

Electricity Supply Board



Investor Update

September 3rd 2012



www.esb.ie

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Context of Presentation

This presentation was given as an update to Eurobond holders/potential holders of ESB debt on September 3rd 2012. The information contained herein is relevant to the date of presentation.

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Agenda

1. ESB Overview & Strategy

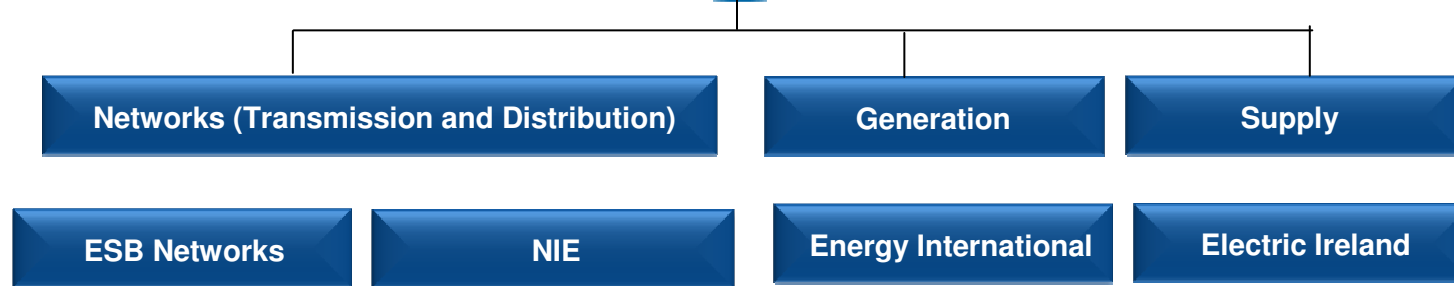
2. 2011 Review

- Business Environment
- Summary Financials
- Funding and Liquidity

3. Looking Forward

- Irish Economy
- ESB Business

ESB Overview

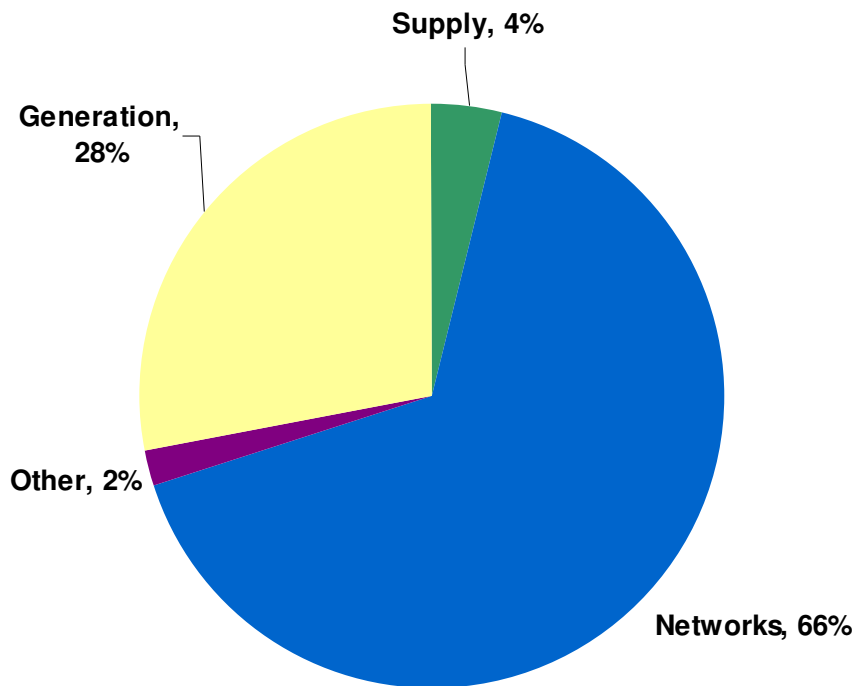


- **History:** Established 1927, Vertically Integrated, 95% owned by the Irish Government
- **Networks:** Owner of the Regulated Republic of Ireland T&D networks (RAB €6.4bn)
Owner of the Regulated Northern Ireland T&D networks (RAB £1.2bn)
- **Generation:** All-Island Capacity of 4.4GW, GB Capacity of 1.2GW
- **Supply:** 1.4 million Customers served on an All-Island basis
- **International:** Strong Asset position in UK; Successful International Engineering Business



ESB Asset Profile

Assets by Business



TOTAL ASSETS: €12 Billion

Key Points

- 66% of assets are fully regulated Transmission and Distribution network assets. ESB own 100% of T&D assets in ROI and NI
- Stable, established and well understood regulatory environment
- Balanced Generation-Supply position. All-Island generation market share of 43% by capacity and 46% by volume. All-Island supply market share of 39%
- 28% of assets outside ROI



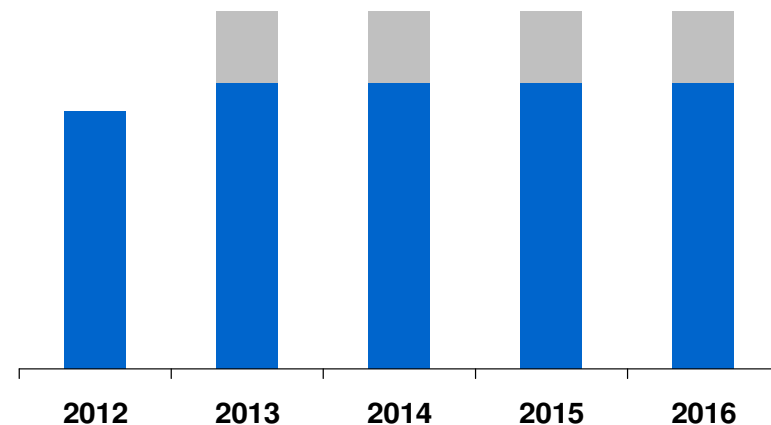
ESB Strategy Summary

- Leading Irish Energy Utility competing successfully across the Value Chain
- Focussed on maintaining financial strength; Strong investment grade metrics
- All Island position on T&D Networks – growth through investment; leadership in performance and Smart Grid development
- Renewed, diversified Generation Portfolio positioned to compete strongly in the All Island and emerging All Islands Market; Growth in GB
- Rebranded and repositioned Supply business competing to serve Customers in Electricity, Gas and Energy Services

Capex €5bn to €6bn over 5 years

€0.9Bn

€1.0Bn to €1.25Bn p.a.



70% Capex on Regulated Networks Assets



Supportive Government Policy

- Irish Government developing a strategic perspective on State Assets
- July 2011 – Government Decision on Transmission Asset Ownership in context of EU Third Energy Package:
 - **ESB to retain ownership of the Electricity Transmission assets**
- September 2011 - Establishment of NewERA - a new 'Shareholder Executive' function under the National Treasury Management Agency to manage the Government's shareholding in Commercial Semi-state companies
- September 2011 - Government decision to sell a minority stake in ESB as an integrated utility
 - **Maintain ESB as a Vertically Integrated Utility under State Control**
- February 2012 – Decision not to proceed with minority sale
 - Sale of only some non strategic generation assets
 - Government reaffirms its commitment to maintaining ESB as a Vertically Integrated Utility under State control



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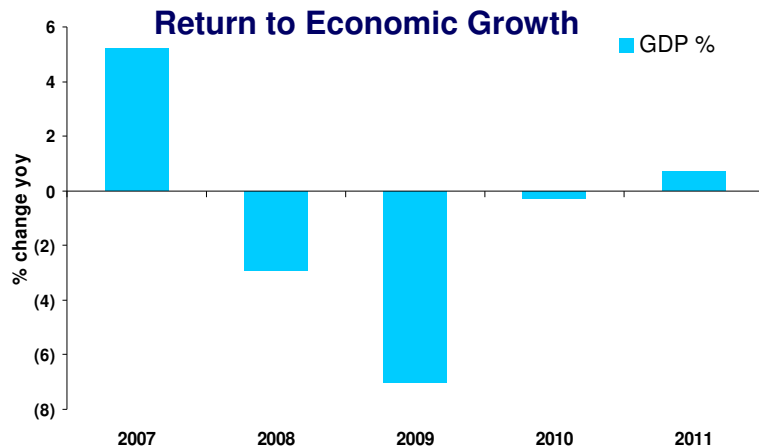
3. Looking Forward

- Irish Economy
- ESB Business

Business Environment

Ireland

- Strong export growth
- Balance of payments surplus
- Gradual recovery with positive GDP growth
- Troika targets met



Source: CSO

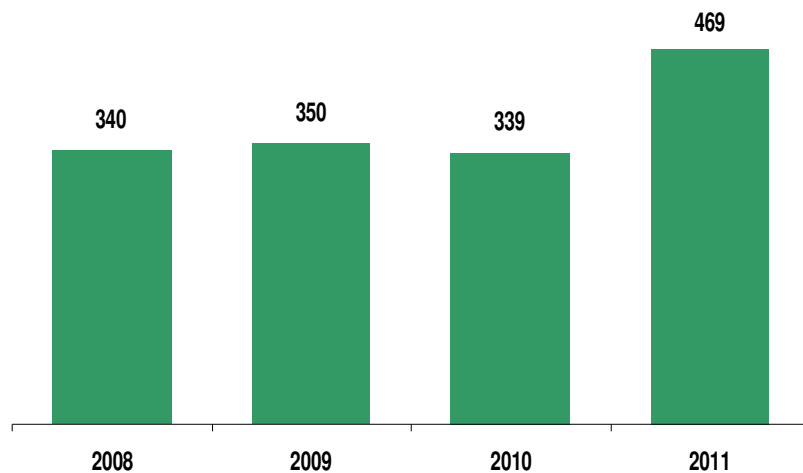
ESB Highlights

- Strong 2011 financial performance
- Stable Regulated Networks income
- Cost reduction programme on target with €165m delivered to date
- Delivery of continued investment programme with Capex of €0.9bn
- Bad debts low and reducing to 0.8% of income
- Stabilised market share following full de-regulation of supply from April 1st 2011



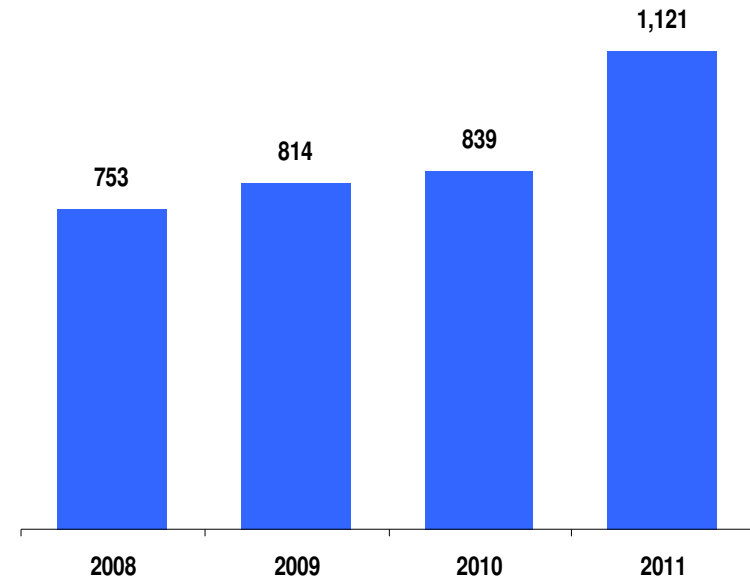
Summary ESB 2011 Financials

Operating Profit (€m)



■ Operating Profit (adjusted*) up 38% on 2010 at €469m

EBITDA (€m)



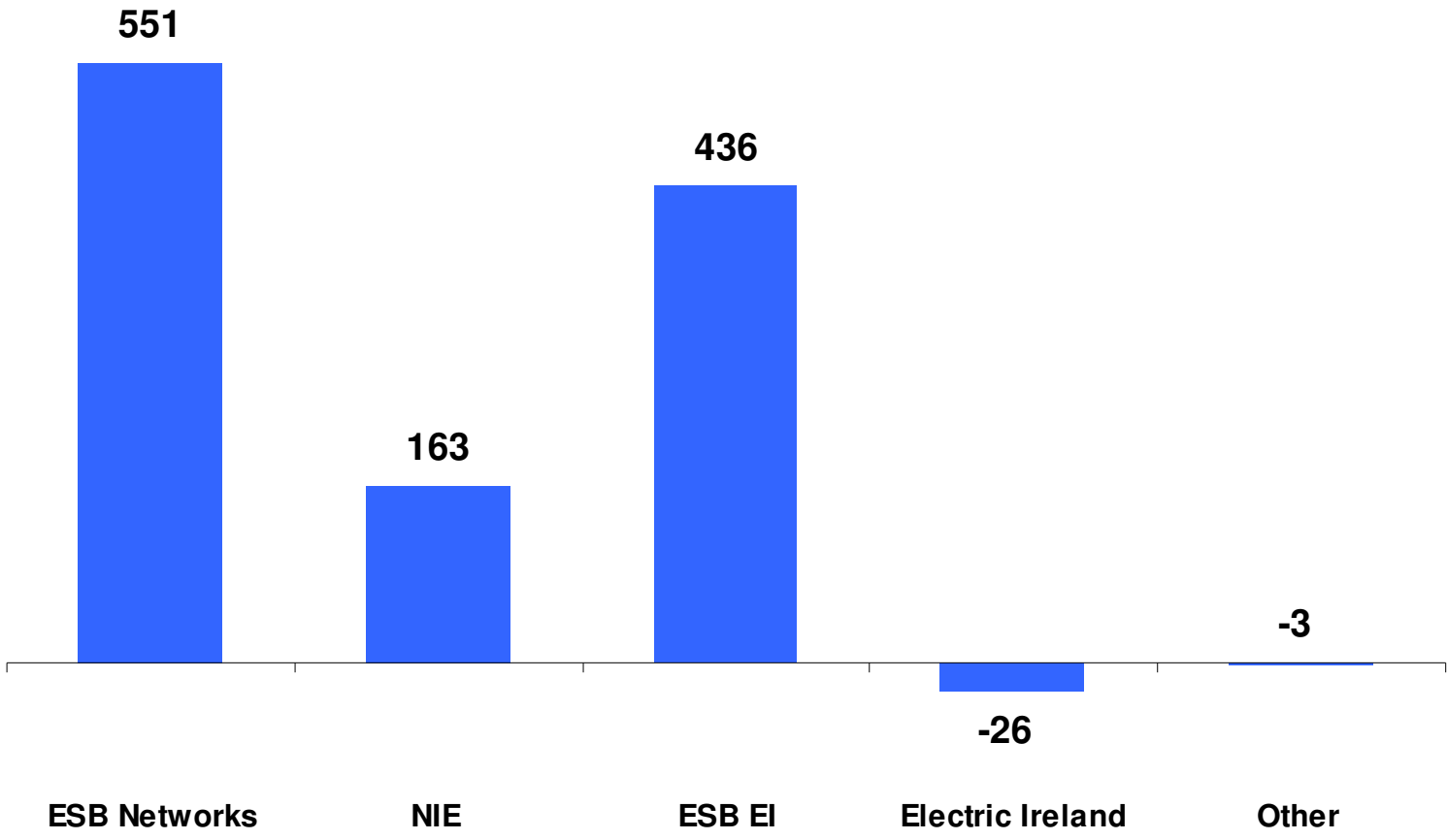
■ EBITDA up 34% on 2010 at €1.12bn

* 2010 excludes the impact of an exceptional pension charge (€330 million). 2009 excludes the impact of an exceptional profit on disposal (€265 million)

** Numbers are based on IFRS accounting



EBITDA by Business (€m)

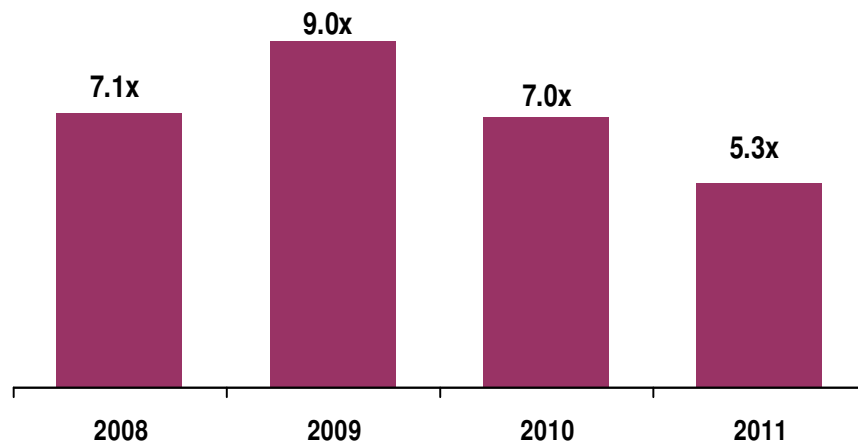


* Networks business accounts for 64 per cent of EBITDA



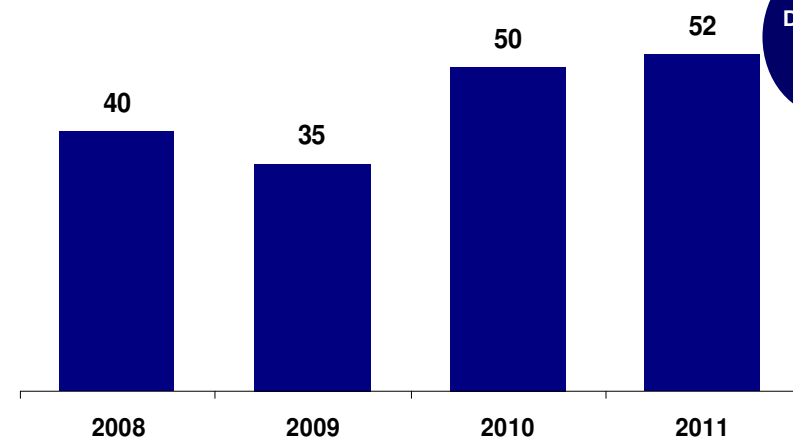
2011 Interest Cover & Gearing

Interest Cover (IFRS)



■ Interest cover of 5.3x

Gearing % (IFRS)

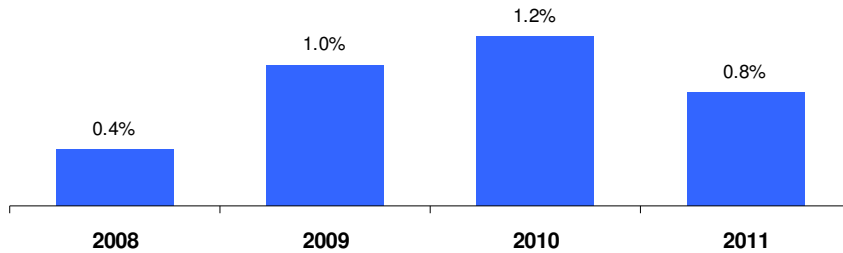


■ Gearing of 52%

Debt/RAB
~ 60%

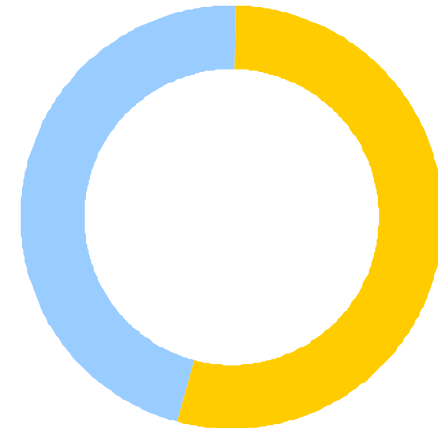
Other Key Metrics

Group Bad Debts as a % of Revenue



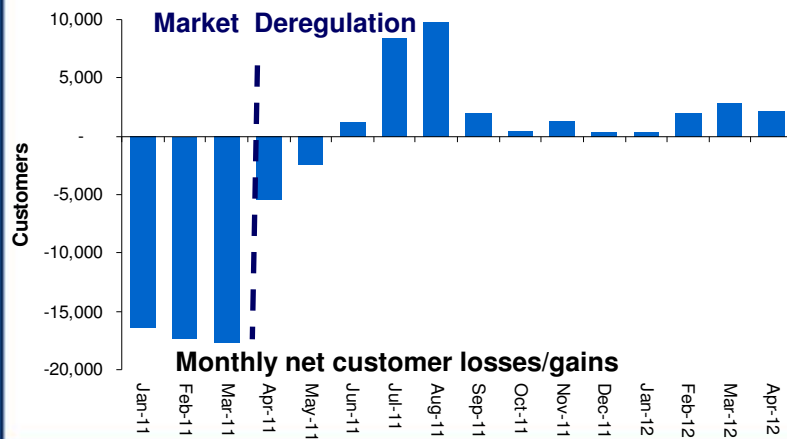
Generation 2011 Market Share

ESB Energy International
46%



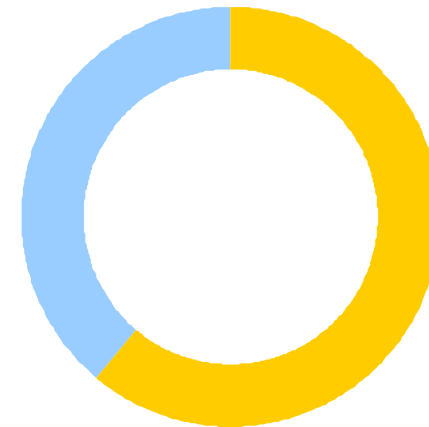
Independent power producers
54%

Attracting new customers



Supply 2011 Market Share

ESB Electric Ireland
39%



Independent energy suppliers
61%



Reducing Cost Base

- Target €280m annual cost reductions between 2010 and 2015 (equates to an overall reduction of 25%)
- €165m annual achieved to date
- Substantial headcount reductions have already been achieved and further targeted as part of Pay Agreement negotiated in 2011
- ESB reached agreement on restructuring its pension scheme in 2010, resolving a €2bn actuarial deficit
- April 2012 – ESB staff accept proposals for c. 1,000 staff reductions and €140m p.a. in overall payroll cost reductions

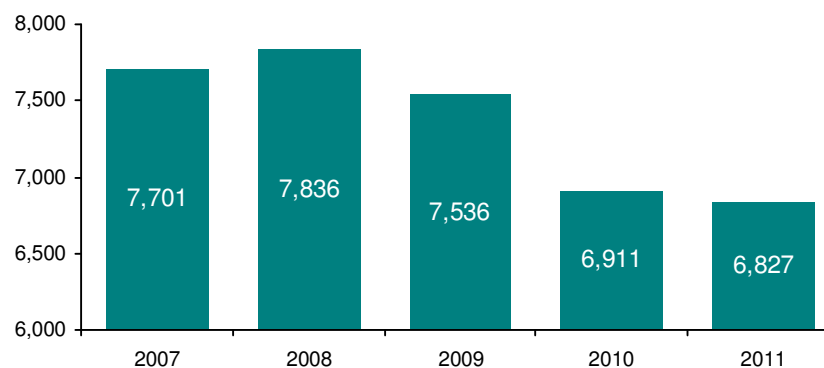
Cost Savings (€m)

	Target	Achieved to date
5 Year Savings Target	280	
- Savings 2010		95
- Savings 2011		70
	280	165

Pay Agreement negotiated in 2011:

Target: 1,000 exits by 2015 (700 on Voluntary Severance)

ESB Group Headcount



Note: 2011 excludes staff numbers for NIE of c. 1,400



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ESB Continues to Fund Successfully

€1.3bn new Funding
Raised in 2011

■ NIE 15 Year Bond	£400m
■ Bank Syndicated Term Loan	£308m
■ EIB Loan	€235m
■ Carbon sale/buyback	€145m
■ Bank Bilateral Loans	€125m

4.5%
8.5 Years

£810m NIE
Acquisition loan
repaid

Full repayment of NIE acquisition facility of £810m
without exercising optional extension

Prudent Capital
Planning

Prudent management of capital expenditure levels:

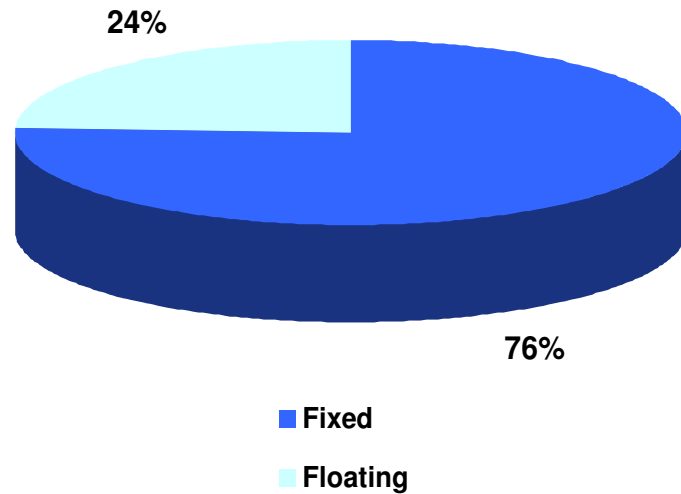
- Reduction of €0.7Bn in 2012/13 capex
approved by the ESB Board



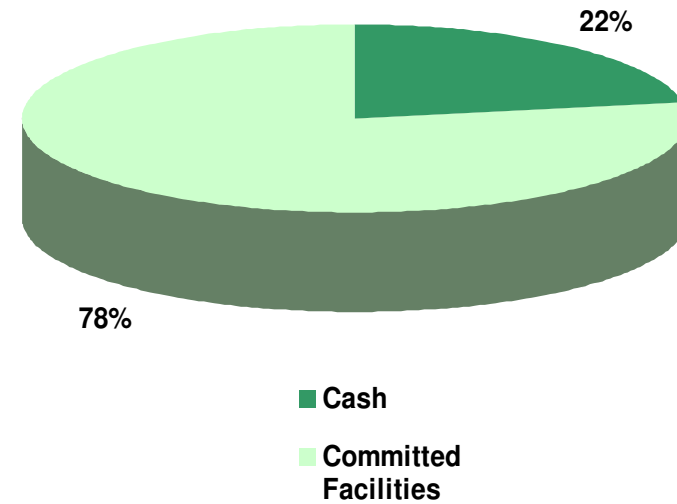
Debt & Liquidity

December 2011

Group Debt €4.6Bn



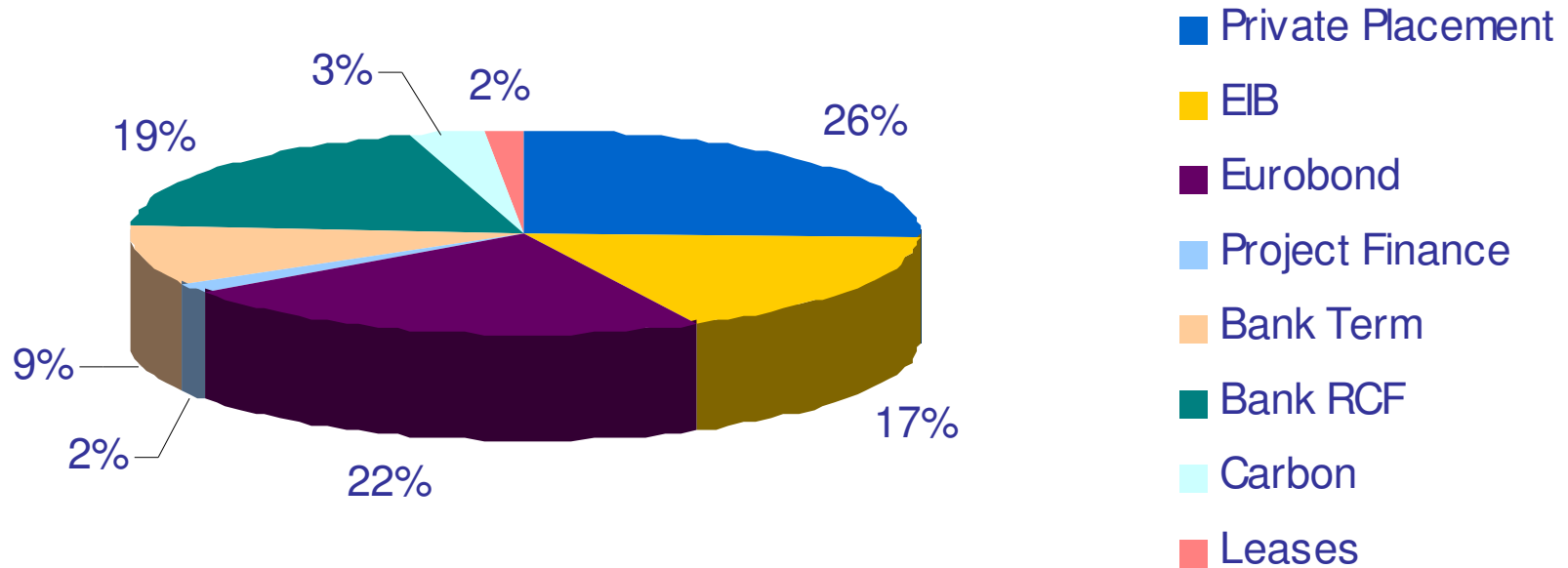
Available Liquidity €1.2Bn



€1.2Bn in undrawn committed facilities (incl cash) at end 2011, of which €960m is immediately available.

Note. Group includes Subsidiaries & excludes JV's. Fixed includes Inflation Linked.

ESB Funding Sources



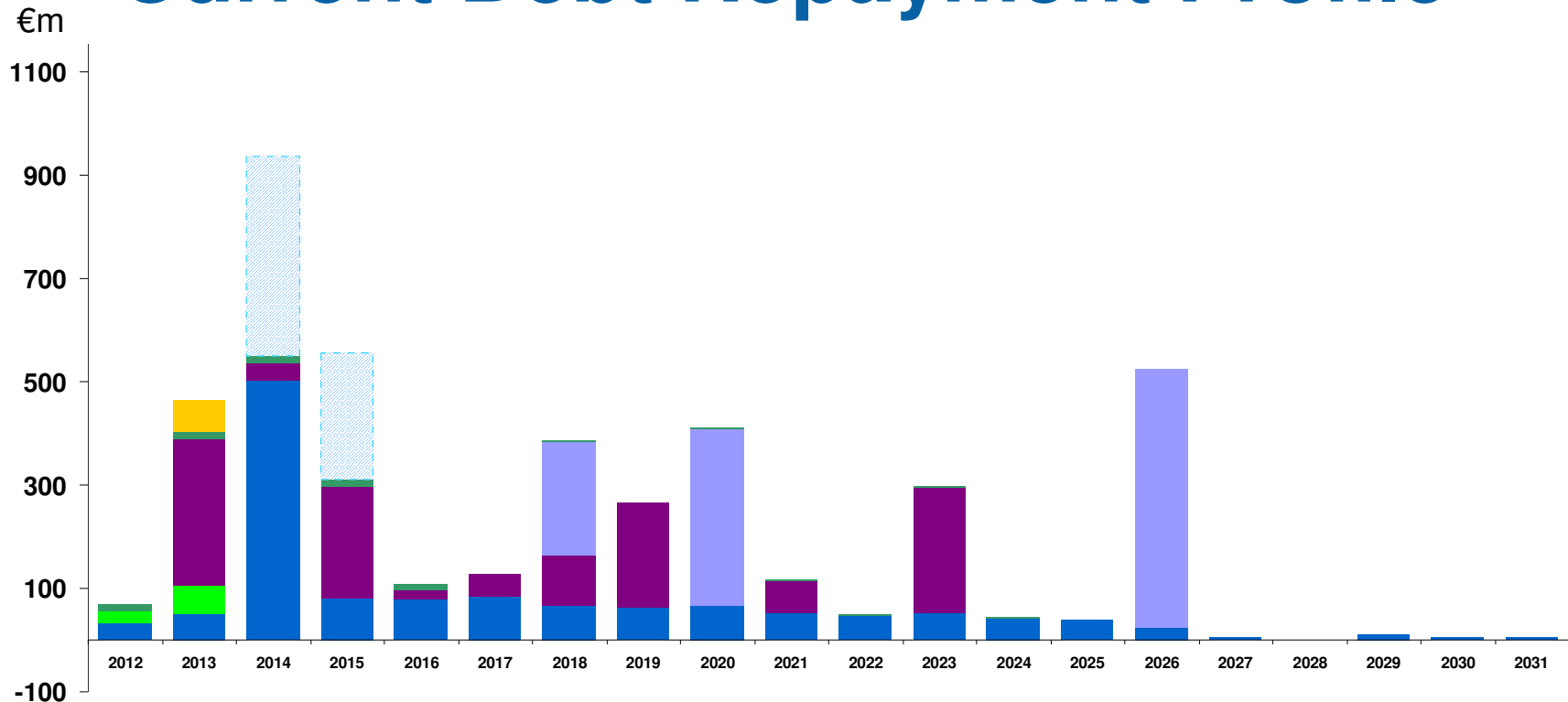
Total ESB Group Debt €4.6bn*

ESB Sources Finance From A Diverse Range Of Sources

Group includes subsidiaries, excludes JVs.



Current Debt Repayment Profile



■ Bank
 ■ LEASES
 ■ Private Placement
 ■ Bonds
 ■ Projects
 ■ RCF
 ■ Carbon

- Profile is very manageable: €1.2Bn existing liquidity and EBITDA > €1Bn p.a.
- Funding will be used primarily to refinance debt maturing in 2013 & 2014
- Plan to renew Bank RCF Facility in 2013 – well in advance of maturity



ESB Credit Ratings: BBB+/Baa3/BBB+

S&P – BBB+ (neg.) *(Re-affirmed 21 August 2012)*

- “Strong business risk profile underpinned by leading market position in the Irish electricity market”
- “Significant proportion of stable and predictable cash flows from its low-risk regulated electricity transmission and distribution network operations”
- “Its cost-saving program is aiding profitability.....its cash flow coverage of debt ratios could strengthen from 2012”
- “ESB has integrated and well-balanced power generation and supply operations”
- “About 70% of capex is being invested in regulated assets, which will boost earnings”
- 'We believe that the consolidated ESB group will maintain adjusted consolidated FFO-to-debt ratios of 15%-20% through 2015, in line with our guidance for the rating'

Moodys – Baa3 (neg.) *(Re-affirmed 17 Oct 2011)*

- “Despite ESB’s currently solid standalone financial position, its ratings are constrained by that of Ireland”
- “A one notch differential between ESB and Ireland is considered appropriate”
- “Significant improvement in ESB’s liquidity position due to the recent refinancing of short-term debt and the Group’s intention to re-phase or defer capital expenditure”
- “High proportion of earnings arising from the company’s transmission and distribution operations in the Republic of Ireland and Northern Ireland”
- “Low business risk profile and stable returns under well-established and transparent regulatory frameworks”
- “ESB’s networks business is complemented by a well balanced generation and supply operation”
- “Well diversified portfolio of generating assets, with a mix of fuel types and base load and peaking capacity”

Fitch – BBB+ (neg.) *(Re-affirmed 10 May 2012)*

- “Improved liquidity position after it raised EUR1.4bn of new debt (with an average cost of 4.5%) during 2011”
- “Around 65% of the expected earnings...over the next four years will derive from the regulated network businesses, compared with up to about one-third for most peers.”



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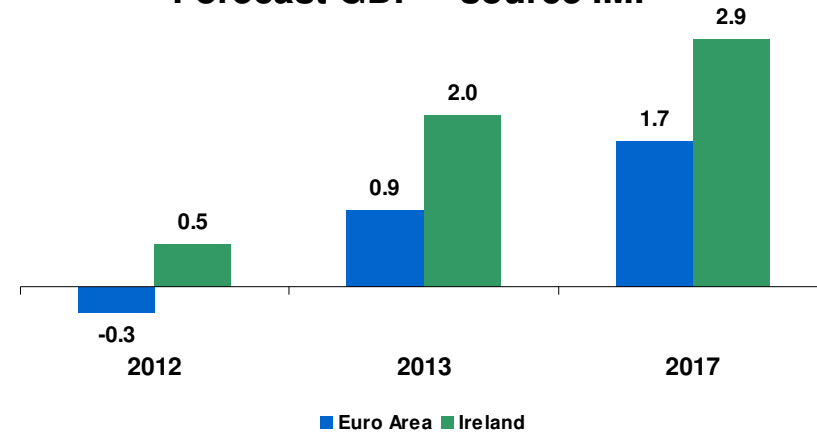
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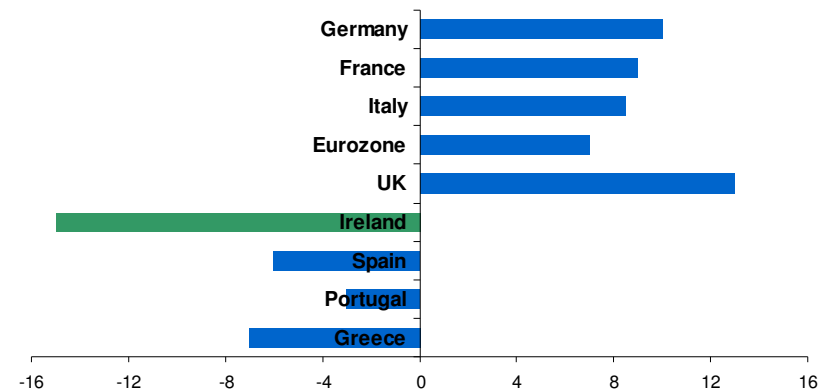
Ireland's Progress

- GDP expected to grow by 2.0 to 2.5 per cent on average over the next 5 years
- Strong export growth expected to continue; exports total c. 100% of GDP
- Ireland Ranked second for Inward Investment per Capita (Source: IBM's 2011 Global Location Trends report)
- Significant correction in unit labour costs with a reduction of c. 15% expected by 2013
- Yields on Irish Government bonds have fallen significantly over the past year

Forecast GDP – source IMF



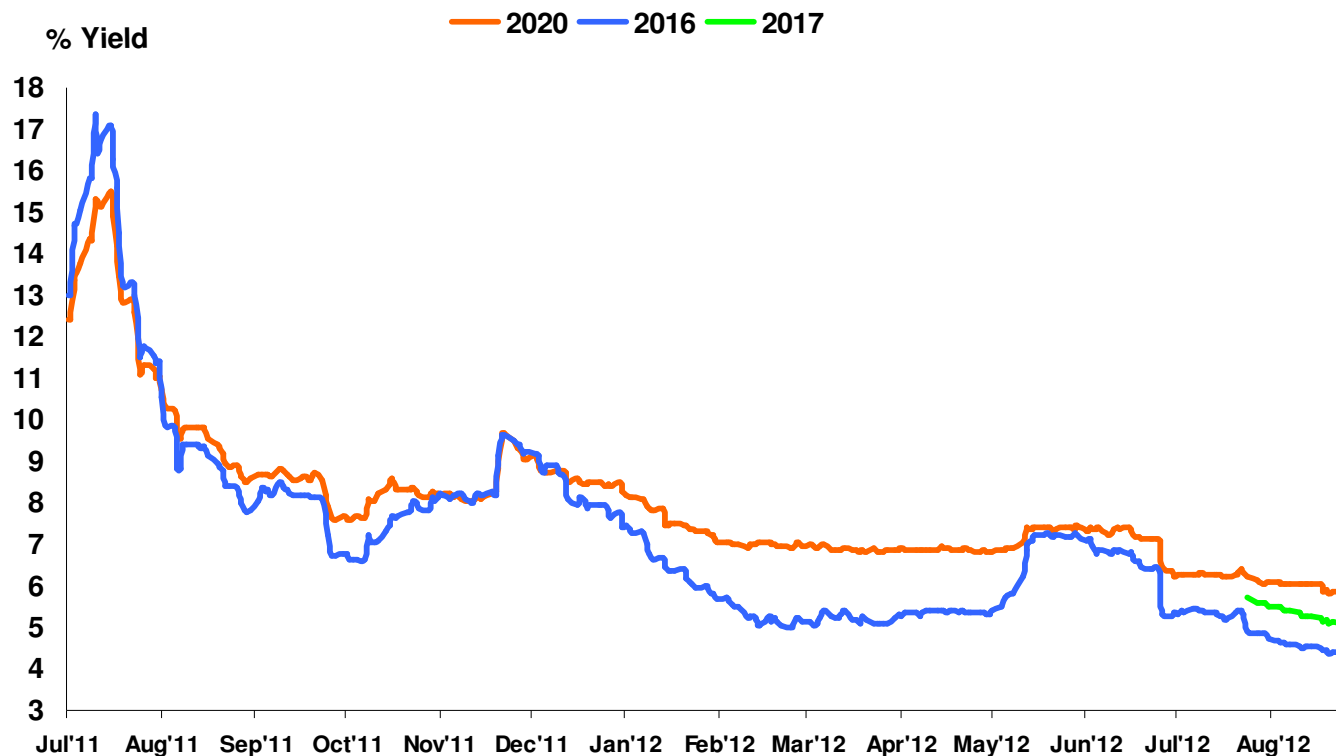
Unit Labour Costs 2009-2013 (%Change)



Source: EU Commission May 2012

Sovereign Bond Yields

Ireland 2016 & 2020 Bonds



- Ireland has demonstrated access to public markets in 2012 with the €5.2bn launch of the 2017 bond and tap of 2020 bond, €3.5bn bond switch from 2014 to 2015 and a €1bn amortising bond

Source: Bloomberg

ESB 2012 & Beyond

- ESB to remain a strong State owned Vertically Integrated Utility
- Further delivery of cost reduction programme with expected savings of €280m per annum by 2015 (60 per cent delivered to date)
- Continued significant investment in Regulated Electricity Networks Assets in Ireland (ROI and NI), in accordance with Regulatory Price Controls
- Generation investment focussed in the UK - Financial close of the 860MW Carrington Power Limited project (85% owned subsidiary of ESB) may be achieved in the near future
 - Based on non-recourse finance with a 70/30 debt-equity structure
 - Tolling agreement with ESB Independent Generation Trading Ltd (wholly owned subsidiary of ESB) who will trade the output of the plant as part of ESB's overall generation and trading position
- Continued strong financial performance remains top priority

