

DEBT INVESTOR PRESENTATION BUSINESS UPDATE 2017



Energy for
generations

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ESB TEAM



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**Manager -
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& Credit Rating**

AGENDA



ESB Background and Strategy

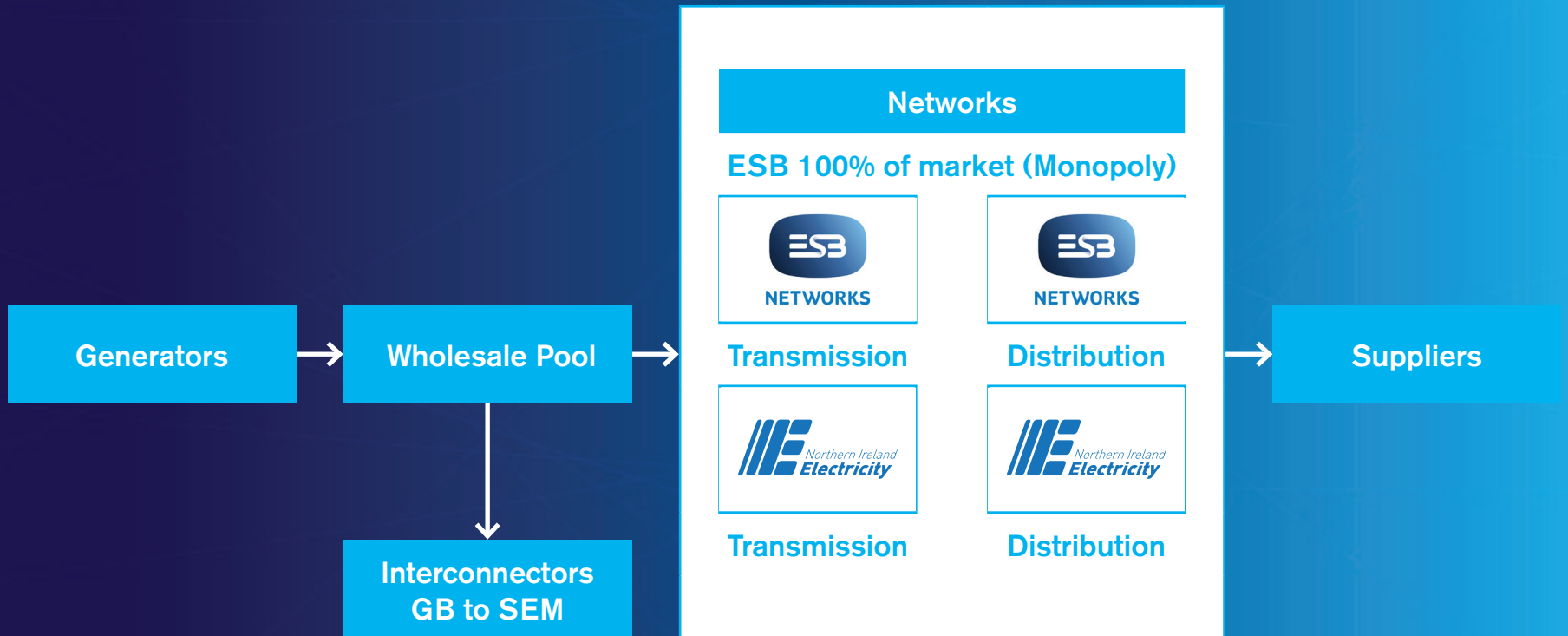
Financial Results

ESB Business Profile

Funding and Liquidity

Outlook & Summary

ELECTRICITY INDUSTRY STRUCTURE IRELAND ONE SINGLE ELECTRICITY MARKET (SEM) ALL ISLAND

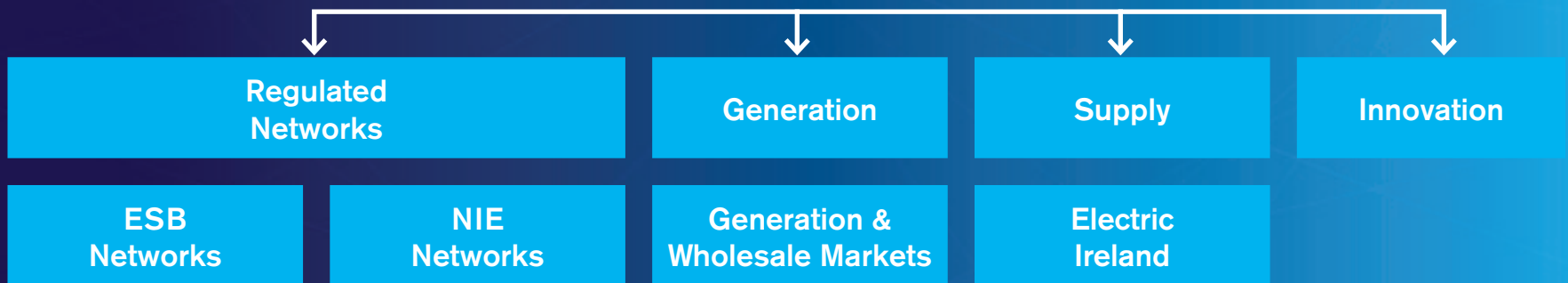


Regulators



System Operators





History	Established 1927, Diversified Vertically Integrated, 95% Government-owned. Markets Ireland & UK
Networks	Owner of the Regulated Republic of Ireland T&D networks (2016 RAB €7.5bn) Owner of the Regulated Northern Ireland T&D networks (2016 RAB €1.6bn)
Generation	Portfolio 5.7 GW. All-Island Capacity 4.4 GW and 45% Market Share. GB Capacity 1.3 GW Diversified fuel mix. Capacity & Regulatory Supports
Supply	36% Market Share and 1.4 million customers accounts on an All-Island basis
Innovation	International Engineering consultancy; Telecoms, Smart energy services and E-Cars
Financial	Regulated Networks Businesses account for ~ 66% of EBITDA and assets Solid EBITDA 2016 €1.32bn Assets €12.9bn Gearing 51% Strong Liquidity Position and long term issuer credit ratings of A- / A3 / BBB+

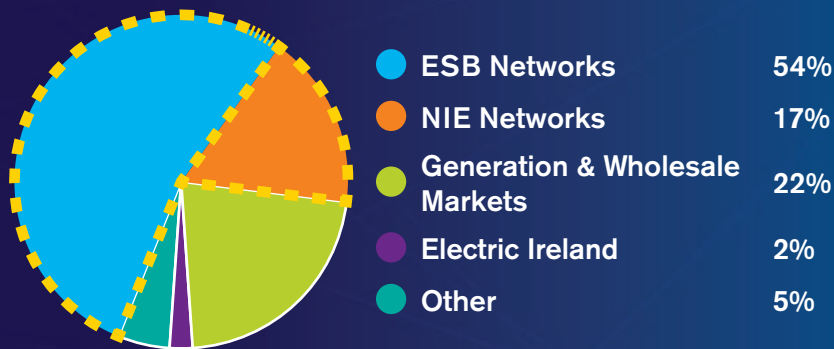
Key Points

- Leading transition to low carbon future
- Diversified Vertically Integrated Utility
- Energy Focus
- Markets – Ireland and Great Britain
- Investments
 - Smart Reliable Networks
 - Low Carbon Energy
- Prudent Financial Management

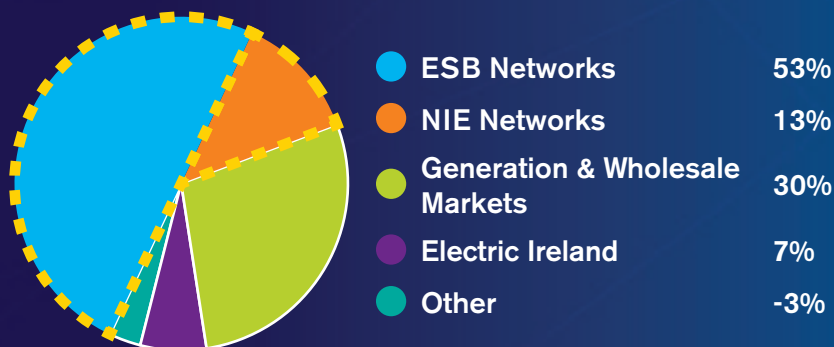


ESB BENEFITS FROM STABLE BUSINESS PROFILE

H1 2017 Assets by Business - €12.9bn



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



Stable Business Profile

- **Regulated electricity networks in Ireland account for ~2/3 of EBITDA and Assets** supported by established, consistent and transparent regulatory frameworks
- **Generation: Diversified fuel mix benefiting from capacity and quasi regulated supports. All Island Market share 45%**
- **Leading position in supply of electricity, gas and energy services in Ireland with All-Island market share 36%**
- **Broadly balanced All-Island Generation-Supply position**

AGENDA



ESB Background and Strategy

Financial Results

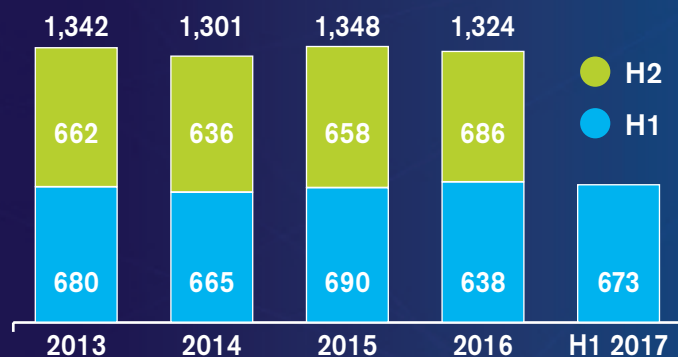
ESB Business Profile

Funding and Liquidity

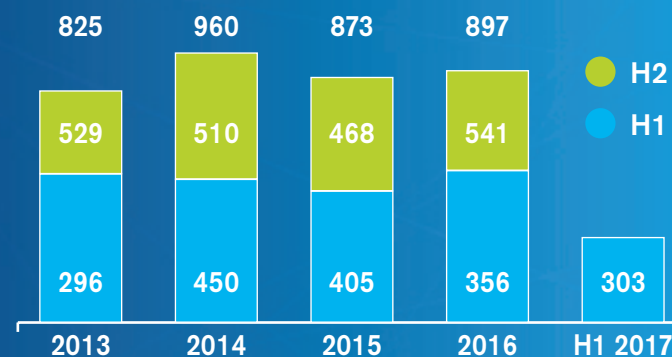
Outlook & Summary

CONSISTENT FINANCIAL PERFORMANCE

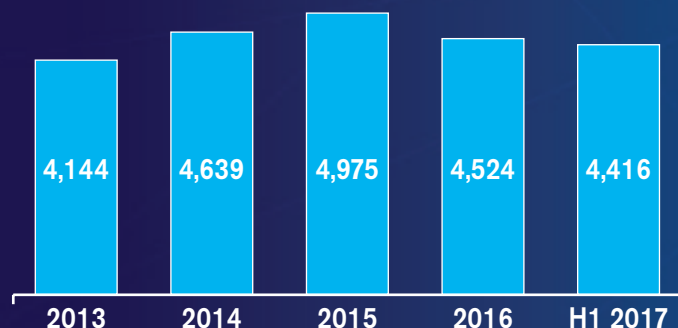
EBITDA ¹ (€m)



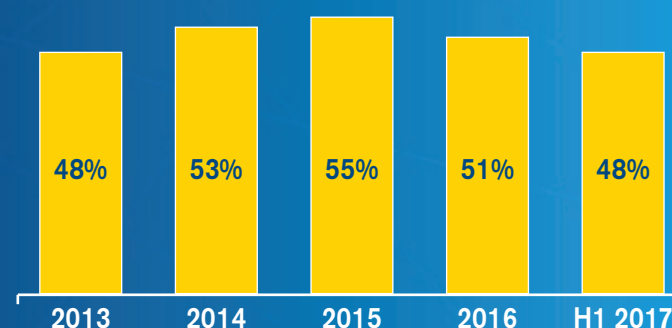
Capital Expenditure (€m)



Net Debt (€m)



Gearing (%) ²



1 Before Exceptional items

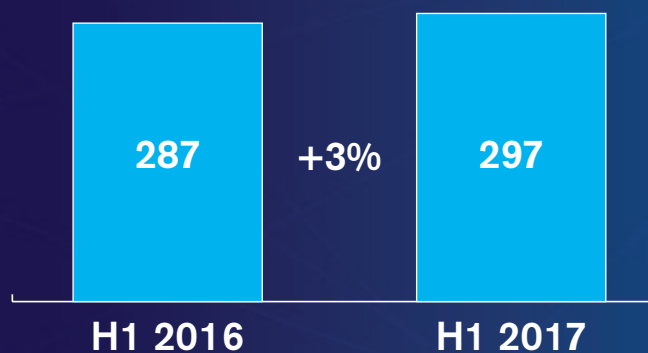
2 Gearing = Net Debt / (Debt + Equity) on IFRS basis

- > **Strategy: Diversified Vertically Integrated Utility. Irish & Great Britain Markets**
- > **Strong operational performance resulted in solid financial performance**
 - Sustained solid performance : EBITDA €673 m; Capex €303 m; Gearing 48%
 - Regulated Networks Businesses in Ireland 66% EBITDA and 68% capex in H1 supported by established, consistent and transparent regulatory frameworks
- > **Networks**
 - ROI: PR4 2016-20 delivery
 - NI: NIE Networks
RP6 (October 2017- March 2024) challenging but satisfactory final revenue determination
- > **Generation (GWM) and Supply (Electric Ireland)**
 - GWM: Good plant availability. Lower SEM energy margin. Good performance by Carrington plant.
 - Electric Ireland. Good Performance. Competing effectively.
- > **Very strong liquidity position €2.3 bn. €500m 12 year Bond issued.**
 - Moody's credit rating upgrade to A3. S&P and Fitch long term issuer ratings A- and BBB+ affirmed.

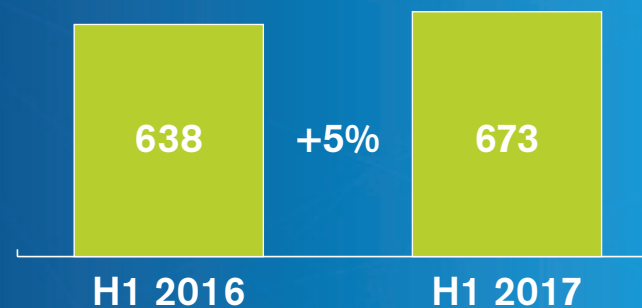
H1 2017 – KEY FINANCIAL HIGHLIGHTS



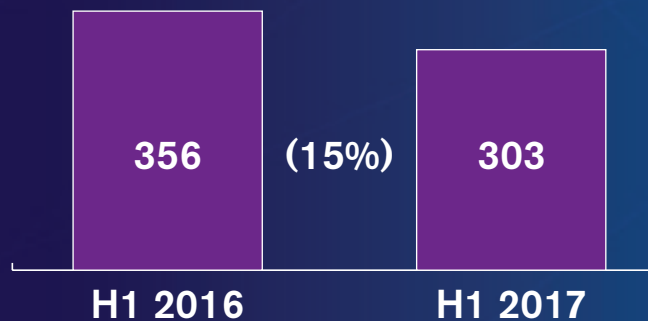
Operating Profit (€m)



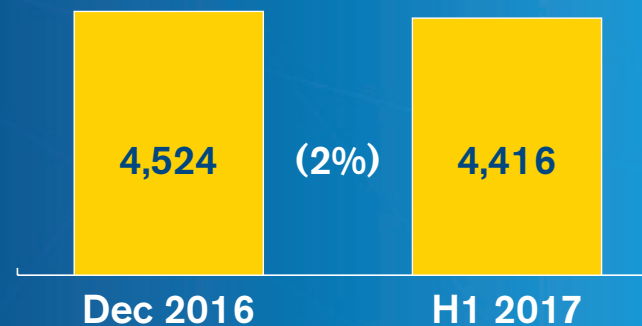
EBITDA (€m)



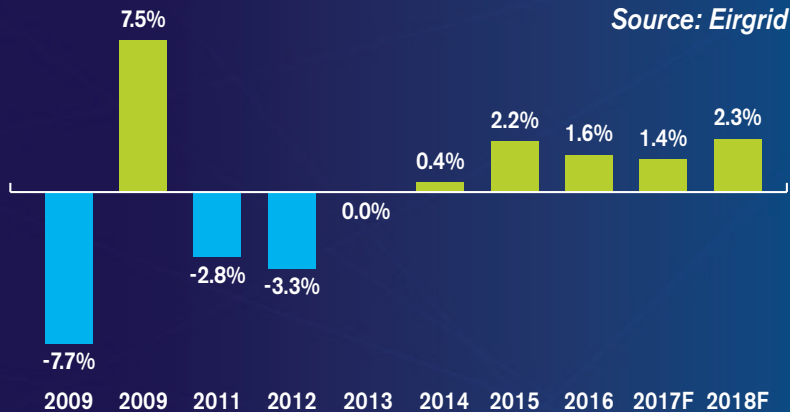
Capital Expenditure (€m)



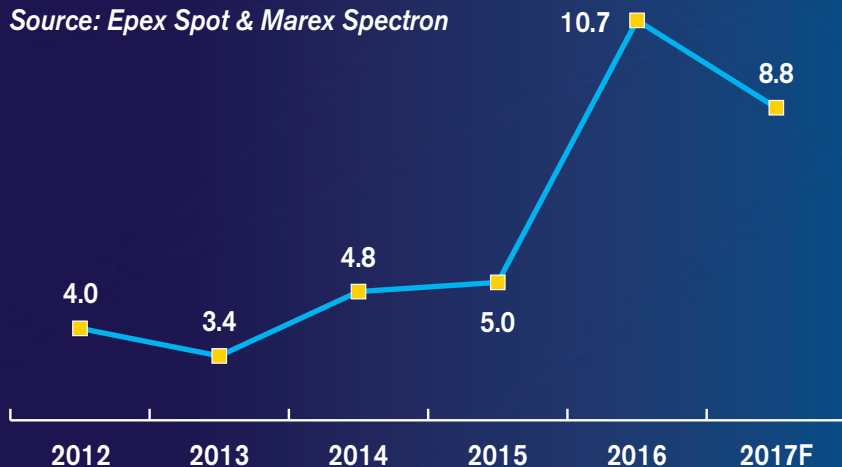
Net Debt (€m)



SEM System Demand Growth



GB Base Load Clean Spark Spread



Ireland

- Strong broad based economic growth
- Forecast GDP 2017F 4.5% 2018F 3.6%
- SEM Electricity demand growth
- Irish sovereign rating strengthened
A+ Stable (S&P) / A Stable (Fitch) /
A2 Stable (Moody's)

UK

- Economic growth GDP 2017F 1.5%
- Brexit: Prudent financial management protecting ESB's credit metrics
- UK Electricity
Tight capacity reserve margins
Increasing spreads 2016 & 2017

Source: Irish GDP per Central Bank of Ireland
UK GDP per Central Bank of England

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 Networks that can fund activities and earn a fair return

> Multi Year Price / Revenue Control Cycles

- Multi Year Price / Revenue Control Cycles
- Allowance for Opex
- Allowance for Capex (Depreciation)
- Allowed return on Regulated Asset Base (RAB)
- No Volume Risk. Inflation Adjustment
- Incentives for Strategic Innovation, customer service and network performance

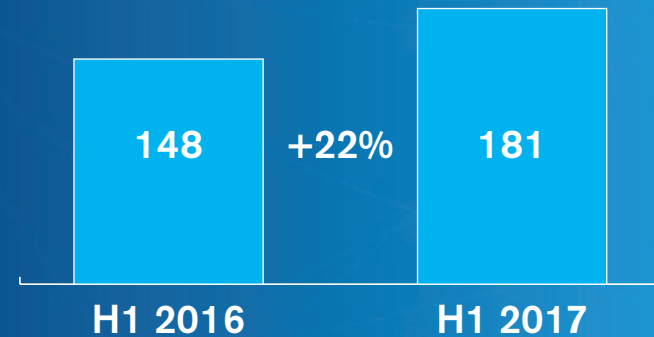
> Model well established and considered robust by Financiers and Rating Agencies



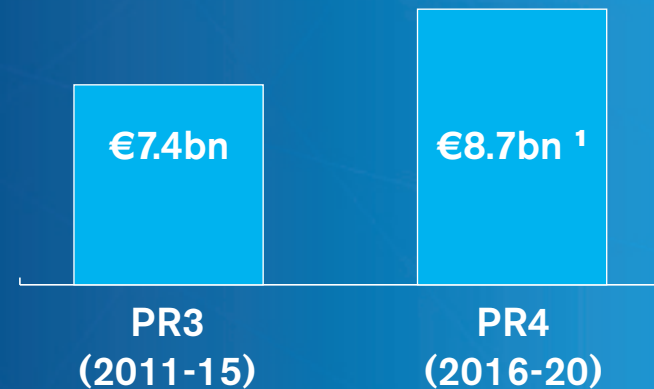
Business Description

- ~ 53% of Group EBITDA and Assets
- Sole owner and operator of the distribution network and sole owner of the transmission network in Republic of Ireland
- Regulated Asset Base (RAB) 2016 €7.5bn
- Strategy: Smart Reliable Networks
- PR4 Revenue determination (2016-20) delivery
- **2017-18 Focus: PR4 delivery**

Operating Profit (€m)



RAB (€b)



¹ Estimated RAB value end 2020 (in 2014 money) per CRU published PR4 revenue determination

NETWORKS PR4 (2016-2020) REVENUE DETERMINATION SUMMARY



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- ESB Networks ~ 53% of Group EBITDA & Assets
- Regulatory model unchanged from PR3. Focus on delivery

	PR4 Determination published by CRU
Overall Revenue	€5.3bn (real, 2014)
WACC (pre-tax, real)	4.95%
Net Capex	€2.8 bn (real, 2014)
RAB Projected	€8.7 bn (real, 2014)

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

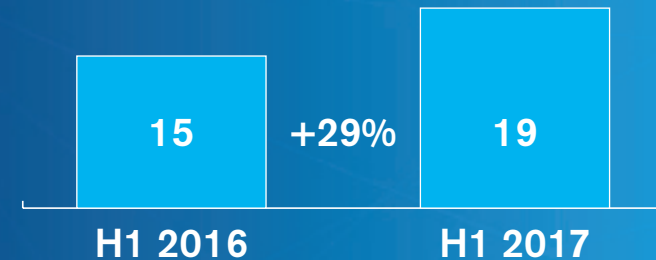
NORTHERN IRELAND ELECTRICITY (NIE) NETWORKS



Business Description

- ~13% of Group EBITDA and 17% Assets
- Sole owner of the distribution and transmission networks in Northern Ireland
- Regulated Asset Base 2016 €1.6bn
- Strategy: Smart Reliable Networks
- RP6 (Oct 2017 - Mar 2024)
Challenging but satisfactory final revenue determination published June 2017
- **2017-18 Focus: RP6 Implementation**

Operating Profit (€m)



RAB (€b)



¹ Estimated RP6 RAB value 2024 (in 2016 money) per UR published RP6 revenue determination

NIE NETWORKS RP6 SUMMARY FINAL DETERMINATION (RP6 FD)



Energy for generations

- ~13% Group EBITDA. RP6 FD (Oct 2017 – March 2024) published 30 June 2017.
- Challenging but satisfactory. Focus on operating within RP6 allowances.

	RP6 Final Determination Oct 2017 - March 2024 ¹	RP5 Apr 2012 - Sept 2017
Overall Revenue Total	€1.9bn (real, 2016) €293m p.a. (real, 2016)	€1.6bn €289m p.a.
WACC (vanilla, real)	3.2%	4.1%
Net Capex	€0.8bn (real, 2016) €118m p.a. (real, 2016)	€0.7bn €120m p.a.
Operating Allowances	€0.5bn (real, 2016) €77m p.a. (real, 2016)	€0.45bn €81m p.a.
RAB Projected	€1.8bn (real, 2016)	€1.6bn

¹ RP6 Final Determination based on UR published RP6 revenue determination

NIE NETWORKS RP6: WACC

RP6 WACC 3.2% vanilla real (3.8% real pre-tax) for RP6 compared to 4.1% RP5 allowed

WACC	NIE RP5	NIE RP6 Final Determination	Key Points
Cost of Debt pre tax	3.1%	1.63%	Note 1
Cost of Equity post tax	5.0%	4.45%	Note 2
Gearing	45%	45%	
Vanilla WACC (Debt pre tax and Equity post tax)	4.1%	3.2%	

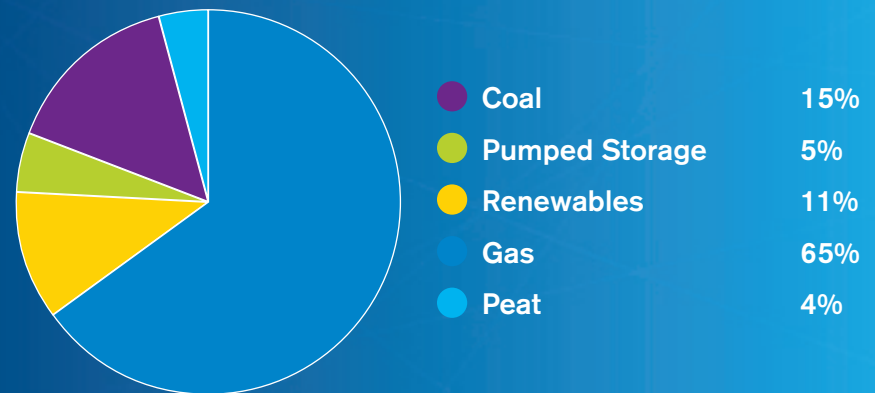
Note 1: RP6 FD cost of debt. Embedded cost of debt allowed. New cost of debt adjustment mechanism in line with market rate prevailing for iBoxx BBB corporate index at time of issue

Note 2: Asset beta in line with UK DNOs for RIIO ED1

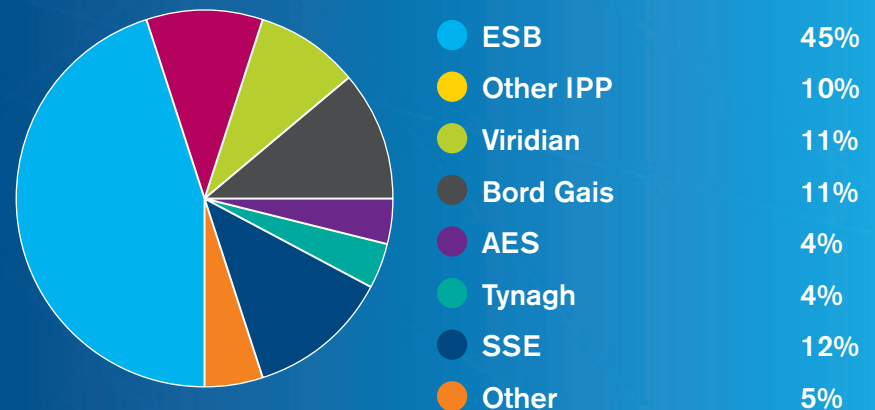
Business Description

- ~ 30% of Group EBITDA & 22% Assets
- 5.7 GW: 4.4 GW All-Island and 1.3 GW in GB
- Strategy: Low Carbon energy
- All-Island SEM market share 45% by volume
- Diversified fuel mix: gas, coal, peat, hydro & wind
- Carrington CCGT performing well
- Profitable. H1 2017 operating profit €87m
- SEM portfolio benefits from capacity & quasi regulatory supports
- Investment focused on low carbon renewables
- **2017-18 Focus:**
 - Integrated Single Electricity Market (I-SEM)
 - Renewable Investment
 - Continued good plant availability

2016 Installed Capacity by Fuel Type



SEM Generation Market Share (MWh)



INTEGRATED SINGLE ELECTRICITY MARKET TRANSITION

I-SEM

- EU Internal Energy Market rules compliance & changes how ancillary services rewarded to support more renewables
- CRU target implementation from May 2018
- Expected that:
 - Energy trading more closely aligned with EU
 - Capacity payments remain, but expected to be lower and awarded on different basis (auction Dec 2017 for May 2018 to Sept 2019)
 - Ancillary services revenue cap increased. Cap €235m 2020 from €75m 2016
- Significant energy margin expected to continue from capacity payments and quasi regulated supports
- More margin at risk. ESB portfolio mix advantageous. Will take number of years to evolve

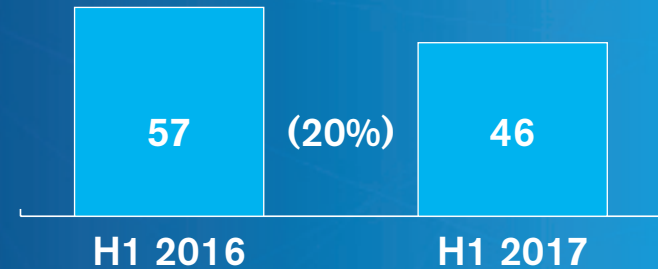
Broad Indicative Changes

SEM	I-SEM
Energy Payments Mandatory centralised pool with ex-post pricing	Energy Payments Centralised market with day ahead, intra-day and balancing markets
Capacity Payments Availability based	Capacity Payments Competitive auction
Regulatory Supports	Regulatory Supports
Ancillary Services	Ancillary Services

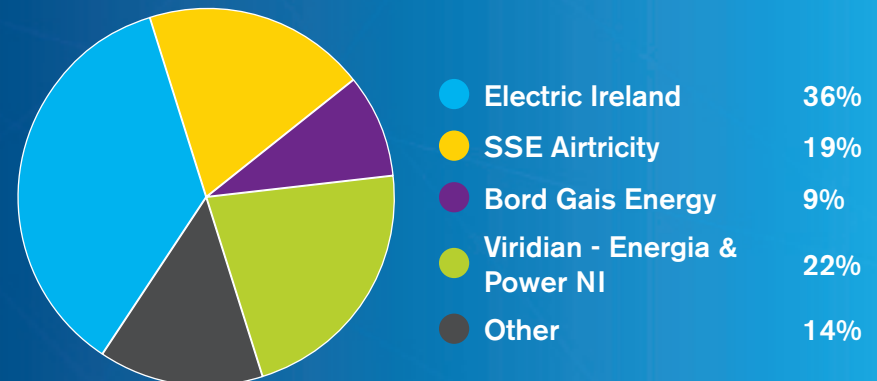
Highlights

- ~7% of Group EBITDA
- Strategy: Empowered, Informed Customer
 - Competitive Offerings
 - Excellent Customer Service
 - New and Innovative products
- H1 2017: Good performance. Lower profits reflecting price reduction June 2016
- Market share 36%
- NI Residential market entry progressing well
GB Supply residential market entry as long term growth opportunity
- **2017-18 Focus:** Customer service, value and market share at appropriate margins

Operating Profit (€m)



SEM Retail Market Share (MWh)



Focused on Developing New Business Opportunities

ESB International	ESB Telecoms	ecars and eheat	Smart Energy Services	Novus Modus
<ul style="list-style-type: none"> Multi-disciplinary engineering, strategy and Operations and Maintenance consultancy business 40 years in operation Internationally 	<ul style="list-style-type: none"> Owns fibre-optic network and network of independent mobile-phone towers Fibre to the Building Joint Venture with Vodafone (SIRO) 	<ul style="list-style-type: none"> National electric vehicle charging infrastructure Services in electro mobility sector internationally 	<ul style="list-style-type: none"> Energy management services to large energy users in Ireland and Great Britain 	<ul style="list-style-type: none"> Clean-Tech fund Invests in renewable energy and energy efficiency sectors

Division Financials

	2016 %
EBITDA	< 1%

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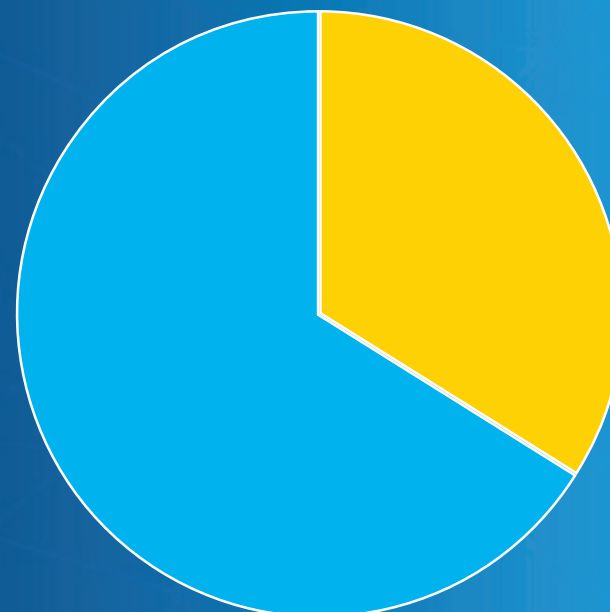
ESB GROUP DEBT OVERVIEW

Group Debt 30 June 2017 - €5.2 bn



Project Finance	10%
EIB	15%
US Private Placement	11%
Bonds	64%

Available Liquidity - €2.3 bn



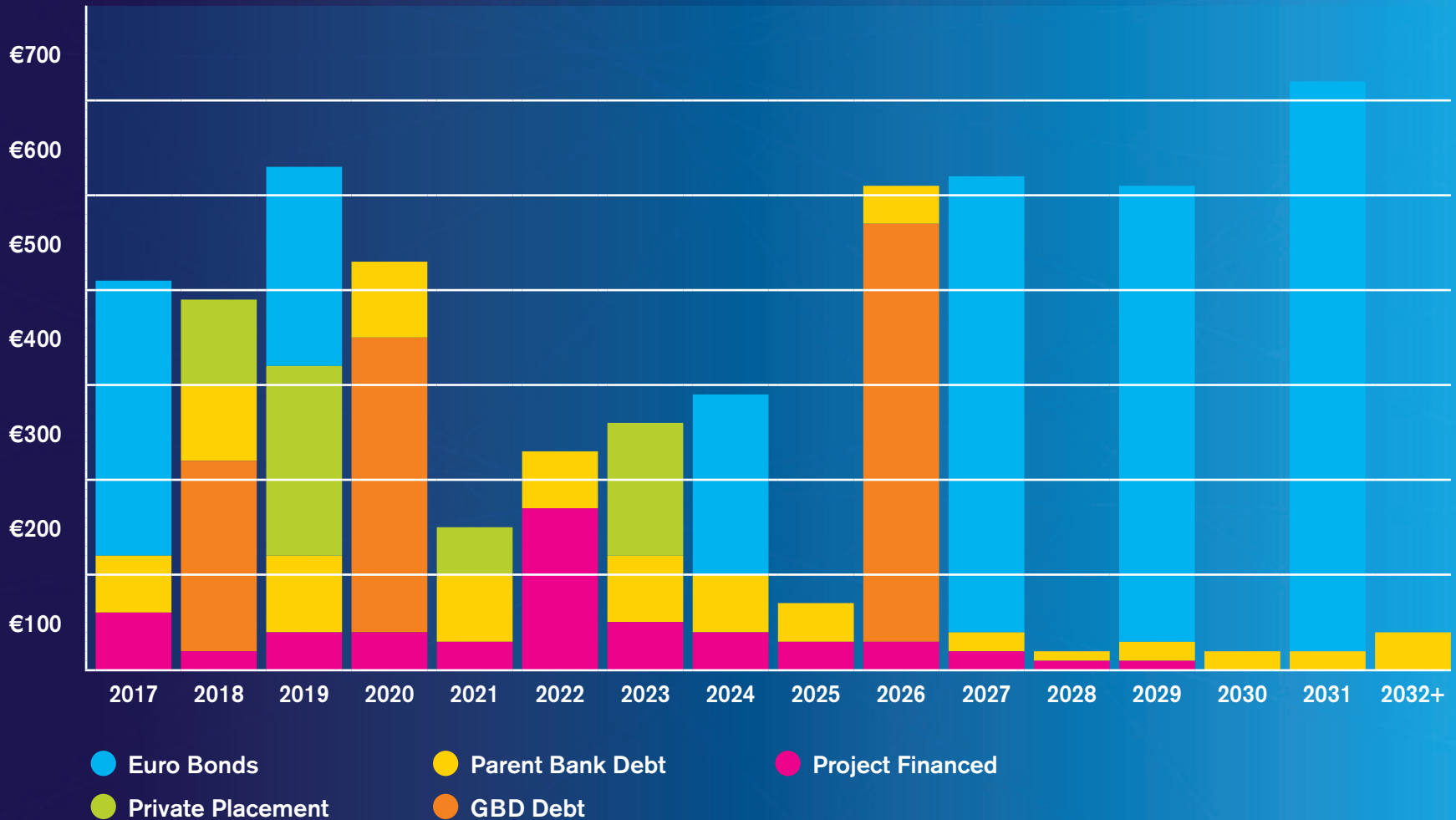
Cash	34%
Committed Facilities	66%

Increased liquidity and diversified funding

€500m bond issued early 2017 – 12 years 1.75%

REPAYMENT PROFILE

30 JUNE 2017



Profile manageable. €2.3bn existing liquidity and EBITDA ~ €1.3bn pa.

DIVIDEND POLICY & PENSIONS



Dividend Policy	<p>Dividend Policy agreed in 2013 with Irish Government (95% Shareholder)</p> <p>Target dividend pay-out ratio of 40% of normalised profits after tax by 2017 and thereafter</p> <p>Irish Government agreed that sustaining a minimum BBB+ Credit Rating is key ESB policy objective</p>
Pensions	<p>ESB DB Pension Scheme does not have a deficit on an ongoing actuarial basis at end 2016 following the actuarial review</p>

ESB CREDIT RATINGS



	EMTN Programme Rating	Long Term Rating	Rating Updated
The logo for S&P Global Ratings, with 'S&P Global' in red and 'Ratings' in black.	A-	A-	Affirmed May 2017
The logo for Moody's Investors Service, with 'MOODY'S' in blue and 'INVESTORS SERVICE' in black.	A3	A3	Upgraded September 2017
The logo for Fitch Ratings, with 'Fitch' in red and 'Ratings' in black.	A-	BBB+	Affirmed August 2017

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- > **Continued growth in Irish macro economy and SEM electricity demand expected**
- > **Networks**
 - ROI: PR4 2016-20 delivery
 - NI: NIE Networks - implement RP6
- > **Generation**
 - Integrated Single Electricity Market (I-SEM) preparations
 - Low carbon renewable investment
 - Maintain plant availability
- > **Electric Ireland**
 - Continued focus on customer service, value and market share at appropriate margins
- > **Ongoing focus on maintaining financial strength**

- > **Leading Irish diversified & vertically integrated utility. 95% Irish Government owned**
 - Markets – Ireland and Great Britain
 - Operating across electricity market: Generation, Transmission, Distribution and Supply
 - Owns Transmission & Distribution Networks in ROI and NI. Regulated RAB 2016 €9.1bn
 - All Island Market: 45% Share of Generation & 36% Share of Supply.
1.4m customer accounts
 - Generation: 5.7 GW. Diversified fuel mix. Capacity and Regulatory supports

- > **Stable Business Profile: Regulated networks businesses in Ireland account for ~66% EBITDA and Assets supported by established, consistent & transparent regulatory frameworks**

- > **Consistently Solid Financial Performance**
 - Consistently Strong EBITDA (H12017: €673m Assets €12.9bn Gearing 48%)
 - Very strong liquidity position of €2.3bn end June 2017
 - Improved EMTN programme credit ratings of A- / A3 / A- and long term issuer credit rating of A- / A3 / BBB+

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