



Energy for
generations

ESB

Investor Presentation

2013 Full-Year Results and Business Update

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March 2014



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ESB Team



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Agenda



- Highlights
- 2013 Financial Results
- Business Review
- Strategy & Key Issues Update
- Funding and Liquidity
- 2014 Focus

Highlights

Highlights of 2013



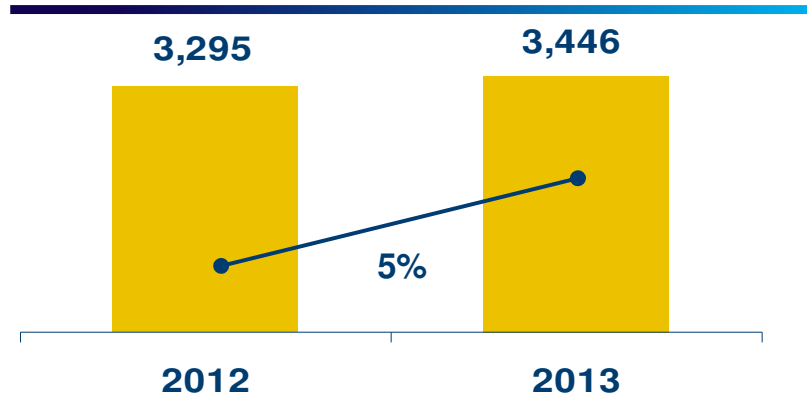
- Strong Financial Performance in Financial Year 2013, ahead of original projections
- New dividend policy agreed with Shareholder; provides clarity and certainty for the medium term
- Shareholder commitment to BBB+ rating metrics
- Sale of non-strategic generation capacity well underway, with first asset sale closed
- Continued access to funding at competitive pricing
- Investment in core network assets and Carrington project continues
- NIE RP5 review expected to be concluded Q1 / Q2 2014
- Strong financial performance remains a priority

2013 Financial Results

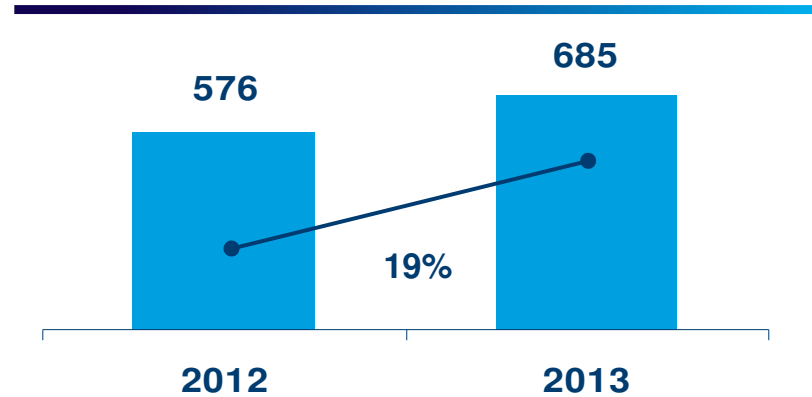
2013 – Key Financial Highlights



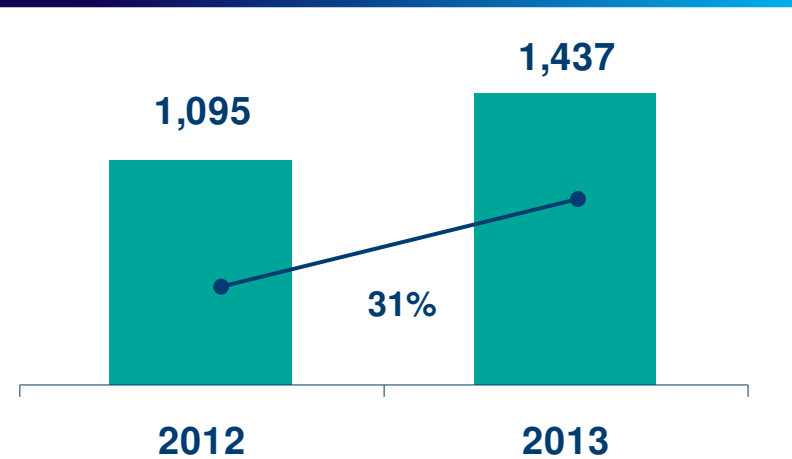
Revenue (€m)



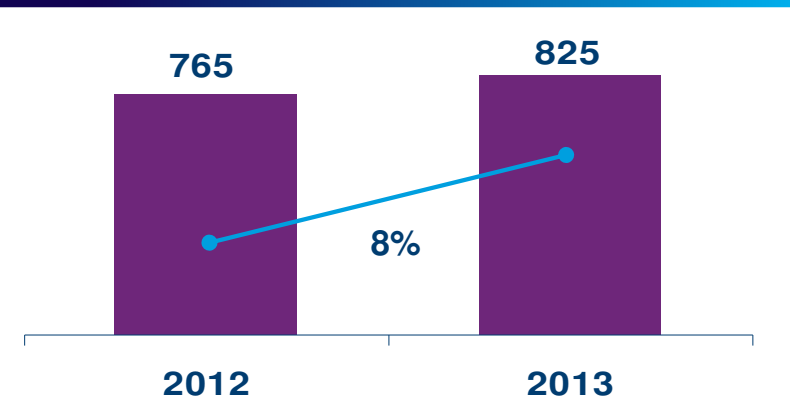
Operating Profit* (€m)



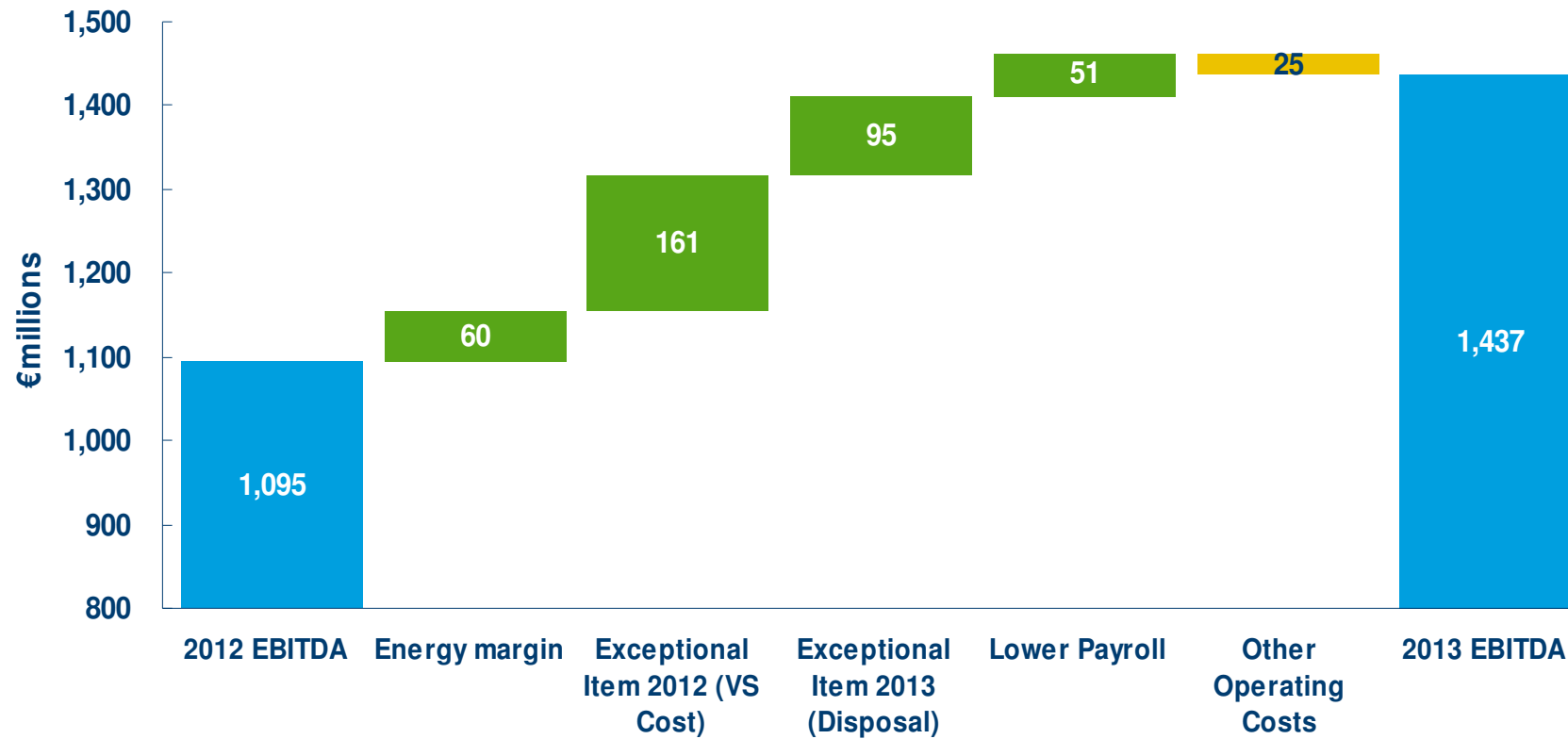
EBITDA (€m)



Capital Expenditure (€m)



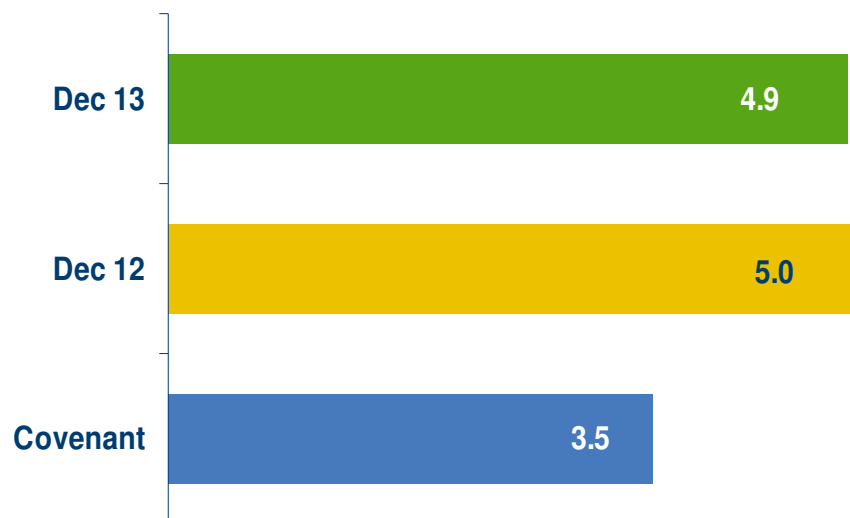
EBITDA Movement – 2013 vs 2012



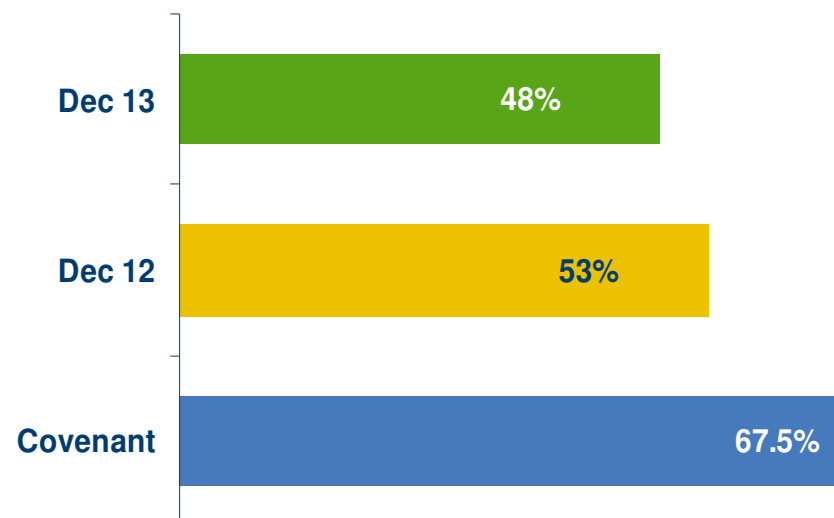
Interest Cover and Gearing



Adjusted* EBITDA Interest Cover



Adjusted* Gearing %



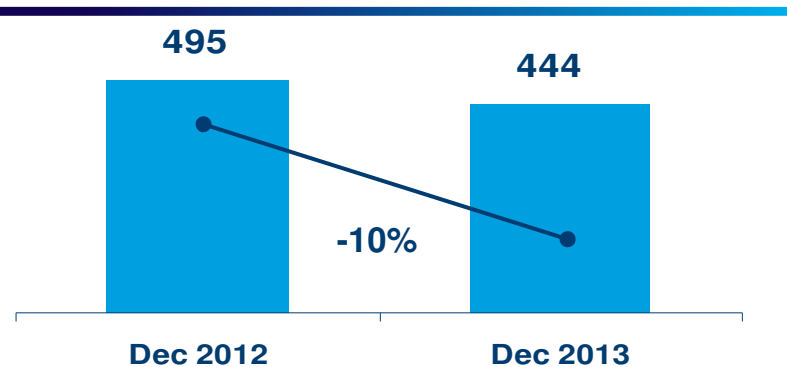
- ESB US Private Placement Agreement Covenants:
 - Adjusted* EBITDA Interest Cover > 3.5x
 - Adjusted* Gearing < 67.5%

**Adjusted to restate financials to accounting principles in effect at time of agreement (UK GAAP 2002)*

Reducing Cost Base

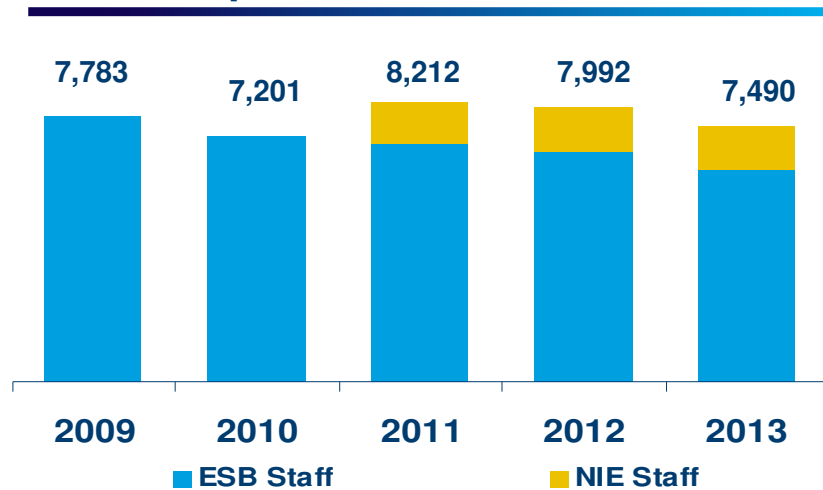


Payroll (€m)



- Benefits of Voluntary Severance scheme in 2012 flowing through
- Staff costs down €51m (10%) on 2012
- Staff numbers in core ESB business down 1,600 in five years
- Over €250m of target €280m savings now achieved

ESB Group Headcount



Business Review

Macro Environment

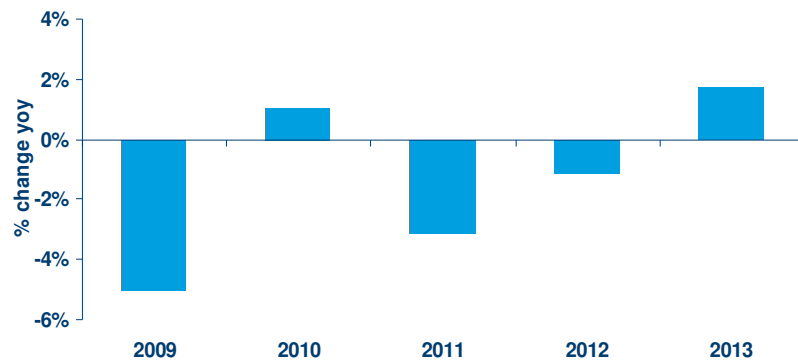


Domestic Demand reflected in GNP%



Source: NTMA

SEM System Demand Growth



Source: Eirgrid; SONI, DECC

Ireland

- Exited bailout in December 2013
- Continued focus on fiscal adjustment
- Sovereign ratings on upward trajectory
 - Now BBB+ Positive (S+P) / BBB+ Stable (Fitch) / Baa3 Positive (Moody's)
- Domestic demand improving
- Consumer confidence & retail sales up
- Unemployment rate 11.9% - lowest since April 2009 (peak 15.1% January 2012)
- 2013 GDP growth weaker than anticipated
 - Pharmaceutical patent 'cliff' impacting exports
- Some recovery in system demand

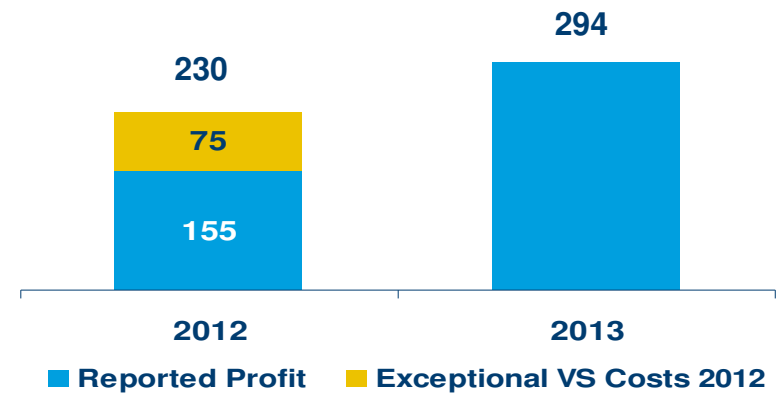
ESB Networks



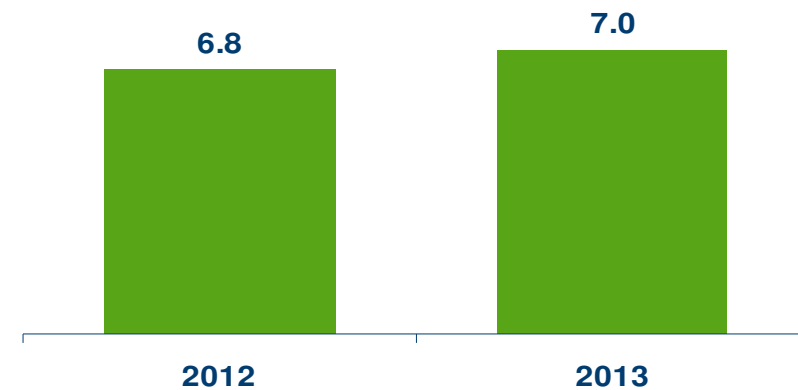
Highlights

- Operating Profit up 28%
- Increased revenues, plus savings in payroll and other costs
- Continued investment in RAB
- PR3 Mid-Term Review –
 - Preliminary Consultation Paper proposed reduced return (pre-tax, real) for 2014-15 in range 5.10-5.30%
- January 2014 – Outcome of review
 - Return reduced from 5.95% to 5.20% for 2014-15
 - Offset by lower opex efficiencies (equivalent to 0.2%)

Operating Profit (€m)



RAB (€bn)



Northern Ireland Electricity

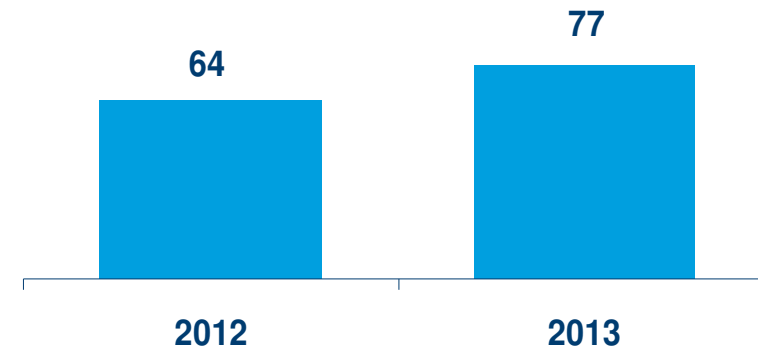


RP5 Price Control Status

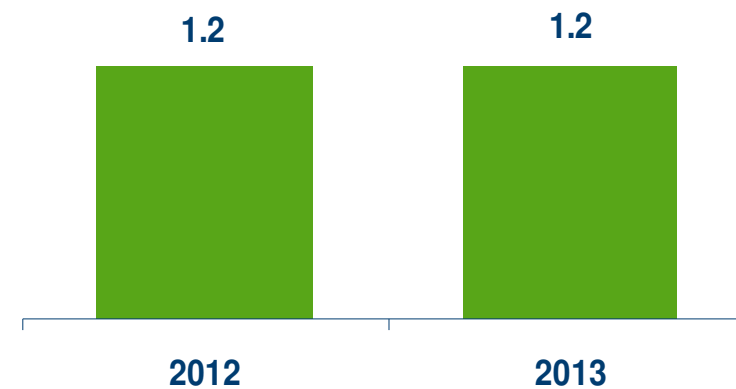
Preliminary Determination from Competition Commission (November 2013):

- UR's proposed RAB capitalisation adjustment rejected
- 50/50 Risk sharing - 50% of actual costs less allowed costs
- Benchmark data for cost assessment out-of-date – cost shortfall
- Pensions - Contributions to Early Retirement Deficit Costs disallowed; RP4 £24m Pensions under-recovery considered
- Proposed return: 4.1% (Vanilla)
- Financeability assessment
- NIE response made in December 2013
- Final Determination expected Q1/2 2014

Operating Profit (€m)



RAB (GBP £bn)



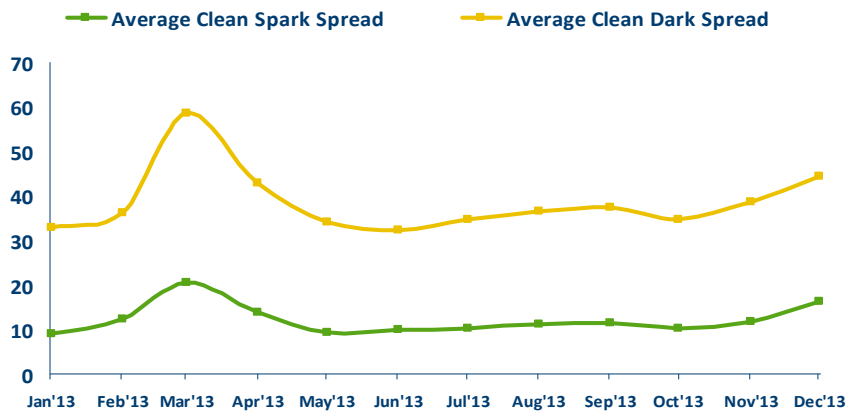
Generation & Wholesale Markets



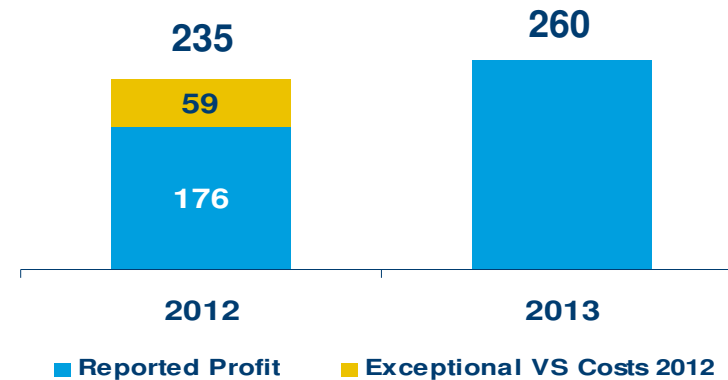
Highlights

- Profit up 11% year-on-year
- Positive revenues from additional wind, offset by loss of free carbon allowances
- Payroll and other savings flowing through
- Carrington project on schedule

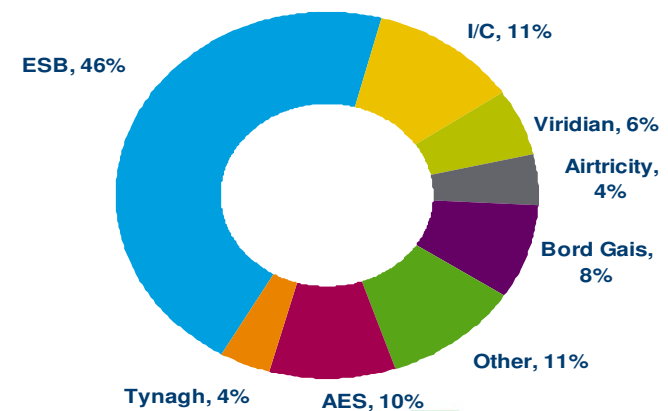
Market Spreads €/MWh



Operating Profit* (€m)



Generation Market Share



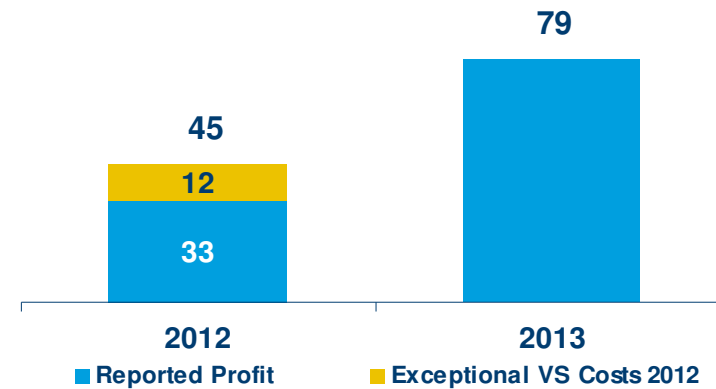
Electric Ireland



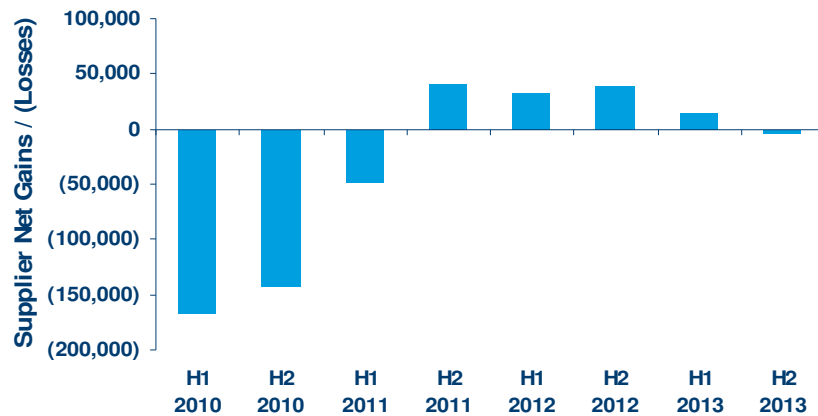
Highlights

- 2013 increase – higher volumes and market share
- Customer numbers stabilised at c. 1.5m
- 2014 – increased competition will impact profitability

Operating Profit (€m)

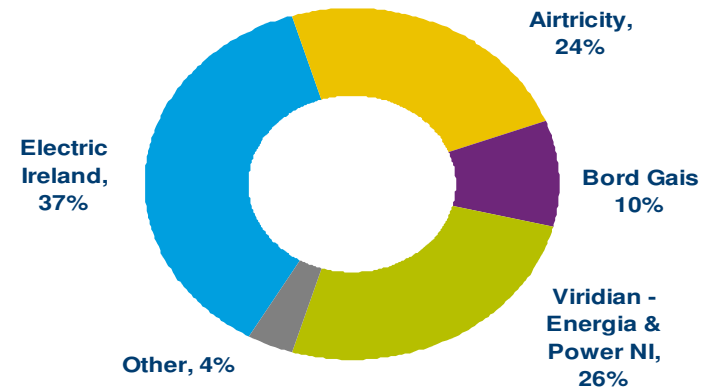


2013 - Net Gain 10,000 Customers



Gas and Electricity. Source CER

Market Share 2013 (MWh)



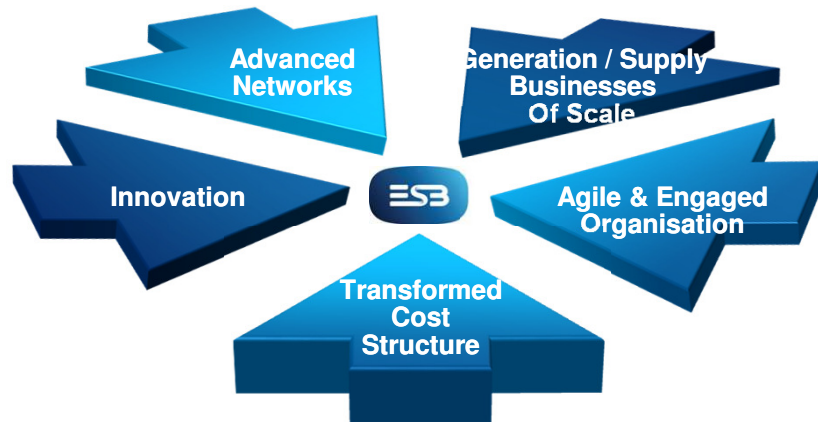
Strategy & Key Issues Update

ESB Strategy – Focus on Investment

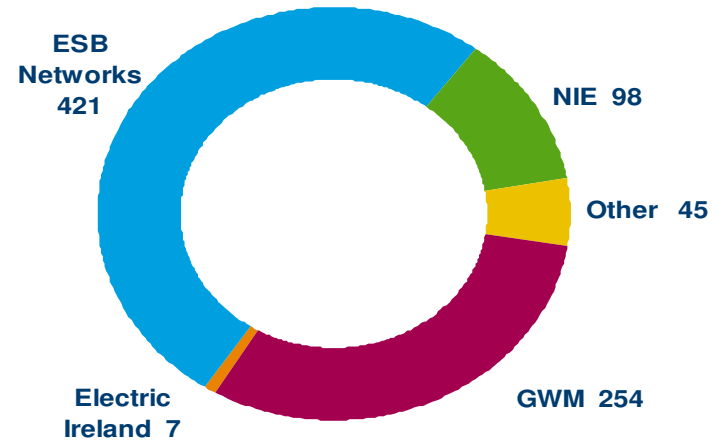


Key Points

- Energy Focus
- Vertically Integrated Utility
- Market Focus – Ireland and Great Britain
- Investment Focus
- Financial Management



2013 Capital Investment - €825m



- Three 110kV connections for Data Centres
- 500MW wind connected
- 366km of lines upgraded / refurbished
- Carrington 881MW CCGT ongoing
- 56MW wind completed; 20MW under construction
- Hydro renewal

Sales of Non-Strategic Generation Capacity



- October 2012 – Agreement with Government:
 - Up to €400m special dividends payable by end-2014
 - Funded from sale of non-strategic generation capacity
- ESB balance sheet and financial metrics to be protected
- February 2013 – Marchwood (UK) and Bizkaia Energia (Spain) sale process announced
- October 2013 - Sale process for Lough Ree Power (91MW) & West Offaly Power (135MW) (Ireland) announced
- November 2013 - Marchwood sale process completes
- January 2014:
 - Dividend of €161m paid to shareholders
 - Bizkaia & Peat plant sales progressing



Funding & Liquidity

ESB Continues to Fund Successfully

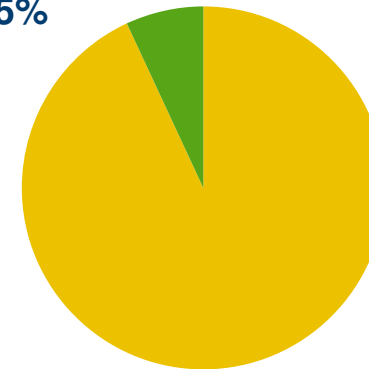


Fundraising 2013 - €1.8bn

- February 2013 - RCF Refinancing - €1.4bn
- December 2013 – €100m EIB Facilities (Network projects)
- November 2013 – Eurobond – €300m

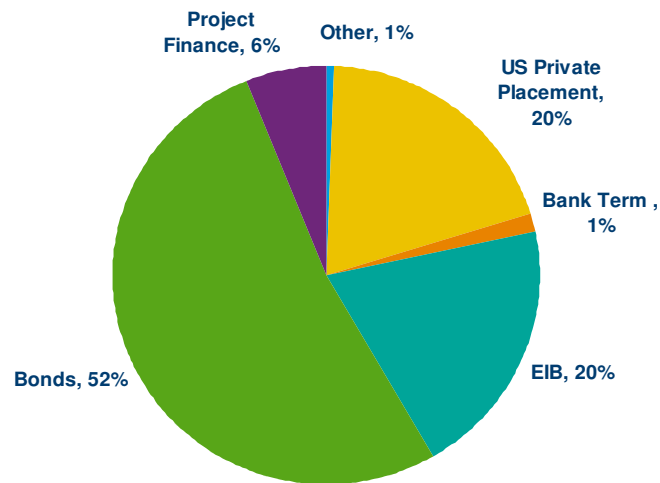
Interest Rate Management

Floating 5%



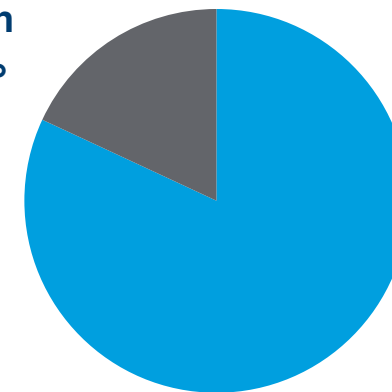
Fixed 95%

Group Debt - 31 December 2013 (€4.5bn)



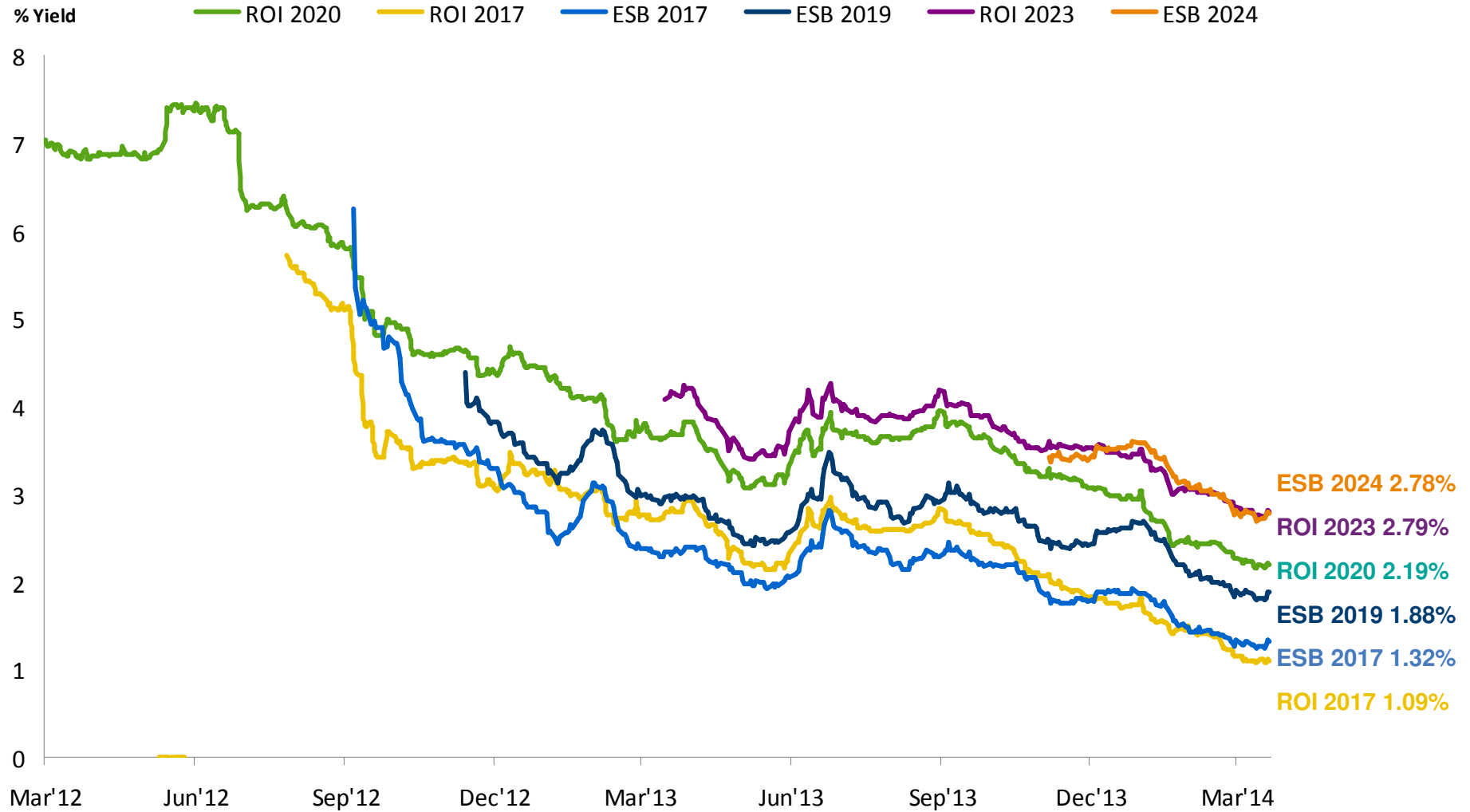
Liquidity - December 2013 (€1.8bn)

Cash 18%

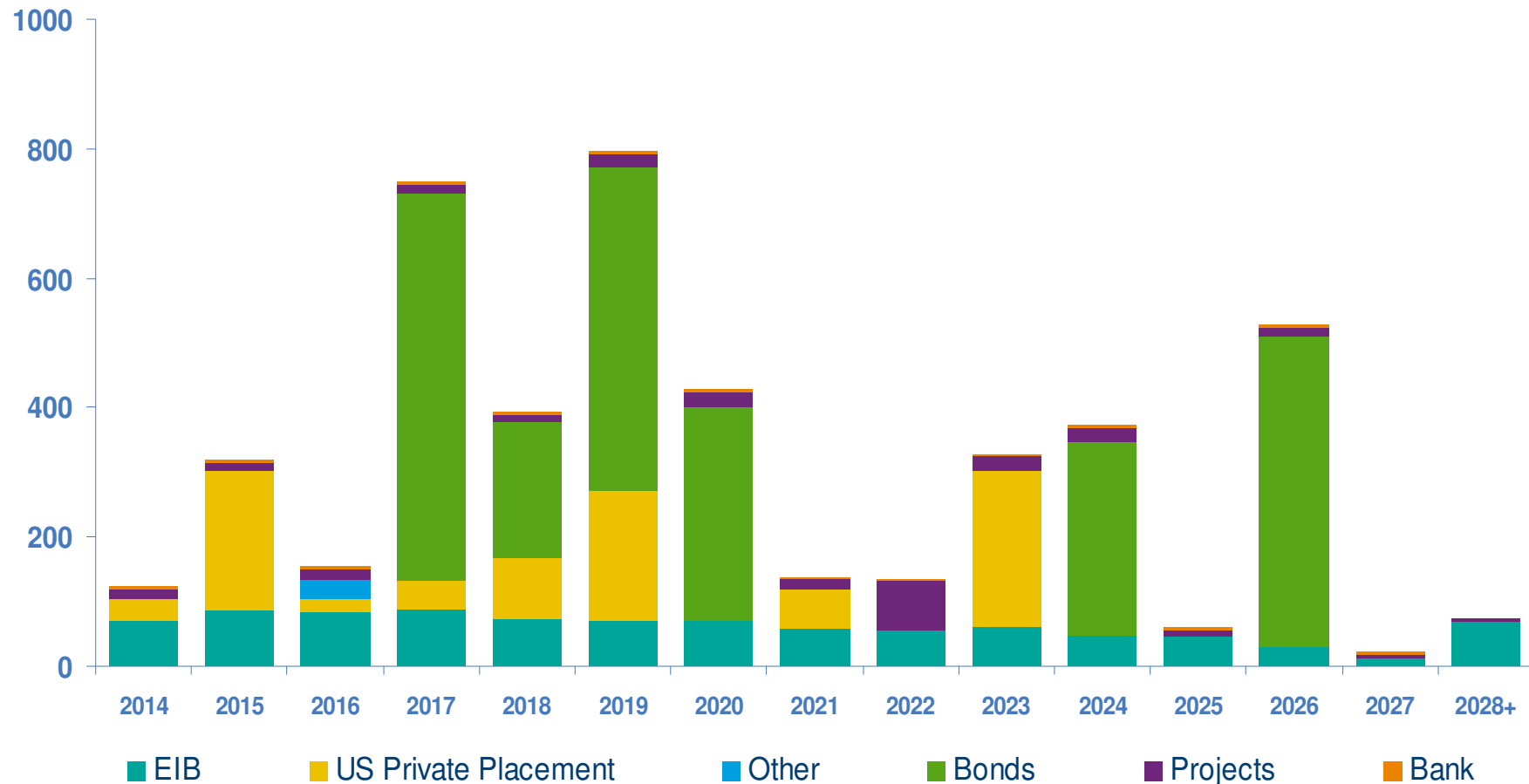


Committed Facilities 82%

Bond yields March 2012 - March 2014



Debt Maturity – 31 December 2013



ESB Credit Ratings



Moody's Rating upgraded following upgrade of Republic of Ireland

	Standard & Poor's	Fitch	Moody's *
Current Rating	BBB+ (Stable Outlook) November 2013	BBB+ (Stable Outlook) February 2014	Baa2 (Positive Outlook) January 2014 <i>*Capped at one notch above Republic of Ireland rating (Baa3 Positive)</i>

2014 Focus

Outlook 2014



- Continued improvement in macroeconomy expected
- Networks
 - ESB PR3 mid-term review now concluded
 - Resolution of NIE RP5 a key focus
- Generation
 - Coal expected to continue in merit
 - Large portion of 2014 generation volumes locked in at this point
- Electric Ireland
 - Increased competition and energy efficiency costs expected to dampen profitability
- Ongoing focus on cost efficiency and financial strength

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