

Electricity Supply Board



Investor Presentation 2012 Interim Results

December 2012



www.esb.ie

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Introduction of ESB Team



- Donal Flynn – Group Finance Director



- Paul Stapleton – Group Treasurer

Agenda

1. ESB Overview & Strategy

2. 2012 Interim Review

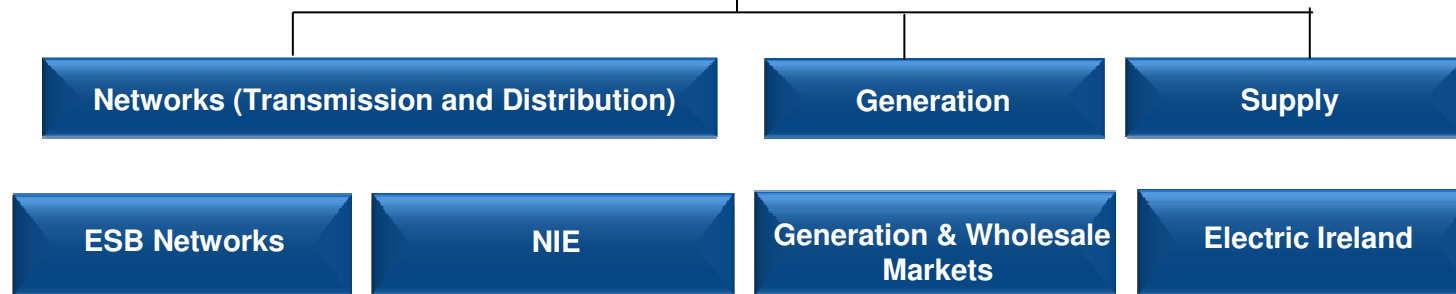
- Business Environment
- Summary Financials
- Funding and Liquidity

3. Looking Forward

- Irish Economy
- ESB Business



ESB Overview

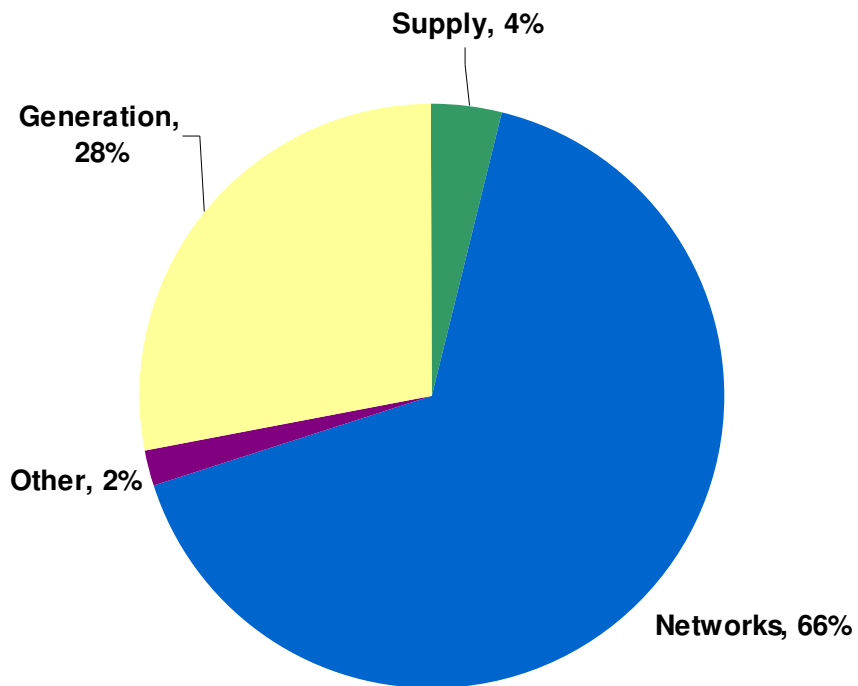


- **History:** Established 1927, Vertically Integrated, 95% Government owned; Track Record of Delivery
- **Networks:** Owner of the Regulated Republic of Ireland T&D networks (RAB €6.4bn)
Owner of the Regulated Northern Ireland T&D networks (RAB £1.2bn)
- **Generation:** All-Island Capacity of 4.4GW,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



ESB Asset Profile

Assets by Business



TOTAL ASSETS: €12 Billion

Key Points

- 66% of assets are fully regulated Transmission and Distribution network assets. ESB own 100% of T&D assets in ROI and NI
- Stable, established and well understood regulatory environment
- Balanced Generation-Supply position. All-Island generation market share of 39% by capacity and 48% by volume. All-Island supply market share of 36%
- 28% of assets outside ROI

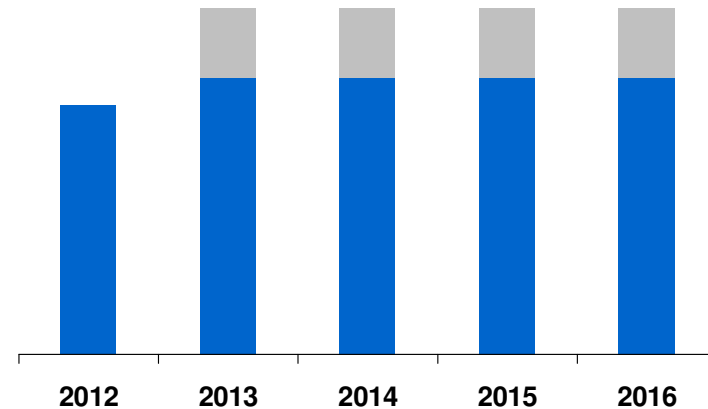


ESB Strategy Summary

- **Energy Focus:** ESB's core business is transportation and generation of electricity, and supply of electricity, gas and energy services to customers.
- **Vertically Integrated Utility:** ESB will complement its core regulated Networks businesses with a competitive Generation and Supply business to give scale and diversity as a state-owned VIU, in line with Government policy.
- **Market Focus:** ESB considers Ireland and Great Britain as its home market and the primary focus for investment.
- **Investment Focus:** ESB will achieve growth through strategic investment primarily in Regulated Networks in Ireland (ROI & NI), and new Generation in GB as part of emerging all-islands market.
- **Financial Management:** ESB is committed to maintaining financial strength & strong investment grade metrics.

Capex €5bn - €6bn over 5 yrs

€0.9Bn €1.0Bn to €1.25bn p.a.



70% Capex on Regulated Networks Assets



Government Policy Update

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



Government Policy Update

- October 2012 communication:
 - Government confirms policy position of February, and sets target for the delivery of up to €400m special dividends by the end of 2014 from sale of non strategic generation capacity.
 - Dividend to be paid after pay-down of appropriate amount of debt to protect balance sheet and credit metrics.
 - ESB to remain a financially strong state owned Vertically Integrated Utility.
 - ESB to retain significant scale in generation to compete in the All-Islands market.
 - ESB to maintain its strong credit rating to ensure access to funding in order to deliver its investment in key infrastructure.

- In discussions with government on non strategic asset sales process and considering implications. Disposals will be structured so as to minimise impact on financial strength of business and not impact on ESB's ability to exceed BBB+ target metrics.

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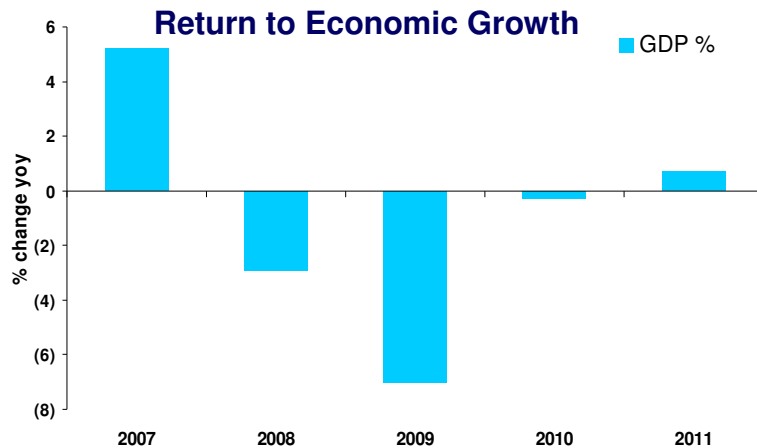
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Business Environment 2012

Ireland

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



Source: CSO

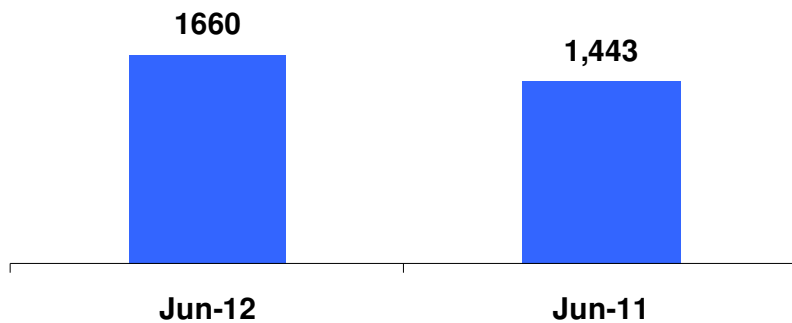
ESB Highlights

- Strong 2012 financial performance
- Stable Regulated Networks income
- Cost reduction programme on target with €165m delivered to date
- Delivery of continued investment programme with Capex of €0.9bn
- Bad debts low and reducing to 0.8% of income
- Stabilised market share following full de-regulation of supply from April 1st 2011

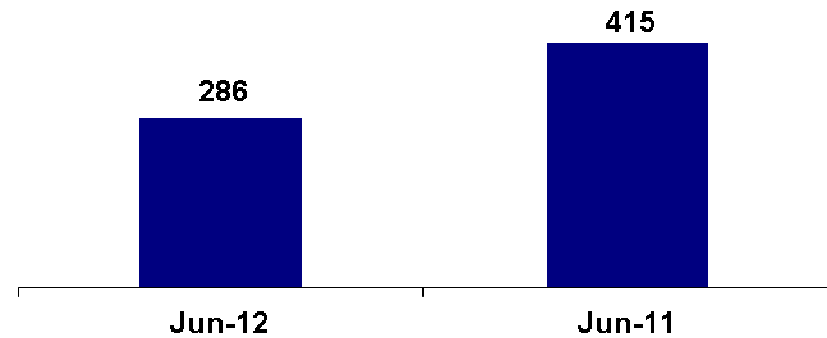


2012 Half-Year Results Summary

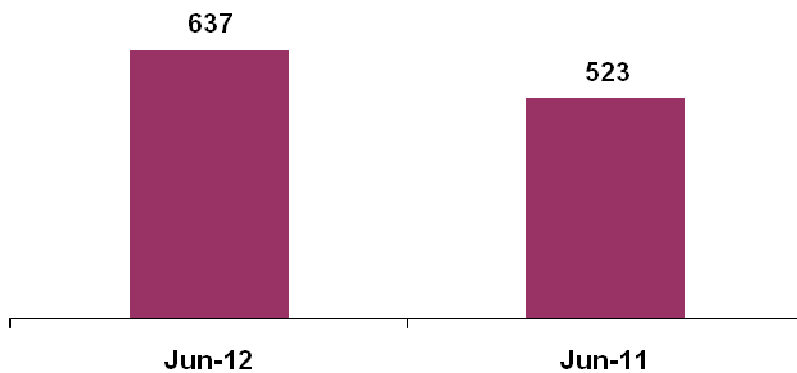
Revenue (€m)



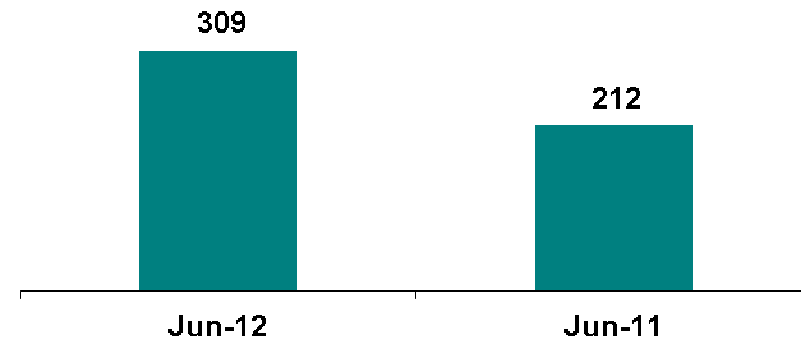
Capex (€m)



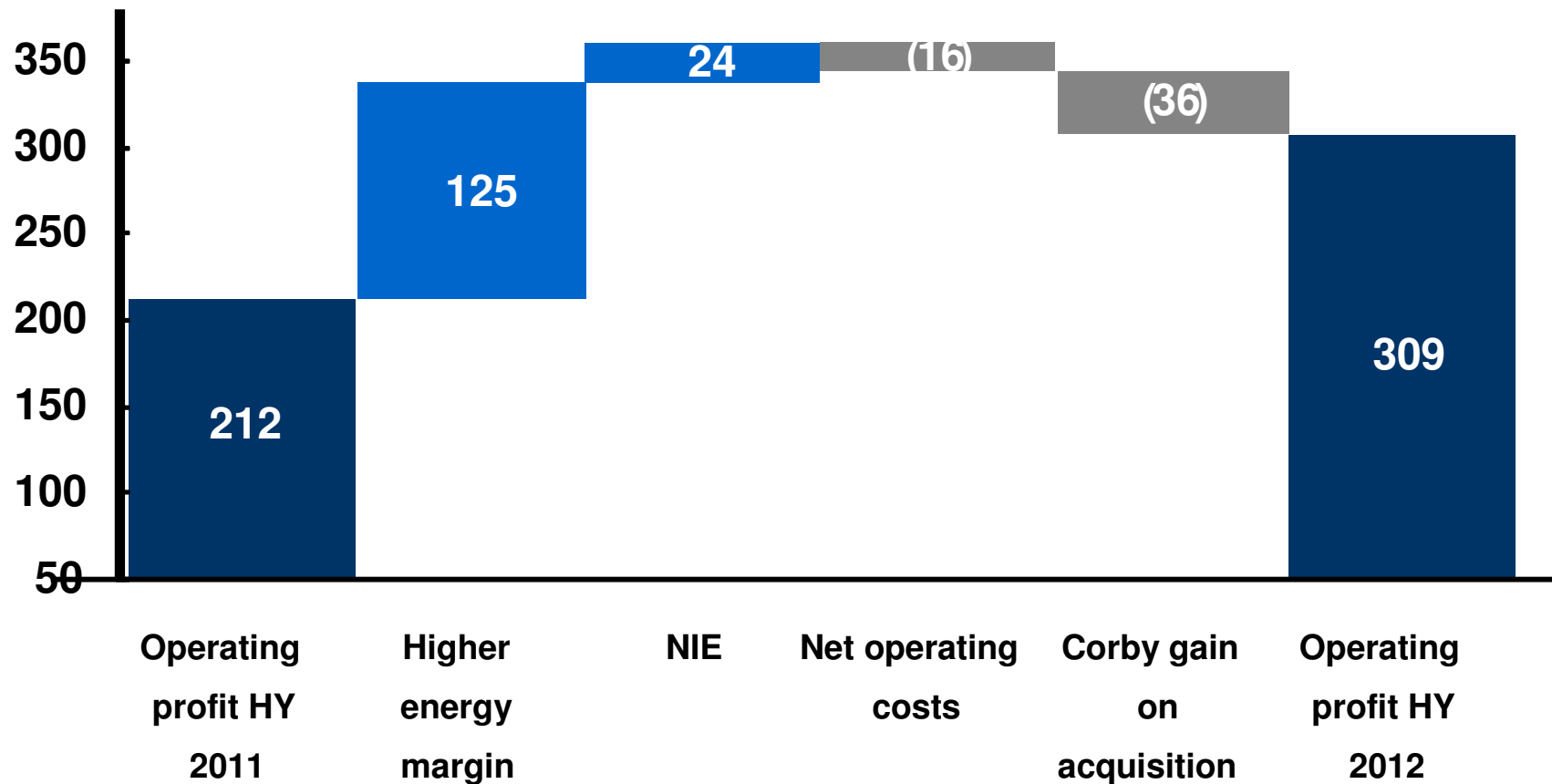
EBITDA (€m)



Operating Profit (excl. Jvs) (€m)



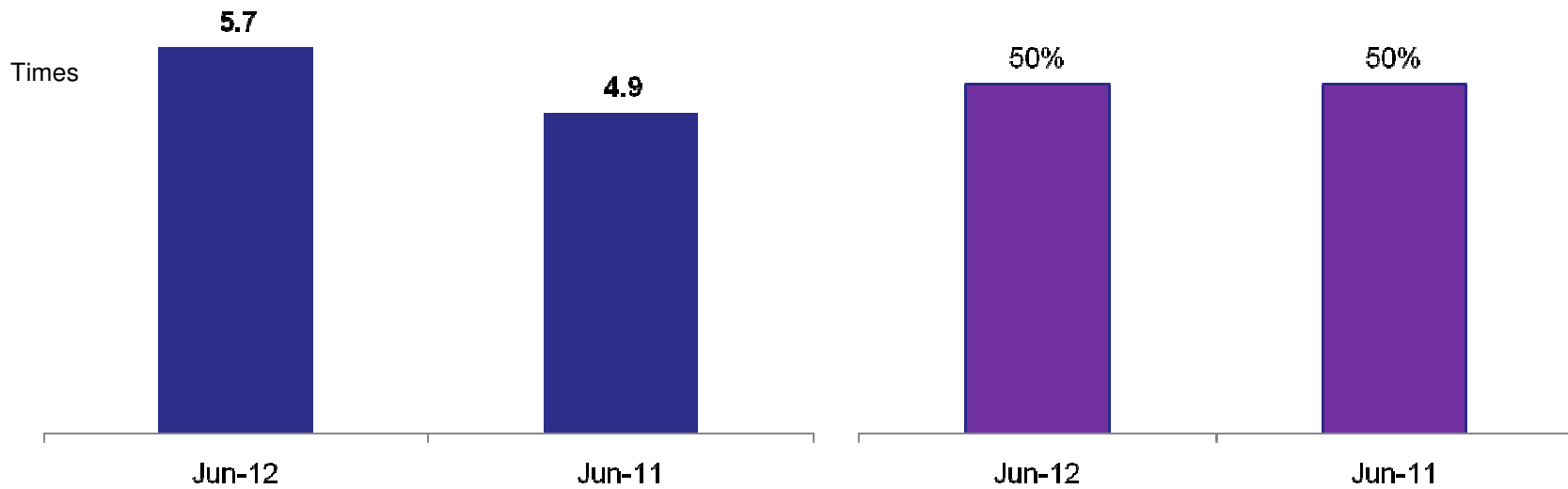
2012 Half-Year Operating Profit Evolution



2012 Half-Year: Key Credit Metrics

Adjusted EBITDA Interest Cover

Gearing (excl. JV debt)



Figures based on IFRS

Performance Improvement Programme

- Target €280m annual cost reductions between 2010 and 2015 (equates to an overall reduction of 25%)
- €165m annual achieved to date
- Substantial headcount reductions have already been achieved.
- April 2012 – ESB staff accept proposals for further c. 1,000 staff reductions and €140m p.a. in overall payroll cost reductions.

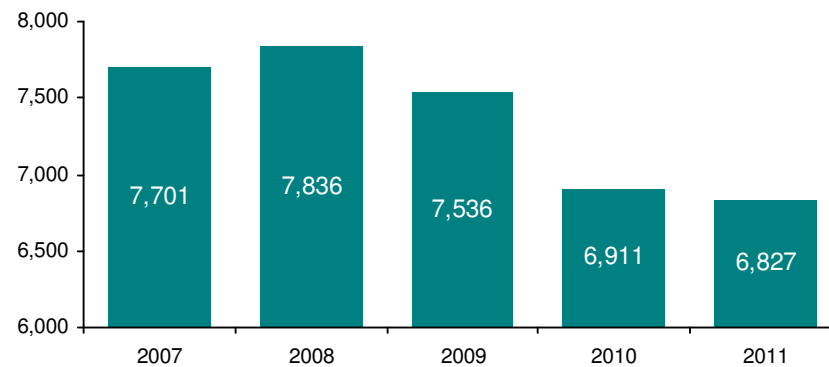
Cost Savings (€m)

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

Pay Agreement agreed in April 2012:

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

ESB Group Headcount

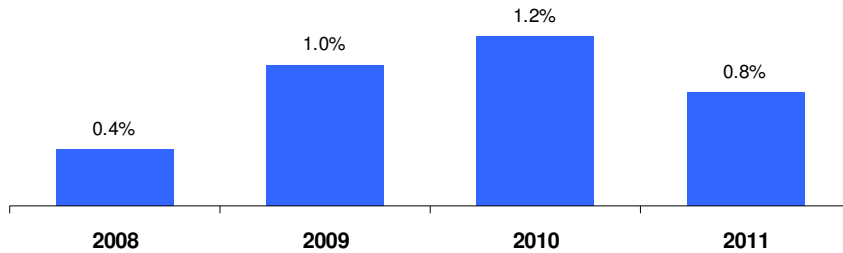


Note: 2011 excludes staff numbers for NIE of c. 1,300

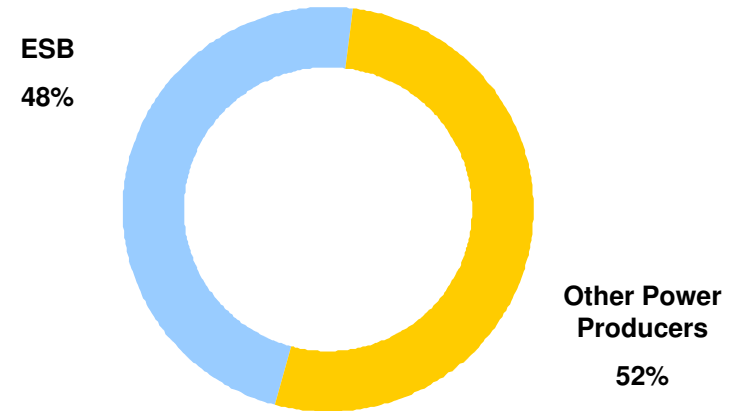


Other Key Metrics

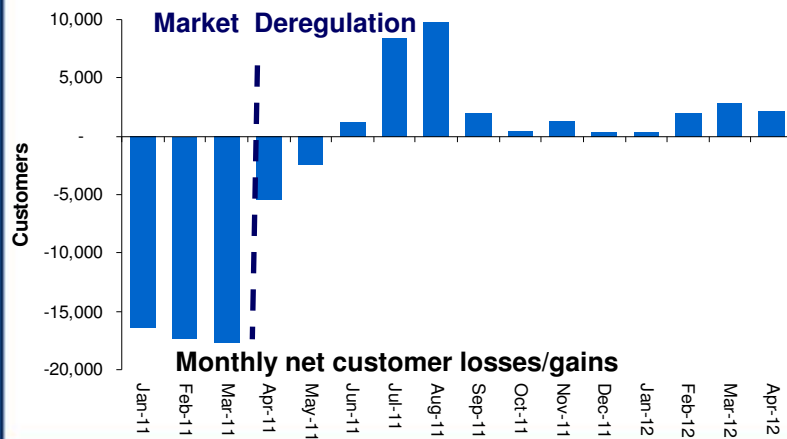
Group Bad Debts as a % of Revenue



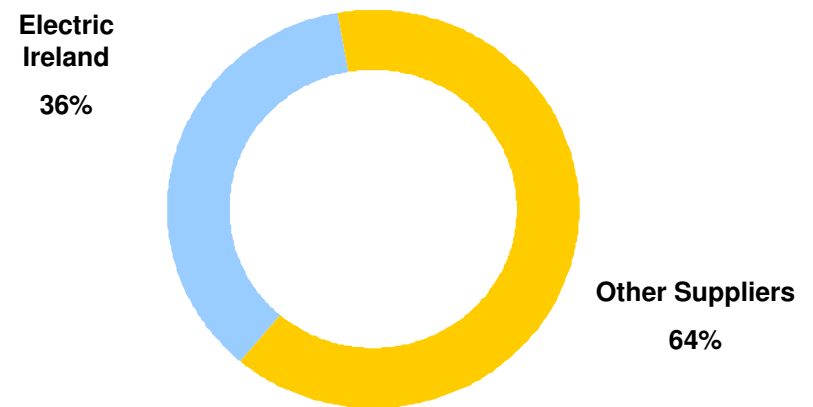
Generation 2012 Market Share



Attracting new customers



Supply 2012 Market Share



Carrington Project

- Development Project: 880 MW CCGT Generation Plant in Carrington, near Manchester, UK
- Being developed by Carrington Power Ltd - 100% subsidiary of ESB
- Non-recourse Project Finance with a 70/30 debt-equity structure. Total investment c. £700m.
- Financial close achieved in September 2012.
- Tolling agreement with ESB Independent Generation Trading Ltd (wholly owned subsidiary of ESB) which will trade the output of the plant as part of ESB's overall generation and trading position
- Scheduled to be commissioned in Q4 2015



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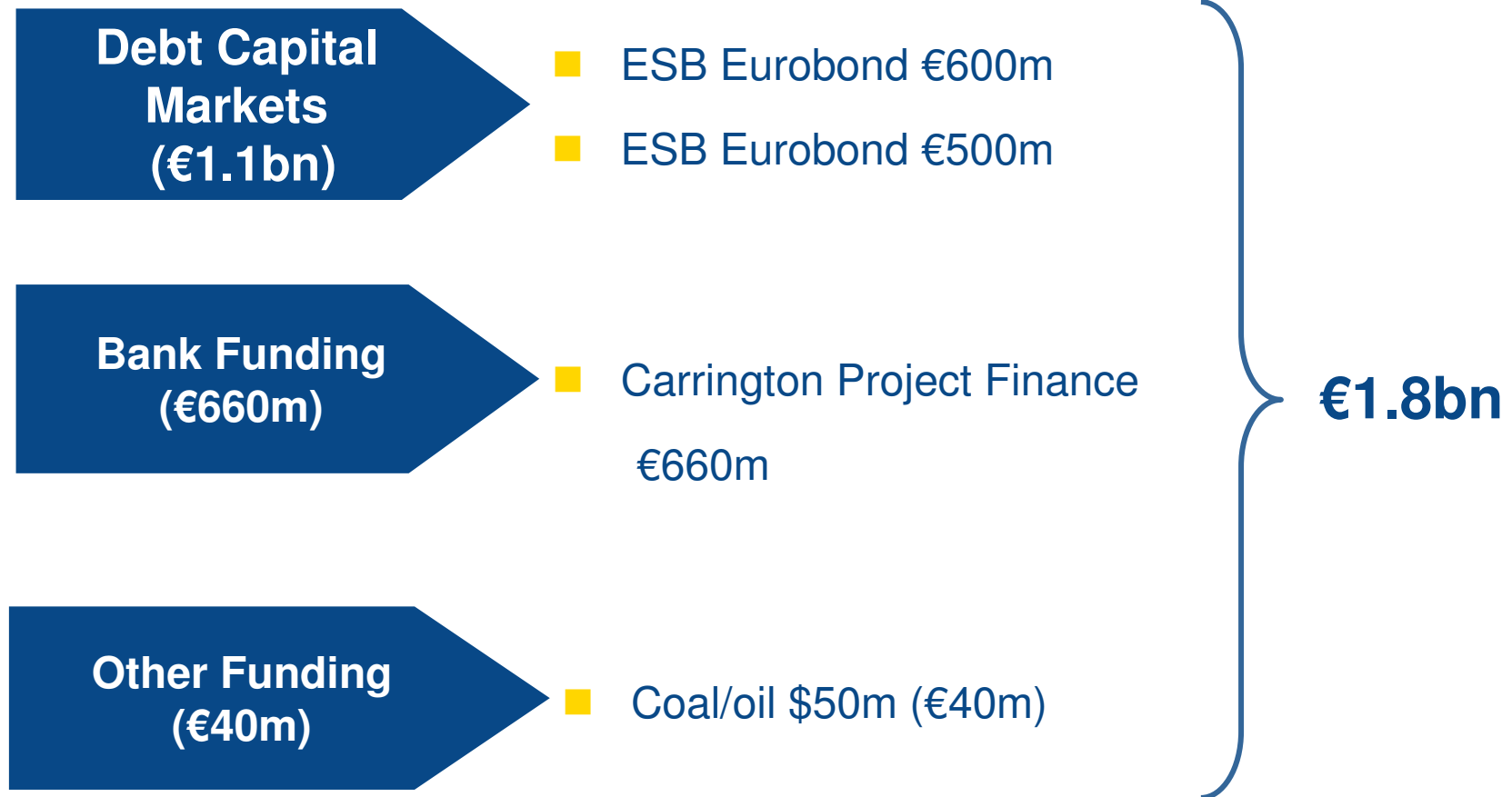
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ESB Continues to Fund Successfully

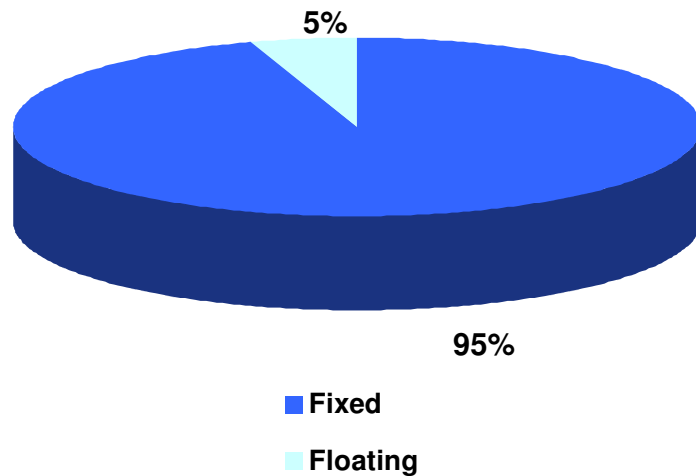
Funds Raised 2012



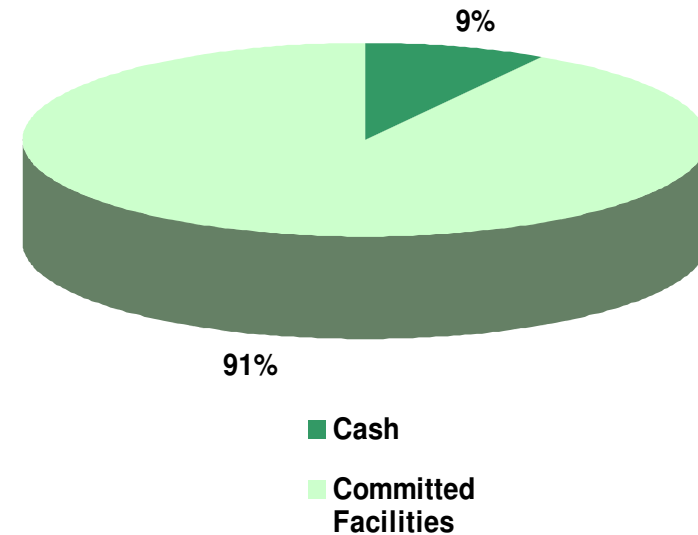
Debt & Liquidity

November 2012

Group Debt €4.5Bn



Available Liquidity €1.88Bn

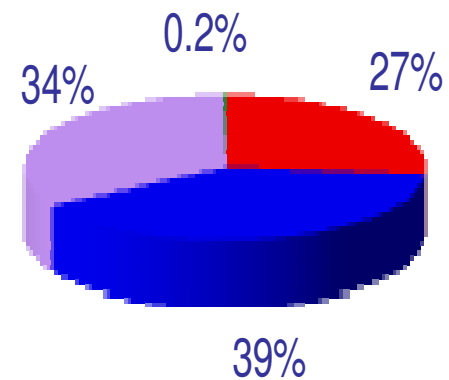
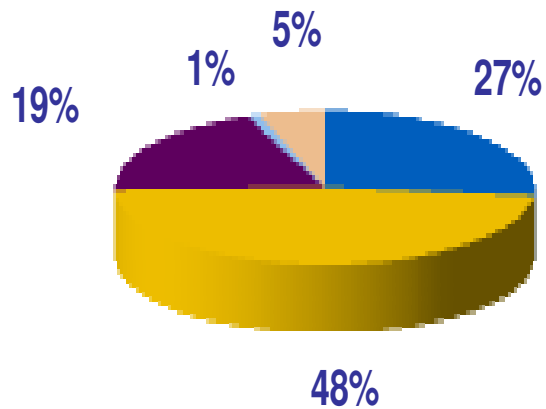


€1.88Bn in undrawn committed facilities (incl cash) at November 2012, of which €1.7Bn is immediately available.

Note. Group includes Subsidiaries & excludes JV's. Fixed includes Inflation Linked and assumes some interest rate swaps in December 2012

ESB Funding - Sources

■ US Private Placement ■ EuroBonds ■ EIB ■ Bank ■ Other



■ North America ■ Continental Europe ■ UK ■ Ireland

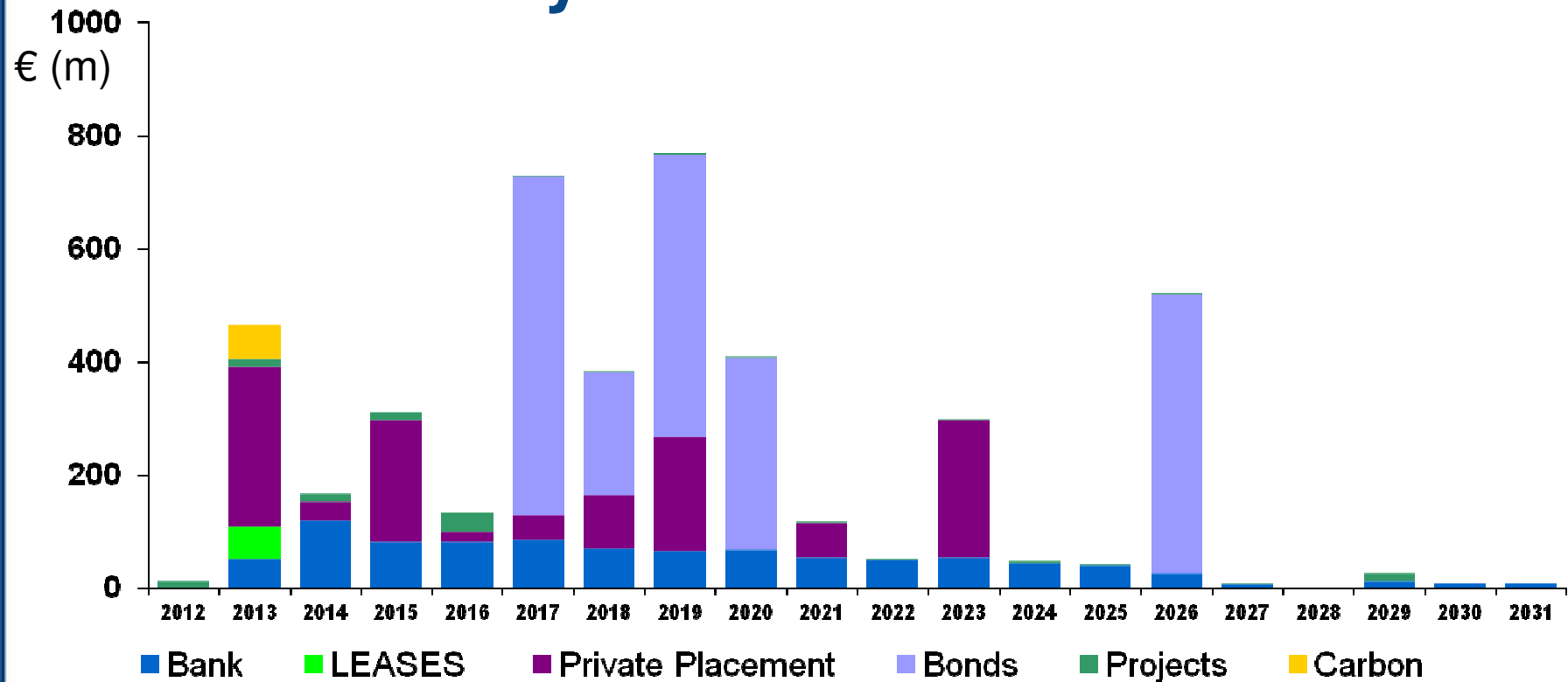
Total ESB Group Debt €4.5bn*

ESB raises Finance from a diverse Range of Sources

*Group includes subsidiaries, excludes JVs.



Debt Maturity Profile at November 2012



- Currently zero cash drawings on the Bank RCF Facility
- Profile is very manageable in context of circa EUR 1.88bn existing liquidity & EBITDA > €1bn p.a.
- Plan to renew Bank RCF Facility in 2013 – well in advance of maturity



ESB Credit Ratings: BBB+/Baa3/BBB+

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

- “strong business risk profile underpinned by leading market position in the Irish electricity market”
- “significant proportion of stable and predictable cash flows from its low-risk regulated electricity transmission and distribution network operations”
- “its cost-saving program is aiding profitability.....its cash flow coverage of debt ratios could strengthen from 2012”
- “ESB has well-balanced power generation and supply operations”
- “About 70% of capex is being invested in regulated assets, which will boost earnings”

Moodys – Baa3 (neg.) *(Re-affirmed 7 Oct 2012)*

- “ESB enjoys a solid stand alone financial position; however its rating is constrained by that of Ireland”
- “A one notch differential between ESB and Ireland is considered appropriate”
- “high proportion of earnings arising from the company's transmission and distribution operations in the Republic of Ireland and Northern Ireland”
- “low business risk profile and stable returns under well-established and transparent regulatory frameworks”
- “ESB’s networks business is complemented by a well balanced generation and supply operation”
- “well diversified portfolio of generating assets, with a mix of fuel types and base load and peaking capacity”
- “diversified debt portfolio and currently sound liquidity position”

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

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



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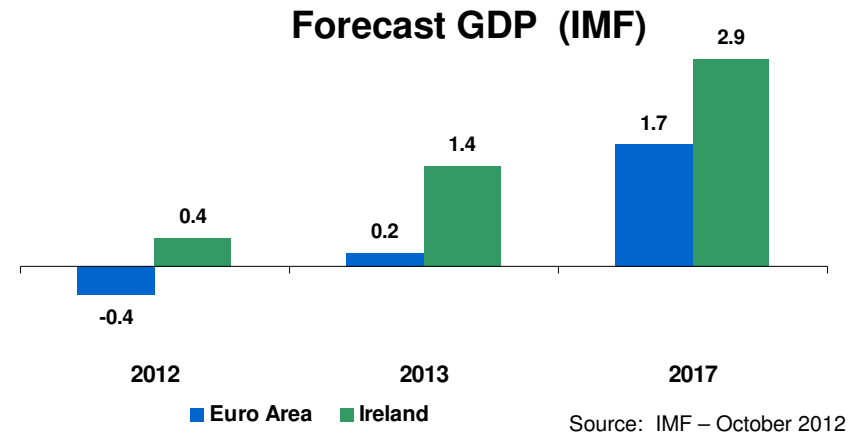
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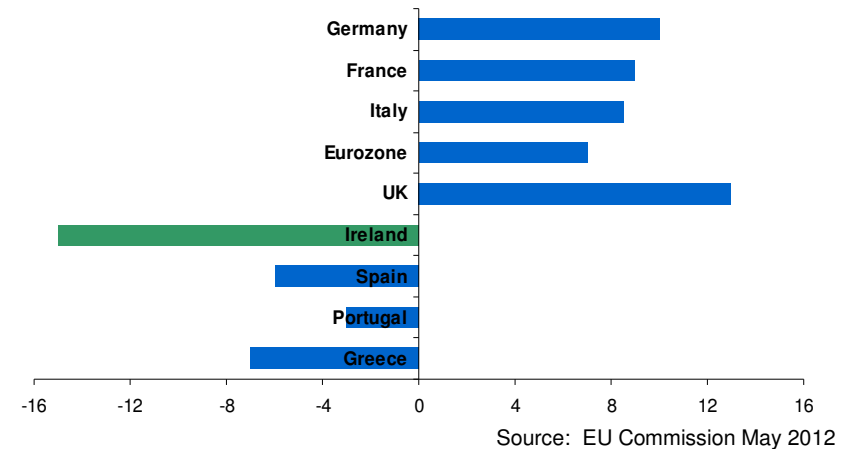
Ireland's Progress Continues

- GDP expected to grow by 2.0 to 2.5 per cent on average over the next 5 years
- Ireland currently ranked first and second in Europe respectively in most recent PMI Services and Manufacturing Comparison League Tables
- Government on target to meet 2012 fiscal targets – has met troika targets over 8 consecutive quarters.
- Strong export growth continues - record exports projected for 2012. Irelands exports are > 100% of GDP.
- Significant correction in unit labour costs with a reduction of c. 15% expected by 2013
- Government bonds tightened very significantly and Ireland set to complete return to markets in 2013

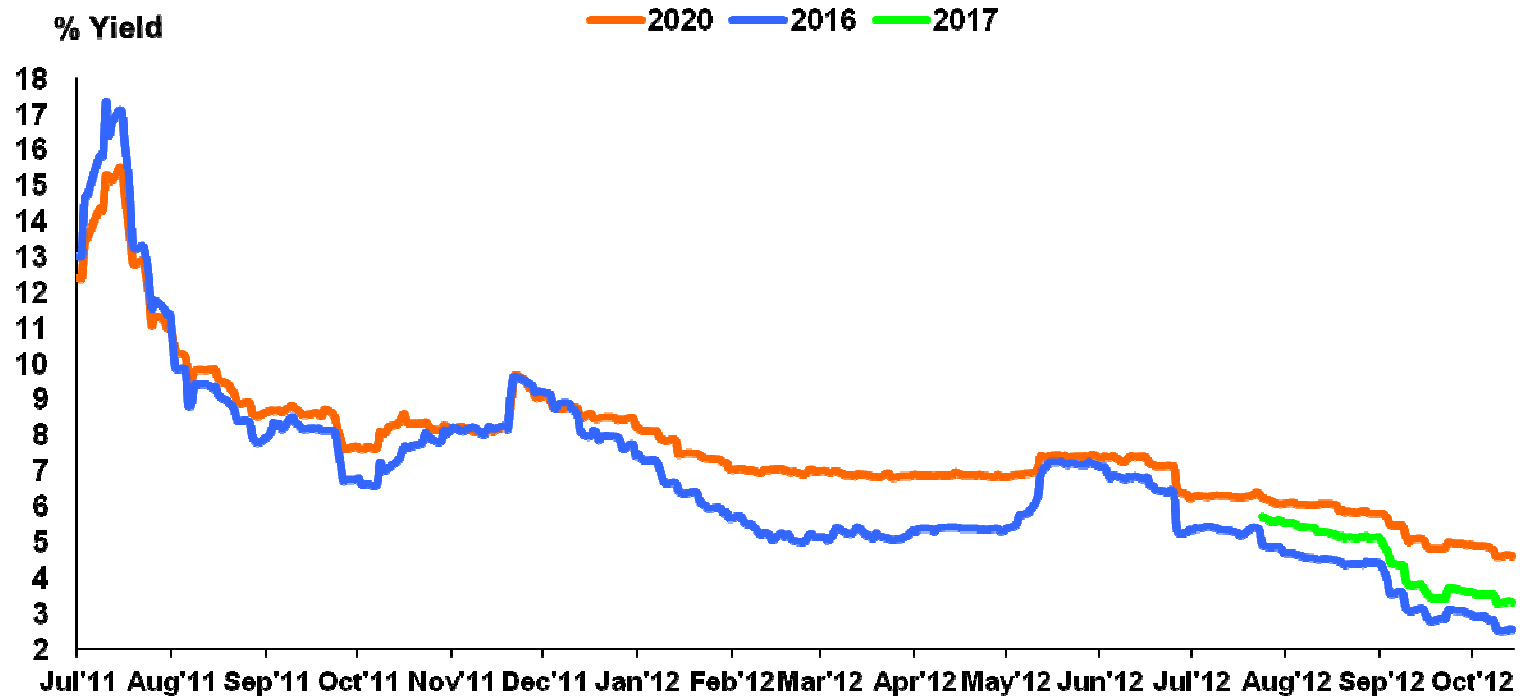
Forecast GDP (IMF)



Unit Labour Costs 2009 - 2013 (% Change)



Ireland's Sovereign Bond Yields



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

Source: Bloomberg

ESB 2012 & Beyond

- Good Progress in Delivery of Performance Improvement Programme, agreement reached with ESB Unions for Staff Exit, the majority of which are planned for pre 2012 year end.
- €600m bond issue September and a further €500m bond issue November. Both received a very positive investor response.
- New generation investment in the Carrington Project underway with project finance facilities in place.
- Government Asset Sales Programme – review underway, commitment by Government to minimising impact on metrics.
- Continuing strong financial performance remains a top priority.

