Energy for generations

Interim Financial Report

For the period to 30 June 2022


DRIVEN TO MAKE
A DIFFERENCE
NET ZERO
BY
2040

Contents

Finance Review June 2022

Financial Performance

During a period of continued volatility in energy markets, ESB has delivered an operating profit before exceptional items of €357 million for the six months to June 2022, a decrease of €6 million on the same period in 2021. The decrease in operating profit is primarily due to regulated network tariff changes, losses incurred in ESB's supply business in Great Britain as a result of higher wholesale energy prices and the Government imposed price cap, as well as foreign exchange movements. This reduction in profits was offset to a large extent by improved energy margins in ESB's Generation and Trading business reflecting higher wholesale market prices.

Driven by the Russian invasion of Ukraine, volatility and high wholesale market prices continue to be a feature of energy markets in 2022. This has had a significant impact on ESB's operating profit to 30 June 2022 with higher generation margins being offset by lower levels of profitability in the Customer Solutions business. While broader macro-economic issues such as high inflation levels and supply chain disruption have not yet had a material impact on financial performance, we continue to monitor these factors closely.

ESB invested over €500 million of capital expenditure in the first six months of 2022, approximately 85% of which related to investment in electricity network infrastructure in line with agreed regulatory programmes. ESB has also invested €55 million of capital expenditure in electricity generation projects, almost all of which related to our continued commitment to renewable generation and systems services projects. In addition to this, over €100 million has been invested by way of shareholder loans primarily to joint venture offshore wind projects in Great Britain.

An exceptional non-cash gain of €162 million has been recognised in the income statement in the period to June 2022 relating to the change in the fair value of certain commodity contracts which are entered into to economically hedge the Group's exposure to price risk and which are designated as financial instruments under the relevant accounting standard, IFRS 9 – Financial Instruments. The gain arises as a result of high forward market prices for those commodities relative to contracted prices and it creates a mismatch between the recognition of gains and losses on these contracts and other hedged positions which are not recorded at fair value. These movements are presented separately due to their size and the fact that they do not represent underlying performance during the period.

The overall result provides the basis for continued strong investment in energy infrastructure consistent with our strategy to achieve net zero by 2040.

Geraldine Heavey
Executive Director,
Group Finance & Commercial.

Figure 1: Five-year summary six months to 30 June

	June 2022	June 2021	June 2020	June 2019	June 2018
	€'m	€'m	€'m	€'m	€'m
Operating Profit before exceptional items	**357**	363	249	294	244
EBITDA before exceptional items	**763**	739	604	664	620
EBITDA[1]	**925**	742	604	664	620
Capital Expenditure	**532**	435	395	396	579

	June 2022	December 2021	December 2020	December 2019	December 2018
	€'m	€'m	€'m	€'m	€'m
Net debt excluding lease liabilities	**4,653**	4,826	4,995	5,109	4,915
Net debt including lease liabilities[2]	**4,765**	4,946	5,120	5,239	4,915
Gearing (%)[3]	**46%**	52%	55%	57%	56%
Total assets	**17,307**	15,991	13,842	14,159	13,304

[1] EBITDA: Earnings before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions.
[2] 2019 - 2022 net debt includes lease liabilities recognised in accordance with IFRS 16 'Leases' which became effective 1 January 2019.
[3] Gearing - net debt (including lease liabilities 2019 – 2022) divided by the sum of net assets and gross debt (including lease liabilities 2019 - 2022) excluding joint venture debt. Refer to net debt section below for further details.

Figure 2: Summarised EBITDA Calculation

	6 months ended June 2022	6 months ended June 2021
	€'m	€'m
Operating profit after exceptional items	**519**	**445**
Depreciation and amortisation	444	413
Revenue from supply contributions	(40)	(40)
Impairment gain	-	(79)
Impairment charge	2	3
EBITDA	**925**	**742**
Exceptionals (non-impairment)*	(162)	(3)
EBITDA before exceptional items	**763**	**739**

* Exceptional items (non-impairment) 2022 – fair value non-cash gain on certain commodity contracts which are designated as financial instruments under IFRS 9 €162 million. 2021 – gain on sale of Tilbury (excluding impairment gain) €3 million.

HIGHLIGHTS

OPERATING PROFIT:

€357 million

(€6 MILLION DECREASE ON JUNE 2021)

CAPITAL EXPENDITURE:

€532 million

(€97 MILLION INCREASE ON JUNE 2021)

SEGMENTAL PERFORMANCE

The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Further details on the business segments are included in note 6 of the interim financial statements. Details of the performance of each of those segments is set out below.

- ESB Networks' operating profit of €117 million is down €89 million compared to the same period in 2021. This is primarily due to a decrease in regulated tariffs together with an increased depreciation charge due to the growing and changing nature of the ESB Networks' asset base.
- Generation and Trading's operating profit of €309 million (excluding exceptional items) is up €219 million due to increased energy margin for both thermal and renewable generation assets as a result of higher wholesale market prices in both Ireland and Great Britain.
- Northern Ireland Electricity Networks' (NIE Networks) operating profit of €8 million is down €29 million primarily due to the impact of regulated tariff changes and foreign exchange movements.
- Customer Solutions' operating loss of €44 million compared to a profit of €31 million for the same period in 2021. While financial performance in Ireland was largely in line with the first six months of 2021, losses were incurred in Great Britain due to the disconnect between rising wholesale market costs and the Government imposed price cap.
- Other Segments include Engineering & Major Projects, Corporate Centre and Enterprise Services which provide services to the other business segments. This segment, which includes most of the financing costs of the Group, reported an operating loss of €33 million for 2022 compared to a loss of €1 million in 2021. This movement primarily reflects a foreign exchange loss on intercompany positions compared to a gain in 2021.

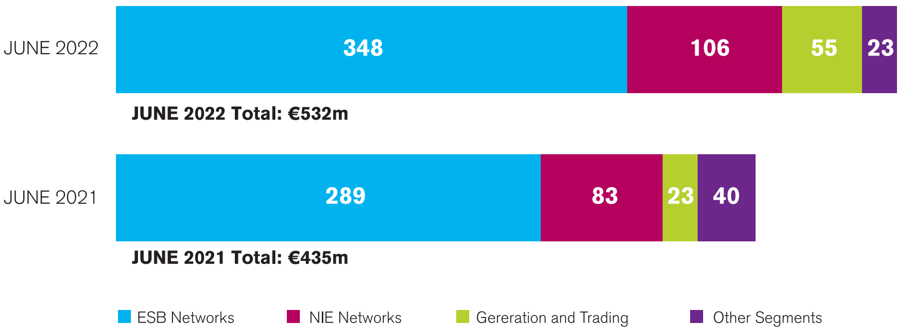
Figure 3: Summarised Income Statement

	6 months ended June 2022	6 months ended June 2021
	€'m	€'m
Revenue and other operating income	3,678	2,154
Net impairment losses on financial assets and operating costs	(3,321)	(1,791)
Operating profit	**357**	**363**
Exceptional items	162	82
Operating profit after exceptional items	**519**	**445**
Net finance costs	(63)	(63)
Fair value movements on financial instruments	53	(49)
Share of equity accounted investees loss	(30)	(17)
Exceptional impairment of equity accounted investees	-	(106)
Profit before tax after exceptional items	**479**	**210**
Tax charge	(89)	(82)
Profit after tax after exceptional items	**390**	**128**

Figure 4: Summarised Cash Flow Statement

	6 months ended June 2022	6 months ended June 2021
	€'m	€'m
EBITDA	925	742
Provision utilisation and working capital	171	336
Interest and tax	(160)	(149)
Net cash inflow from operating activities	**936**	**929**
Sale proceeds	2	1
Capital expenditure and loans to equity accounted investees	(643)	(428)
Net cash outflow from investing activities	**(641)**	**(427)**
Net cash inflow / (outflow) from financing activities	**327**	**(201)**
Net increase in cash	**622**	**301**

Figure 5: **Capital Expenditure (including purchase of financial assets)**



CAPITAL EXPENDITURE

ESB Networks' capital expenditure of €348 million is up €59 million mainly due to increased spend on the smart metering programme as well as distribution and transmission network projects. An increase in the ESB Networks capital programme was agreed under Price Review 5.

NIE Networks' expenditure of €106 million is up €23 million due to increased spend on distribution and transmission network projects as well as increased spend on connections.

Capital expenditure in Generation and Trading at €55 million is up €32 million with increases in new projects (including systems services and battery storage projects) being offset by lower overhaul costs. In addition, Generation and Trading invested over €100 million by way of shareholder loans to joint venture projects for the period ended June 2022, the majority of which related to ESB's continued investment in offshore wind.

Other Segments' expenditure of €23 million is €17 million below the prior period. 2021 included spend on the redevelopment at the Fitzwilliam Street Head Office complex which was finalised and officially opened during the first half of 2022.

NET DEBT AND GEARING

Net debt of €4.8 billion at 30 June 2022 comprises borrowings of €5.8 billion (31 December 2021: €5.4 billion), cash of €1,158 million (31 December 2021: €537 million) and lease liabilities of €112 million (31 December 2021: €120 million). Borrowing levels are higher than December 2021 as a result of a €500 million green bond raised in January 2022.

The increased cash balance is due to the proactive funding (outlined above) in addition to cash collateral amounts received in relation to mark-to-market positions on exchange traded coal, gas and carbon contracts as set out in the Funding and Liquidity section below. The gearing level of 46% at 30 June 2022 has reduced since December 2021 (52%) reflecting lower net debt arising primarily from cash collateral movements and higher net assets. Excluding cash collateral related to exchange trading, gearing at 30 June 2022 is 51% (31 December 2021: 54%).

FUNDING AND LIQUIDITY

Group Treasury's funding activities support ESB's capital expenditure programme, the refinancing of maturing debt and the maintenance of a sufficient liquidity buffer against future political or economic events which may have an impact on cash flows and financial markets.

In January 2022, ESB successfully placed a €500 million 1.0% fixed-rate green bond, maturing in July 2034. This is the second green bond ESB has issued in three years, following the placement of Ireland's first corporate green bond in 2019. The net proceeds from the transaction will be allocated to finance eligible green projects, such as renewable energy generation and energy efficiency projects including the continuing roll out of the National Smart Metering Programme by ESB Networks.

In February 2020, ESB negotiated a €1.4 billion Sustainability-Linked Revolving Credit Facility with a group of fourteen international banks. This facility currently extends to February 2027. This facility (€1.4 billion) was undrawn at 30 June 2022.

At 30 June 2022, ESB had just under €2.6 billion of available liquidity, comprising just under €1.2 billion of cash on hand and the sustainability-linked revolving credit facility of €1.4 billion (undrawn). Included in cash on hand is almost €0.5 billion of net cash collateral amounts received in relation to exchange traded coal, gas and carbon contracts. This amount of liquidity is significantly in excess of scheduled debt repayments due over the next 24 months of almost €0.7 billion.

The weighted average interest rate on the Group's portfolio of outstanding borrowings at 30 June 2022 has risen to 2.95% (31 December 2021: 2.6%). Circa.100% of borrowings are fixed to maturity or inflation linked. Approximately 29% of Group borrowings are Sterling denominated. These borrowings have been raised to fund assets in Great Britain and Northern Ireland, which earn, or will earn in the future, Sterling denominated net revenues.

ESB's strong liquidity position reflects its underlying financial strength and credit ratings of A- and A3 with Standard & Poor's and Moody's respectively, both reaffirmed during 2022 and with a stable outlook. The Group continues to proactively manage its borrowings repayment profile and maintains its ability to fund in the future through close ongoing engagement with its credit rating agencies, debt investors and relationship banks.

PRINCIPAL RISKS AND OPPORTUNITIES

The Board of ESB is responsible for the Group's risk management and internal control systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group's strategic and business objectives. The Board has approved a Group Risk Management Policy and Governance Framework which sets out delegated responsibilities and procedures for the management of risk across the Group.

The Board of ESB continuously monitors the risks and opportunities facing the Group. Following completion of the 2022 Group

Risk Plan and the 2022 mid-year risk review process, the Board of ESB has determined that those principal risks reported in the 2021 Annual Report along with updates made to reflect the latest developments in ESB's risk environment as summarised below, reasonably reflect the principal risks and opportunities facing the Group for the remaining six months of the financial year as follows:

- Financial Strength
- IT/OT Outage/Cyberattack/Data Leakage
- Compliance
- Climate Transition Risk
- Delivery of Complex Network Infrastructures
- Security of Supply
- Energy Market Volatility/Competition/ Supply Chain*
- Delivery of Renewable Pipeline, including Project Quality Management*
- Climate Physical Risk*
- Resourcing/Capability*
- Macroeconomic Downturn*
- Energy Affordability*
- Health, Safety and Wellbeing
- Brand or Reputation

**New Principal Risk introduced since 2021 Annual Report*

Key updates since the 2021 Annual Report

The impact of Russia's invasion of Ukraine, shocks to supply chains from the COVID-19 pandemic and Central Bank actions on interest rates to counteract inflation have led to a worsening economic outlook for European economies in 2022. The Russian invasion of Ukraine has had, and will continue to have, a significant impact on ESB's markets and business lines. Wholesale electricity and natural gas prices remain high and volatile and have led to a number of suppliers leaving the markets in Ireland and Great Britain as well as higher prices for end customers. Consumer price inflation forecasts have also been revised upwards due to further increases in energy prices along with evidence of upward price pressures for other goods and services. In addition, during early 2022, the roll-out of vaccines has lessened the impact of the COVID-19 pandemic. Against this backdrop, a number of key updates to ESB's Principal Risks have been made as follows:

- Expansion of the existing principal risk covering Security of Supply to include access to gas and coal supply.
- Inclusion of a new principal risk covering Energy Market Volatility/Competition/ Supply Chain.
- Inclusion of a new principal risk covering Energy Affordability.
- Replacement of the principal risk covering Geopolitical/Economic Environment with a principal risk covering Macroeconomic Downturn.

Other key updates reflecting ESB's changing risk environment, strategy delivery, customer needs and stakeholders are as follows:

- Inclusion of a principal risk covering Delivery of Renewable Pipeline, including Project Quality Management, reflecting risks associated with delivery of a renewables pipeline of scale and quality required to meet market and societal needs and to deliver ESB's ambitious strategy.
- Inclusion of a principal risk covering Climate Physical risk, given the potential impacts of climate change on ESB assets and operations.
- Inclusion of a principal risk covering Resourcing/Capability, reflecting increasing pressure in labour markets combined with the challenge of resourcing ESB's ambitious strategy.
- Removal of the principal risks relating to COVID-19 and the industrial relations environment in light of developments in the first half of 2022.

SUSTAINABILITY AND CLIMATE RELATED DISCLOSURES

Details of ESB's latest sustainability and climate related disclosures can be found in ESB's 2021 Sustainability Report at www.esb.ie.

GOING CONCERN

As stated in note 5 to the condensed consolidated financial statements, the directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed financial statements.

OUTLOOK

ESB has a robust balance sheet at 30 June 2022 with net assets of €4.6 billion. ESB continues to deliver strong operating profits (before exceptional items) and maintains a healthy liquidity position of just under €2.6 billion. This financial position along with a stable business profile, means ESB is well positioned to meet the challenges currently being presented by the broader macroeconomic environment, as well as deliver on its strategic ambition to make a difference, deliver a brighter future and achieve net zero by 2040.

Responsibility Statement of the Board Members in respect of this Interim Financial Report

The Board members are responsible for preparing this Interim Financial Report including the condensed consolidated financial statements in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

We confirm that to the best of our knowledge:

- the unaudited condensed consolidated set of financial statements has been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union;
- the Interim Financial Report includes an indication of important events that have occurred during the first six months of the financial year and their impact on the unaudited condensed consolidated set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the year; and
- the unaudited condensed consolidated set of financial statements, which has been prepared in accordance with the applicable set of accounting standards, gives a true and fair view of the assets, liabilities, financial position and profit of the Group.

Terence O'Rourke, Chairman

Paddy Hayes, Chief Executive

14 September 2022

Independent Review Report to Electricity Supply Board

We have been engaged by Electricity Supply Board ("the Group") to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of changes in equity, the condensed consolidated statement of cash flows, and the related notes 1 to 30. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with International Financial Reporting Standards (IFRS) IAS 34 - Interim Financial Reporting as adopted by the EU.

BASIS FOR CONCLUSION

We conducted our review pursuant to International Standard on Review Engagements (Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Irish Auditing and Accountancy Supervisory Authority ("ISRE (Ireland) 2410"). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION RELATING TO GOING CONCERN

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.
This conclusion is based on the review procedures performed in accordance with ISRE (Ireland) 2410, however future events or conditions may impact this conclusion.

DIRECTORS' RESPONSIBILITIES

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34 as adopted by the European Union.
As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.
In preparing the half-yearly financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

OUR RESPONSIBILITY

Our responsibility is to express to the Group a conclusion on the condensed set of financial statements in the half-yearly financial report, including a conclusion relating to the Group's going concern, based on our review.

USE OF OUR REPORT

This report is made solely to the Group pursuant to ISRE (Ireland) 2410. Our work has been undertaken so that we might state to the Group those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group, for our review work, for this report, or for the conclusions we have formed.

Glenn Gillard
For and on behalf of Deloitte Ireland LLP,
Chartered Accountants and Statutory Audit Firm
Deloitte & Touche House, Earlsfort Terrace, Dublin 2
14 September 2022

Condensed Consolidated Income Statement

For the six month period ended 30 June 2022

	Notes	Unaudited June 2022 Excluding exceptional items	Unaudited June 2022 Exceptional items note 8	Unaudited June 2022 Total	Unaudited June 2021 Excluding exceptional items	Unaudited June 2021 Exceptional items note 8	Unaudited June 2021 Total
		€'m	€'m	€'m	€'m	€'m	€'m
Revenue	7	**3,672.6**	**-**	**3,672.6**	2,153.5	-	2,153.5
Other operating income (net)	9	**5.6**	**-**	**5.6**	0.2	3.2	3.4
Net impairment losses on financial assets	10	**(19.0)**	**-**	**(19.0)**	(6.7)	-	(6.7)
Operating costs	10	**(3,302.3)**	**161.7**	**(3,140.6)**	(1,784.2)	79.0	(1,705.2)
Operating profit		**356.9**	**161.7**	**518.6**	362.8	82.2	445.0
Net interest on borrowings	11	**(64.8)**	**-**	**(64.8)**	(59.2)	-	(59.2)
Financing charges	11	**(6.5)**	**-**	**(6.5)**	(6.6)	-	(6.6)
Fair value movement on financial instruments	11	**53.1**	**-**	**53.1**	(48.6)	-	(48.6)
Finance income	11	**8.5**	**-**	**8.5**	2.6	-	2.6
Net finance cost		**(9.7)**	**-**	**(9.7)**	(111.8)	-	(111.8)
Share of equity accounted investees loss net of tax	14	**(29.4)**	**-**	**(29.4)**	(17.6)	-	(17.6)
Impairment of equity accounteed investee		**-**	**-**	**-**	-	(105.6)	(105.6)
Profit before taxation		**317.8**	**161.7**	**479.5**	233.4	(23.4)	210.0
Income tax expense	19	**(69.0)**	**(20.2)**	**(89.2)**	(66.0)	(15.6)	(81.6)
Profit after taxation		**248.8**	**141.5**	**390.3**	167.4	(39.0)	128.4
Attributable to:							
Equity holders of the Parent		**274.4**	**141.5**	**415.9**	168.2	(39.0)	129.2
Non-controlling interest		**(25.6)**	**-**	**(25.6)**	(0.8)	-	(0.8)
Profit for the financial period		**248.8**	**141.5**	**390.3**	167.4	(39.0)	128.4

Condensed Consolidated Statement of Comprehensive Income

For the six month period ended 30 June 2022

	Unaudited June 2022	Unaudited June 2021
	€m	€m
Profit for the financial period	**390.3**	128.4
Items that will not be reclassified subsequently to profit or loss:		
NIE Networks pension scheme actuarial gains	**119.0**	102.0
Tax on items that will not be reclassified to profit or loss	**(23.1)**	(12.6)
	95.9	89.4
Items that are or may be reclassified subsequently to profit or loss:		
Translation differences on consolidation of foreign subsidiaries	**(4.0)**	4.4
Fair value losses on cash flow hedges	**(1.5)**	(12.6)
Fair value gains on cash flow hedges in equity accounted investees	**139.8**	40.8
Transferred to income statement on cash flow hedges	**(22.8)**	16.2
Tax on items that are or may be reclassified subsequently to profit or loss	**(2.0)**	1.5
Tax on items that are or may be reclassified subsequently to profit or loss for equity accounted investees	**(32.8)**	(6.8)
Tax on items transferred to income statement	**3.3**	(2.0)
	80.0	41.5
Other comprehensive income for the financial period, net of tax	**175.9**	130.9
Total comprehensive income for the financial period	**566.2**	259.3
Attributable to:		
Equity holders of the Parent	**591.8**	260.1
Non-controlling interest	**(25.6)**	(0.8)
Total comprehensive income for the financial period	**566.2**	259.3

Condensed Consolidated Balance Sheet

As at 30 June 2022

	Notes	Unaudited June 2022 €m	Audited December 2021 €m
ASSETS			
Non-current assets			
Property, plant and equipment	13	**11,364.4**	11,353.3
Intangible assets		**486.3**	466.9
Right-of-use assets		**108.0**	113.3
Goodwill		**197.3**	201.3
Investments in equity accounted investees	14	**364.2**	282.5
Financial asset investments at fair value through profit or loss	14	**5.2**	5.3
Trade and other receivables	16	**405.1**	216.0
Derivative financial instruments	21	**196.7**	86.3
Asset - NIE Networks pension scheme	22	**121.9**	-
Deferred tax assets		**1.8**	1.8
Total non-current assets		**13,250.9**	12,726.7
Current assets			
Inventories	15	**212.2**	131.4
Intangible assets		**340.0**	329.0
Derivative financial instruments	21	**1,084.6**	595.7
Current tax asset		**-**	32.2
Trade and other receivables	16	**1,261.3**	1,638.9
Cash and cash equivalents	17	**1,157.9**	537.0
Total current assets		**4,056.0**	3,264.2
Total assets		**17,306.9**	15,990.9
EQUITY			
Capital stock		**1,949.4**	1,949.4
Capital redemption reserve		**30.5**	30.5
Translation reserve		**(6.4)**	(2.4)
Other reserves		**(96.6)**	(192.5)
Cash flow hedging reserve		**91.6**	7.6
Retained earnings		**2,659.4**	2,367.8
Equity attributable to equity holders of the Parent		**4,627.9**	4,160.4
Non-controlling interest		**(76.5)**	(49.1)
Total equity		**4,551.4**	4,111.3
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	20	**5,736.1**	5,292.5
Lease liabilities		**98.5**	106.7
Liability – ESB pension scheme	23	**81.8**	84.2
Liability – NIE Networks pension scheme	22	**-**	6.7
Employee related liabilities		**35.5**	39.4
Trade and other payables	24	**9.3**	9.3
Deferred income		**1,374.9**	1,355.1
Provisions		**542.4**	560.7
Deferred tax liabilities		**549.1**	498.6
Derivative financial instruments	21	**804.4**	805.1
Total non-current liabilities		**9,232.0**	8,758.3
Current liabilities			
Borrowings and other debt	20	**74.8**	70.7
Lease liabilities		**13.0**	12.8
Liability – ESB pension scheme	23	**10.5**	10.5
Employee related liabilities		**80.5**	80.4
Trade and other payables	24	**1,642.7**	1,763.5
Deferred income		**89.1**	93.3
Provisions		**609.5**	443.7
Current tax liabilities		**4.6**	-
Derivative financial instruments	21	**998.8**	646.4
Total current liabilities		**3,523.5**	3,121.3
Total liabilities		**12,755.5**	11,879.6
Total equity and liabilities		**17,306.9**	15,990.9

Terence O'Rourke, Chairman

Paddy Hayes, Chief Executive

Geraldine Heavey, Executive Director, Group Finance & Commercial

Condensed Consolidated Statement of Changes in Equity

As at 30 June 2022

Unaudited reconciliation of changes in equity	Capital stock	Translation reserve	Capital redemption reserve	Cash flow hedging reserve	Other reserves[1]	Retained earnings	Total	Non-controlling interest	**Total equity**
	€m	€m	€m	€m	€m	€m	€m	€m	€m
Balance at 1 January 2021	1,957.7	(6.4)	22.2	(50.9)	(243.4)	2,243.1	3,922.3	(14.2)	3,908.1
Total comprehensive income for the period									
Profit for the financial period	-	-	-	-	-	129.2	129.2	(0.8)	128.4
NIE Networks pension scheme actuarial gains	-	-	-	-	102.0	-	102.0	-	102.0
Foreign currency translation adjustments	-	4.4	-	-	-	-	4.4	-	4.4
Cash flow hedges:									
- Net fair value losses	-	-	-	(12.6)	-	-	(12.6)	-	(12.6)
- Transfers to income statement									
- Finance cost (interest)	-	-	-	2.3	-	-	2.3	-	2.3
- Finance cost (foreign translation movements)	-	-	-	(7.4)	-	-	(7.4)	-	(7.4)
- Other operating expenses	-	-	-	21.3	-	-	21.3	-	21.3
- Fair value gains for hedges in equity accounted investees	-	-	-	40.8	-	-	40.8	-	40.8
Tax on items taken directly to OCI	-	-	-	1.5	(12.6)	-	(11.1)	-	(11.1)
Tax on items transferred to income statement	-	-	-	(2.0)	-	-	(2.0)	-	(2.0)
Tax on items taken directly to OCI for equity accounted investees	-	-	-	(6.8)	-	-	(6.8)	-	(6.8)
Total comprehensive income for the period	-	4.4	-	37.1	89.4	129.2	260.1	(0.8)	259.3
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	(80.8)	(80.8)	-	(80.8)
ESOP repurchase provision[2]	-	-	-	-	(36.5)	-	(36.5)	-	(36.5)
Balance at 30 June 2021	1,957.7	(2.0)	22.2	(13.8)	(190.5)	2,291.5	4,065.1	(15.0)	4,050.1
Balance at 1 January 2022	**1,949.4**	**(2.4)**	**30.5**	**7.6**	**(192.5)**	**2,367.8**	**4,160.4**	**(49.1)**	**4,111.3**
Total comprehensive income for the period									
Profit for the financial period	-	-	-	-	-	415.9	415.9	(25.6)	**390.3**
NIE Networks pension scheme actuarial gains	-	-	-	-	119.0	-	119.0	-	**119.0**
Foreign currency translation adjustments	-	(4.0)	-	-	-	-	(4.0)	-	**(4.0)**
Cash flow hedges:									
- Net fair value losses	-	-	-	(1.5)	-	-	(1.5)	-	**(1.5)**
- Transfers to income statement									
- Finance cost (interest)	-	-	-	1.4	-	-	1.4	-	**1.4**
- Finance cost (foreign translation movements)	-	-	-	(21.4)	-	-	(21.4)	-	**(21.4)**
- Other operating expenses	-	-	-	(2.8)	-	-	(2.8)	-	**(2.8)**
- Fair value gains for hedges in equity accounted investees	-	-	-	139.8	-	-	139.8	-	**139.8**
Tax on items taken directly to OCI	-	-	-	(2.0)	(23.1)	-	(25.1)	-	**(25.1)**
Tax on items transferred to income statement	-	-	-	3.3	-	-	3.3	-	**3.3**
Tax on items taken directly to OCI for equity accounted investees	-	-	-	(32.8)	-	-	(32.8)	-	**(32.8)**
Total comprehensive income for the period	**-**	**(4.0)**	**-**	**84.0**	**95.9**	**415.9**	**591.8**	**(25.6)**	**566.2**
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	(126.1)	(126.1)	-	**(126.1)**
Transfer from minority interest to equity attributable to equity holders of the Parent[3]	-	-	-	-	-	1.8	1.8	(1.8)	**-**
Balance at 30 June 2022	**1,949.4**	**(6.4)**	**30.5**	**91.6**	**(96.6)**	**2,659.4**	**4,627.9**	**(76.5)**	**4,551.4**

[1] Other reserves include (i) other reserves relating to the Northern Ireland Electricity Networks Limited (NIE Networks) pension scheme of (€54.1) million (31 December 2021: (€150.0) million), (ii) a non-distributable reserve of (€5.0) million which was created on the sale of the Group's share in Ocean Communications Limited in 2001; (iii) an ESOP repurchase provision which relates to the amount that ESB has committed to date to purchase from the ESOP internal market (€27.0) million (31 December 2021: (€27.0)million), and (iv) (€9.3) million redemption reserve relating to put option in So Energy (31 December 2021: (€9.3) million).
[2] Refer to note 28 for information on the ESOP repurchase provision.
[3] Transfer from minority interest to equity attributable to equity holders of the Parent relates to a reduction in the minority interest in Kirk Hill Wind Farm Ltd.

Condensed Consolidated Cash Flow Statement

For the six month period ended 30 June 2022

	Notes	Unaudited June 2022 €m	Unaudited June 2021 €m
Cash flows from operating activities			
Profit after taxation		**390.3**	128.4
Adjustments for:			
Depreciation and amortisation	10	**444.0**	412.6
Revenue from supply contributions and amortisation of other deferred income		**(46.0)**	(49.3)
Transfer to income statement from intangibles		**23.5**	-
Net emissions movements		**187.7**	115.1
Profit on disposal of non-current assets	9	**-**	(0.2)
Profit on disposal of subsidiaries and equity accounted investees	9	**(1.6)**	(3.2)
Inventory impairment	15	**(0.1)**	(3.3)
Net finance cost	11	**9.7**	111.8
Impact of fair value adjustments in operating costs		**(161.7)**	(20.7)
Losses from equity accounted investees	14	**29.4**	17.6
Impairment of equity accounted investees		**-**	105.6
Income tax expense	19	**89.2**	81.6
Dividend received	9	**(4.0)**	-
Net Impairment losses on financial assets	10	**19.0**	6.7
Impairment charge / (reversal), net	10	**2.2**	(75.4)
Operating cash flows before changes in working capital and provisions		**981.6**	827.3
Charge in relation to provisions		**15.2**	10.6
Charge in relation to employee related liabilities		**37.4**	38.2
Utilisation of provisions		**(54.2)**	(4.6)
Payments in respect of employee related liabilities		**(57.0)**	(65.8)
Deferred income received		**0.5**	4.9
Networks supply contributions received		**73.3**	95.8
Net exchange traded collateral received		**206.6**	232.9
Increase / (decrease) in trade and other receivables		**236.2**	(106.0)
(Decrease) / increase in inventories		**(81.0)**	2.9
(Decrease) / increase in trade and other payables		**(262.2)**	41.3
Cash generated from operations		**1,096.4**	1,077.5
Current tax paid (net)		**(44.8)**	(38.5)
Payments on inflation linked interest rate swaps		**(13.6)**	(13.8)
Financing costs paid		**(102.0)**	(96.5)
Net cash inflow from operating activities		**936.0**	928.7
Cash flows from investing activities			
Purchase of property, plant and equipment		**(489.9)**	(360.4)
Purchase of intangible assets		**(60.2)**	(57.1)
Proceeds from sale of non-current assets		**0.5**	1.1
Proceeds from sale of subsidiaries		**1.6**	-
Amounts advanced to equity accounted investees as shareholder loans		**(108.3)**	(12.2)
Amounts repaid by equity accounted investees		**2.8**	-
Dividends received from joint venture		**11.5**	3.3
Dividends received from associate undertaking		**4.0**	-
Purchase of financial assets and equity accounted investments		**(3.2)**	(2.0)
Interest received		**0.4**	0.5
Net cash outflow from investing activities		**(640.8)**	(426.8)
Cash flows from financing activities			
Dividends paid		**(126.1)**	(80.8)
Principal elements of lease payments		**(7.3)**	(6.4)
Repayments of bonds and term debt facilities		**(33.6)**	(113.3)
Proceeds from the issue of bonds		**494.1**	-
Revolving credit facility arrangement fee		**-**	(0.9)
Net cash inflow / (outflow) from financing activities		**327.1**	(201.4)
Net increase in cash and cash equivalents		**622.3**	300.5
Cash and cash equivalents at 1 January		**537.0**	248.7
Effect of exchange rate fluctuations on cash held		**(1.4)**	3.6
Cash and cash equivalents at 30 June		**1,157.9**	552.8

Notes to the Condensed Consolidated Financial Statements

1. REPORTING ENTITY

ESB is a statutory body domiciled in the Republic of Ireland. The condensed consolidated financial statements of ESB as at and for the six months ended 30 June 2022 comprise the results of ESB and its subsidiaries (together referred to as ESB or the Group) and the Group's interests in associates and joint arrangements. These results are unaudited. The condensed consolidated financial information herein does not constitute the statutory financial statements of ESB, which were prepared as at and for the year ended 31 December 2021 and are available on our website www.esb.ie. The auditors' report on those financial statements was unmodified.

2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements for the six months ended 30 June 2022 are not full financial statements. These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) IAS 34 - Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 2021 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

A list of the accounting policies applicable in the current reporting period are detailed in note 1 of the 2021 consolidated financial statements, other than as set out below.

Certain tables in the condensed consolidated financial statements may not add precisely due to rounding.

Certain corresponding amounts have been adjusted so that they are directly comparable with the amounts shown in respect of the current financial year.

New standards or amendments
The following standards and Interpretations are effective for the Group in 2022:

New standards or amendments	Details	Effective date	Material effects on the results and financial position of the Group
IAS 16 (Amendments)	Property, Plant and Equipment	01 January 2022	No material effect
IAS 37 (Amendments)	Provisions, Contingent Liabilities and Contingent Assets	01 January 2022	No material effect
IFRS 3 (Amendments)	Reference to the Conceptual Framework	01 January 2022	No material effect

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the income statement and the valuation of the assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

Key judgements are described in note 2 of the 2021 consolidated financial statements. Except for the recognition of a pension asset on the NIE Pension Scheme, there has been no change to the nature of these key judgements during the period and they are still considered to be the most relevant judgements and estimates in preparing our financial statements.

A pension asset on NIE Networks defined benefit pension scheme has been recognised as the amount of the surplus at the balance sheet date that the Group has a right to. See note 22.

Notes to the Condensed Consolidated Financial Statements

5. GOING CONCERN

The Group's performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the 2021 annual report.

The funding and liquidity management of the Group are described in note 22 of the 2021 consolidated financial statements. The amount of cash and cash equivalents that the Group had on hand on 30 June 2022 was €1,157.9 million. The Group also has a revolving credit facility (undrawn at 30 June 2022) of €1.4 billion providing standby liquidity to February 2027. Including cash and other facilities, the Group has overall liquidity of €2.6 billion at 30 June 2022. The unprecedented price volatility in wholesale energy markets has impacted the cash collateral positions of the group in relation to exchange traded gas, coal and carbon hedging contracts. ESB continues to effectively manage this position. Note 22 and Note 29 of the 2021 consolidated financial statements includes an overview of financial risk management, details of the Group's financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

The Group has considerable financial resources and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries, the Board is satisfied that ESB has sufficient cash flows, available liquidity and access to capital markets to continue in operational existence for at least twelve months from the date of approval of the condensed consolidated financial statements. Accordingly, the condensed consolidated financial statements are prepared on the going concern basis of accounting.

Note 25 to the condensed consolidated financial statements includes an overview of financial risk management, details of the Group's financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

Notes to the Condensed Consolidated Financial Statements

6. SEGMENT REPORTING

For management purposes, the Group is organised into four key reportable segments, being the Group's strategic divisions which are managed separately and in respect of which internal management information is supplied to Executive Management and to the Board being collectively the Chief Operating Decision Maker (CODM) of the Group. Three further corporate divisions provide support and other services to the principal operating divisions of the Group and are combined as Other Segments in the information below.

(a) Income statement

		Customer Solutions	ESB Networks	Generation and Trading	NIE Networks	Other Segments	Consolidation and eliminations	**Total**
		€m	€m	€m	€m	€m	€m	**€m**
(i)	**Segment revenue - June 2022**							
	External revenues	2,562.2	405.0	562.9	121.5	21.0	-	**3,672.6**
	Inter-segment revenue	36.8	182.0	1,084.0	25.7	157.4	(1,485.9)	**-**
	Revenue	2,599.0	587.0	1,646.9	147.2	178.4	(1,485.9)	**3,672.6**
(ii)	**Segment operating costs - June 2022**							
	Depreciation and amortisation	(14.5)	(255.8)	(72.6)	(91.0)	(10.1)	-	**(444.0)**
	Net other operating costs	(2,610.0)	(214.6)	(1,262.8)	(47.9)	(201.1)	1,485.9	**(2,850.5)**
	Impairment charge	-	-	(2.2)	-	-	-	**(2.2)**
	Net impairment losses on financial assets	(19.0)	-	-	-	-	-	**(19.0)**
	Exceptional operating gain excluding impairment charges (note 8)	-	-	161.7	-	-	-	**161.7**
	Costs	(2,643.5)	(470.4)	(1,175.9)	(138.9)	(211.2)	1,485.9	**(3,154.0)**
(iii)	**Operating result - June 2022**							
	Operating profit / (loss) - excluding exceptional items	(44.5)	116.6	309.3	8.3	(32.8)	-	**356.9**
	Operating profit / (loss) - including exceptional items	(44.5)	116.6	471.0	8.3	(32.8)	-	**518.6**
	Net finance cost	(3.7)	(1.4)	(7.6)	(21.1)	24.1	-	**(9.7)**
	Share of equity accounted investees' loss (net)	-	-	(23.8)	-	(5.6)	-	**(29.4)**
	Profit / (loss) before taxation	(48.2)	115.2	439.6	(12.8)	(14.3)	-	**479.5**
(i)	**Segment revenue - June 2021**							
	External revenues	1,259.7	461.8	282.5	136.1	13.4	-	2,153.5
	Inter-segment revenue	16.1	205.3	437.2	26.1	144.1	(828.8)	-
	Revenue	1,275.8	667.1	719.7	162.2	157.5	(828.8)	2,153.5
(ii)	**Segment operating costs - June 2021**							
	Depreciation and amortisation	(8.9)	(241.0)	(66.3)	(82.4)	(14.0)	-	(412.6)
	Net other operating costs	(1,227.9)	(220.2)	(559.5)	(42.9)	(145.9)	828.6	(1,367.8)
	Impairment charge	-	-	(3.6)	-	-	-	(3.6)
	Net impairment losses on financial assets	(8.1)	-	-	-	1.4	-	(6.7)
	Exceptional impairment reversal and profit on disposal (note 8)	-	-	82.2	-	-	-	82.2
	Costs	(1,244.9)	(461.2)	(547.2)	(125.3)	(158.5)	828.6	(1,708.5)

Notes to the Condensed Consolidated Financial Statements

	Customer Solutions	ESB Networks	Generation and Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
(iii) Operating result - June 2021							
Operating profit / (loss) - excluding exceptional items	30.9	205.9	90.3	36.9	(1.0)	(0.2)	362.8
Operating profit / (loss) - including exceptional items	30.9	205.9	172.5	36.9	(1.0)	(0.2)	445.0
Net finance cost	(0.2)	(2.1)	(14.7)	(20.8)	(74.2)	0.2	(111.8)
Share of equity accounted investees' loss (net)	-	-	(11.8)	-	(5.8)	-	(17.6)
Exceptional impairment of equity accounted investees (note 8)	-	-	(105.6)	-	-	-	(105.6)
Profit / (loss) before taxation	30.7	203.8	40.4	16.1	(81.0)	-	210.0

(b) Other disclosures

	June 2022	June 2021
	€m	€m
Additions to non-current assets		
Customer Solutions	11.9	12.3
ESB Networks	347.5	288.7
Generation and Trading	55.3	23.4
NIE Networks	105.7	82.8
Other Segments	11.4	27.6
Total	531.8	434.8

Additions to non-current assets include investments in property, plant and equipment, intangible assets (excluding emission allowances), financial assets and equity accounted investees.

Notes to the Condensed Consolidated Financial Statements

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. ESB has determined that the disaggregation using existing segments and the nature of revenues is appropriate for its circumstances.

30 June 2022	Customer Solutions	ESB Networks	Generation & Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
External revenues							
Revenue from Power Generation	-	-	552.3	-	-	-	**552.3**
Revenue from Use of System charges to customers	-	363.9	-	112.8	-	-	**476.7**
Revenue of supply contributions	-	31.5	-	8.2	-	-	**39.7**
Revenue from sales to electricity and gas customers	2,542.8	-	-	-	-	-	**2,542.8**
Other revenue	19.4	9.6	10.6	0.5	21.0	-	**61.1**
Revenue from contracts with customers	**2,562.2**	**405.0**	**562.9**	**121.5**	**21.0**	**-**	**3,672.6**
Inter-segment revenue	36.8	182.0	1,084.0	25.7	157.4	(1,485.9)	**-**
Total ESB Group revenue	**2,599.0**	**587.0**	**1,646.9**	**147.2**	**178.4**	**(1,485.9)**	**3,672.6**

30 June 2021	Customer Solutions	ESB Networks	Generation & Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
External revenues							
Revenue from Power Generation	-	-	270.5	-	-	-	270.5
Revenue from Use of System charges to customers	-	419.2	-	126.6	-	-	545.8
Revenue of supply contributions	-	30.9	-	9.1	-	-	40.0
Revenue from sales to electricity and gas customers	1,244.4	-	-	-	-	-	1,244.4
Other revenue	15.3	11.7	12.0	0.4	13.4	-	52.8
Revenue from contracts with customers	**1,259.7**	**461.8**	**282.5**	**136.1**	**13.4**	**-**	**2,153.5**
Inter-segment revenue	16.1	205.3	437.2	26.1	144.1	(828.8)	-
Total ESB Group revenue	**1,275.8**	**667.1**	**719.7**	**162.2**	**157.5**	**(828.8)**	**2,153.5**

8. EXCEPTIONAL ITEMS

	June 2022	June 2021
	€m	€m
Fair value gain on fuel commodity swaps	**161.7**	-
Profit on disposal of equity accounted investee and impairment reversal	**-**	82.2
Impairment of equity accounted investee	**-**	(105.6)
	161.7	(23.4)

2022 Fair value gain on fuel commodity swaps

The Group enters into forward sale and purchase contracts to economically hedge the Group's exposure to the price risk associated with the purchase of fuel and the sale of electricity (including related foreign exchange risk). Certain of these contracts do not meet the criteria for hedge accounting or own use exemption and therefore are accounted for as trading derivatives and are recognised in the balance sheet at fair value under IFRS 9 Financial Instruments with movements in fair value recognised in the income statement. As a result, this creates a mismatch with the timing of recognition of gains and loss on these trading derivatives and related hedged positions which are not recorded at fair value and will be recognised in future periods when those positions deliver.

At June 2022, exceptional volatility in global commodity markets has resulted in a non-cash fair value gain of €161.7 million (30 June 2021: €20.7 million) being recognised in the income statement on these commodity contracts (predominantly coal related contracts). The gain arises as a result of high forward market prices for those commodities relative to contracted prices.

The fair value gain for the period ended 30 June 2022 is presented separately as an exceptional item due to its size and the fact that it does not represent underlying performance during the period.

Notes to the Condensed Consolidated Financial Statements

2021 Profit on disposal of equity accounted investee and impairment reversal

In June 2021 ESB completed the disposal of its shareholding in Tilbury Green Power Holdings Limited (Tilbury) to Lakeside BidCo Limited (a consortium of Altri / Greenvolt and Equitix). The Group was a 47% partner in Tilbury, a joint arrangement formed with Green Investment Bank (47%) and Scandinavian equipment suppliers BWSC and AET (6%). Tilbury operates a waste wood to energy plant in Great Britain.

The gain arising on the disposal of ESB's shareholding in Tilbury comprises of two components:
- €3.2 million, being the difference between the proceeds received for the equity shareholding held less its carrying value of €nil at the date of disposal. The carrying value reflects share of joint venture losses recognised in previous periods; and
- €79.0 million impairment reversal in respect of shareholder loans to Tilbury. The impairment reversal includes the reversal of expected credit losses previously recognised in the income statement and interest income not previously recognised as the shareholder loans were accounted for under IFRS 9 as a stage 3 credit impaired asset.

2021 Impairment of equity accounted investee

The Group's interests in the net assets are included as investments in joint ventures on the face of the consolidated balance sheet at an amount representing the Group's share of the fair values of the net assets at acquisition plus goodwill, acquisition costs, the Group's share of post-acquisition retained income and expenses, less any impairment charge.

The Neart na Gaoithe (UK) project is being constructed through NNG Windfarm Holdings Limited, a joint arrangement between ESBIIUK Limited and EDF Renewables UK Limited.

The purpose of this joint arrangement is to develop a 448 MW wind farm off the east coast of Scotland. As a result of delays to the project and an expectation of significant additional construction costs (primarily due to more challenging sea-bed conditions than anticipated) an impairment test of the carrying value of the Neart na Gaoithe project included within investments in equity accounted investees was performed as at 30 June 2021.

The main assumptions used in performing the impairment test are outlined below:
- Most likely Commercial Operation Date.
- Forecast cash outflows to Commercial Operation Date are based on equity contributions required to fund construction and financing costs to completion (including contingencies).
- Forecast cash inflows are based on the future dividend stream from Neart na Gaoithe once commercial operation has commenced, which is in turn driven by forecasted wind load factors, regulatory support during the Contract for Difference period, operating and maintenance costs, forecast rates of inflation and forward prices for electricity.
- Selection of appropriate risk-adjusted discount rate (5.25%).

The carrying value as at 30 June 2021 prior to the impairment test was €243.1 million reflecting initial equity investment and movements thereafter relating to translation differences, the Group's share of loss after tax and fair value movements on cash flow hedges (net of deferred tax).

The recoverable amount was assessed as €137.5 million as at 30 June 2021. This resulted in an impairment charge of €105.6 million being recorded as an exceptional item for the period ended 30 June 2021.

The carrying value of the investment as at 30 June 2022 was €85.8 million and no further impairment was identified at that date.

9. OTHER OPERATING INCOME

	June 2022	June 2021
	€m	€m
Profit on disposal of property, plant and equipment and intangible assets	**-**	0.2
Exceptional Profit on disposal of equity accounted investee[1]	**-**	3.2
Profit on disposal of subsidiaries	**1.6**	-
Dividends received	**4.0**	-
Total	**5.6**	3.4

[1] Profit on disposal of equity accounted investee of €3.2 million was recognised in 2021 and is disclosed as an exceptional item in the income statement (see note 8 for further details).

Notes to the Condensed Consolidated Financial Statements

10. OPERATING COSTS (including net impairment losses on financial assets)

	June 2022	June 2021
	€m	€m
Employee costs (note 12)	266.5	256.2
Energy costs	2,300.7	880.1
Operations and maintenance	288.9	231.7
Net impairment losses on financial assets	19.0	6.7
Other impairment charges (note13)[1]	2.2	3.6
Depreciation and amortisation	444.0	412.6
Total excluding exceptional items	**3,321.3**	1,790.9
Exceptional energy costs[2]	(161.7)	-
Exceptional impairment reversal[3]	-	(79.0)
Total	**3,159.6**	1,711.9

[1] Impairment charges of €2.2 million (30 June 2021: €3.6 million) relate to generation developments no longer proceeding.
[2] Included in energy costs is a gain of €161.7 million (30 June 2021: gain of €20.7 million) relating to the fair value movements on commodity contracts and related foreign exchange contracts of which €161.7 million (30 June 2021 €nil) have been disclosed as exceptional, see note 8 for further details.
[3] Impairment reversal of €79.0 million in respect of shareholder loans was recognised as at 30 June 2021, all of which has been disclosed as an exceptional item in the income statement. See note 8 for further details.

Net impairment losses on financial assets

The application of IFRS 9 to the Group's financial trade and other receivables and contract assets is described in note 18 of the 2021 consolidated financial statements. The Group has continued to apply the simplified model in order to measure impairment provisions for credit losses on trade and other receivables, contract assets, and other financial assets that are not carried at fair value.

The assumptions made in estimating the impairment charge for the period and provisions held at the reporting date are deemed to be appropriate, however the current high level of economic uncertainty means that impairment charges and provisions in respect of financial assets are a matter of significant judgement. The impact of any worsening of the economic outlook could impact receivables from residential and business customers to differing extents.

11. NET FINANCE COST AND OTHER FINANCING CHARGES

	June 2022	June 2021
	€m	€m
Interest payable on borrowings	77.3	70.1
Less capitalised interest	(12.5)	(10.9)
Net interest on borrowings	**64.8**	59.2
Financing charges:		
- on NIE Networks pension scheme (note 22)	0.1	0.7
- on ESB pension scheme (note 23)	2.8	2.8
- on other provisions	2.7	2.1
- on lease obligations	0.9	1.0
Total financing charges	**6.5**	6.6
Fair value (gains) / losses on financial instruments:		
- currency / interest rate swaps: cash flow hedges, transfer from OCI	1.4	2.3
- interest rate swaps and inflation-linked swaps not qualifying for hedge accounting	(51.4)	46.3
- foreign exchange contracts not qualifying for hedge accounting	(3.1)	-
Total fair value losses on financial instruments	**(53.1)**	48.6
Finance cost	**18.2**	114.4
Finance income	**(8.5)**	(2.6)
Net finance cost	**9.7**	111.8

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the 2021 consolidated financial statements.

Included in interest rate swaps and inflation linked swaps not qualifying for hedge accounting are fair value losses relating to interest rate swaps, fair value gains on inflation linked interest rate swaps and fair value gains on currency swaps. See note 21 for futher details of these movements.

Included in finance income is interest on borrowings receivable from Neart na Gaoithe €5.0 million (30 June 2021: €nil), Inch Cape Offshore Limited €1.7 million (30 June 2021: €1.7 million), SIRO Limited €1.3 million (30 June 2021: €nil) and Oweninny Power DAC €0.3 million (30 June 2021: €0.1 million).

Notes to the Condensed Consolidated Financial Statements

12. EMPLOYEES

Employee costs in period	June 2022	June 2021
	€m	€m
Current staff costs (excluding pension)		
Salaries	**288.1**	273.3
Overtime	**21.3**	16.8
Social welfare costs (PRSI and national insurance)	**25.5**	23.8
Other payroll benefits[1]	**14.5**	10.5
Payroll cost for employees	**349.4**	324.4
Pension and other employee benefit costs		
Pensions charge – other schemes[2]	**26.6**	26.0
NIE Networks pension scheme charge[3]	**5.0**	4.3
	31.6	30.3
Capitalised employee costs	**(114.5)**	(98.5)
Total employee related costs charged to the income statement	**266.5**	256.2

[1] These benefits primarily include travel and subsistence allowances.
[2] The pension charge for other schemes include contributions to the ESB Defined Contribution Scheme, the ESB Defined Benefit Pension Scheme, the Options section of the NIE Networks Pension Scheme (NIE Networks Scheme) and the stakeholder pension scheme for Great Britain (GB) employees (FMUK Pension Scheme). See note 22 and 23 for further details.
[3] The NIE Networks pension scheme charge relates solely to the Focus section of the NIE Networks Scheme.

Notes to the Condensed Consolidated Financial Statements

13. PROPERTY, PLANT & EQUIPMENT

	Land and buildings	Plant and machinery	Total assets in commission	Assets under construction	Total
	€m	€m	€m	€m	€m
Cost					
Balance at 1 January 2021	1,240.8	20,890.6	22,131.4	1,303.3	**23,434.7**
Additions	-	190.3	190.3	182.6	**372.9**
Retirements / disposals	-	(36.7)	(36.7)	(0.8)	**(37.5)**
Transfers out of assets under construction	5.6	82.6	88.2	(88.2)	**-**
Transfers from / (to) intangible assets	-	(0.1)	(0.1)	(0.7)	**(0.8)**
Translation differences	0.9	233.1	234.0	-	**234.0**
Balance at 30 June 2021	1,247.3	21,359.8	22,607.1	1,396.2	**24,003.3**
Balance at 1 January 2022	1,251.0	21,528.1	22,779.1	1,508.7	**24,287.8**
Additions	-	267.7	267.7	200.3	**468.0**
Retirements / disposals	-	(4.6)	(4.6)	-	**(4.6)**
Transfers out of assets under construction	155.1	225.4	380.5	(380.5)	**-**
Transfers from / (to) intangible assets	-	5.4	5.4	(5.4)	**-**
Translation differences	(0.4)	(108.4)	(108.8)	(0.1)	**(108.9)**
Balance at 30 June 2022	1,405.7	21,913.6	23,319.3	1,323.0	**24,642.3**
Depreciation					
Balance at 1 January 2021	718.8	11,784.2	12,503.0	1.6	**12,504.6**
Charge for the period	10.8	364.9	375.7	-	**375.7**
Retirements / disposals	-	(36.5)	(36.5)	-	**(36.5)**
Impairment	-	-	-	3.6	**3.6**
Transfers from / (to) intangible assets	-	(5.6)	(5.6)	-	**(5.6)**
Translation differences	0.1	104.5	104.6	-	**104.6**
Balance at 30 June 2021	729.7	12,211.5	12,941.2	5.2	**12,946.4**
Balance at 1 January 2022	739.0	12,193.9	12,932.9	1.6	**12,934.5**
Charge for the period	11.9	384.2	396.1	-	**396.1**
Retirements / disposals	-	(4.1)	(4.1)	-	**(4.1)**
Impairment	-	2.2	2.2	-	**2.2**
Translation differences	-	(50.8)	(50.8)	-	**(50.8)**
Balance at 30 June 2022	750.9	12,525.4	13,276.3	1.6	**13,277.9**
Carrying amount at 30 June 2022	**654.8**	**9,388.2**	**10,043.0**	**1,321.4**	**11,364.4**
Carrying amount at 31 December 2021	512.0	9,334.2	9,846.2	1,507.1	**11,353.3**
Carrying amount at 30 June 2021	517.6	9,148.3	9,665.9	1,391.0	**11,056.9**
Carrying amount at 1 January 2021	522.0	9,106.4	9,628.4	1,301.7	**10,930.1**

During the period the Group capitalised interest of €10.5 million (30 June 2021: €10.9 million) in assets under construction, using an effective interest rate of 2.3% (30 June 2021: 2.4%).

The impairment charge of €2.2 million (30 June 2021; €3.6 million) relates to a generation development no longer proceeding.

Notes to the Condensed Consolidated Financial Statements

14. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEES

	Equity accounted investees	Financial assets at fair value through profit or loss	Total
	€m	€m	€m
Balance at 1 January 2021	378.1	8.6	**386.7**
Additions	4.6	0.2	**4.8**
Transfer to other receivables	-	(3.3)	**(3.3)**
Share of loss (net)	(17.6)	-	**(17.6)**
Share of fair value movement on cash flow hedges	34.0	-	**34.0**
Dividends received	(3.3)	-	**(3.3)**
Impairments	(105.6)	-	**(105.6)**
Translation differences	16.2	(0.1)	**16.1**
Balance at 30 June 2021	**306.4**	**5.4**	**311.8**
Balance at 31 December 2021	282.5	5.3	**287.8**
Balance at 1 January 2022	282.5	5.3	**287.8**
Additions	20.3	-	**20.3**
Share of loss (net)	(29.4)	-	**(29.4)**
Share of fair value movement on cash flow hedges[1]	107.0	-	**107.0**
Dividends received	(11.5)	-	**(11.5)**
Translation differences	(4.7)	(0.1)	**(4.8)**
Balance at 30 June 2022	**364.2**	**5.2**	**369.4**

[1] The fair value movement on cash flow hedges for equity accounted investees relates to derivatives held in Aldeburgh Offshore Wind Holdings Limited, NNG Windfarm Holdings Limited, Oweninny Power Holdings DAC and Raheenleagh Power DAC which have been designated as cash flow hedging relationships in these entities.

Impairment charge

An impairment test has been carried out on assets displaying indications of impairment as at 30 June 2022 resulting in an impairment charge of €nil (30 June 2021: exceptional impairment charge of €105.6 million). Refer to note 8 for further details on the exceptional impairment item.

Notes to the Condensed Consolidated Financial Statements

15. INVENTORIES

	June 2022	December 2021
	€m	€m
Materials	35.0	36.0
Fuel	177.2	85.9
Construction work in progress	-	9.5
Total	212.2	131.4

Construction work in progress includes property assets which are being constructed for resale and stated at the lower of cost and net realisable value.

	June 2022	June 2021
	€m	€m
Inventories consumed	110.2	51.9
Inventory provision for impairment / (writeback) recognised during the period.	0.1	(3.3)

16. TRADE AND OTHER RECEIVABLES

	June 2022	December 2021
	€m	€m
Current receivables		
Retail electricity receivables - billed	174.6	144.9
Retail electricity receivables - unbilled	368.2	413.9
Total retail electricity receivables	542.8	558.8
I-SEM / SEM pool related receivables	58.4	33.3
Use of System receivables (including unbilled)	197.1	241.2
Other electricity receivables	2.4	19.6
Total electricity receivables	800.7	852.9
Trade receivables - non-electricity	87.2	264.5
Amounts due from equity accounted investees	-	97.6
Amounts due from insurers	-	30.9
Other receivables	244.7	336.3
Prepayments	128.7	56.7
Total current receivables	1,261.3	1,638.9
Non-current receivables:		
Amounts due from equity accounted investees	356.7	167.6
Amounts due from insurers	48.4	48.4
Total non-current receivables:	405.1	216.0
Total receivables	1,666.4	1,854.9

Included within other receivables is €13.0 million (31 December 2021: €nil) relating to the net cash collateral amounts received in relation to exchange traded gas, coal and carbon. The amounts pledged cover initial margin and daily mark to market movements.

17. CASH AND CASH EQUIVALENTS

	June 2022	December 2021
	€m	€m
Cash at bank and in hand	1,157.9	537.0

Included in cash on hand is €467.2 million (31 December 2021: €260.6 million) relating to net cash collateral amounts received in relation to exchange traded gas, coal and carbon. Corresponding amounts are included in trade and other receivables or trade and other payables.

Notes to the Condensed Consolidated Financial Statements

18. CHANGES IN EQUITY

Non-controlling interest

Non-controlling interests at 30 June 2022 relate to the minority shareholdings in So Energy, Crockahenny Wind Farm DAC, Mountain Lodge Power DAC, and other companies associated with wind and solar projects.

Dividends	June 2022	June 2021
	€m	€m
Dividends on capital stock:		
Total dividend paid 6.47 (2021: 4.13) cents per capital stock unit	126.1	80.8

Total dividends paid during the period ended 30 June 2022 included a final dividend of €126.1 million in respect of 2021 (30 June 2021: €80.8 million in respect of 2020).

19. TAXATION

Income tax expense	June 2022	June 2021
	€m	€m
Current tax expense		
Current tax	56.0	52.2
Prior year under provision	2.1	0.3
Value of tax losses surrendered to equity accounted investees	-	1.6
Total	58.1	54.1
Deferred tax expense		
Origination and reversal of temporary differences	21.1	(3.6)
Increase in tax rate	11.0	29.5
Prior year (over) / under provision	(1.0)	1.6
	31.1	27.5
Total	89.2	81.6

The 2021 Budget for the UK included a provision that the UK corporation tax rate was to increase to 25% (effective 1 April 2023). This increase to 25% was substantively enacted on 24 May 2021. The increase in the substantively enacted UK corporation tax rate will increase the Group's future current tax charge accordingly. The tax charge for the period ended 30 June 2022 reflects timing differences that were booked at 31 December 2021 at the 25% rate of tax but reversed at 19%.

ESB will be impacted by the Minimum Effective Tax Rate of 15% as a result of Ireland's decision to enter the OECD Tax Agreements on Pillar Two. Pillar Two proposals are evolving but, given the uncertainty around the timing and the detail of the rules which will ultimately be agreed, it is too early to quantify the impact on the company's results at this stage.

Notes to the Condensed Consolidated Financial Statements

20. BORROWINGS AND OTHER DEBT

	Recourse borrowings	Non-recourse borrowings	**June 2022 Total**	December 2021 Total
	€m	€m	**€m**	€m
Current borrowings				
- Repayable by instalments	74.8	-	**74.8**	70.7
Total current borrowings	74.8	-	**74.8**	70.7
Non-current borrowings				
- Repayable by instalments				
Between one and two years	67.6	-	**67.6**	75.3
Between two and five years	143.8	-	**143.8**	173.1
After five years	322.4	-	**322.4**	334.3
	533.8	-	**533.8**	582.7
- Repayable other than by instalments				
Between one and two years	574.3	-	**574.3**	253.1
Between two and five years	497.5	874.3	**1,371.8**	1,188.3
After five years	3,256.2	-	**3,256.2**	3,268.4
	4,328.0	874.3	**5,202.3**	4,709.8
Total non-current borrowings	4,861.8	874.3	**5,736.1**	5,292.5
Total borrowings outstanding	4,936.6	874.3	**5,810.9**	5,363.2

Current borrowings by facility	**Ref**	**June 2022**	December 2021
		€m	€m
Long-term bank borrowings	3	**74.8**	70.7
		74.8	70.7

Non-current borrowings by facility	**Ref**	**June 2022**	December 2021
		€m	€m
ESB Eurobonds	1	**4056.6**	3,568.2
Non-recourse NIE Networks Sterling bonds	2	**874.3**	890.9
Long-term bank borrowings	3	**530.9**	580.3
Private placement borrowings	4	**274.3**	253.1
		5,736.1	5,292.5

With the exception of borrowings relating to non-recourse project finance debt, which is secured against specific assets, none of the borrowings are secured against the Group assets.

ESB was rated A- from Standard & Poor's (outlook stable) and A3 (equivalent to A-) from Moody's (outlook stable).

Notes to the Condensed Consolidated Financial Statements

20. BORROWINGS AND OTHER DEBT (Continued)

1. ESB Eurobonds

The table below provides details of ESB Eurobonds included in borrowings at 30 June 2022:

Issuer	Value	Issue Date	Tenor	Coupon
ESB Finance DAC	Euro €300.0 million	November 2013	10 years	3.494%
ESB Finance DAC	Euro €500.0 million	June 2015	12 years	2.125%
ESB Finance DAC	Euro €600.0 million	June 2016	15 years	1.875%
ESB Finance DAC	Euro €500.0 million	January 2017	12 years	1.750%
ESB Finance DAC	Euro €500.0 million	November 2018	15 years	2.125%
ESB Finance DAC	Euro €100.0 million	April 2019	25 years	2.000%
ESB Finance DAC	Euro €700.0 million (Green bond)[1]	June 2019 / July 2020	11 years	1.125%
ESB Finance DAC	STG £325.0 million	January 2020	15 years	1.875%
ESB Finance DAC	Euro €500.0 million (Green Bond)	January 2022	12 years	1.000%

[1] €500.0 million was issued in June 2019 and €200.0 million was issued in July 2020.

2. Non-recourse NIE Networks Sterling bonds

The table below provides details of non-recourse NIE Networks sterling bonds included in borrowings:

Issuer	Value	Issue Date	Tenor	Coupon
NIE Networks Limited	Stg £400.0 million	June 2011	15 years	6.375%
NIE Networks Limited	Stg £350.0 million	September 2018	7 years	2.500%

3. Long-term bank borrowings

The table below provides details of long-term bank borrowings included in borrowings (excluding adjustments for amortised fees) at 30 June 2022:

	Balance at 30 June 2022	Balance at 31 December 2021
€200 million European Investment Bank (EIB) to support renewable connections to the electricity network in the southwest of Ireland	**Euro €75.9 million**	Euro €92.9 million
Other long term bank borrowings of floating rate debt borrowed on a bilateral basis (apart from above €200 million)	**Euro €178.9 million**	Euro €201.9 million
€150.0 million European Investment Bank (EIB) to support the roll out of smart meters in Ireland	**Euro €150.0 million**	Euro €150.0 million
€1.4 billion revolving credit facility (with a syndicate of 14 banks)	**Euro €nil**	Euro €nil
Other EIB fixed rate debt	**Euro €204.4 million**	Euro €209.9 million

A €200.0 million facility with the European Investment Bank (EIB) to support renewable connections to the electricity network in the southwest of Ireland. €75.9 million of this facility was drawn down at 30 June 2022 (31 December 2021: €92.9 million).

A €150.0 million facility with the European Investment Bank (EIB) to support the roll out of Smart Meters in Ireland was signed in August 2020 and was drawn down in full at 30 June 2022 (31 December 2021: drawn down in full).

In February 2020 ESB entered into a new €1.4 billion Sustainability linked Revolving Credit Facility up to February 2025 with a group of fourteen international banks. This replaced the previous €1.44 billion facility signed in 2015. In December 2021 this facility was extended to February 2027. €Nil of this facility was drawdown at 30 June 2022 (31 December 2021: €nil).

4. Private placement borrowings

The table below provides details of private placement borrowings included in borrowings at 30 June 2022:

	Balance at 30 June 2022	Balance at 31 December 2021	Issue Date	Maturity Date	Coupon
First Private Placement Senior unsecured notes	**USD $273.5 million**	USD $273.5 million	December 2003	December 2023	6.050%
	STG £10million	STG £10million	December 2003	December 2023	6.000%

The private placement debt and certain other facilities have conditions which require ESB to maintain certain interest cover and asset covenants. At 30 June 2022 ESB is fully in compliance with all the covenant requirements associated with the private placement debt and other facilities.

Notes to the Condensed Consolidated Financial Statements

21. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value by class of derivative financial instrument

Derivative financial instruments are carried at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis, using a zero coupon discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair values of financial instruments, grouped by class of instrument, are as follows:

June 2022

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	**Total**
	€m	€m	€m	€m	**€m**
Interest rate swaps	-	-	(15.1)	(3.6)	**(18.7)**
Inflation linked interest rate swaps	-	-	(616.6)	(14.5)	**(631.1)**
Currency swaps	25.1	-	(13.4)	-	**11.7**
Foreign exchange contracts	1.5	10.5	(5.8)	(13.9)	**(7.7)**
Forward fuel price contracts	170.1	1,074.1	(153.5)	(966.8)	**123.9**
	196.7	**1,084.6**	**(804.4)**	**(998.8)**	**(521.9)**

December 2021

	Non-current assets	Current assets	Non-current liabilities	Current liabilities	**Total**
	€m	€m	€m	€m	**€m**
Interest rate swaps	0.1	-	(2.6)	(6.1)	(8.6)
Inflation linked interest rate swaps	-	-	(694.9)	(25.7)	(720.6)
Currency swaps	6.2	-	(20.8)	-	(14.6)
Foreign exchange contracts	4.7	11.5	(7.5)	(6.5)	2.2
Forward fuel price contracts	75.3	584.2	(79.3)	(608.1)	(27.9)
	86.3	595.7	(805.1)	(646.4)	(769.5)

The Group decides at inception whether to designate financial instruments into hedge relationships for certain arrangements that meet the specific hedging accounting criteria of IFRS 9.

When interpreting the positive and negative fair values of derivative financial instruments, it should be noted that they are matched with underlying transactions with offsetting risks.

(i) Interest rate swaps

The Group has executed interest rate swaps of £295 million (31 December 2021: £395.0 million) in connection with a certain portion of its borrowings held by the Parent and ESB Finance DAC. These have all been classified as cash flow hedges.

For interest rate swaps, the fair value takes into account the fixed, floating and market rates prevailing at the balance sheet date. As interest rate swaps are marked to market at 30 June 2022, their carrying value is equal to their fair value.

Total movement reflects a loss of €10.1 million (30 June 2021: loss of €4.6 million) during the period in relation to interest rate swaps which reflects negative mark to market movements in the underlying swaps during the period.

(ii) Inflation-linked interest rate swaps

Inflation linked interest rate swaps with a fair value on acquisition of €272.5 million were acquired in December 2010 as part of the purchase of the NIE Networks business. The fair value of swaps as at 30 June 2022 is a liability of €631.1 million (31 December 2021 : €720.6 million). The inflation linked interest rate swaps did not qualify for hedge accounting under IFRS 9 on acquisition of the NIE Networks business. The fair value of the inflation linked interest rate swaps is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the United Kingdom (UK).

On 12 April 2021 the Group, and its counterparty banks, together agreed a restructuring of the swaps, including amendments to certain terms. These changes included an extension of the date of the mandatory early termination clause from 22 June 2022 to 22 December 2025 for the swaps maturing 22 December 2036. The restructuring also included amendments to the fixed interest rate element of the swaps, and a change to the number of swap counterparties.

Notes to the Condensed Consolidated Financial Statements

21. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(ii) Inflation-linked interest rate swaps (continued)

The overall impact of the movements in forward interest rates, UK RPI forward prices, foreign currency exchange rates and payments during the period has decreased the fair value of the liability by €89.5 million in the period ended 30 June 2022 (30 June 2021: fair value of the liability increased by €52.2 million). The movement reflects positive mark to market movements in the underlying swaps of €62.2 million (30 June 2021: negative movement €38.1 million), reflected in finance costs in the income statement (note 11) and payments of €13.6 million (30 June 2021: €13.4 million, including fees of €0.5 million relating to the restructuring) arising under the swaps during the period. In addition, positive translation movements of €13.7 million (30 June 2021: negative translation movements of €27.5 million) during the period on translation of the swaps from sterling to euro are reflected in the OCI.

(iii) Currency swaps

The fair value of currency swaps are affected by movements in foreign exchange and interest rates. ESB's currency swaps are primarily classified as cash flow hedges and relate mainly to the cross-currency swaps entered into in connection with the private placement debt, which is described in note 20. These cross-currency swaps were entered into in order to swap US dollar and sterling interest and principal repayments on the underlying debt to euro, thereby hedging the risk on these payments over the years to maturity from 2010 to 2023.

No ineffectiveness under the meaning of IFRS 9 arose on the currency swaps during the period (2021: €nil). Separately included in the income statement for the period 30 June 2022 is a gain of €27.9 million (30 June 2021: loss of €8.6 million) arising on cross currency swaps which is substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

(iv) Foreign exchange contracts

In addition to foreign exchange contracts entered into in relation to the Group's borrowings, the Group has entered into foreign exchange contracts in relation to energy costs, Long Term Service Agreements (LTSAs) and fuel purchase requirements (which are in US dollar and sterling). These contracts have maturities extending until 2025.

Total negative fair value movements of €9.9 million (30 June 2021 - positive movements of €7.1 million) were recognised during the period in relation to such foreign exchange contracts, of which a negative fair value movement of €nil (30 June 2021: positive movement of €0.1 million) was recognised through OCI and a negative fair value movement of €9.9 million (30 June 2021: positive movement of €7.0 million) was recognised in the income statement. Included within the amount recognised in the income statement in 2022 is a €13.5 million negative fair value movement related to foreign exhange contracts on fuel purchase requirements which has been disclosed as an exceptional item, see note 8 for further details.

(v) Forward fuel price contracts

The Group enters into forward fuel price contracts for gas, coal and carbon. Commodity contracts which are not designated as own use contracts are accounted for as trading derivatives and are recognised in the balance sheet at fair value.

Total positive fair value movements of €151.8 million (30 June 2021: positive movements of €10.9 million) were recognised during the period consisting of a positive fair value movement of €175.2 million (30 June 2021: positive movement of €11.2 million) recognised in the income statement (which has been disclosed as an exceptional item, see note 8 for further details) and settlements of €3.6 million (30 June 2021: €5.1 million) offset by negative fair value movements of €27.0 million (30 June 2021: negative movement of €5.4 million) recognised. The positive fair value movement in the period is due to volatility in the global commodity markets. The fair value gain on forward fuel price contracts has been presented as exceptional due to their size and the fact that they do not represent underlying performance during the period. See note 8 for further details.

Fair value hierarchy

Further information on the methods of valuing financial instruments is included in note 25.

Interest Rate Benchmark Reform

On 5 March 2021, the UK's Financial Conduct Authority announced that all LIBOR settings will, as of certain specified future dates, either cease to be provided by any administrator or no longer be representative of the market and economic reality that they are intended to measure and that such representativeness will not be restored.

As at 30 June 2022, ESB had either transitioned or was in the process of transitioning it's GBP Loan and intercompany loans from referencing LIBOR to SONIA, in accordance with the Loan Market Association Fallback Protocol. As at 30 June 2022, ESB had transitioned it's GBP derivative portfolio from LIBOR to SONIA, in accordance with the International Swaps and Derivative Assocation Fallback Protocol. In Europe, the Eonia-€STR transition, which is purely technical given the fixed link between these two indices, was finalised at the end of December 2021.

The following table contains details of all the financial instruments the Group holds at 30 June 2022 which reference GBP LIBOR and have not yet transitioned to SONIA or an alternative interest rate benchmark. As part of this process the Group amended the facility agreement of €1,400.0 million to allow for LIBOR replacement, the facility is undrawn at period end.

	Carrying value at 30 June 2022		Of which have yet to transition to an alternative benchmark interest rate as at 30 June 2022	
	Assets	Liabilities	Assets	Liabilities
	€m	€m	€m	€m
Long-term debt	-	(1,482.3)	-	(26.4)

Notes to the Condensed Consolidated Financial Statements

22. NIE NETWORKS PENSION SCHEME

Northern Ireland Electricity Networks (NIE Networks) Pension Scheme

Change in benefit obligation	June 2022	June 2021
	€m	€m
Net deficit at 1 January	(6.7)	(116.9)
Movements during the period:		
Actuarial gains recognised in OCI during the period	119.0	102.0
Charge to the income statement - current service cost	(5.0)	(4.3)
Pension contributions paid	15.4	14.6
Charged to the income statement: net pension scheme interest	(0.1)	(0.7)
Translation differences	(0.7)	(5.3)
Net asset / (deficit) at 30 June	**121.9**	(10.6)

The majority of the employees in NIE Networks are members of the NIE Networks Pension Scheme (the NIE Networks Scheme). This has two sections: Options, which is a money purchase arrangement whereby the employer generally matches the members' contributions up to a maximum of 8% of salary, and Focus which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the NIE Networks Scheme are held under trust and invested by the Trustees on the advice of professional investment managers.

The actuarial gains for the period arise due to a change in financial assumptions €375.4 million offset by a lower return on assets €256.4 million. The discount rate used to value the scheme liabilities has increased from 1.8% at 31 December 2021 to 3.8% at 30 June 2022. See note 4.

23. LIABILITY - ESB PENSION SCHEME

	€m
Balance at 1 January 2021	**106.3**
Movements during the period:	
Utilised during the period	(6.2)
Financing charge	2.8
Balance at 30 June 2021	**102.9**
Balance at 1 January 2022	**94.7**
Movements during the period:	
Utilised during the period	(5.2)
Financing charge	2.8
Balance at 30 June 2022	**92.3**
Analysed as follows:	
Non-current liabilities	81.8
Current liabilities	10.5
Total	**92.3**

Liability - ESB pension scheme
The liability as at 30 June 2022 relates to future contributions for past service and past voluntary severance programmes and this is explained in note 24 of the 2021 consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

24. TRADE AND OTHER PAYABLES

	June 2022	June 2021
	€m	€m
Current payables:		
Progress payments on work in progress	**137.3**	129.3
Trade payables	**491.8**	477.7
Capital creditors	**91.6**	123.5
Other payables	**616.1**	557.4
Payroll taxes	**16.2**	15.3
Pay related social insurance	**6.0**	6.5
Value added tax	**20.5**	60.1
Accruals	**221.6**	326.4
Accrued interest on borrowings	**41.6**	67.3
Total current payables	**1,642.7**	1,763.5
Non-current payables:		
Other payables	**9.3**	9.3
Total non-current payables	**9.3**	9.3
Total payables	**1,652.0**	1,772.8

Included within other payables is €480.2 million (31 December 2021: €260.6 million) relating to the net cash collateral amounts received in relation to exchange traded gas, coal and carbon. The amounts pledged cover initial margin and daily mark to market movements.

Other payables include amounts received in advance from customers.

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) Overview of financial risk management

Risk environment

The main financial risks faced by the Group relate to foreign exchange (particularly movements in the value of the euro relative to sterling and the US dollar) and commodity (electricity and fuel) price movements. Liquidity risk, and exposure to interest rate volatility, are key long-term financial risks also, but have been substantially addressed in the short run. Policies to protect the Group from these risks and other risk areas, such as credit risk, are regularly reviewed, revised and approved by the Board as appropriate. Group Treasury is responsible for the day-to-day treasury activities of the Group. The Finance and Investment Committee is regularly updated on key treasury matters, risk and associated mitigants.

Commodity price risk is managed by the front and middle office functions of the relevant business units: ESB Trading (within Generation and Trading) and Customer Solutions. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit. It is the responsibility of the Trading Risk Management Committees within these two business units to ensure that internal audit findings and recommendations are adequately addressed. This is overseen by the Executive Director level Group Trading Committee (GTC). The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way designed to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. Financial instruments are derecognised on settlement or sale.

Risk reporting structure

Through the Chief Executive, the Board has delegated to the GTC, the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerances and business strategies. The GTC has established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities. Furthermore the Group Trading Risk Management Policy is applicable to each of these businesses.

In both Generation and Trading and Customer Solutions, separate Trading Risk Management Committees meet on a monthly basis (or more frequently as required) and serve as the primary overseer of trading risk at individual ring-fenced business unit level. These committees include the head of the Front Office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the business unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management, and for ensuring that an effective control framework is in place.

The Middle Office function in each business unit maintains a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is adequately managed in accordance with Group Trading Risk Management Policy.

Notes to the Condensed Consolidated Financial Statements

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(a) Overview of financial risk management (continued)

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds. ESB also uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise in the normal course of operations from US dollar and Sterling denominated borrowings, from its foreign currency subsidiaries and from the use of foreign currency suppliers. Hedge accounting pursuant to IFRS 9 is used both for hedges of foreign currency liabilities and interest rate risks from current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. The Group decides at inception whether to designate financial instruments into hedge relationships. Certain arrangements meet the specific hedging accounting criteria of IFRS 9.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas, coal, carbon and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9 - Financial Instruments.

(b) Fair value

The fair values of financial assets and liabilities carried at amortised cost together with the carrying amounts shown in the balance sheet are as follows:

	June 2022		December 2021	
	Carrying value €m	**Fair value €m**	Carrying value €m	Fair value €m
	€m	**€m**	€m	€m
Long-term debt	**5,736.1**	**5,373.7**	5,292.5	5,818.9
Short-term borrowings	**74.8**	**85.4**	70.7	78.1
Lease liabilities	**111.5**	**111.5**	119.5	119.5
Total borrowings	**5,922.4**	**5,570.6**	5,482.7	6,016.5
Non-Current trade and other payables	**9.3**	**9.3**	9.3	9.3
Current trade and other payables	**1,600.0**	**1,600.0**	1,681.6	1,681.6
Amounts due from insurers	**(48.4)**	**(48.4)**	(79.3)	(79.3)
Non-current trade and other receivables	**(356.7)**	**(356.7)**	(167.6)	(167.6)
Current trade and other receivables	**(1,132.6)**	**(1,132.6)**	(1,551.3)	(1,551.3)
Cash and cash equivalents	**(1,157.9)**	**(1,157.9)**	(537.0)	(537.0)
Net liabilities	**4,836.1**	**4,484.3**	4,838.4	5,372.2

ESB Eurobonds and NIE Networks Sterling bonds are regarded as Level 1 fair values (see note 20). The fair value of these bonds is derived from observation of the most recent traded values for these bonds in liquid markets at the balance sheet date. Other borrowings and debt are Level 2 fair values. The primary valuation technique used for borrowings and other debt classified as Level 2 fair values is discounting of the future associated cash flows using the zero coupon discount curve of the relevant currency.

Current trade and other receivables are all due within one year, and have been provided for where impaired, their carrying value is considered to be materially in line with their fair value. Current trade and other payables are all due within one year and their carrying value is considered to be materially in line with their fair value.

Fair value - discount rates

The interest rates used to discount future estimated cash flows, where applicable, are based on the applicable EURIBOR or LIBOR or SONIA yield curve at the reporting date plus an appropriate constant credit spread.

Notes to the Condensed Consolidated Financial Statements

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels relevant to financial assets and liabilities held by the Group have been defined as follows:

- Level 2: inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2	Level 3	**Total**
June 2022	€m	€m	**€m**
ASSETS			
Derivative financial instruments			
- Currency swaps	25.1	-	**25.1**
- Foreign exchange contracts	12.0	-	**12.0**
- Forward fuel price contracts	1,244.2	-	**1,244.2**
Financial assets at fair value through profit or loss	-	5.2	**5.2**
	1,281.3	**5.2**	**1,286.5**
LIABILITIES			
Derivative financial instruments			
- Interest rate swaps	(18.7)	-	**(18.7)**
- Inflation-linked interest rate swaps	(631.1)	-	**(631.1)**
- Currency swaps	(13.4)	-	**(13.4)**
- Foreign exchange contracts	(19.7)	-	**(19.7)**
- Forward fuel price contracts	(1,097.4)	(22.9)	**(1,120.3)**
	(1,780.3)	**(22.9)**	**(1,803.2)**
Net liability	**(499.0)**	**(17.7)**	**(516.7)**

	Level 2	Level 3	**Total**
December 2021	€m	€m	€m
ASSETS			
Derivative financial instruments			
- Interest rate swaps	0.1	-	0.1
- Currency swaps	6.2	-	6.2
- Foreign exchange contracts	16.2	-	16.2
- Forward fuel price contracts	657.3	2.2	659.5
Financial assets at fair value through profit or loss	-	5.3	5.3
	679.8	7.5	687.3
LIABILITIES			
Derivative financial instruments			
- Interest rate swaps	(8.7)	-	(8.7)
- Inflation-linked interest rate swaps	(720.6)	-	(720.6)
- Currency swaps	(20.8)	-	(20.8)
- Foreign exchange contracts	(14.0)	-	(14.0)
- Forward fuel price contracts	(685.7)	(1.7)	(687.4)
	(1,449.8)	(1.7)	(1,451.5)
Net (liability) / asset	(770.0)	5.8	(764.2)

Notes to the Condensed Consolidated Financial Statements

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Measurement of fair values - valuation techniques and significant unobservable inputs
The following table shows the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Currency swaps, foreign exchange contracts and interest rate swaps	Level 2 - Present valuation of future cash flows constructed using market observable inputs and discounted back to present value.		
Forward fuel and electricity price contracts	Level 2 - The fair value of forward fuel contracts is determined by reference to gas, coal and carbon prices with the resulting value discounted to present values. Level 3 - The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable.	Forward electricity prices	The estimated fair value would increase / (decrease) if the Wholesale Electricity Price was higher / (lower). Generally a change in gas prices is accompanied by a directionally similar change in Wholesale Electricity Price.
Inflation-linked interest rate swaps	Level 2 - Independent valuations are used and validated using the present valuation of expected cash flows using the interest rate yield curve of the relevant currency. The zero-coupon curve is based on using the interest rate yield curve of the relevant currency.		
Financial assets at fair value through profit or loss	Level 3 - Financial assets at fair value through profit or loss are carried at fair value. Where applicable, valuations are based on the most recent independent information available at period end, taking into account any other known and relevant factors. Unquoted investments are valued by deriving an enterprise value using one of the following methodologies: ▪ the price of a recent investment; ▪ revenue multiple; ▪ cost, less any required provision; ▪ realised value.	Forecast annual revenue growth rate. Forecast gross margin	Novusmodus typically assess the value of investments based on its expectations of the proceeds which could be realised in a disposal. See note 9 and 14. This value will usually be driven by a number of inputs including the ability of the investee to grow its revenue and associated margins leading to higher EBITDA thus higher values.

Notes to the Condensed Consolidated Financial Statements

25. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

The following table shows a reconciliation from opening balances at 1 January to the period ended 30 June for fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit or loss	Forward fuel price contracts	Total
	€m	€m	€m
Balance at 1 January 2021	8.6	(2.9)	5.7
Additions	0.2	-	0.2
Total losses:			
- in OCI	-	(5.4)	(5.4)
Settlements	-	5.1	5.1
Transfers to other receivables	(3.3)	-	(3.3)
Translation differences	(0.1)	-	(0.1)
Balance at 30 June 2021 - net	**5.4**	**(3.2)**	**2.2**
Balance at 1 January 2022	5.3	0.5	5.8
Total losses:			
- in OCI	-	(27.0)	(27.0)
Settlements	-	3.6	3.6
Translation movements	(0.1)	-	(0.1)
Balance at 30 June 2022 - net	**5.2**	**(22.9)**	**(17.7)**

26. COMMITMENTS AND CONTINGENCIES

		June 2022	June 2021
		€m	€m
(a)	**Capital commitments**		
	Contracted for	760.9	540.8

(b) Fuel contract commitments

There are a number of long-term gas supply arrangements in place for different periods up to 2026. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives included in these arrangements have been separated and valued in accordance with IFRS 9.

(c) Other disclosures

A number of other lawsuits, claims and disputes with third parties have arisen in the normal course of business. While any litigation or dispute has an element of uncertainty, the Board members believe that there were no unprovided for contingent liabilities which would have a materially adverse effect on the Group's financial position.

Notes to the Condensed Consolidated Financial Statements

27. RELATED PARTY TRANSACTIONS

Equity accounted investees	June 2022	June 2021
	€m	€m
Sale of goods / services[1]	4.0	6.2
Purchase of goods / services[2]	20.9	40.5

	June 2022	December 2021
	€m	€m
Amounts owed from as at period / year ended[3&4]	356.7	265.2
Equity advanced during the period / year[5]	-	61.1

[1] ESB provided electricity sales, management and other professional services during the period to equity accounted investees as set out in the above table.
[2] ESB has purchased power and services in relation to telecoms and maintenance during the period from equity accounted investees.
[3] Amounts owed from equity accounted investees include shareholders loans (shown net of any impairments), interest on these loans and trade receivable and payable balances.
[4] Included in the expected credit loss provision is €0.5 million (31 December 2021: €0.5 million) in respect of balances owed from SIRO Limited and €0.2 million (31 December 2021: €0.2 million) in respect of the balances owed from Emerald Bridge Fibres DAC.
[5] In addition to the equity advanced during the period / year the Group recognised contingent consideration of €nil (31 December 2021: €10.8 million) in relation to ICOL Holdings Limited and €nil (31 December 2021: €2.8 million) in relation to Superhomes Ireland DAC. See note 28 of the 2021 consolidated financial statements.

Terms and conditions
Sales to and purchases from equity accounted investees and associates are conducted in the ordinary course of business. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with equity accounted investees and associates are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables.

28. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as Trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the Company. The Trustee Company is chaired by an independent professional Trustee with four directors representing ESB employees and two directors representing ESB. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with IFRS 10 Consolidated Financial Statements, the financial statements for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

During the year ended 31 December 2015, ESB entered into an agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement ESB committed to match the acquisitions made by the ESOP Trustees up to a value of €25.0 million. During the period ended 30 June 2021, ESB entered into a further agreement to support the acquisition of capital stock in future ESOP internal markets. As part of the agreement, ESB committed up to €35 million in addition to remaining funds on the 2015 agreement, to purchase shares in future ESOP internal markets from 2021 (inclusive) onwards. An ESOP provision of €36.5 million was recognised at 30 June 2021 in Other Reserves in respect of this agreement and the remaining balance of the 2015 agreement.

During 2021, ESB continued the repurchase of the ESOP capital stock and consequently a capital redemption reserve of €8.3 million arose from the purchase and cancellation of the 8.3 million ESOP share capital for a consideration of €9.5 million and represents the nominal amount of the share capital cancelled. The repurchase reduced the ESOP repurchase provision by €9.5 million. At 30 June 2022 the ESOP repurchase provision recognised in other provisions amounts to €27.0 million (31 December 2021: €27 million).

29. EVENTS SINCE THE BALANCE SHEET DATE

There are no post balance sheet events which the directors believe required adjustment to, or disclosure in, the financial statements.

30. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 14 September 2022.

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