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generations

# ESB

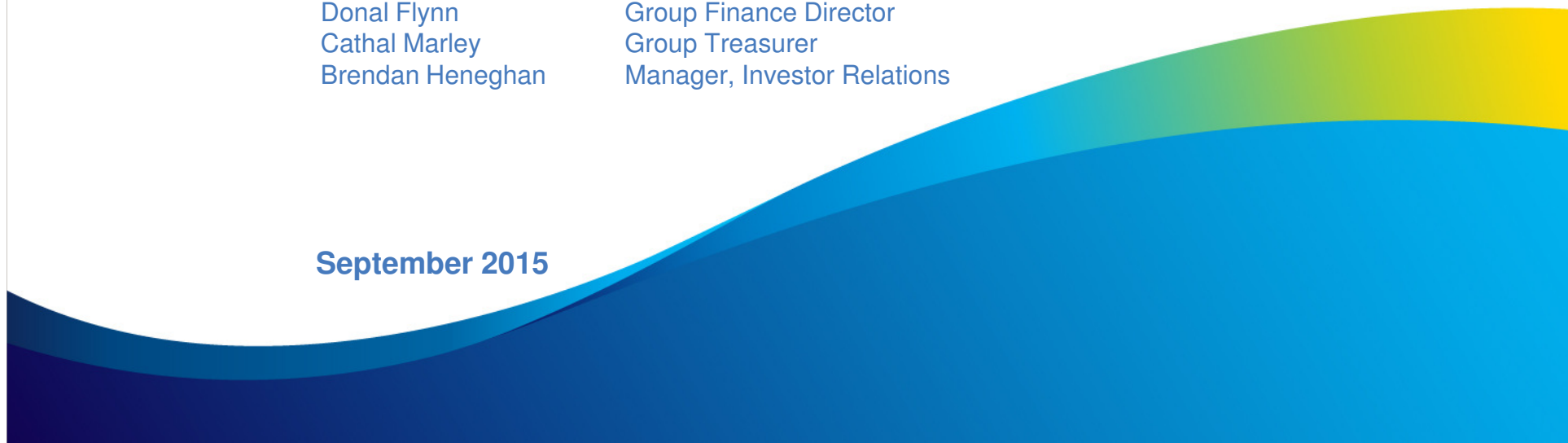
## Debt Investor Presentation

## 2015 Half-Year Results and Business Update

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September 2015



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# ESB Team



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# Agenda



- Highlights
- H1 2015 Financial Results
- Business Review
- Funding and Liquidity

# Highlights

# Highlights – H1 2015



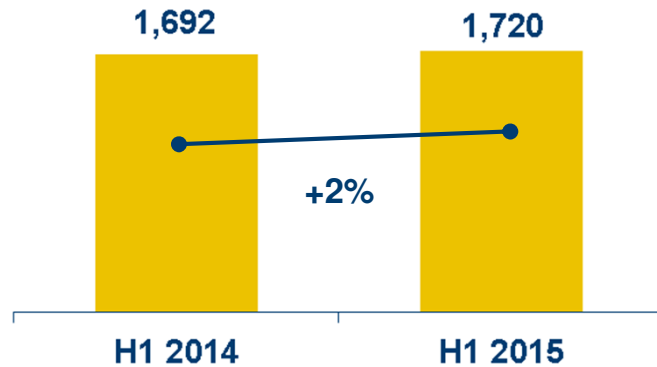
- Improved H1 performance compared to 2014
- €405m Capital investment – core network assets in Ireland (€268m) and Carrington project
- Strong liquidity position – €1.44bn facility extended to 2020, additional option to 2022
- €500m 12-year Bond issue and €300m buy-back in June
- S&P one-notch upgrade to A- in June on strength of Irish sovereign
- Financial performance remains a focus, cost savings on target
- ESB Networks latest price control reaches final consultation stage

# H1 2015 Financial Results

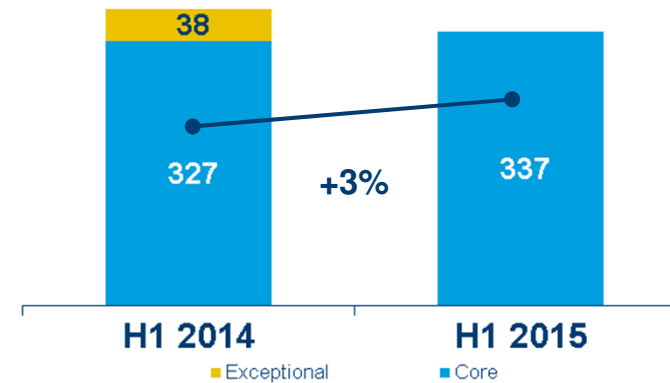
# H1 2015 – Key Financial Highlights



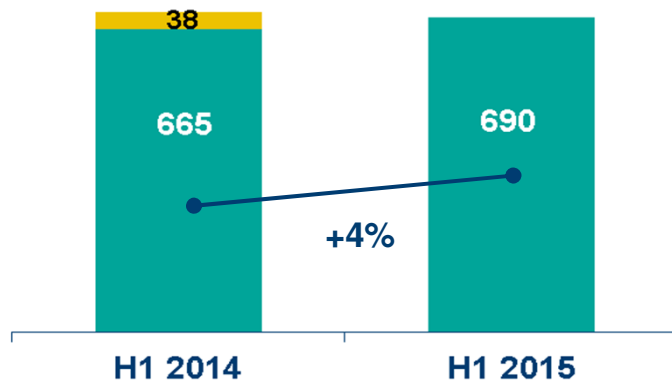
## Revenue<sup>1</sup> (€m)



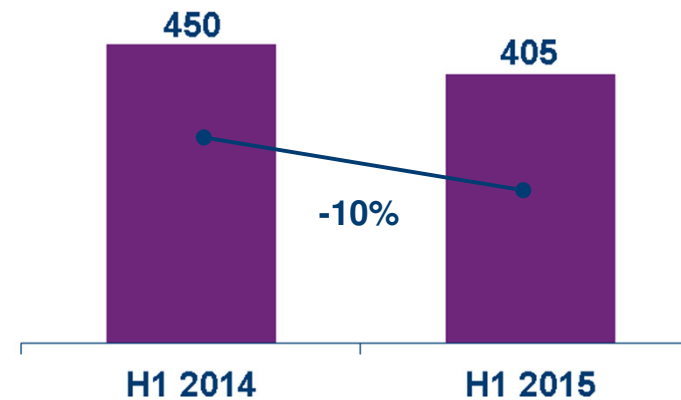
## Operating Profit<sup>1</sup> (€m)



## EBITDA<sup>1</sup> (€m)



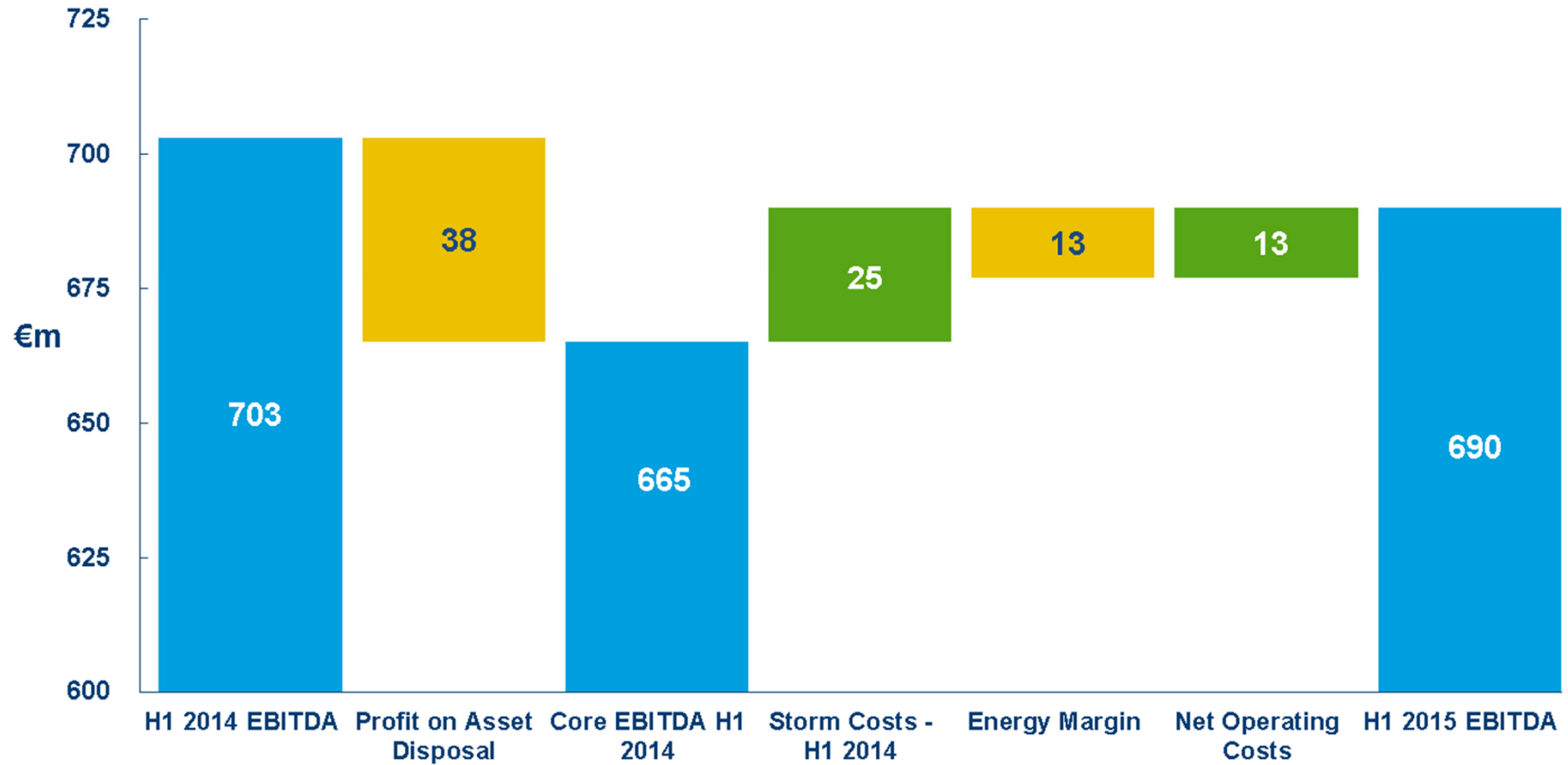
## Capital Expenditure (€m)



<sup>1</sup>Exceptional items: Profit on Disposal of Shareholding: H1 2014 - €38m



# EBITDA Movement – H1 2015 vs H1 2014



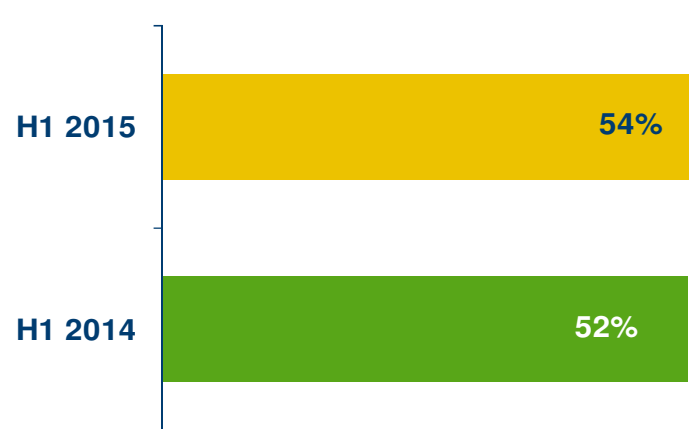
# Interest Cover and Gearing



## Adjusted<sup>1</sup> EBITDA Interest Cover



## Adjusted<sup>1</sup> Gearing %



- ESB US Private Placement Agreement Covenants:
  - Adjusted<sup>1</sup> EBITDA Interest Cover > 3.5x
  - Adjusted<sup>1</sup> Gearing < 67.5%

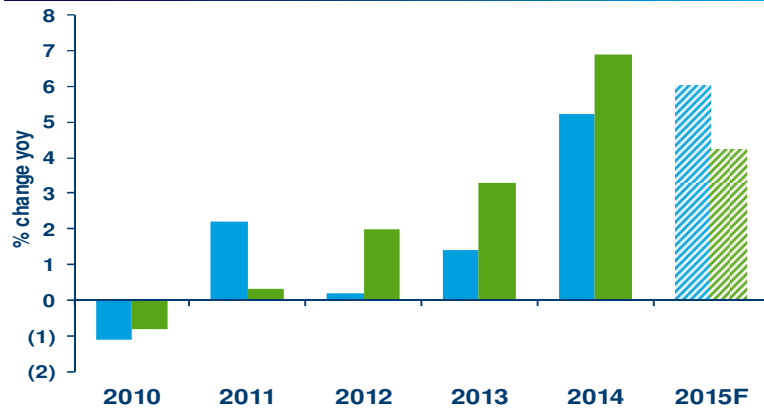
<sup>1</sup>Adjusted to restate financials to accounting principles in effect at time of USPP issue (UK GAAP 2002).  
Indicative – subject to final certification.

# Business Review

# Macro Environment

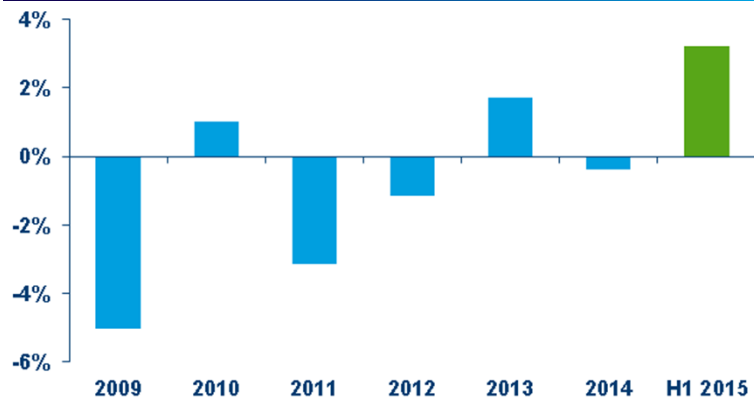


## GDP Growth strong through 2015



Source: NTMA, CSO ■ GDP % ■ GNP%

## SEM System Demand Growth



Source: Eirgrid, SONI

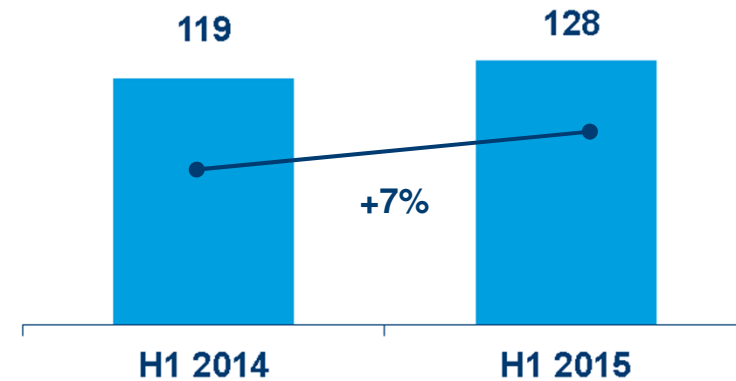
## Ireland

- Strong growth continues with 5.2% GDP growth in 2014 and 6% forecast for 2015
  - 6.7% year on year at Q2 2015 (GNP 5.3%)
- Broad based growth with all sectors showing improvement
- Unemployment rate consistently falling – 9.5% at end August 2015
- Further sovereign rating upgrades
  - Now A+ Stable (S&P) / A- Positive (Fitch) / Baa1 Positive (Moody's)
- Initial signs of system demand growth
  - +3.2% in H1 2015, +1.7% in full year

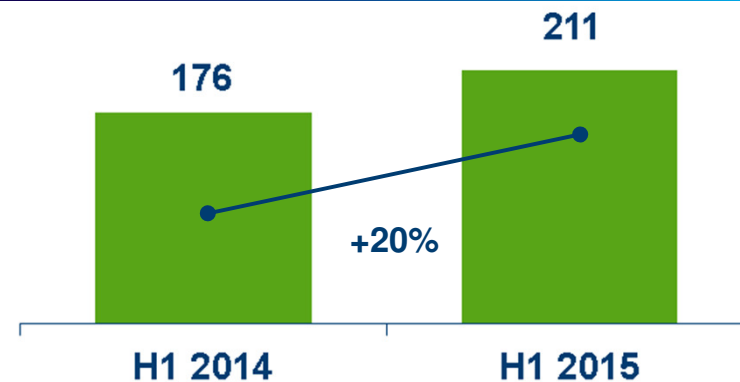
## Highlights

- Earnings improved in H1 2015
  - H1 2014 profits impacted by €25m Storm Costs – these do not recur
  - Mid-term WACC decrease from PR3 reduces tariff in H1 2015 (€10m)
  - Increase in depreciation as asset base grows (€4m)
- Next price control (PR4) reaches final consultation stage – draft determination in late August
  - 4.8% WACC
  - More challenging than previous control
  - No disallowance of PR3 Capex or Opex

## Operating Profit (€m)



## Capital Expenditure (€m)



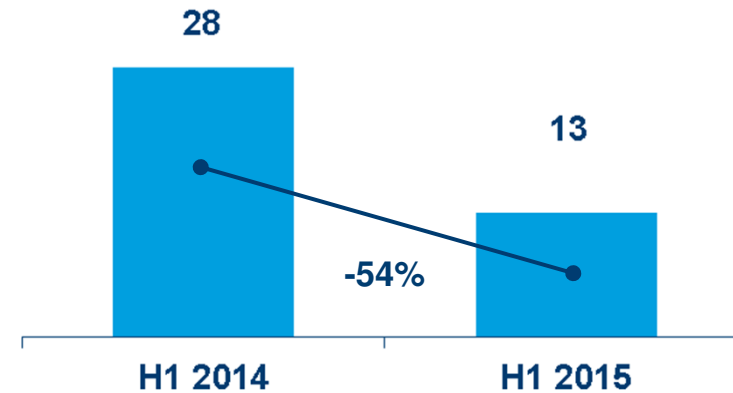
# Northern Ireland Electricity



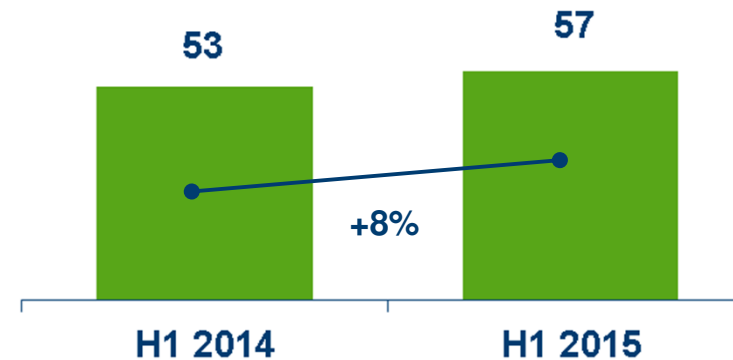
## Highlights

- Operating Profit movement reflects RP5 delay – 2 years' reduction in one tariff period
- Underlying EBITDA down 16% in H1 – full year impact will be lower – increased tariff from 1<sup>st</sup> October
- 100 employees exited under VS programme in late 2014, £5m cost savings in full year 2015
- RAB growth to £1.3bn – increased capital spend in H2 as RP5 projects approved

## Operating Profit (€m)



## Capital Expenditure (€m)



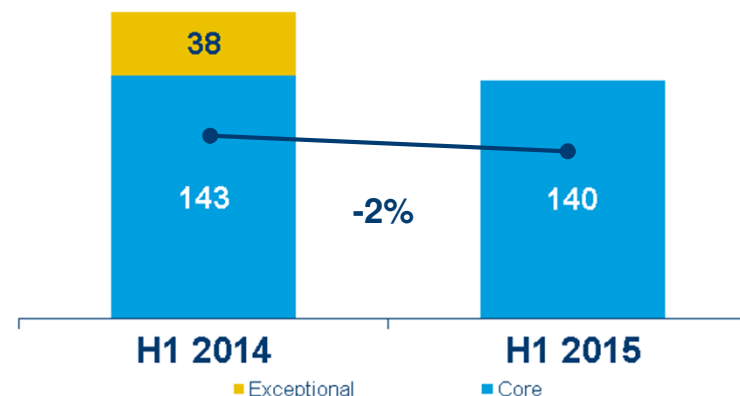
# Generation & Wholesale Markets



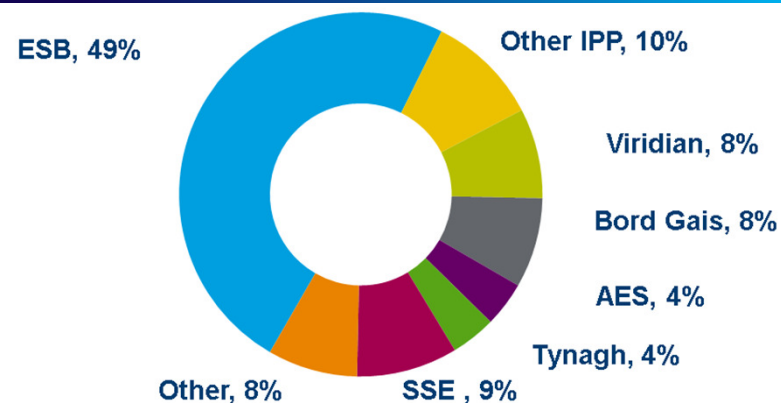
## Highlights

- Improved availability of fleet (95% v 86%) – €41m increase in margin
- Offset by €44m mark-to-market gain in H1 2014 which does not recur
- Market share of 49% reflects improved availability
- Lower capital expenditure of €108m (H1 2014: €189m) as Carrington construction nears final stages
- New JV's at Tilbury (GB Biomass) and Raheenleagh (ROI Wind)
- H2 2015 Focus:
  - Continued high plant availability
  - Carrington construction to complete
  - I-SEM – Further design work

## Operating Profit (€m)



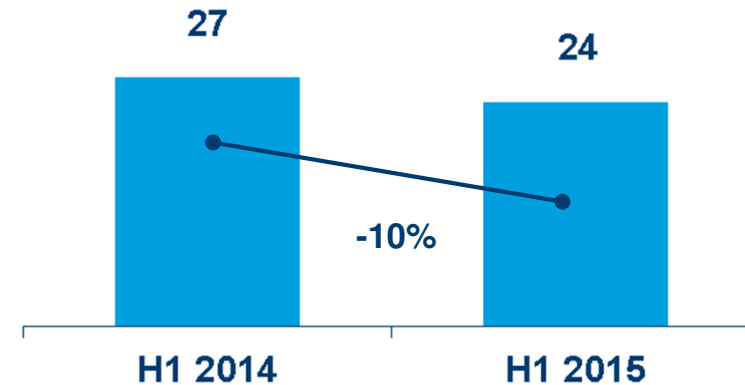
## Generation Market Share



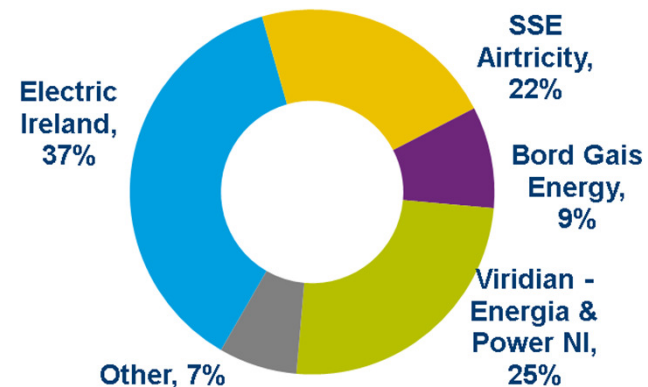
## Highlights

- Market share stable at 37%
- Net margin of 2.3% (H1 2014: 2.6%)
- Intensity of competition and defense of share impacting on profit, as expected
- Residential market crowding – focus on higher value customers
- Targeted customer gains in Business segments in H1
- NI Residential market entry from Q4 2015
- Digital offering expanded – Smart Home products, business online portal

## Operating Profit (€m)



## Retail Market Share (MWh)



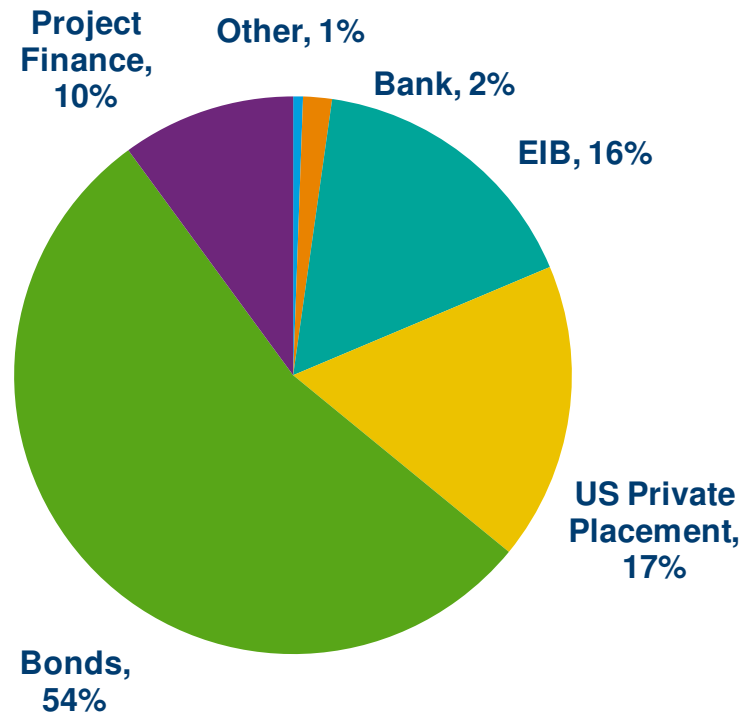


# Funding & Liquidity

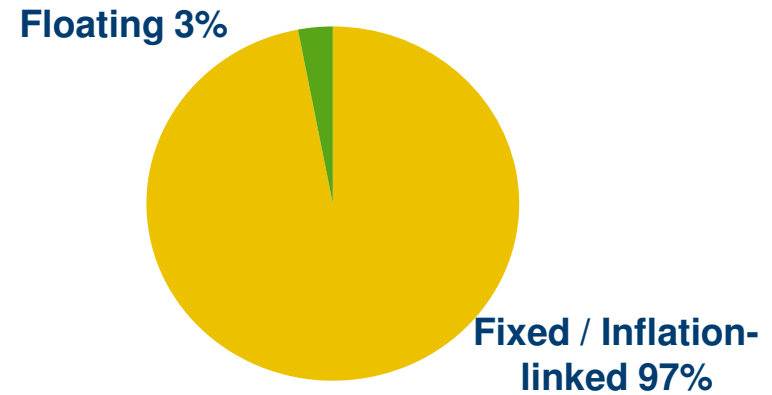
# Debt Overview



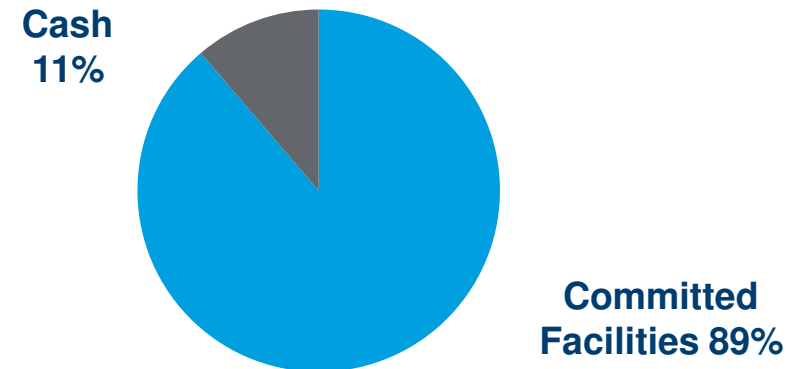
## Group Debt 30 June 2015 - €5.2bn



## Interest Rate Management

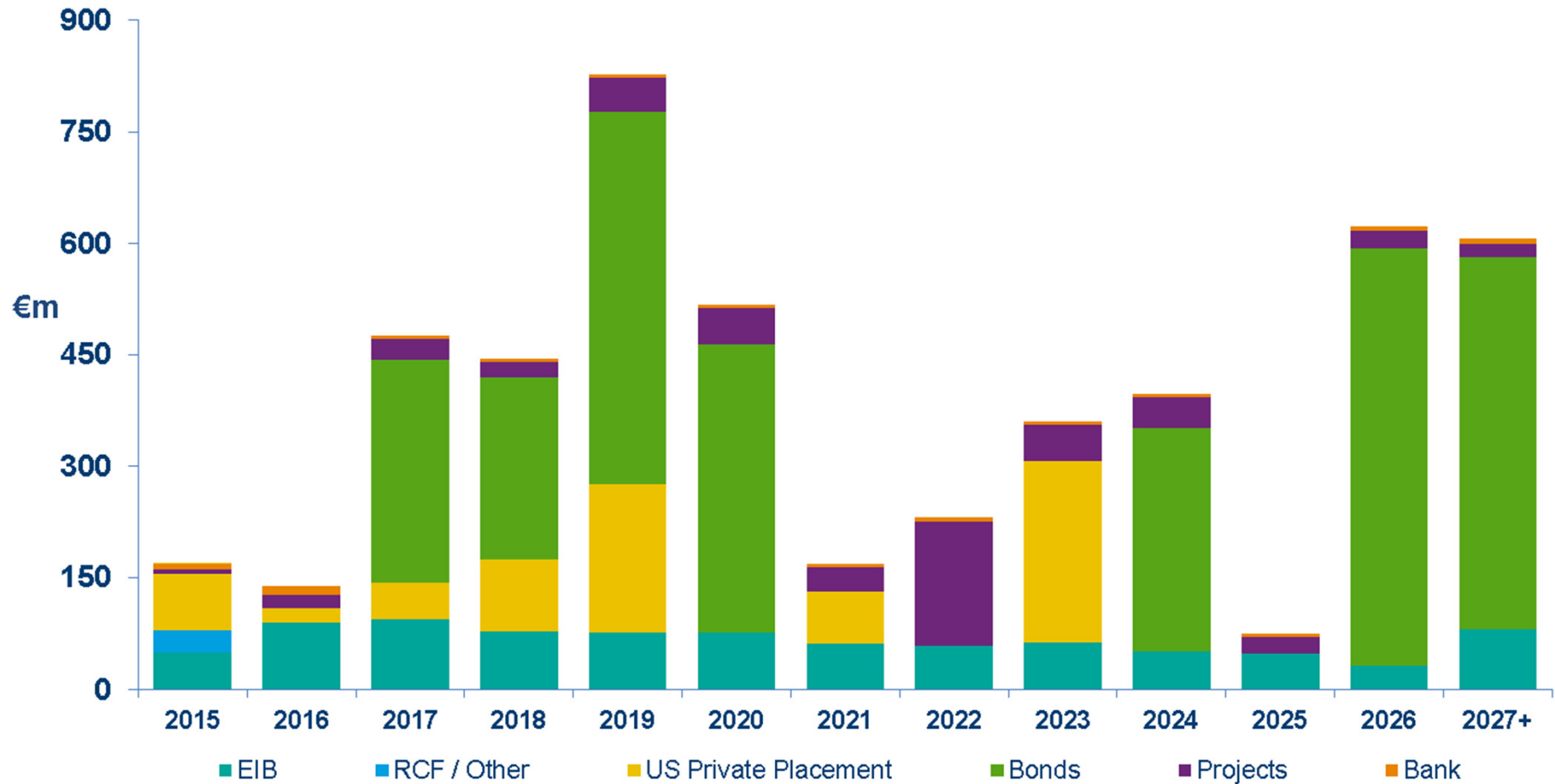


## Available Liquidity - €1.85bn



- €500m Bond issued June 2015 – 12 years, 2.125%, €300m buy-back
- €1.44bn RCF Amend and Extend signed January 2015 – 5 + 2 years facility, competitive pricing

# Debt Maturity – Post-June Bond Issue



# ESB Credit Ratings



- S&P upgrade to A- on strength of Irish sovereign
- Moody's and Fitch affirm Baa1 / BBB+

	Standard & Poor's	Moody's	Fitch
<b>Current Rating</b>	<b>A-<sup>1</sup></b> (Stable Outlook) 9 June 2015	<b>Baa1</b> (Stable Outlook) 24 April 2015	<b>BBB+</b> (Stable Outlook) 11 May 2015

<sup>1</sup> S&P upgrade due to upgrade of Irish sovereign

# Summary

# Outlook H2 2015



- Continued strong growth in macroeconomy expected – early signs of demand growth
- Ongoing investment in core network assets and Carrington construction due to complete this year
- Networks
  - PR4 Determination to be finalised soon – progress to implementation
  - NIE begin work on initial submission for RP6 – due H1 2016
- Generation
  - Wholesale prices remain at subdued levels
  - Continued focus on fleet availability
  - Carrington – GB capacity auction in Q4
- Electric Ireland
  - Targeted retention of market share
- Continued focus on cost efficiency and financial strength

# Contacts



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