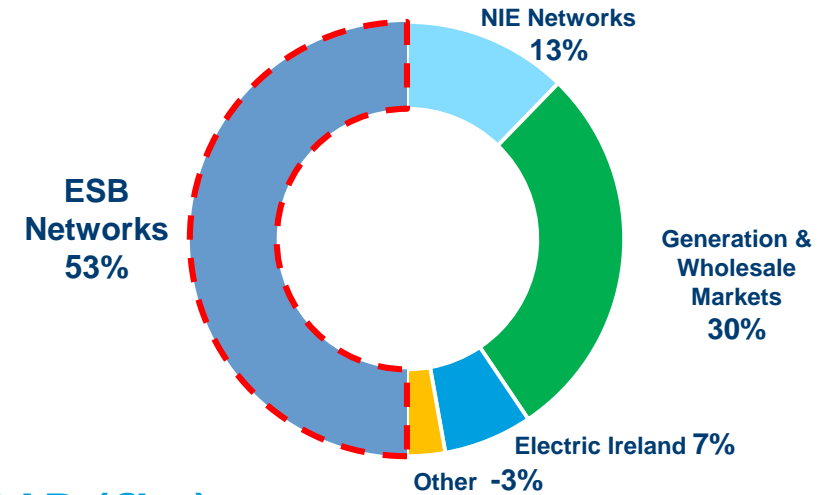
- ~ 53% of Group EBITDA and Assets
- Sole owner and operator of distribution network and sole owner of transmission network in Republic of Ireland
- Regulated Asset Base (RAB) 2016 €7.5bn
- Strategy: Smart Reliable Networks
- PR4 Revenue Determination (2016-2020)

Significant Capital Investment

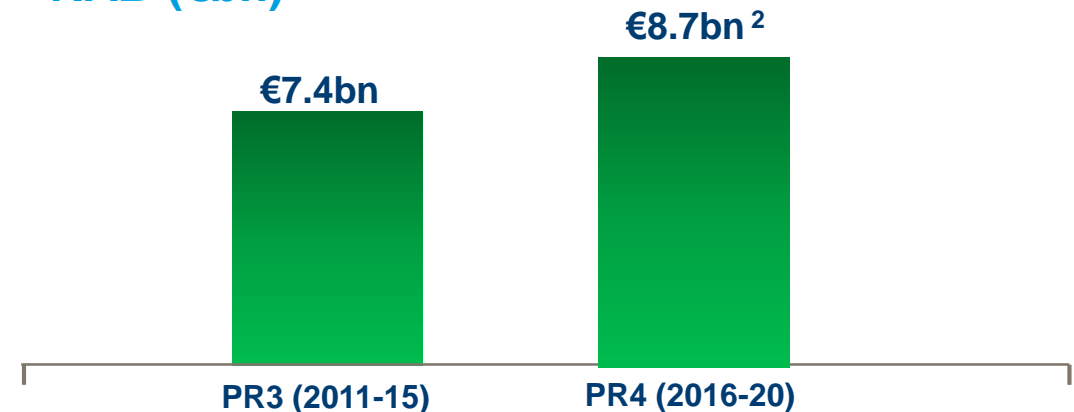
WACC 4.95% pre tax real ¹

- Focus: PR4 delivery

H1 2017 EBITDA - €673 (€m)



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 esb.ie/ir

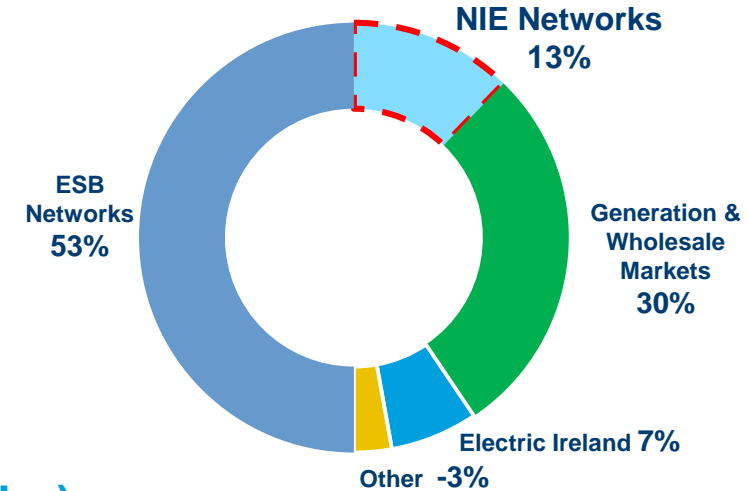
Northern Ireland Electricity (NIE) Networks



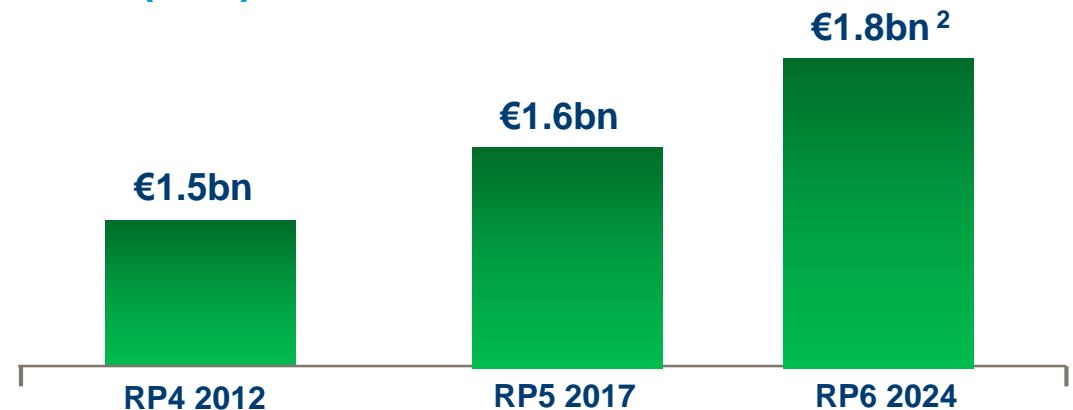
Business Description

- ~13% of Group EBITDA and 17% Group Assets
- Sole owner and operator of distribution network and sole owner of transmission network in Northern Ireland
- Regulated Asset Base 2016 €1.6bn / £1.4bn
- Strategy: Smart Reliable Networks
- RP6 (Oct 2017 – Mar 2024)
Satisfactory but challenging final revenue determination
- RP6 WACC 3.2% vanilla real (3.8% pre tax real) reflecting low interest rate environment¹
- Focus: RP6 Implementation

H1 2017 EBITDA - €673 (€m)



RAB (€bn)



¹ Vanilla WACC ACC calculated real pre tax cost of debt and real post tax cost of equity

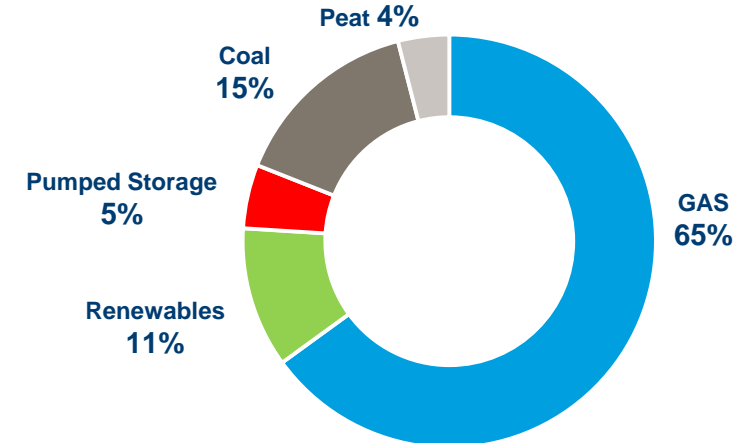
² Estimated RAB value March 2024 (in 2016 money) per UR published RP6 revenue determination

Generation & Wholesale Markets

Business Description

- ~ 30% of Group EBITDA and 22% Group Assets
- Strategy: Transition to low carbon energy
Develop energy services
- 5.7 GW: 4.4 GW All-Island and 1.3 GW in GB
- All-Island SEM market share 43% by volume
- Diversified fuel mix: gas, coal, peat, renewables
- SEM portfolio benefits from capacity & quasi regulatory supports
- Investment: low carbon renewables
- Focus: Integrated Single Electricity Market
Renewable Investment

2016 Installed Capacity by Fuel Type



SEM Generation Market Share (MWh) 2017

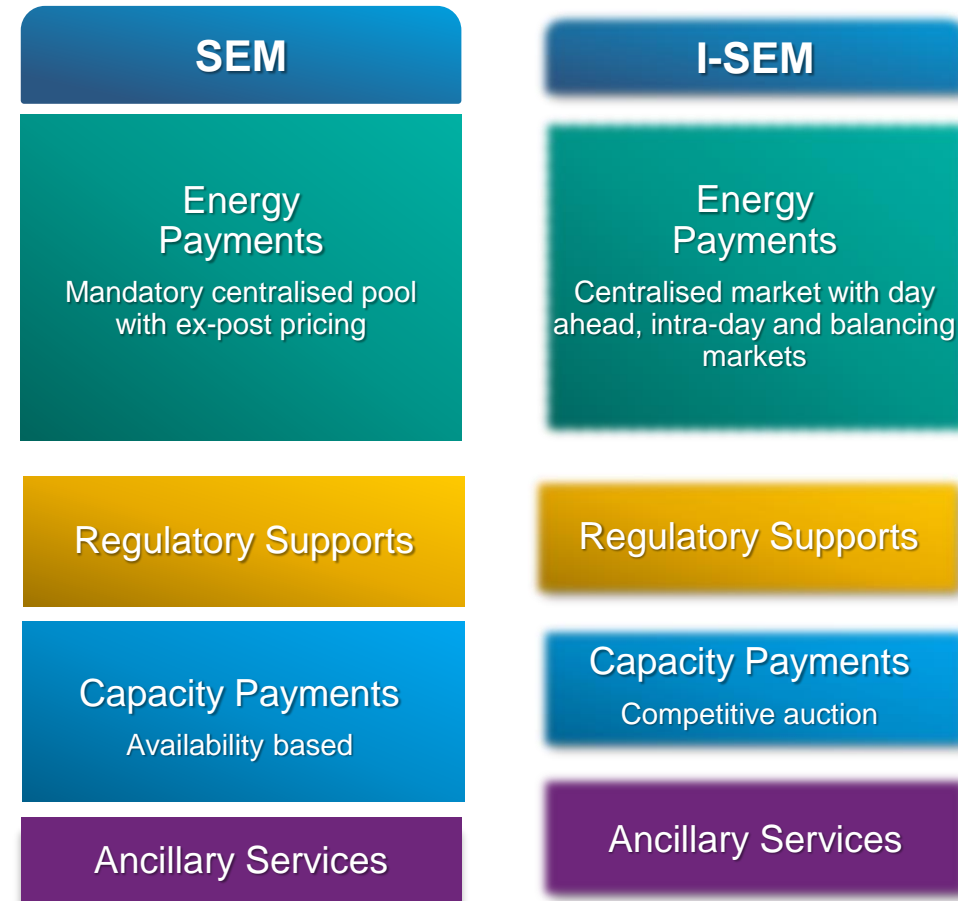


Integrated Single Electricity Market Transition

I-SEM

- EU Internal Energy Market compliance and changes how ancillary services rewarded to support more intermittent renewables
- “Go live” May 2018
- Energy trading more closely aligned with EU
- Capacity payments remain, but lower and awarded on auction basis
- 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 with more margin at risk.
ESB portfolio mix advantageous and well positioned.
Will take number of years to evolve.

Broad Indicative Changes

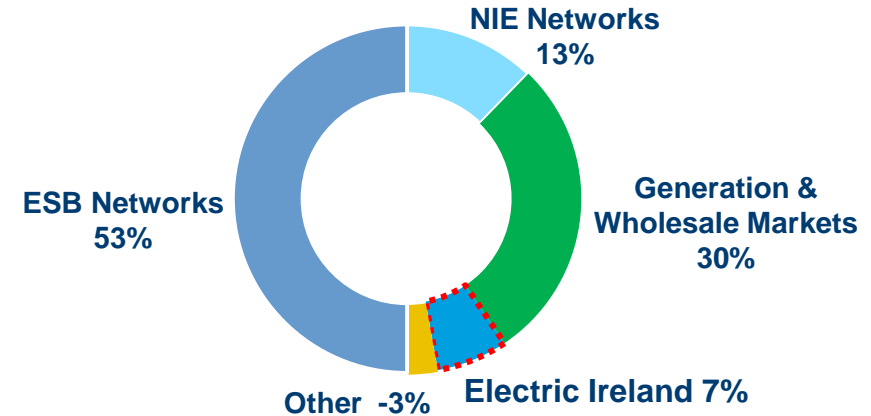


Supply: Electric Ireland

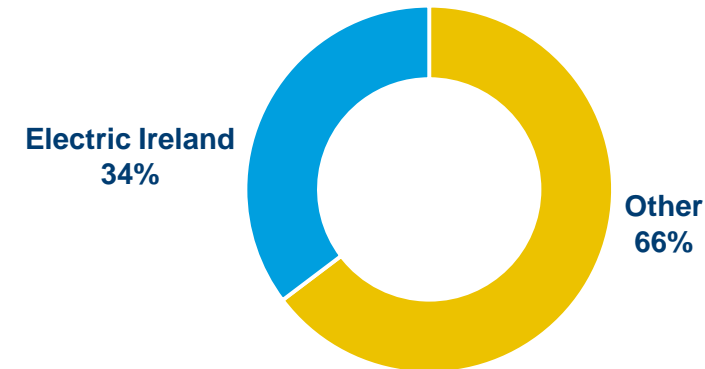
Business Description

- ~7% of Group EBITDA
- Strategy: Meet customer energy needs
 - Competitive Offerings
 - Excellent Customer Service
 - Innovative and value driven solutions
- 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

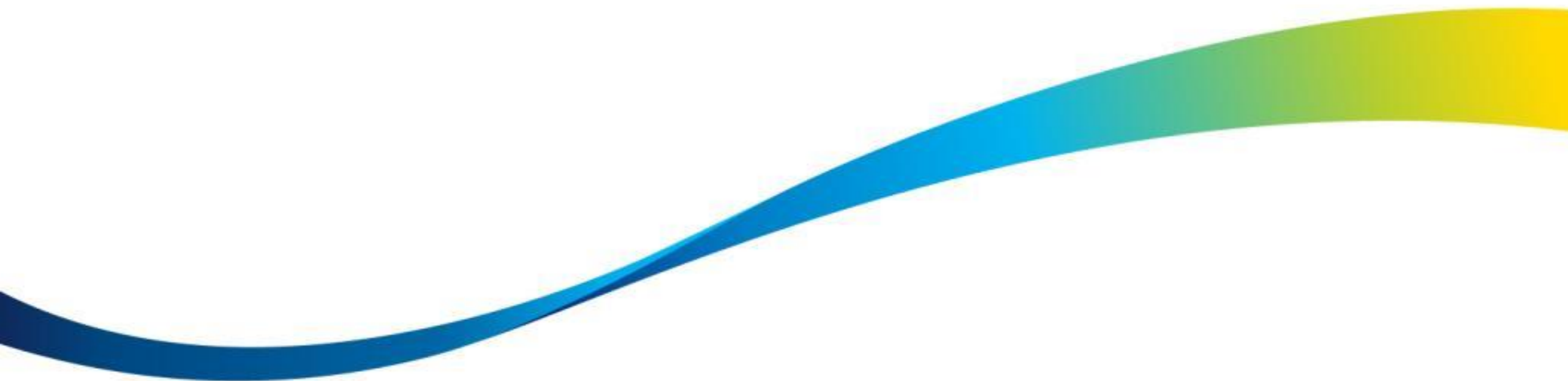
H1 2017 EBITDA - €673 (€m)



SEM Retail Market Share (MWh) 2017



Funding & Liquidity

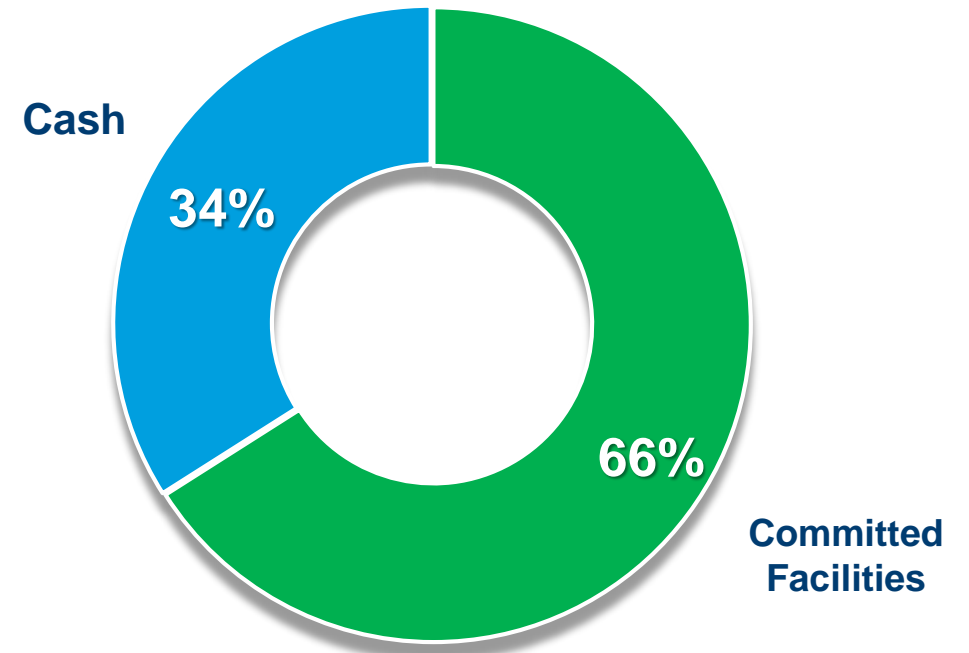
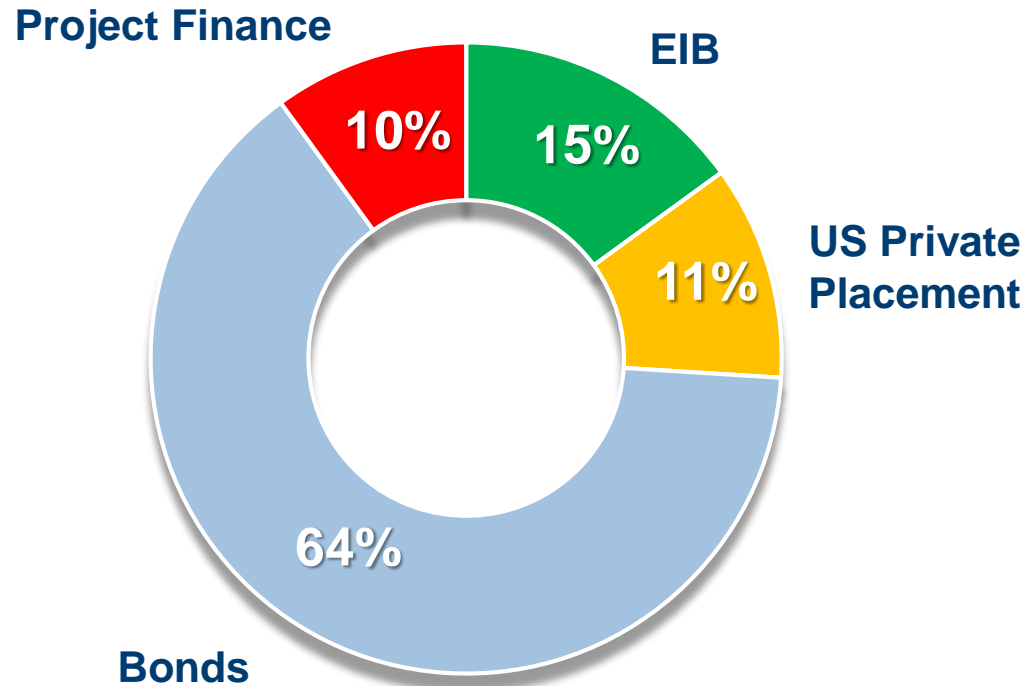


ESB Group Debt – Diversified Funding and Strong Liquidity



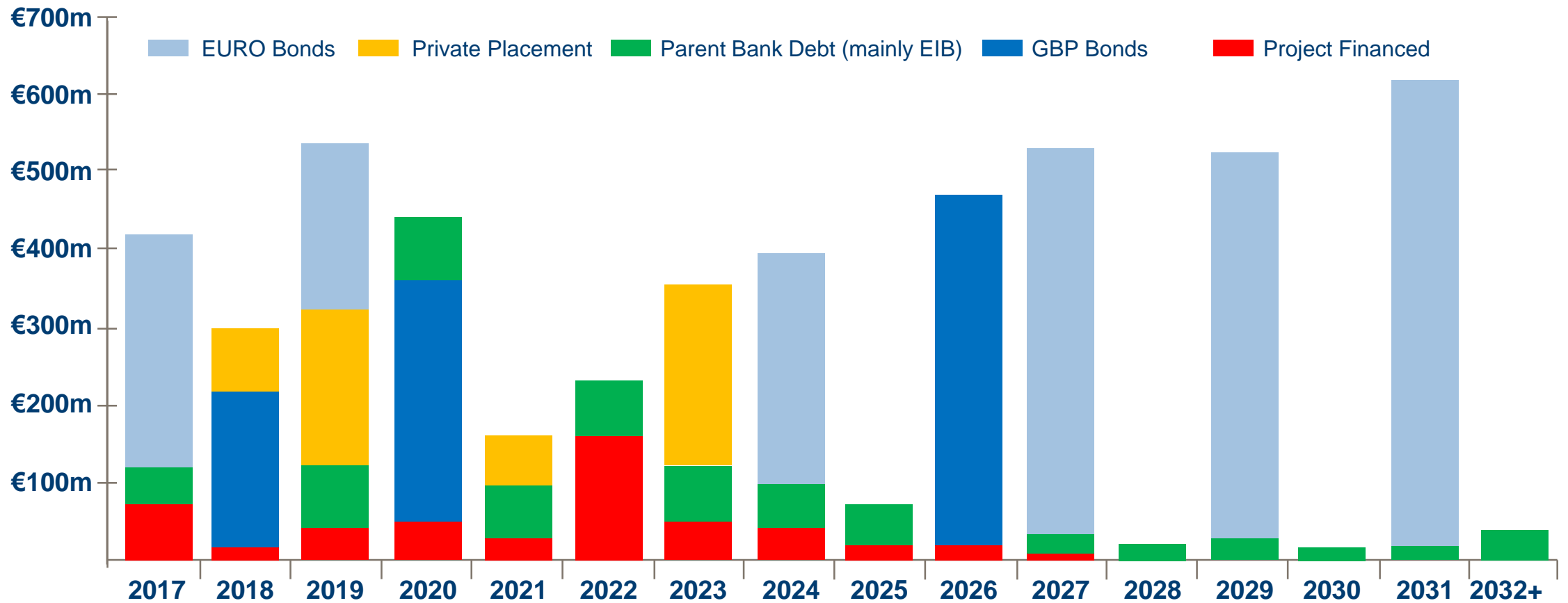
Group Debt 30 June 2017 - €5.2bn

Available Liquidity - €2.3bn



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

Repayment Profile – 30 June 2017



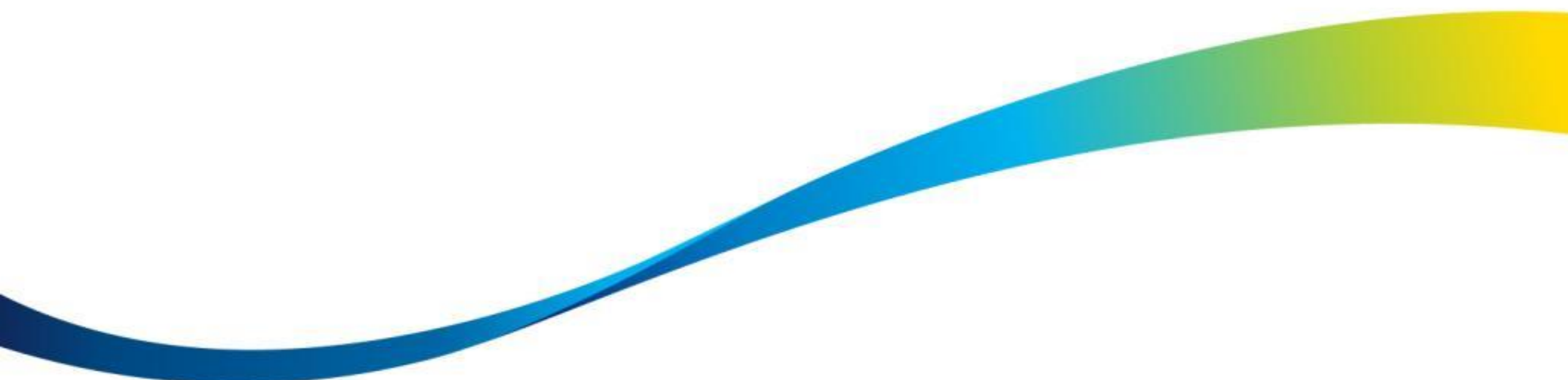
• Manageable Profile. €2.3bn liquidity and EBITDA ~ €1.3bn pa.

ESB Credit Ratings



	Senior Unsecured Debt Rating	Long Term Rating
S&P Global Ratings	A-	A-
MOODY'S INVESTORS SERVICE	A3	A3
Fitch Ratings	A-	BBB+

Outlook and Summary



Outlook 2018



- **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
- **Electric Ireland**
 - Meet customer energy needs through value driven solutions at appropriate margins
- **Ongoing focus on growing business while maintaining financial strength**

● Leading Irish utility meeting customers' energy needs through diverse businesses

- 95% Irish Government owned
- Markets – Ireland and Great Britain
- Operating across energy value chain: Generation, Transmission, Distribution, Supply and related services
- Owns all transmission & distribution networks in ROI and NI. Regulated RAB 2016 €9.1bn
- All Island Market: 43% share of generation & 34% share of All Island supply. 1.4m customer accounts
- Generation: 5.7 GW. Diversified fuel mix. Benefits from capacity and regulatory supports

● Stable Business Profile

- Regulated networks businesses in Ireland account for approximately 2/3 EBITDA and assets supported by established & transparent regulatory frameworks

● Consistently Solid Financial Performance

- Consistently solid EBITDA
- Strong liquidity position
- Senior unsecured credit ratings of A- / A3 / A-



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