

Electricity Supply Board



Investor Update

November 2012



www.esb.ie

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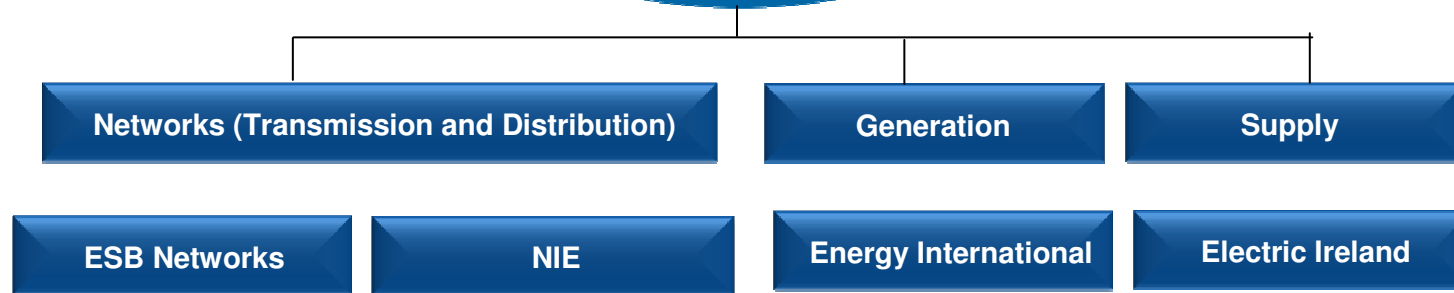


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ESB Overview

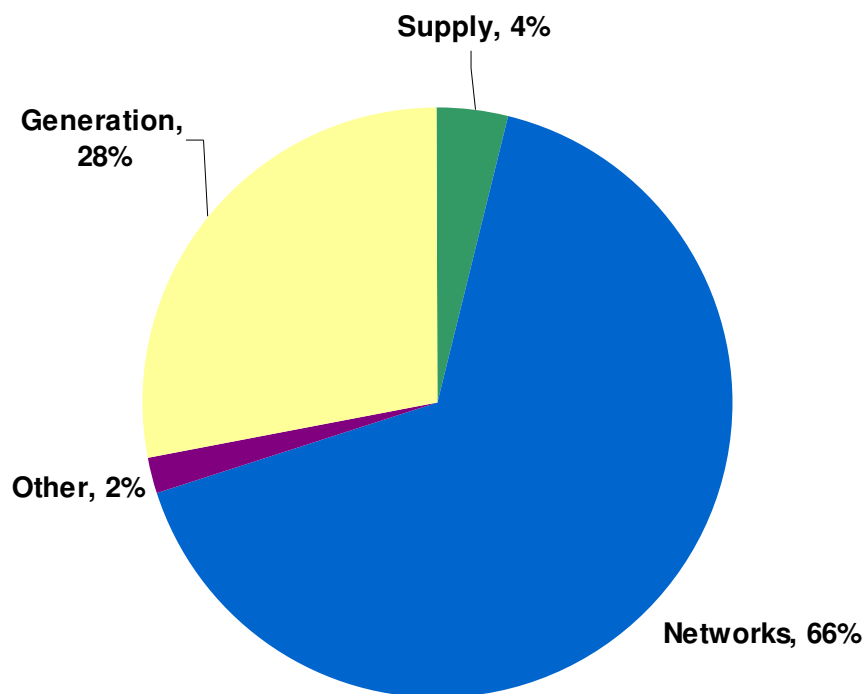


- **History:** Established 1927, Vertically Integrated, 95% owned by the Irish Government
- **Networks:** Owner of the Regulated Republic of Ireland T&D networks (RAB €6.4bn)
Owner of the Regulated Northern Ireland T&D networks (RAB £1.2bn)
- **Generation:** All-Island Capacity of 4.4GW, GB Capacity of 1.2GW
- **Supply:** 1.4 million Customers served in Ireland (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 Republic of Ireland (ROI) and Northern Ireland (NI)
- Stable, established and well understood regulatory environment
- Balanced Generation-Supply position. All-Island generation market share of 43% by capacity and 46% by volume. All-Island supply market share of 39%
- 28% of assets outside ROI

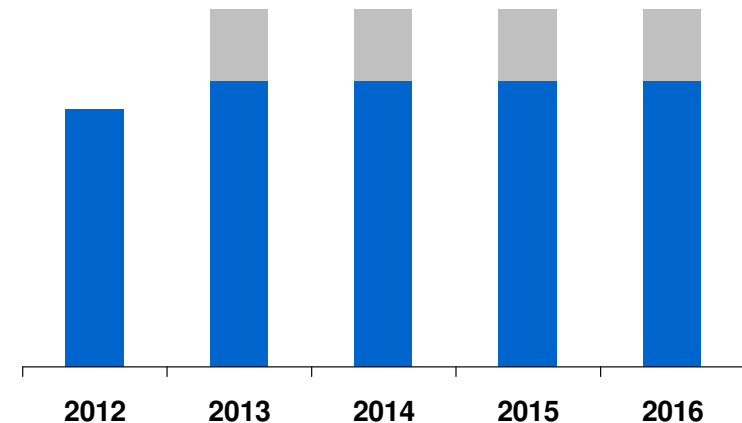


ESB Strategy Summary

- **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 to €6bn over 5 yrs

€0.9Bn €1.0Bn to €1.25bn p.a.

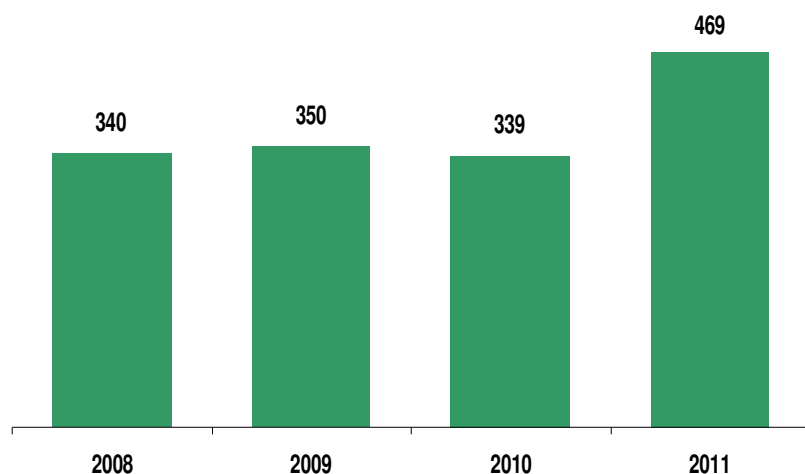


70% Capex on Regulated Networks Assets



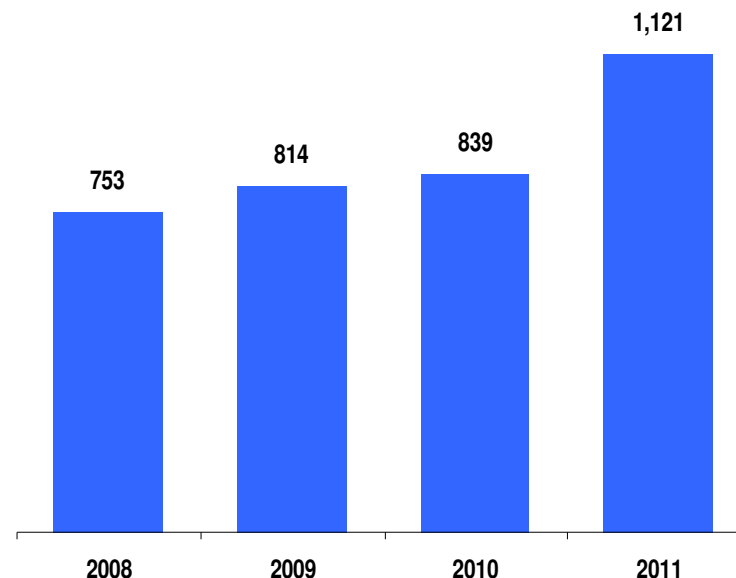
Summary ESB Financials

Operating Profit (€m)



■ 2011 Operating Profit (adjusted*) up 38% on 2010 at €469m

EBITDA (€m)



■ 2011 EBITDA up 34% on 2010 at €1.12bn

* 2010 excludes the impact of an exceptional pension charge (€330 million). 2009 excludes the impact of an exceptional profit on disposal (€265 million)

** Numbers are based on IFRS accounting



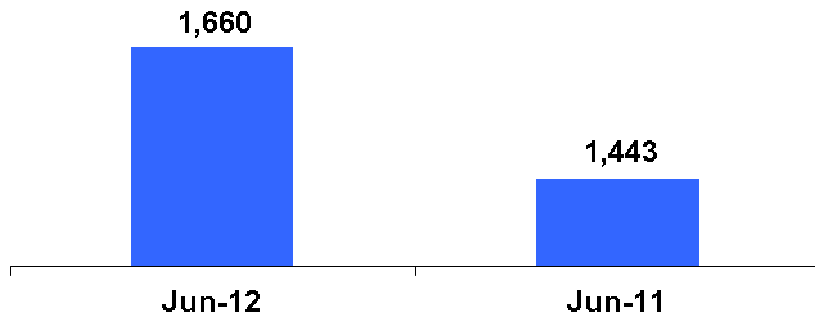
2012 Business Update

- **Interim Accounts to June 2012**
- **Performance Improvement Programme**
- **Carrington Project - Financial Close**
- **NIE Regulatory Price Control**
- **Government Policy Announcement**

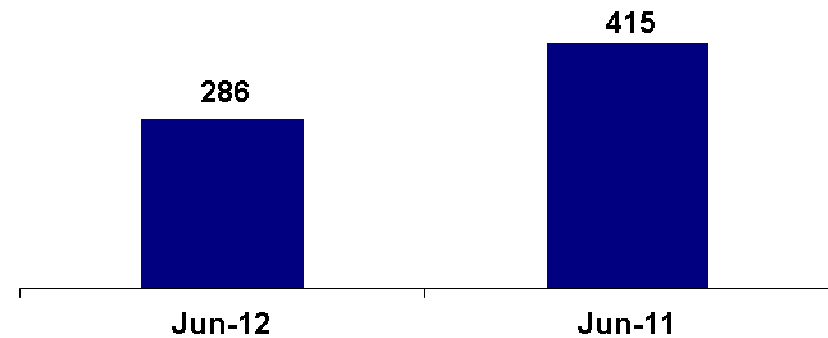


2012 Half-Year Results Summary

Revenue (€m)



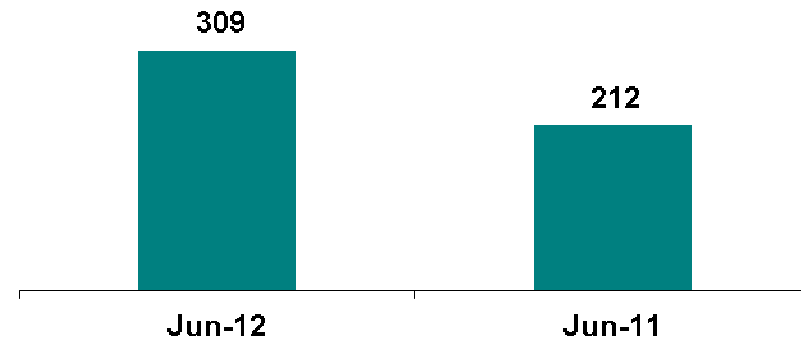
Capex (€m)



EBITDA (€m)



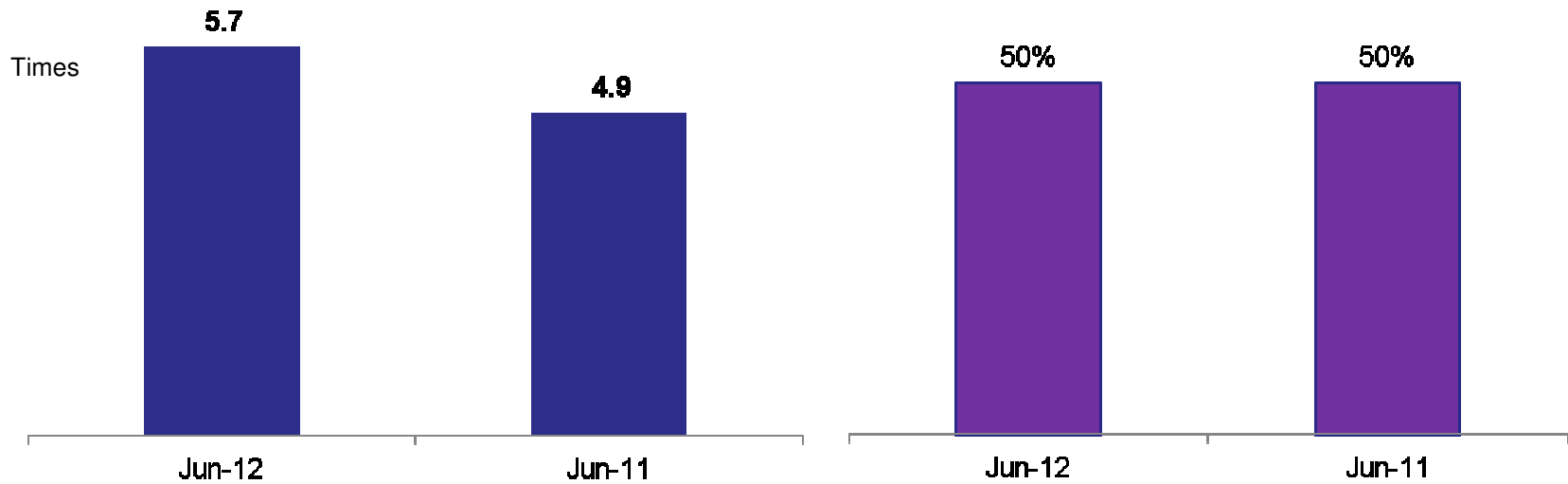
Operating Profit (excl. Jvs) (€m)



2012 Half-Year: Key Credit Metrics

Adjusted EBITDA Interest Cover

Gearing (excl. JV debt)



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.

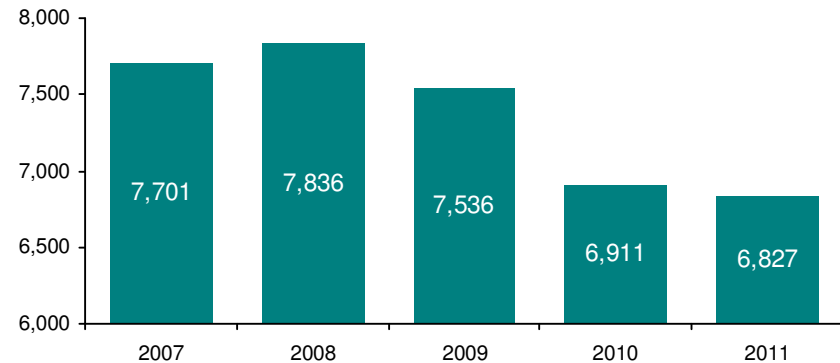
Cost Savings (€m)

	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. 1,400



Carrington Project

- Development Project: 881MW 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) who will trade the output of the plant as part of ESB's overall generation and trading position
- Scheduled to be commissioned in 2016



NIE Regulatory Price Control Update

- Final Price Determination on NIE's Transmission and Distribution Price Controls for RP5 was published in October 2012 by the Northern Ireland Utility Regulator
- RP5 Covers the period from 1 January 2013 – 30 September 2017
- NIE will review the Determination and submit its response by the due date, 20 November 2012. NIE can choose to accept the Determination or to reject it, in which case it would be referred to UK Competition Commission.
- NIE represents c. 12% of ESB Group Assets and accounted for c. 14% of 2011 Group EBITDA.



Government Policy Proposal Update

- February 2012 – Government announced decision not to proceed with sale of minority stake in ESB that had been contemplated. It confirmed its commitment to maintain ESB as a Vertically Integrated Utility under state control, and that consideration would be given to disposal of some of ESB's non-strategic generation capacity.
- October 2012 – Government confirms policy position of February, and set 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



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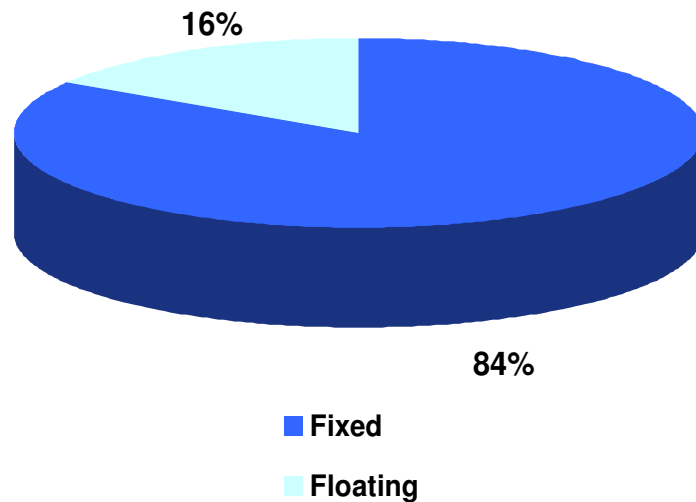
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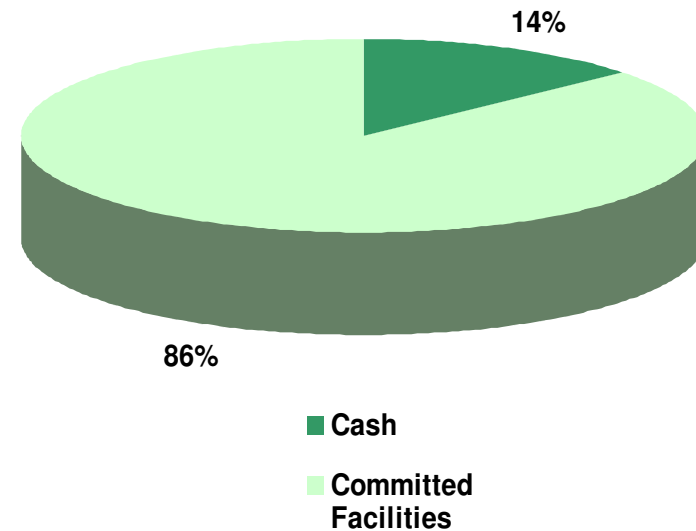
Debt & Liquidity

At 30th June 2012

Group Debt €4.4Bn



Available Liquidity €1.25Bn

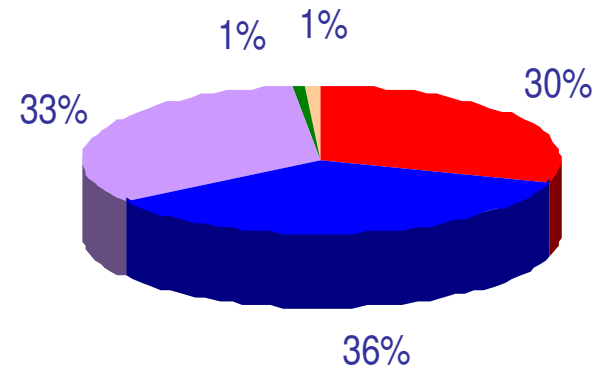
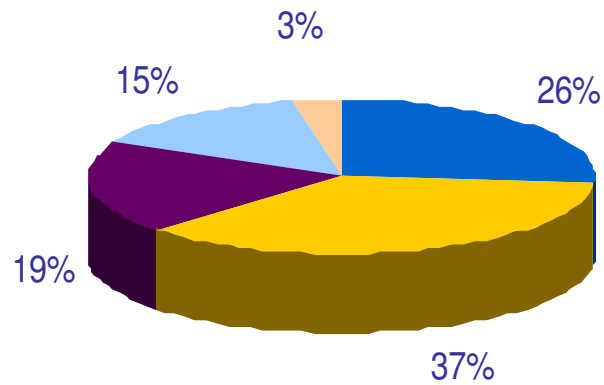


**€1.25Bn in undrawn committed facilities (incl cash) at June 2012
of which €1,030m immediately available.**

Note. Group includes Subsidiaries & excludes JV's. Fixed includes Inflation Linked.

ESB Funding Sources

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



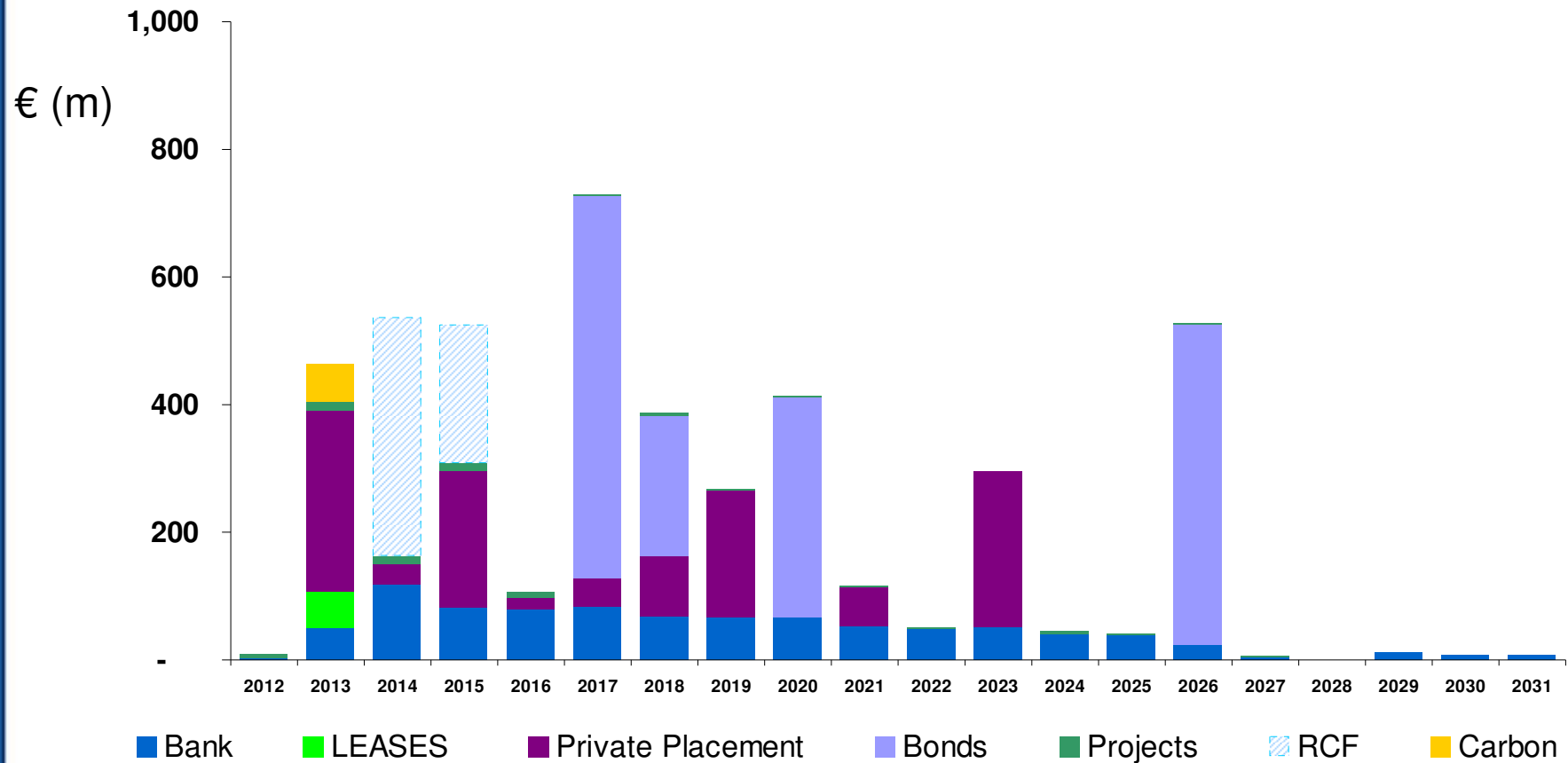
■ North America ■ Continental Europe ■ UK ■ Ireland ■ Other

ESB raises Finance from a diverse Range of Sources

Note. Funding sources is illustrative based on nationality of Banks and investors in primary ESB debt capital market issuances.



Debt Maturity Profile at 30th Sept 2012



- Profile is very manageable in context of circa EUR 1.25bn 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)*

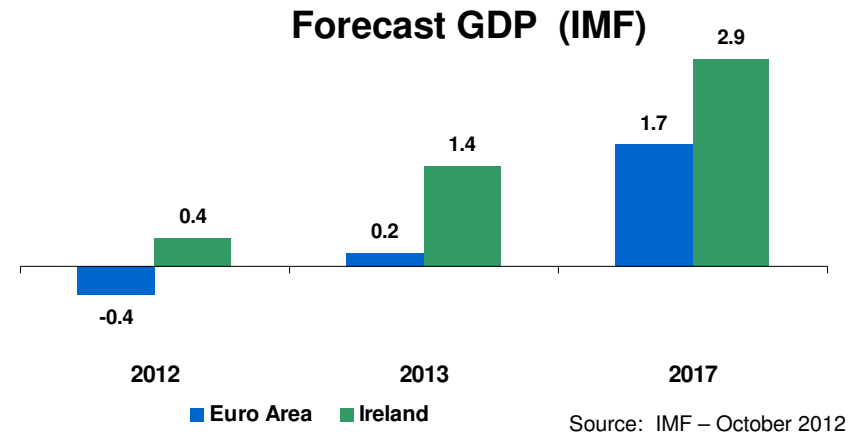
- “improved liquidity position after it raised EUR1.4bn of new debt (with an average cost of 4.5%) during 2011”
- “Around 65% of the expected earnings over the next four years will derive from the regulated network businesses, compared with up to about one-third for most peers.”



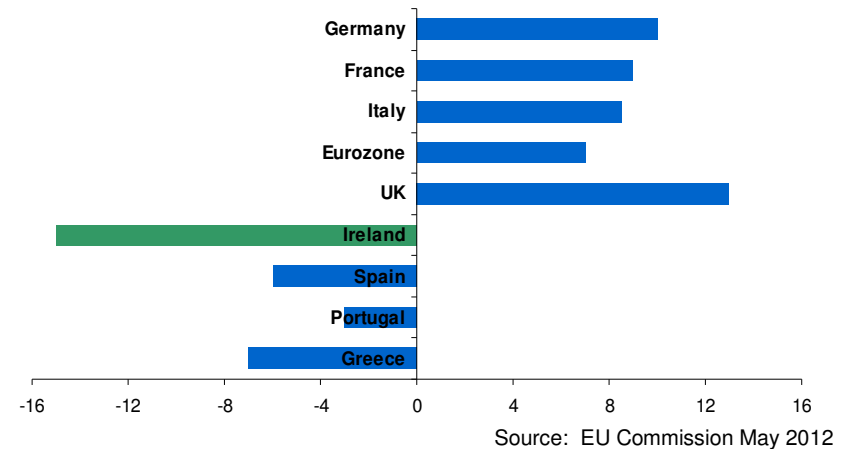
Ireland's Progress Continues

- 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

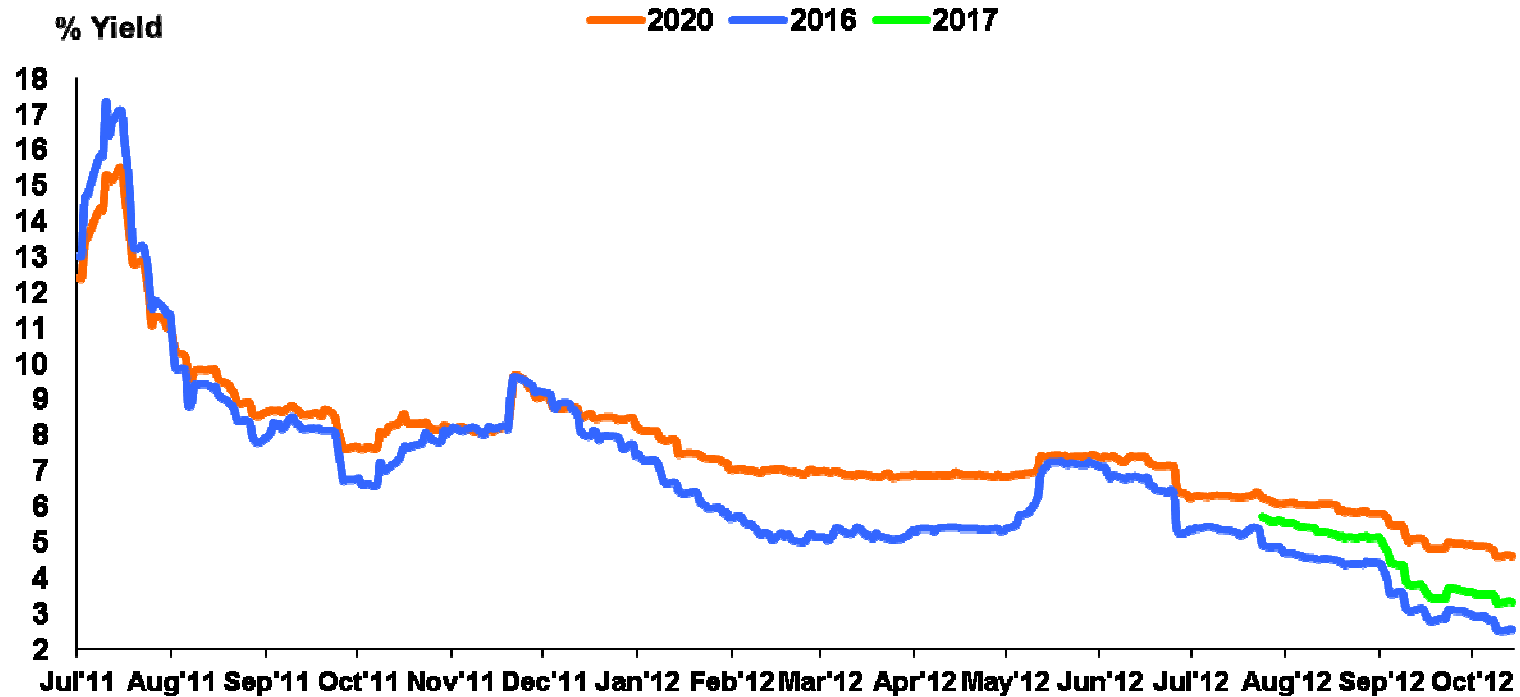
Forecast GDP (IMF)



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

- ESB to remain a strong State owned Vertically Integrated Utility
- Continued investment in regulated network assets
- New generation investment focussed in the UK (e.g. project financing of Carrington Power)
- Further delivery of cost reduction program with expected savings of €280m per annum by 2015 (60 per cent delivered to date)
- Continued strong financial performance remains top priority

