



Energy for generations

ESB Investor Update - Financial Results 2020

www.esb.ie/ir



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PAT FENLON

CFO



GERRY TALLON

GROUP TREASURER



WILLIAM YOUNG

MANAGER, INVESTOR
RELATIONS & CREDIT RATING



- As the provider of an essential service, **ESB has a critical role to play in supporting the Irish Government's response** to this crisis. During the course of 2020 ESB:
 - ❖ Maintained the *safety, health and wellbeing* of all ESB employees, contractors, their families, customers and the public;
 - ❖ Maintained a *secure and reliable electricity service* for all customers;
 - ❖ Remained *agile and responsive*, adapting rapidly and appropriately as the situation evolves;
 - ❖ Delivered majority of the *capital programmes*.
- We instigated several *key contingency measures* to ensure the business continues to operate effectively including:
 - ❖ remote working, remote operation of assets, securing additional PPE etc
- While **electricity demand** was impacted by the COVID-19 lockdown restrictions, the overall year-on-year reduction in demand was less than 1% in Ireland.
- Overall COVID-19 had a c. €15 million negative impact on Operating Profit in 2020
- ESB is a **financially strong business** illustrated by:
 - ❖ *Strong investment grade credit rating* from S&P and Moody's (A- / A3);
 - ❖ ESB Networks and NIE Networks *revenue is secured under regulatory contracts*;
 - ❖ *Liquidity* as at 31 December 2020 was €1.8 billion;
 - ❖ In February 2020 executed a new 5-year *€1.4 billion Sustainability-linked RCF*;



2020 Highlights

- **ESB delivered resilient financial results as it continues its transition to a low carbon energy future**
 - **EBITDA €1.3 billion; Capex €1.1 billion; Gearing 55%**
 - Capital expenditure €1.1 billion, including 80% (€889 million) in regulated networks capital infrastructure
- **Networks:**
 - ESB Networks Price Review 5 (PR5) was finalised with the regulator which underpins ESB Networks work programmes for 2021-2025. The PR5 programme is aligned to Ireland's Climate Action Plan
 - Regulated Networks Businesses in Ireland; 73% of Group EBITDA supported by established and transparent regulatory frameworks; €110m on Smart Meter roll out in ROI.
- **Generation & Trading:** Continuing investment in low carbon renewable generation
- **Customer Solutions** (including Electric Ireland): Competing effectively with an Irish market share of 34%
- **Strong liquidity** position of €1.8 billion at 31 December 2020; **Credit ratings** reaffirmed A- / A3
- **Climate Action Progress:**
 - ESB strategy is aligned with the Government's Climate Action Plan
 - Obtained CDP "A" rating for first time in 2020
 - Carbon intensity of fleet reduced further to 378 g/kWh – reduced from 406 g/kWh in 2019 (44% reduction on 2005 baseline)



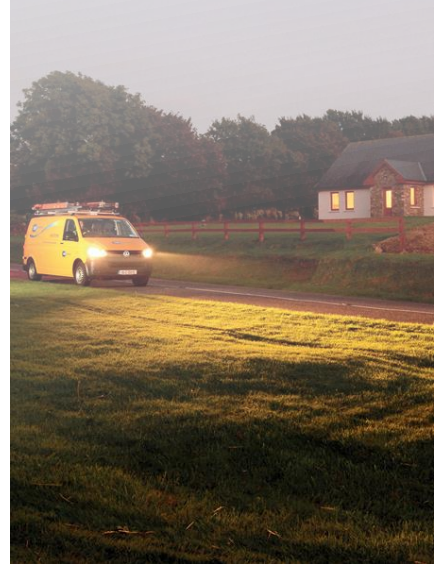
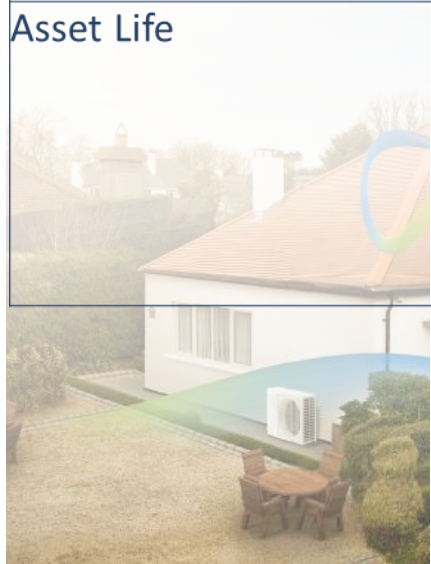
Price Review 5 Determination

ESB Networks	PR5 Determination *
WACC (pre-tax, real)	3.80%
Overall revenue	€5.83bn
Gross Capex	€4.4bn
Operating Allowances	€1.96bn
Closing RAB	€10 bn
Asset Life	Transmission – 50 years Distribution – 45 years Revised secondary assets to technical life (10-17 years)

Critical Contract for ESB

- Underpins Regulatory income 2021 – 2025
- Aligned to Climate Action Plan
- Increased Capex to support transition to Brighter Future (SMART meters, eheat and etransport)
- Maintains Financial Strength

To deliver a safe and reliable low carbon system.

Brighter Future Strategy - Leading the Transition to Reliable, Affordable, Low-Carbon Energy.

Strategic Objectives

- 5 Strategic Objectives to deliver the Brighter Future Strategy

Investment Focus

- Core Markets Ireland & UK
- Smart reliable networks
- Low carbon generation

Climate Action Plan (CAP)

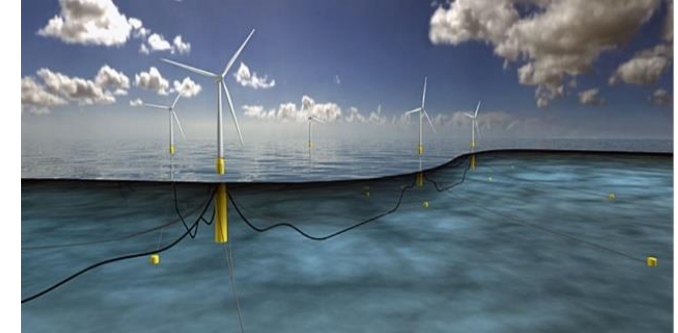
- ESB Strategy is fully aligned with Government of Ireland CAP
 - Target of 70% of electricity from renewable sources by 2030
 - Targeting c. 1 million EV's by 2030
 - 600k heat pumps to be installed by 2030



How ESB is Leading the Transition

Generation & Trading:

- Offshore Wind: Purchase of 50% stake in Inch Cape (1 GW windfarm, Scotland). This follows our investments in Neart na Gaoithe (Scotland), Galloper (England) and Oriel (ROI)
- Onshore Wind: Commissioned ESB's largest onshore wind farm at Grousemount (ROI)
- ESB's 2 peat stations ceased generating in December 2020
- Carbon intensity and carbon dioxide emissions further reduced



Networks:

- ESB Networks Price Review 5 aligned with Ireland's Climate Action Plan (2019)
- National Smart Metering Programme (NSMP) rollout continues (245k now installed)
- 6.4 GW of renewable generation connected to the national grid (All-Island)

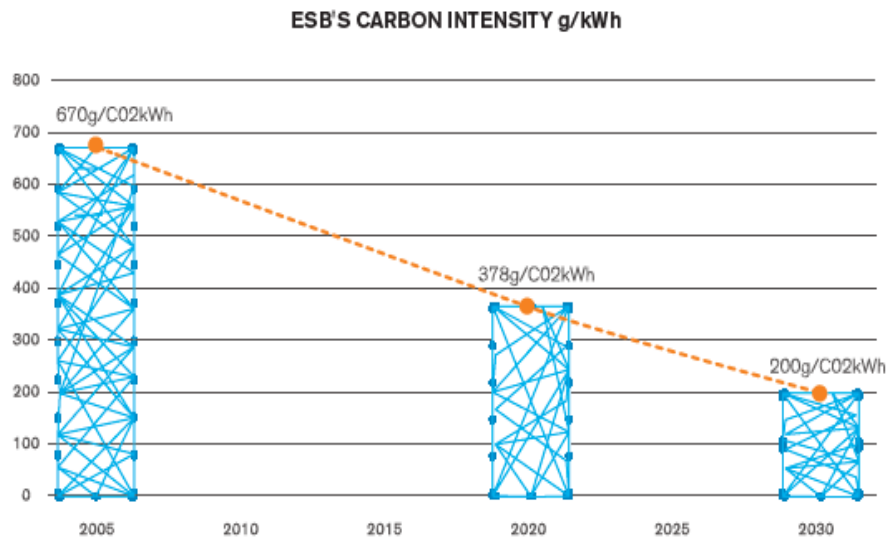
Customer Solutions:

- Electric Vehicle (EV) infrastructure upgrade continued
- 100% Green Tariff launched



ESG Progress & Reporting

- Carbon intensity in 2020 of 378 g/kWh (44% improvement since 2005)
- CDP Score Improvement – "A" listed
- Gender Pay gap published (first time)
- 2020 Sustainability Report
- Green Bond Framework and Report for 2019/2020



CDP SCORE REPORT - CLIMATE CHANGE 2020

ESB Group

Region	Europe
Country	Ireland
Questionnaire	Electric utilities
Activity Group	Thermal power generation

The CDP Score Report allows companies to understand their score and indicate which categories require attention to reach higher scoring levels. This enables companies to progress towards environmental stewardship through benchmarking and comparison with peers, in order to continuously improve their climate governance. Investors will additionally receive a copy of the CDP Score Report upon request. For further feedback please contact your account manager or your key CDP contact.

Your CDP score



Average performance



Thermal power generation



Europe



Global Average



www.esb.ie/investor-relations/green-bond



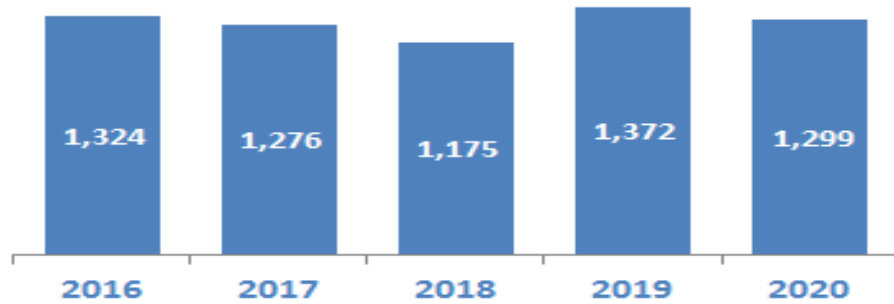
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FINANCIAL OVERVIEW

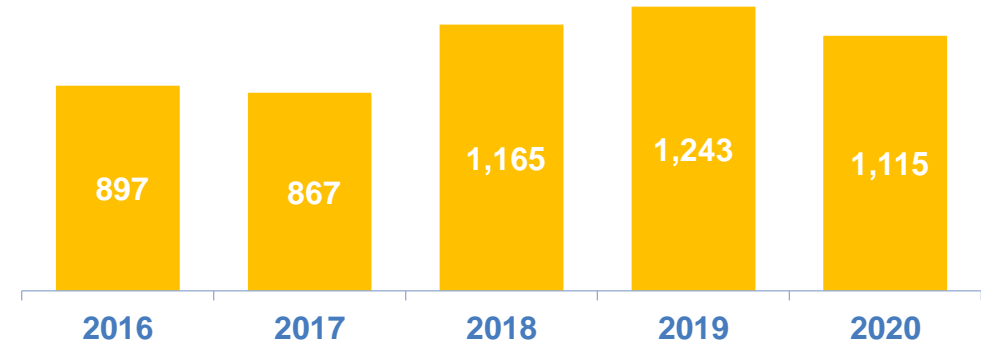


Consistent Financial Performance

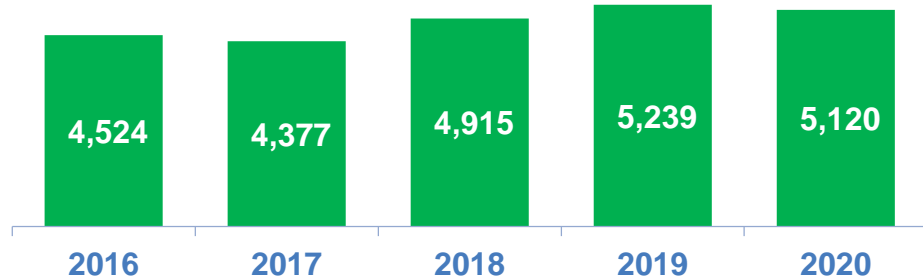
EBITDA (€m)



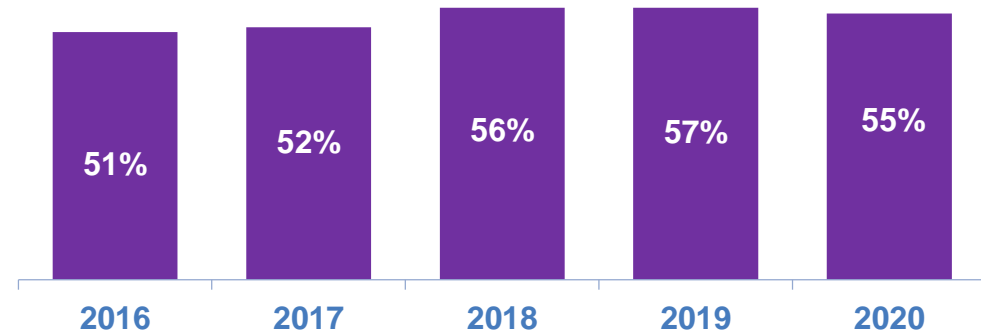
Capital Expenditure (€m)*



Net Debt (€m)**



Gearing (%)



**2019 – 2020 include lease liabilities (IFRS 16) (Avg €128m p.a.)

*2016-2017 capex is net of capital contributions (Avg €150m p.a.)

*2018 -2020 capex is gross of capital contributions

2020 Financial Highlights

Highlights	2020	Change vs 2019	Commentary
EBITDA	€1,299m	(€73m)	Reduction includes increase in ARO provisions, FX losses and bad debts
Capex	€1,115m	(€127m)	€889m in regulated business, 2019 included the investment in Neart na Gaoithe offshore wind farm
Gearing	55%	(2%)	
Liquidity	€1.8 billion	€200m	Sustainability linked RCF (€1.4bn) agreed in 2020
Credit Ratings	A-/A3	-	Ratings with both agencies re-affirmed in 2020

Points of Note

Exceptional items

An exceptional charge of €247m was taken in 2020:

- €188m impairment charge on Carrington gas plant in GB (1.4% of total asset base) due to reduced forward prices/spreads
- €59m charge due to increase in the asset retirement obligation (ARO) provision for the future disposal cost of wooden electricity poles as they are retired from the network.

BUSINESS REVIEW



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Operating Environment

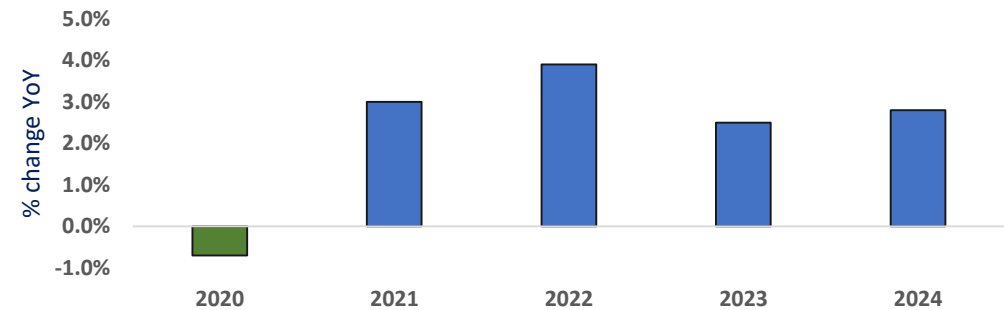
Ireland

- Irish GDP +3.4% 2020, +3.8% 2021F *
- Strong Irish sovereign rating : AA- (S&P) and A2 (Moody's)
- SEM electricity demand growth forecast
- Commodity prices very volatile in 2020
- COVID-19 Impact

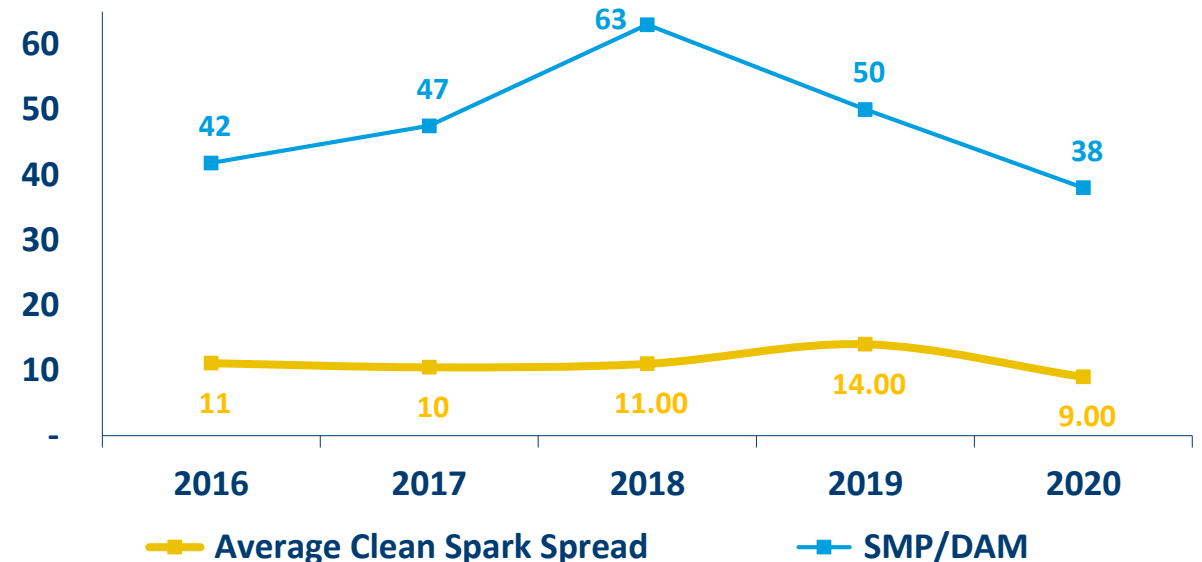
Great Britain

- UK GDP -9.9% 2020, +4.0% 2021F
- Brexit
 - Sterling assets matched with sterling funding;
 - SEM underpinned by pre-existing legislation in NI and ROI;
 - NIE Networks has no volume risk; visibility to end Q1 2024

SEM System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland *Source: Eirgrid*

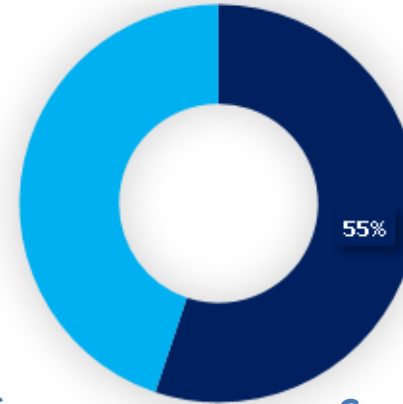


Business Strategy - Smart Reliable Networks to Support Decarbonisation

Business Highlights

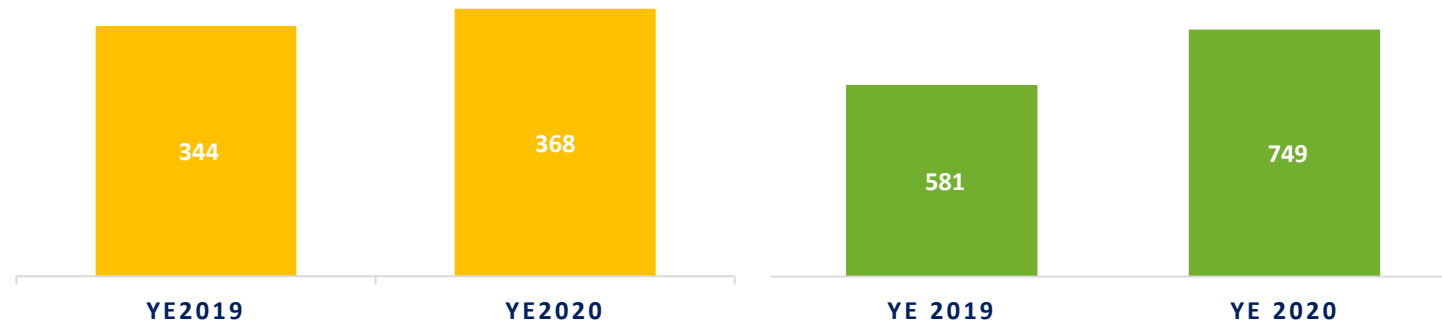
- 55% of Group EBITDA and 57% of Group Assets
- Operating Profit increased due to higher regulated tariff income offset by higher opex
- Capex increase reflects further roll out of Smart Meters and increased asset retirement provision
- Regulated Asset Base (RAB) - €8.4bn
- PR5 Revenue Determination (2021-2025)
 - €4.4 billion capex programme
 - WACC 3.8% pre-tax real¹
- **Focus:**
 - PR5 delivery

2020 ESB Group EBITDA - €1,299m / ESB Networks EBITDA - €716m



Operating Profit (€m)*

Capital Expenditure (€m)



¹ WACC pre-tax real calculated real pre-tax cost of debt and real pre-tax cost of equity
 * before exceptional items – increase in Asset Retirement Obligation provision

ESB Networks – PR5 Determination (vs PR4)

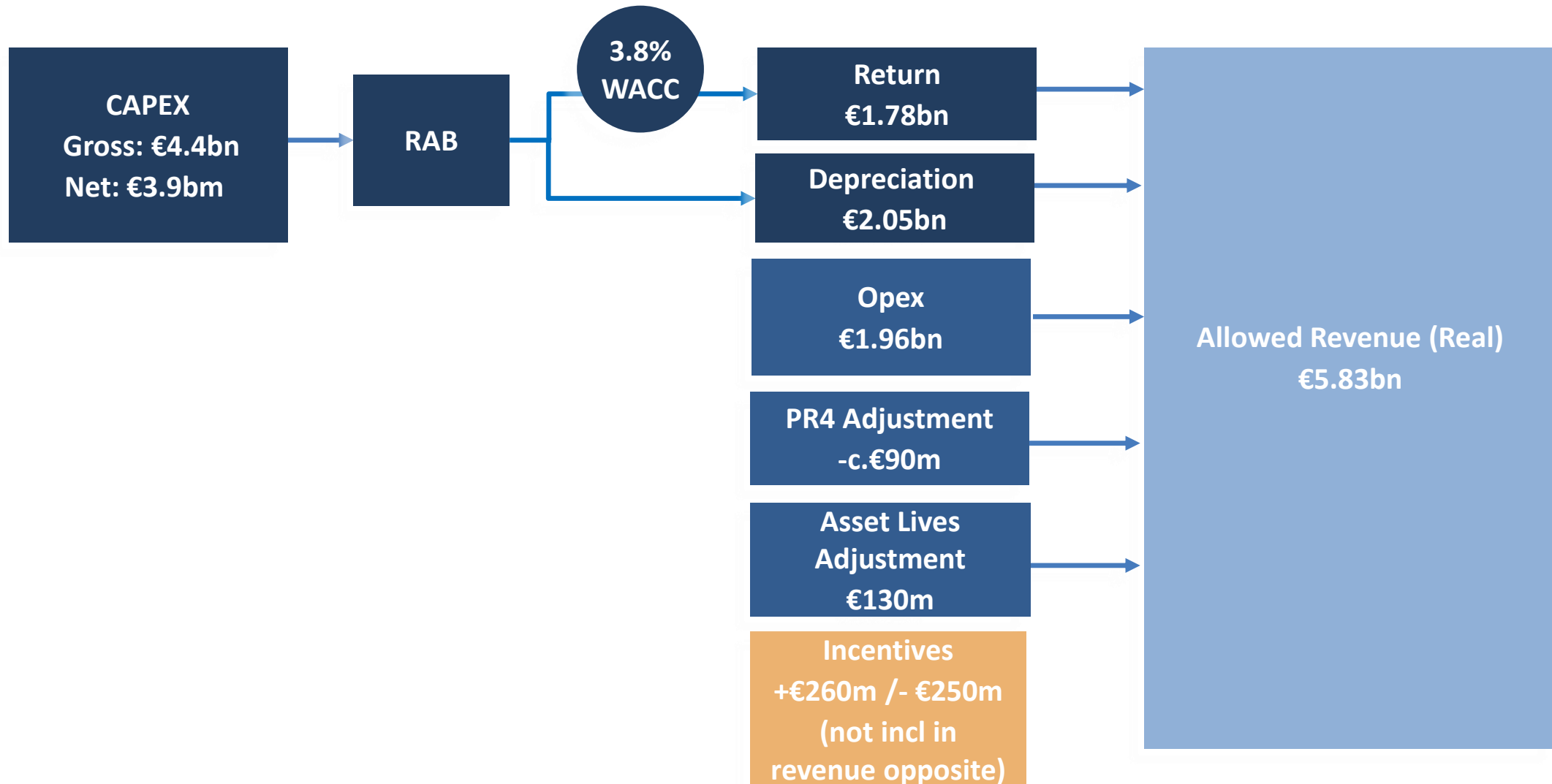
ESB Networks	PR4 Outturn*	PR5 Determination **
WACC (pre-tax, real)	4.95%	3.80%
Overall revenue	€5.2bn	€5.83bn***
Gross Capex	€2.7bn	€4.4bn
Operating Allowances	€1.7bn	€1.96bn
Closing RAB	€8.4bn	€10 bn
Asset Life	Transmission – 50 years Distribution – 45 years	Transmission – 50 years Distribution – 45 years Revised secondary assets to technical life (10-17 years)

* Nominal

** 2019 money

*** Excluding Incentive revenue

PR5 Final Determination (2019 money)



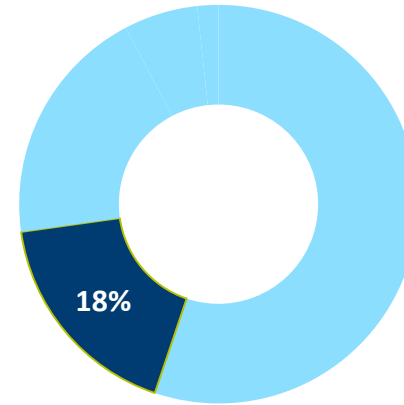
Northern Ireland Electricity (NIE) Networks

Business Strategy - Smart Reliable Networks to Support Decarbonisation

Business Highlights

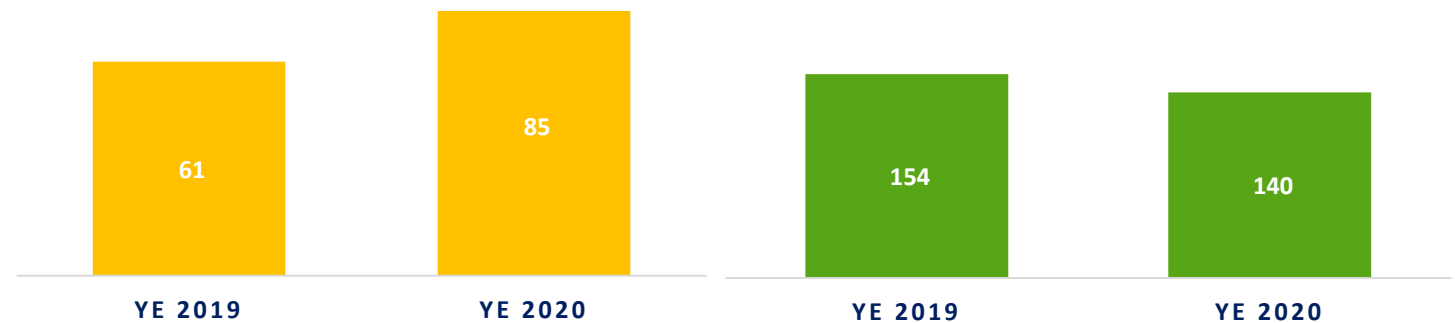
- 18% of Group EBITDA and 16% of Group Assets
- Operating Profit increase is due to higher use of system income
- Capex decrease primarily reflects COVID-19 impact on activities
- Regulated Asset Base - €1.8bn / £1.6bn
- RP6 revenue determination (Oct '17 – Mar '24)
 - RP6 WACC 3.2% vanilla real¹ (3.8% pre-tax real)
- **Focus:**
 - RP6 Implementation

2020 ESB Group EBITDA - €1,299m / NIE Networks EBITDA - €230m



Operating Profit (€m)

Capital Expenditure (€m)



¹Vanilla WACC calculated real pre-tax cost of debt and real post-tax cost of equity

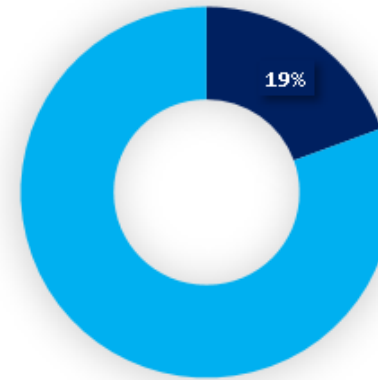
Generation & Trading (GT)

Business Strategy – Transition to Low Carbon Generation Portfolio

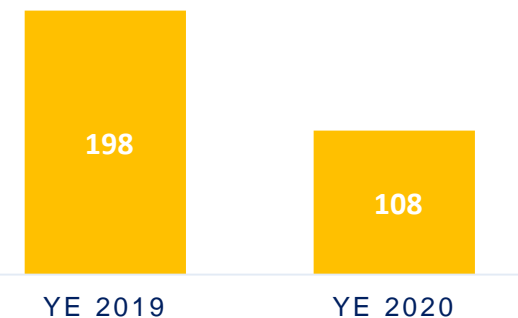
Business Highlights

- 19% of Group EBITDA and 18% of Group Assets
- All-Island SEM market share 29% by volume
- Decrease in Operating Profit reflects lower energy margin
- Energy margin – lower due to cessation of peat PSO and certain gas contracts
- Decrease in capex reflects higher capex in 2019 relating to investment in Neart na Gaoithe (offshore) and Grousemount (onshore) windfarms
- Carbon intensity 378 g/kWh – reduced from 406 g/kWh in 2019 and targeted to reach 200 g/kWh by 2030
- **Focus:**
 - Build pipeline of renewable projects
 - Continue to prepare for future RESS auctions

2020 ESB EBITDA - €1,299m /
GT EBITDA - €252m

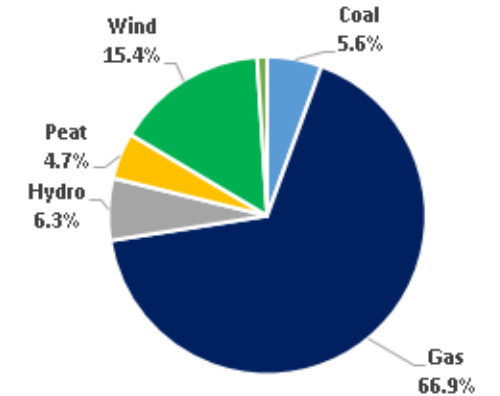


Operating Profit (€m)*

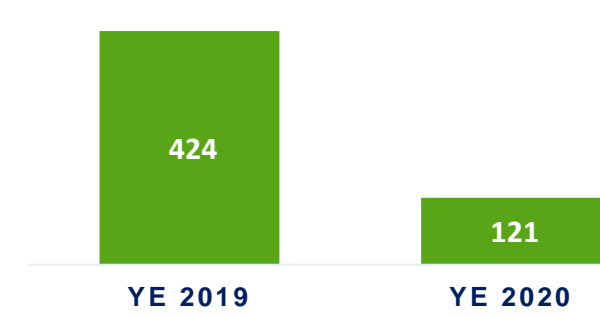


Fuel Mix:

SEM & GB Generation



Capital Expenditure (€m)



*before exceptional items –impairment on Carrington CCGT asset

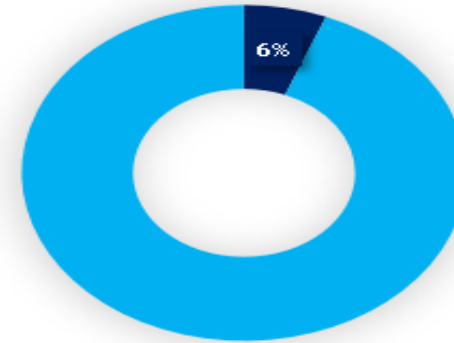
Customer Solutions (including Electric Ireland)

Business Strategy – Competitive Offerings & Excellent Customer Service to Meet Customer Needs

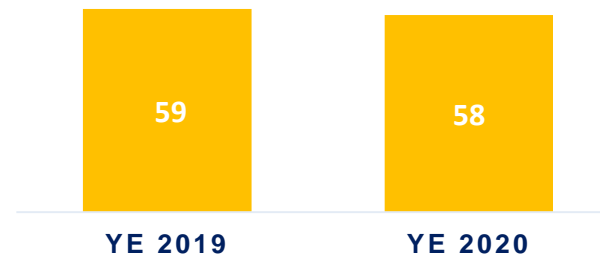
Business Highlights

- Customer-facing businesses - supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Customer Solutions contributed 6% of Group EBITDA
- Operating Profit €58m; includes higher bad debt charge of €15m relating to the impact of COVID-19
- Bad Debts charge has increased from €10m to €25m (1.1% of Turnover)
- Irish market share 34% with 1.5m customer accounts
- ESB Energy (GB) customer accounts: 165,000 at year end
- **Focus:**
 - Meet customer energy needs through value driven solutions at appropriate margins

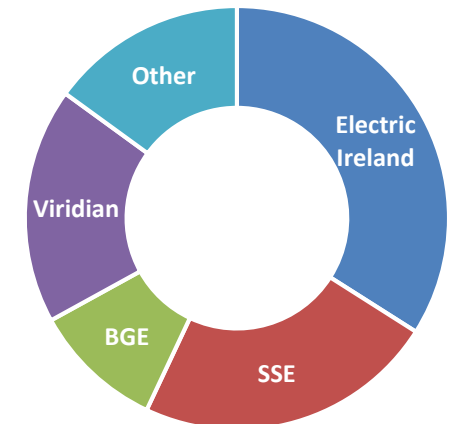
2020 ESB Group EBITDA - €1,299m / Customer Solutions EBITDA - €78m



Operating Profit (€m)



SEM Market Share (MWh)

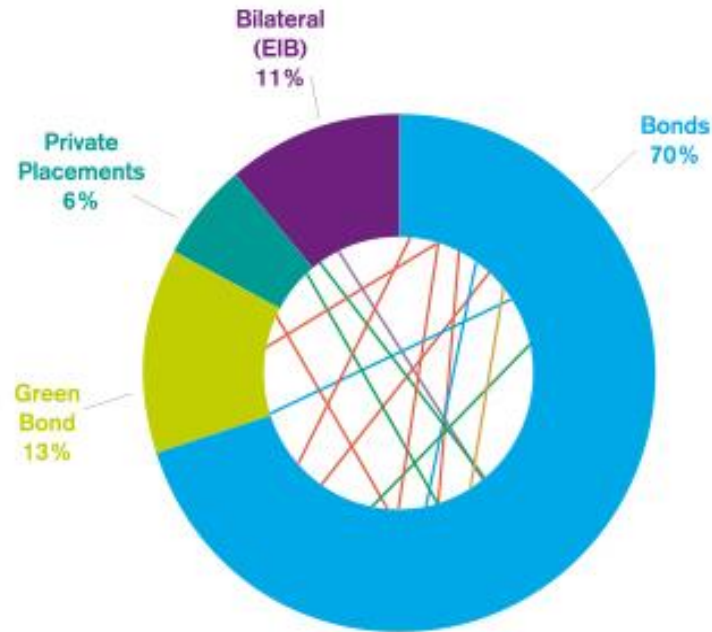


Funding & Liquidity

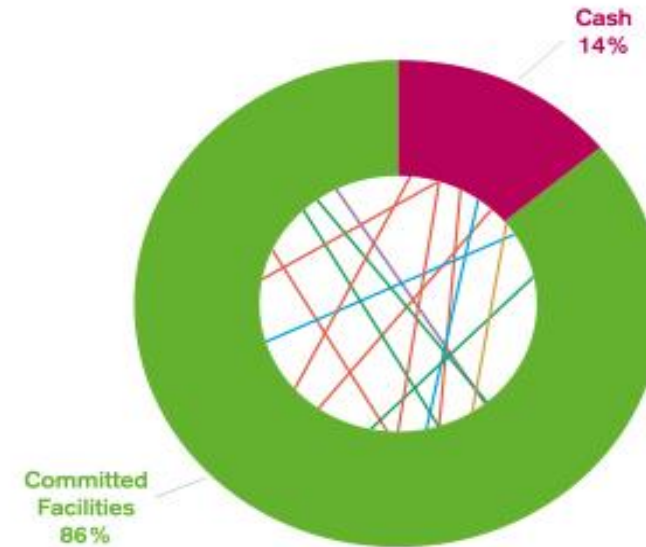


ESB Group Debt – Diversified Funding Liquidity

Group Debt 31 December 2020 - €5.3 billion



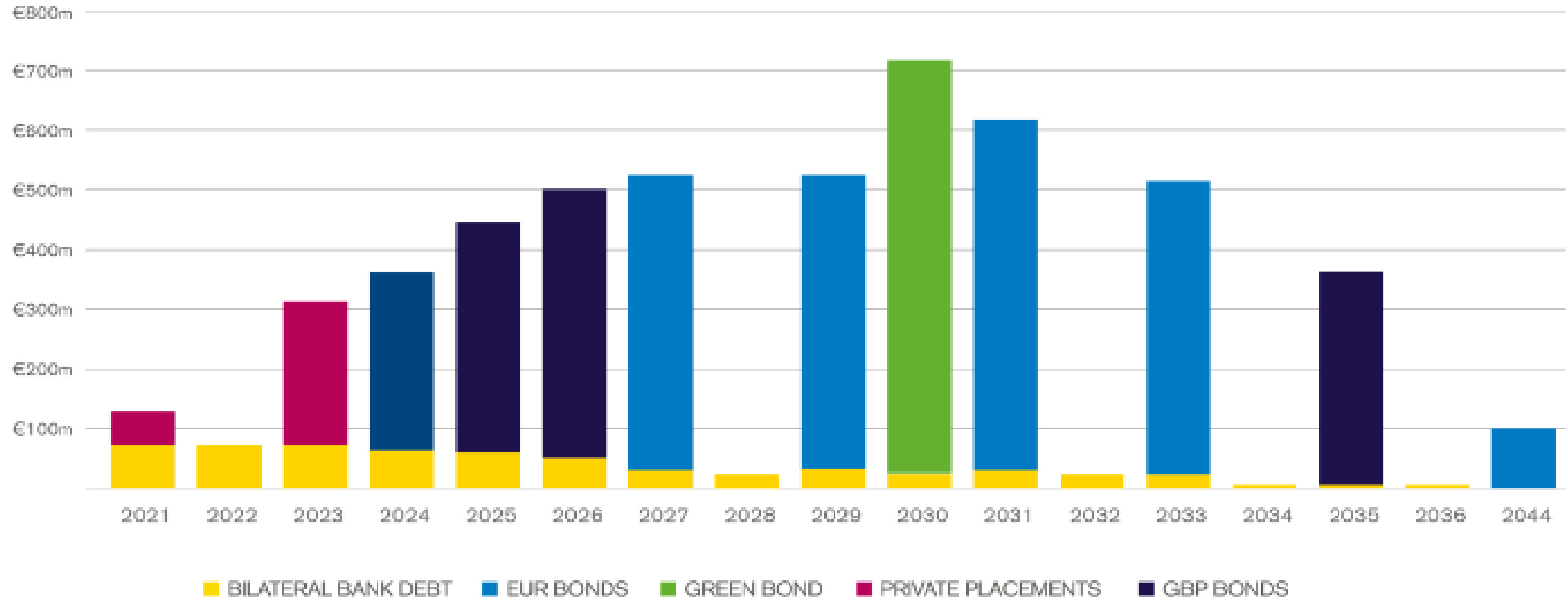
Available Liquidity 31 December 2020 - €1.8 billion



Funding Highlights 2020:

- January 2020: Issued £325 million bond, coupon 1.875%, maturity July 2035
- February 2020: Signed a new 5-year €1.4 billion sustainability linked RCF (14 relationship banks)
- July 2020: Issued €200m tap of our inaugural 2019 Green Bond

Debt Repayment Profile as at 31 December 2020



Note: Excludes Joint Venture Debt

S&P Global
Ratings

A-

(Stable Outlook)
Long Term Rating

MOODY'S
INVESTORS SERVICE

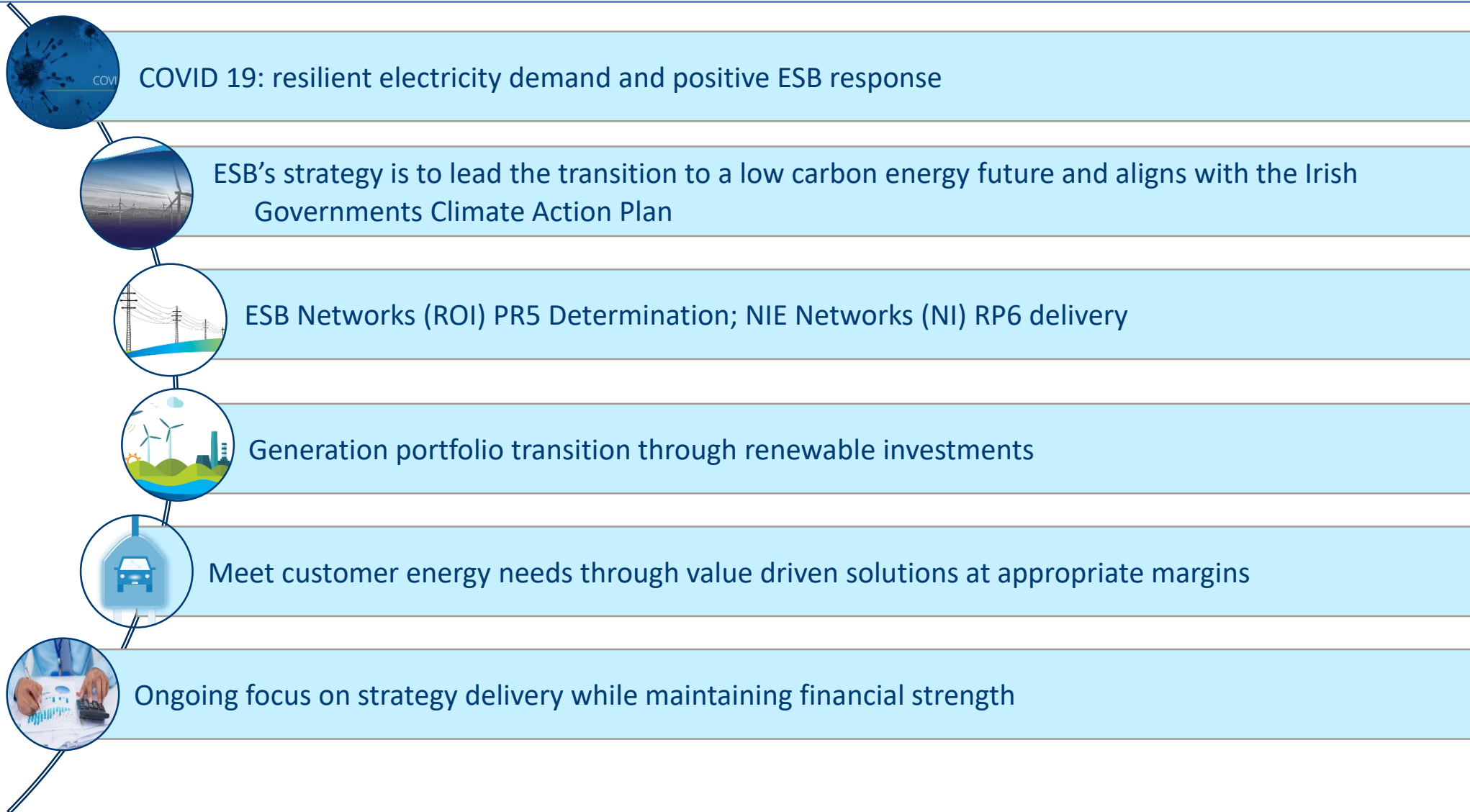
A3

(Stable Outlook)
Long Term Rating

Outlook & Summary



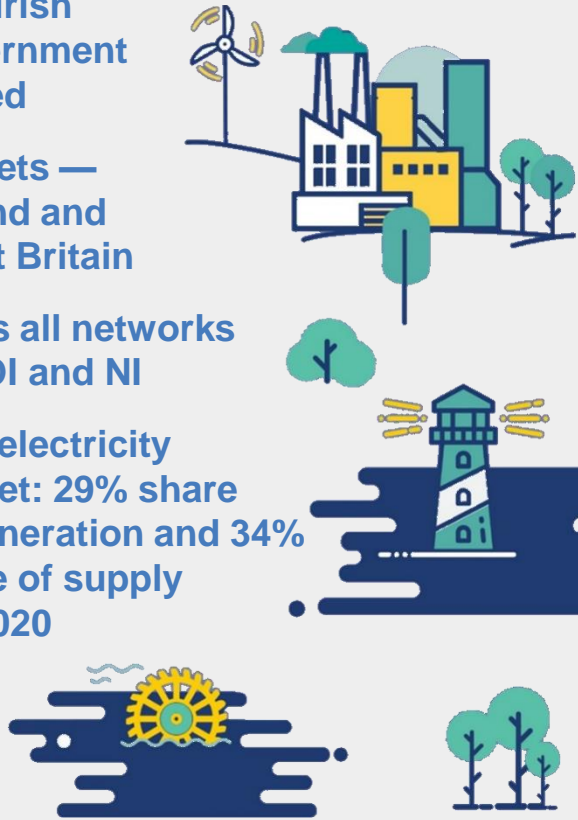
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Key Credit Strengths

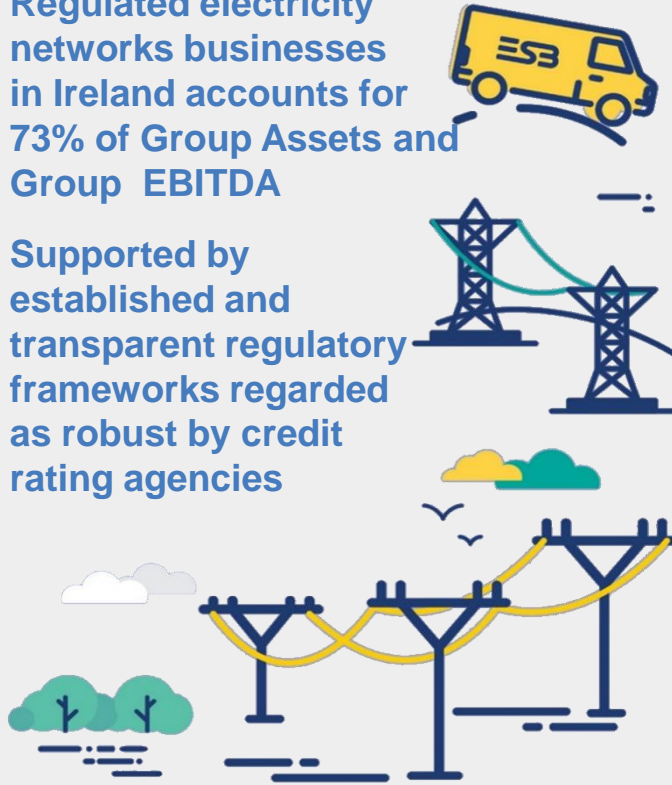
Leading Irish Energy Utility

- 96% Irish Government owned
- Markets — Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 29% share of generation and 34% share of supply YE 2020



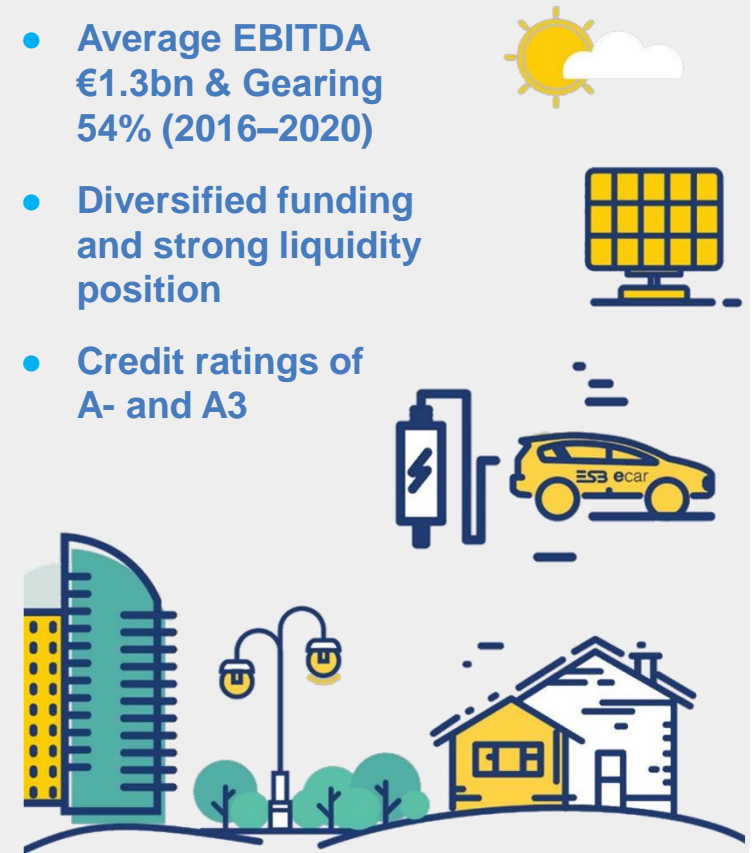
Stable Business Profile

- Regulated electricity networks businesses in Ireland accounts for 73% of Group Assets and Group EBITDA
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies



Consistent Financial Performance

- Average EBITDA €1.3bn & Gearing 54% (2016–2020)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3





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