

ESB Investor Update - Financial Results 2021

www.esb.ie/ir

15th March 2022



Energy for
generations



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PAT FENLON

CFO



Anne Marie Kean

GROUP TREASURER



WILLIAM YOUNG

MANAGER, INVESTOR
RELATIONS & CREDIT RATING



OVERVIEW

**DRIVEN TO MAKE
A DIFFERENCE**

NET ZERO BY 2040

A young girl with blonde pigtails is shown in profile, focused on drawing on a large white '0' that is part of the word 'ZERO'. She is holding a black marker. The background is a blurred image of solar panels, overlaid with a blue-to-yellow gradient. The word 'NET' is in a smaller, blue font, and 'ZERO' is in a large, white font. The text 'BY 2040' is inside a yellow oval on the right side of the '0'.

2021 Highlights

- During a year of significant volatility in energy markets, ESB delivered a positive performance in 2021
- EBITDA (excluding exceptional items) €1.5 billion; Capex €1.2 billion; Gearing 52%
 - Capital expenditure €1.2 billion, including 76% (€927 million) in regulated networks capital infrastructure
 - Exceptional items: Net €63 million charge (see slide 13 further detail)
- Easing of **COVID-19** restrictions: electricity demand up 5% on 2020 and capital work programmes
- **Strong Liquidity** position of €1.9 billion at 31 December 2021
- **Credit ratings** reaffirmed A- (stable) / A3 (stable) (S&P/Moodys)
- **Strategy** refreshed in December 2021 increasing the ambition in respect of decarbonisation targets and a net zero commitment - “**Driven to make a Difference: Net Zero by 2040**”
- **Paddy Hayes** succeeded Pat O’Doherty as Chief Executive. Paddy was previously MD of ESB Networks and joined ESB in 1999



Making a Difference, ESB Strategy for a Brighter Future - Net Zero by 2040

OUR PURPOSE

OUR PURPOSE IS TO CREATE A BRIGHTER FUTURE,
FOR THE CUSTOMERS AND COMMUNITIES WE SERVE



OUR STRATEGY

WE'RE DRIVEN TO MAKE A DIFFERENCE:
ACHIEVING NET ZERO BY 2040

DECARBONISED
ELECTRICITY

RESILIENT
INFRASTRUCTURE

EMPOWERED
CUSTOMERS

EMPOWERED PEOPLE • DIGITAL & DATA DRIVEN • FINANCIALLY STRONG • SUSTAINABLE

OUR CULTURE

OUR VALUES

WE'RE
COURAGEOUS

WE'RE
CARING








WE'RE
DRIVEN

WE'RE
TRUSTED

ESB Strategy

- ESB strategy launch Feb '22:
 - Net Zero target in place (by 2040)
 - Increased ambition in decarbonisation targets:
 - Networks to enable electrification
 - Increased Renewable GW ambition
 - Steeper reduction in carbon intensity
- Strategic Objectives align with UN SDGs
- Investment Focus - Smart reliable networks & Low carbon generation
- Strategy:
 - aligns with the Irish Governments climate action plan
 - consistent with Northern Ireland's "the Path to Net Zero" and GB's Net Zero Strategy: "Build Back Greener"



Strategic Performance Indicators (SPIs)			
Strategic Objective	Indicator	2021	2030 Target (unless otherwise stated)
 Develop and connect renewables to decarbonise the electricity system by 2040	ESB Renewable Generation	983 MW	>5,000 MW
	Scale of Low-Carbon Energy Connected to Our Networks	4.7 GW in ROI 1.8 GW in NI	> 15 GW in ROI 2 GW in NI
 Provide resilient infrastructure for a reliable low-carbon electricity system	Networks Regulated Asset Base	ESB Networks: €8.8bn NIE: €2.1bn	ESB Networks: €13 - 14bn NIE: €3 - 3.5bn
	Carbon Intensity of the Electricity ESB produce	440g CO ₂ / kWh	140g CO ₂ / kWh
 Empower, enable and support customers and communities to achieve net zero	Share of ESB Generation Output from Zero Carbon Sources	14%	63%
	Number of smart meters installed	620,000	2.6m
	Electrification of Transport Network: Public EV Chargers	1,700 (island of Ireland and GB)	3,000 Total
 Ensure we have people capability to deliver our strategic objectives with a strong values-based and inclusive culture	Employee Engagement (Our Voice Staff Survey)	7.0	7.3
 Leveraging data and technology, transform ESB to a data driven digital utility	% of Customer Engagements that are Digital	Digital customer engagement measure to be reported in 2022	Top quartile (by 2026)
 Maintain the financial performance and strength required to deliver our purpose	Strong Investment Grade Credit Rating	Credit ratings of A- or equivalent and BBB+ on a standalone basis	BBB+ on a standalone basis
	Return on Capital	5.6%	ROCE >WACC
 Step forward on social and environmental responsibility, cultivating a safe, sound and sustainable ethos in line with our values	ESB Greenhouse Gas Emissions	Will be included in ESB's Sustainability Report which will be published in 2022.	Net Zero by 2040 An externally accredited Science Based Target by 2030

Delivering a Brighter Future

Generation & Trading:

- 1 GW of renewable generation in operation
- Offshore:
 - In Operation: 12.5% stake in 353MW Galloper (GB) Offshore wind farm
 - In Construction: ongoing on the 448MW Neart na Gaoithe (GB) offshore wind project
 - In Development: 370MW Oriel (ROI) and 1,080MW Inch Cape Offshore Wind (GB)
- Onshore: Joint ventures with Bord na Mona (83MW Oweninny 2) and Coillte (1 GW of projects)
- Announcement of "Green Atlantic" - transformation of the Moneypoint coal site into a Green energy hub

Networks:

- ESB Networks Price Review 5 (2021-2025) aligned with Ireland's Climate Action Plan
- National Smart Metering Programme (NSMP) rollout continues over 650k now installed
- 6.4 GW of renewable generation connected to the national grid (All-Island)

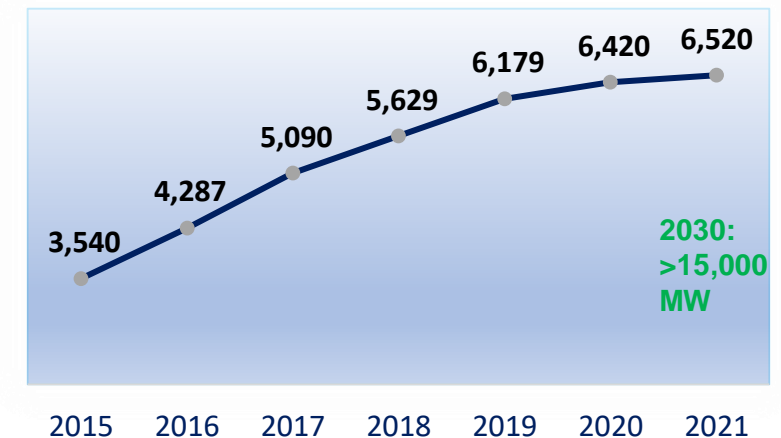
Customer Solutions:

- Joint Venture "Electric Ireland Super Homes" with TEA to deep retrofit 35k homes by 2030
- Launch of Home Electric+

Operational Renewables (MW)



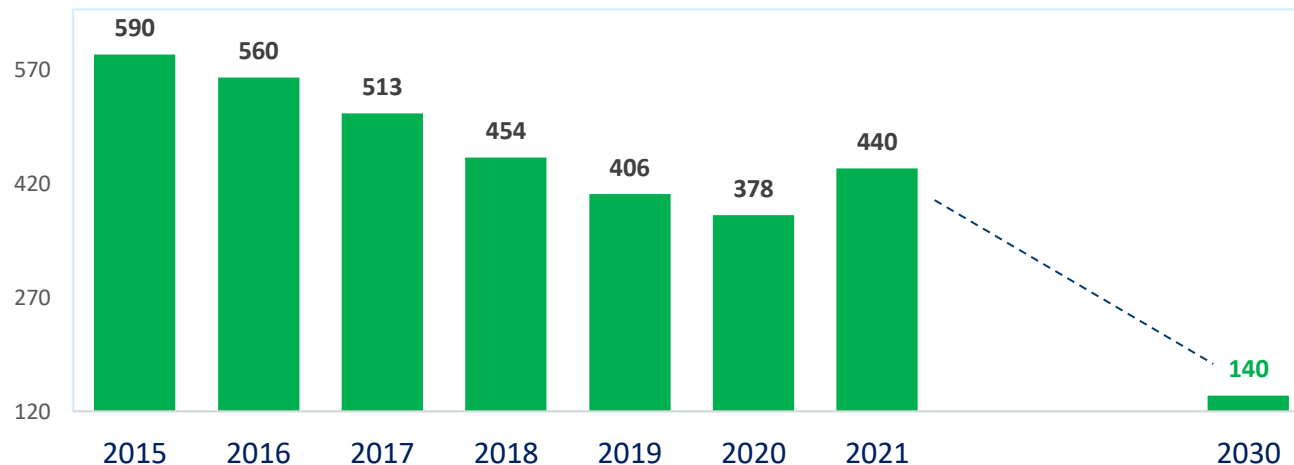
Renewables Connected to Grid (MW)



ESG Commitment, Progress & Reporting

- ESG is a pillar of our refreshed strategy
- EU Taxonomy disclosures included in 2021 – first time
- ESB has committed to set a Science Based Target in 2022
- Carbon intensity in 2021 of 440 g/kWh (34% improvement since 2005)
- Further disclosures on TCFD included in Annual Report

Carbon Intensity (g/kWh)



CDP SCORE REPORT - CLIMATE CHANGE 2021



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



- Gender pay gap report published (March '21) and human rights assessment published
- Modern Slavery statement published annually (includes supply chain focus)
- Established Social & Community Purpose supports

FINANCIAL OVERVIEW

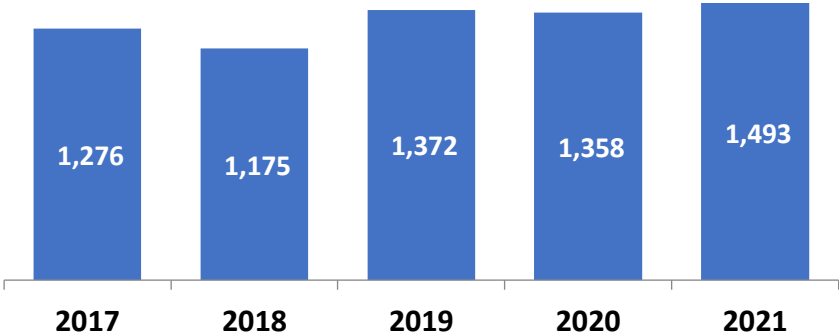


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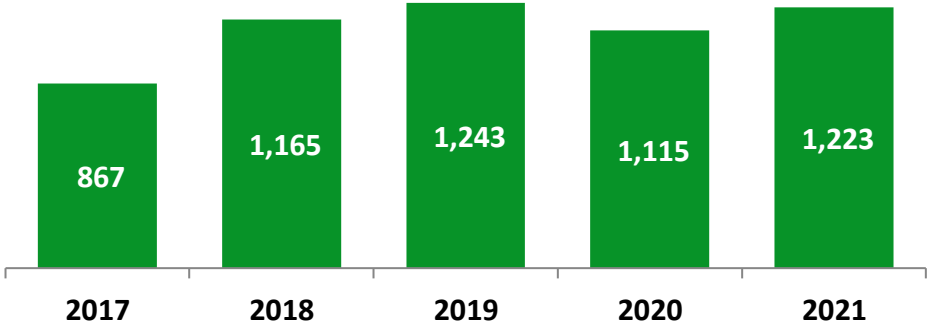


Consistent Financial Performance

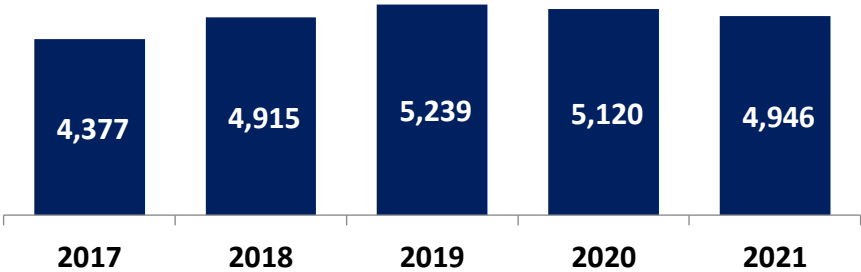
EBITDA (excluding exceptional items) (€m)



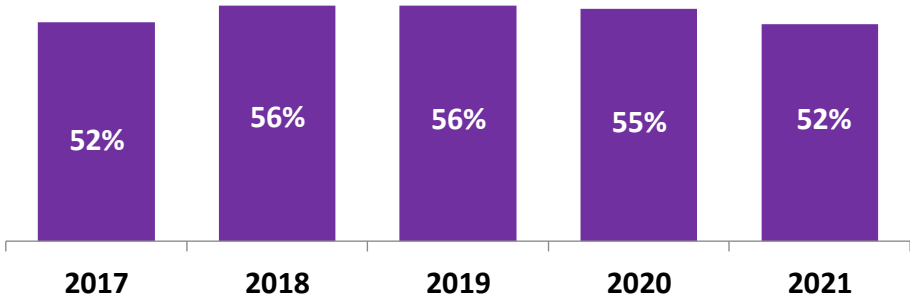
Capital Expenditure (€m)*



Net Debt (€m)**



Gearing (%)



**2018– 2021 include lease liabilities (IFRS 16) (Avg €128m p.a.)

*2017 capex is net of capital contributions (Avg €150m p.a)
*2018 -2021 capex is gross of capital contributions

2021 Exceptional items

Exceptional Items	2021	Details
Investment in NNG	(€154m)	Non cash impairment charge Neart na Gaoithe offshore wind farm investment due to delays and expected additional construction costs
So Energy	(€61m)	Non-cash charges association with the investment in SO Energy namely a write down of goodwill and an onerous contract provision (linked to the UK price cap)
Tilbury Gain	€82m	Disposal of 47% stake in Tilbury waste energy project (UK)
Head Office	€70m	Disposal of one of the office buildings at the Head Office redevelopment in Dublin
Net Charge	(€63m)	

BUSINESS REVIEW

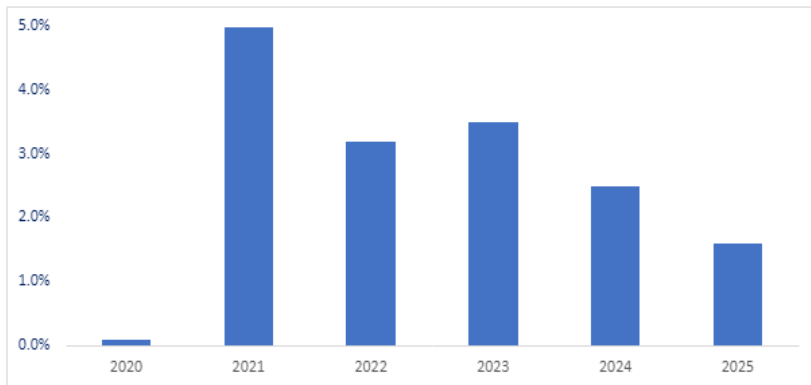
A low-angle shot of a high-voltage power line tower, silhouetted against a sky with a blue-to-yellow gradient. Two workers are visible on the tower's structure. Bare tree branches are visible on the right side of the frame.

Operating Environment

Ireland

- Irish GDP +16% 2021, +8.7% 2022F *
- Strong Irish sovereign rating : AA- (S&P) and A2 (Moody's)
- SEM electricity demand growth forecast 3.2% - 2022
- Commodity prices very volatile in 2021 and 2022
- Limited COVID-19 Impact

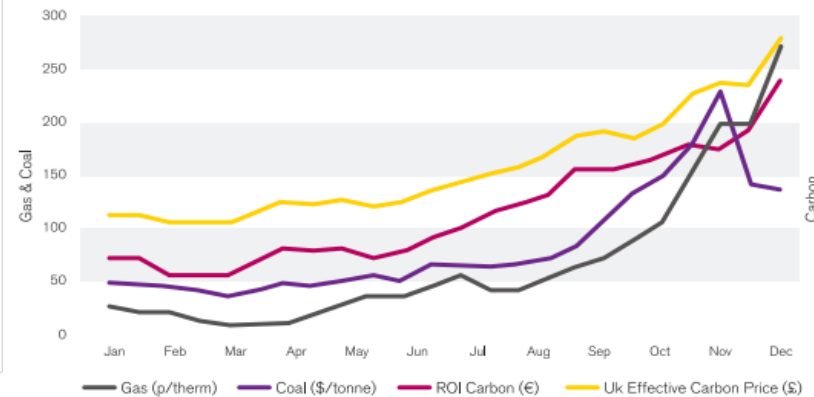
SEM Demand Growth



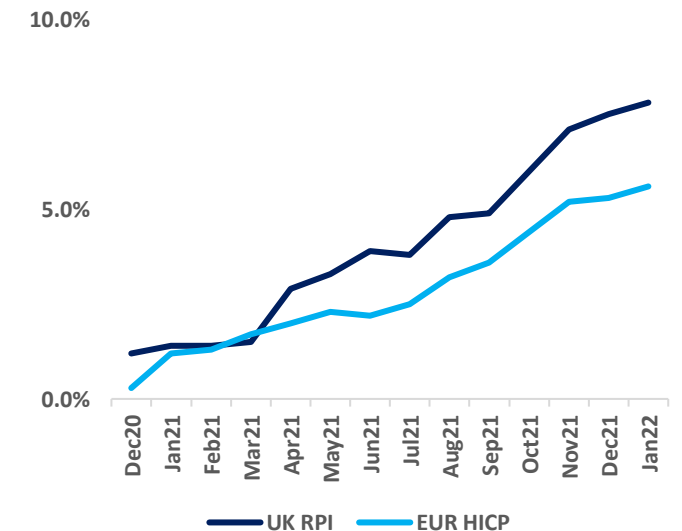
Great Britain

- UK GDP +7.0% 2021, +3.75%F*
- Commodity price volatility and price cap
 - Contraction in retail supply companies
- No material impact Brexit

Commodity Price Movements (monthly averages) 2021



Inflation (annual rate of change)



*Forecast Irish GDP Source: Central Bank of Ireland Q1 2022 Bulletin

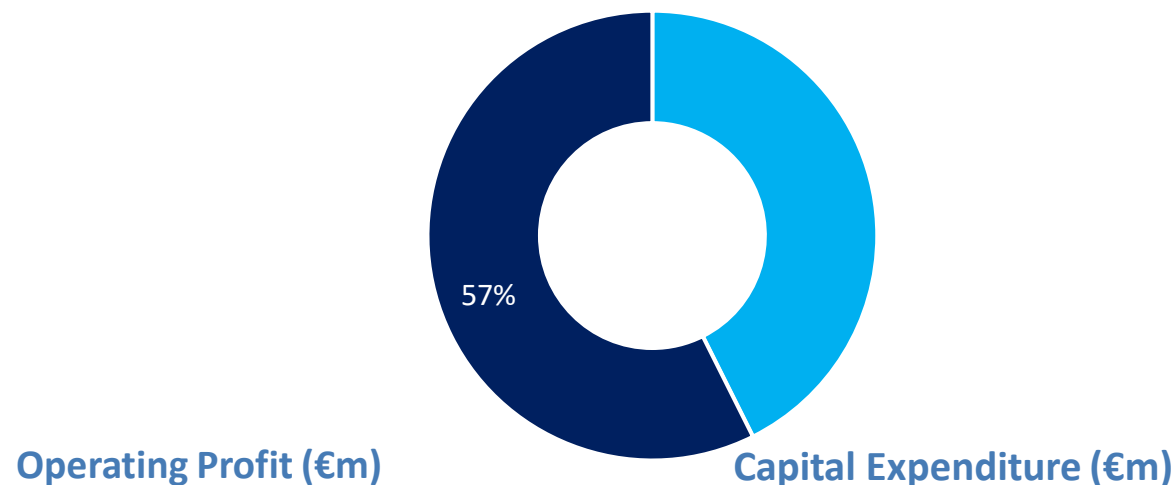
*Forecast UK GDP Source: BOE Q2 Monetary Policy Report

Business Strategy - Provide resilient infrastructure for a reliable low carbon electricity system.

Business Highlights

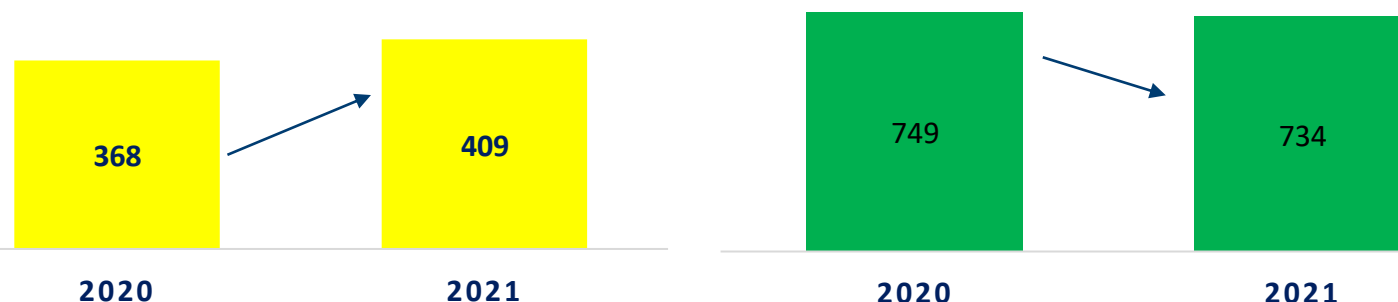
- 57% of Group EBITDA and 51% of Group Assets
- Operating Profit increased due to higher regulated tariff income
- Excluding impact of 2020 pole provision, capex increased year on year reflecting continued smart meter roll out and the commencement of PR5
- Regulated Asset Base (RAB) - €8.8bn
- PR5 Revenue Determination (2021-2025)
 - €4.4 billion capex programme
 - WACC 3.8% pre-tax real¹
- **Focus:**
 - PR5 delivery

2021 ESB Group EBITDA* - €1,493m / ESB Networks EBITDA - €857m



Operating Profit (€m)

Capital Expenditure (€m)



¹ * excluding exceptional items

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

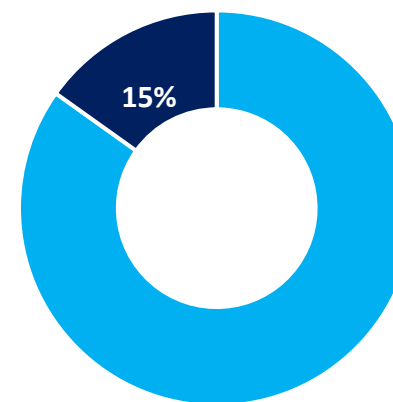
Northern Ireland Electricity (NIE) Networks

Business Strategy - Provide resilient infrastructure for a reliable low carbon electricity system.

Business Highlights

- 15% of Group EBITDA and 16% of Group Assets
- Operating Profit decrease is due to timing of receipt of regulated income offset by lower opex
- Capex increase primarily reflects continuation of normal work programmes following COVID-19 impact in 2020
- Regulated Asset Base - €2.1bn / £1.8bn
- RP6 revenue determination (Oct '17 – Mar '24)
 - RP6 WACC 3.14% vanilla real¹ (3.8% pre-tax real)
- **Focus:**
 - RP6 Implementation

2021 ESB Group* EBITDA - €1,493m / NIE Networks EBITDA - €226m



Operating Profit (€m)

Capital Expenditure (€m)



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

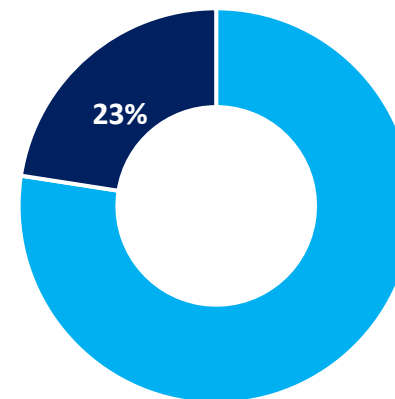
Generation & Trading (GT)

Business Strategy Develop and connect renewables to decarbonise the electricity system by 2040

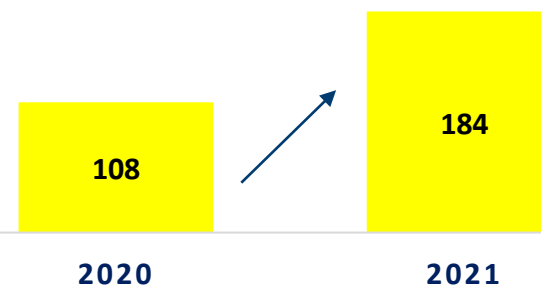
Business Highlights

- 23% of Group EBITDA and 24% of Group Assets
- Increase in Operating Profit reflects higher energy margin and lower operating costs
- Energy margin – higher due to increased running and spreads in GB. Margin on Irish plant in line with 2020
- Increase in capex reflects continued investment in renewable generation including FuturEnergy JV acquisition
- All-Island SEM market share 33% by volume
- Carbon intensity 440 g/kWh – increased from 378 g/kWh in 2020 (34% improvement since 2005) and targeted to reach 140 g/kWh by 2030
- **Focus:**
 - Build pipeline of renewable projects
 - Continue to prepare for future RESS auctions

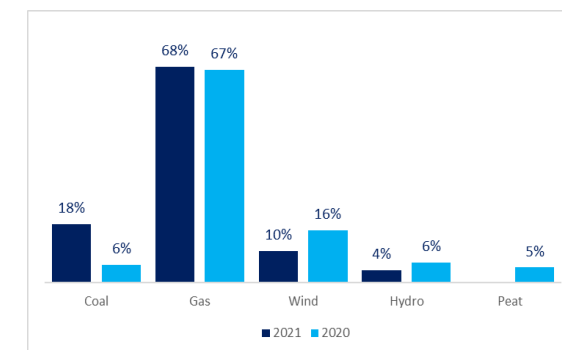
2021 ESB EBITDA* - €1,493m /
GT EBITDA - €337m



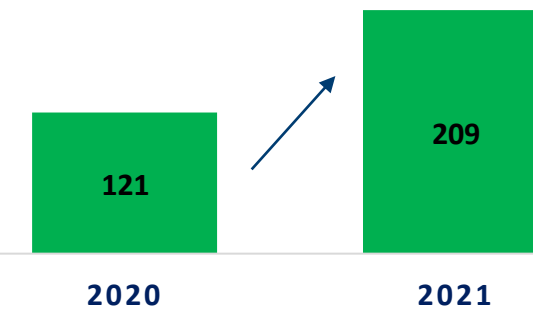
Operating Profit (€m)*



Fuel Mix:
SEM & GB Generation



Capital Expenditure (€m)



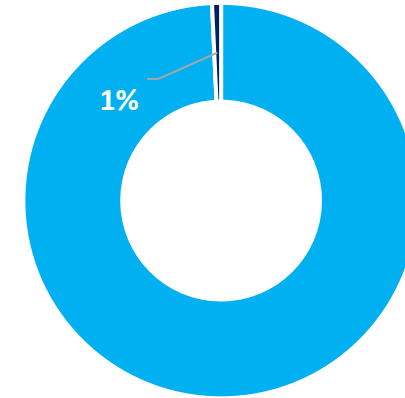
Customer Solutions (including Electric Ireland)

Business Strategy –Empower, enable and support customers and communities to achieve net zero

Business Highlights

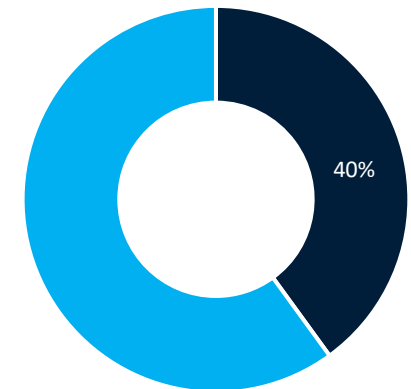
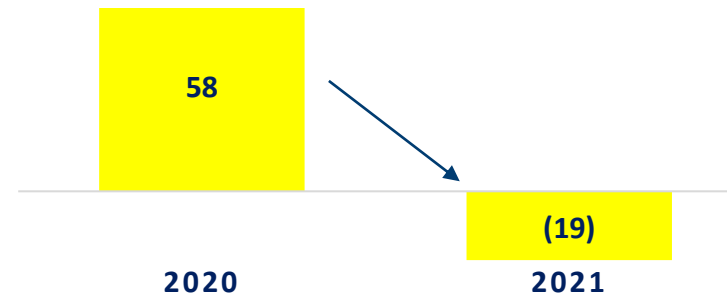
- Customer-facing businesses - supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Customer Solutions contributed 1% of Group EBITDA
- Operating Loss primarily attributed to losses in the GB supply business
- Irish market share 40% with 1.4m customers
- Following acquisition of SO Energy in 2021 – 560k customer accounts in GB
- **Focus:**
 - Meet customer energy needs through value driven solutions at appropriate margins

2021 ESB Group EBITDA* - €1,493m / Customer Solutions EBITDA - €11m



Operating Profit* (€m)

SEM Market Share



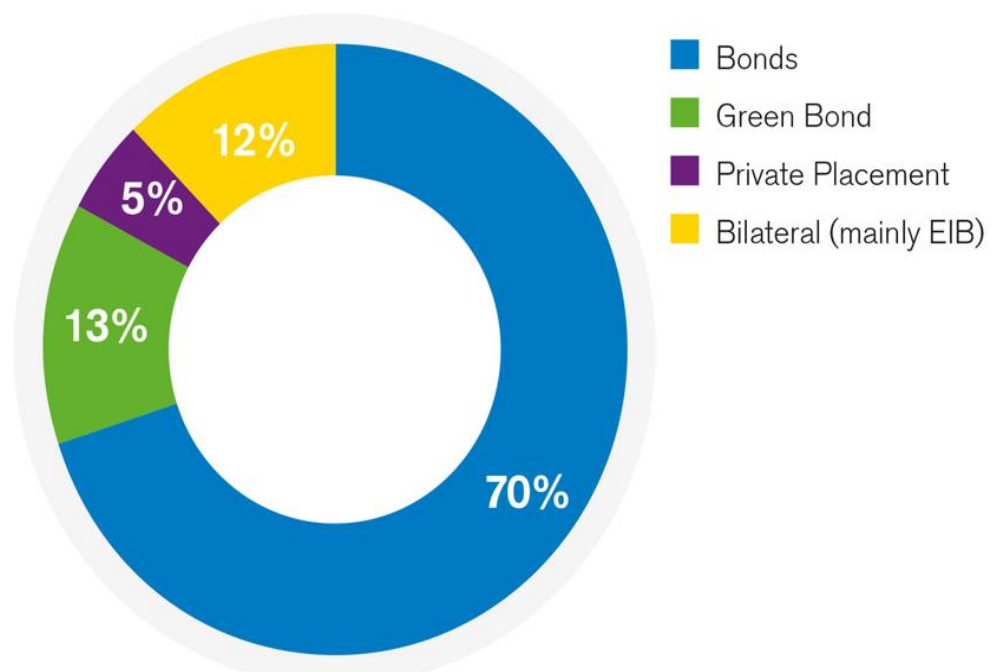
Funding & Liquidity



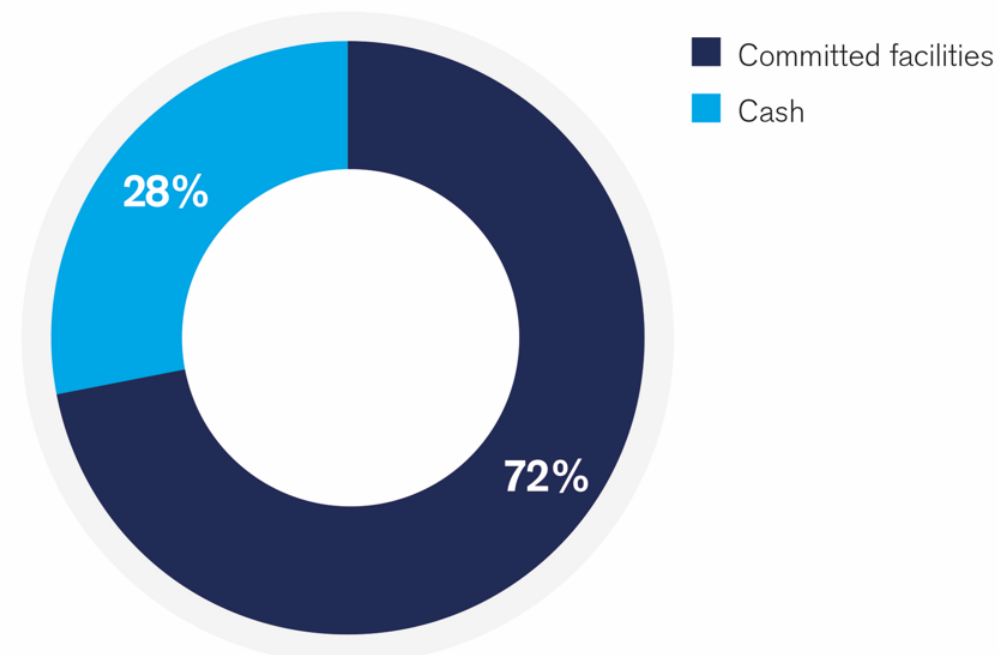
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ESB Group Debt – Diversified Funding Liquidity

Group Debt 31 December 2021 - €5.4 billion

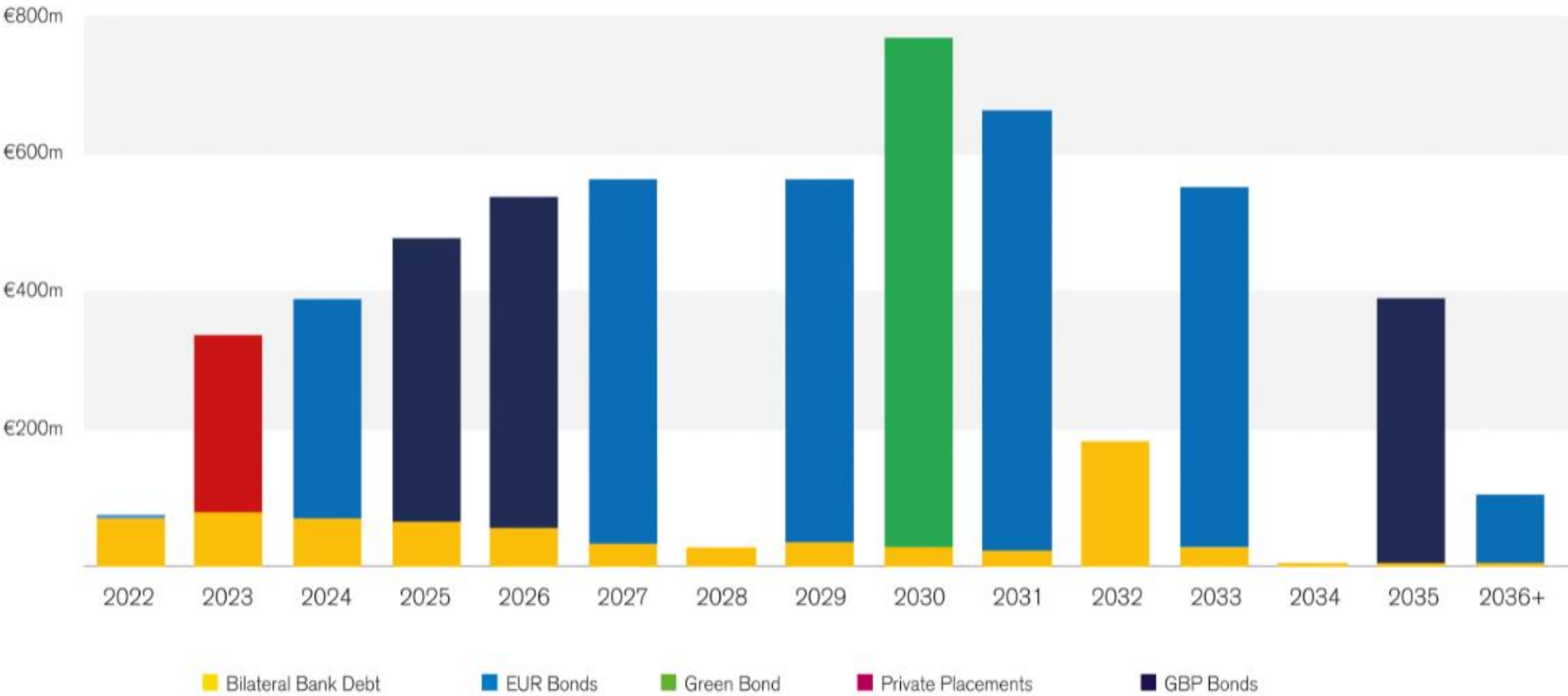


Available Liquidity 31 December 2021 - €1.9 billion



- RPI Swap Portfolio (GBP £550m) refinancing – April 2021
- 12.5 year 1% €500 million Green Bond issued – Jan 2022

Debt Repayment Profile as at 31 December 2021



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



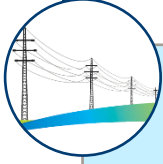
Summary & Outlook



ESB's 2040 strategy - Driven to Make a Difference: Net Zero by 2040 - builds on our 2017 Brighter Future strategy, which set a clear direction for ESB to take action and exercise leadership in tackling climate change



Positive financial performance in 2021 with operating profit before exceptional items of €679 million and EBITDA excluding exceptional items of €1,493 million



ESB Networks (ROI) PR5 Delivery; NIE Networks (NI) RP6 delivery



Generation portfolio transition through renewable investments



Meet customer energy needs through value driven solutions at appropriate margins



Ongoing focus on strategy delivery while maintaining financial strength

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: 33% share of generation and 40% share of supply

Stable Business Profile

- Regulated electricity networks businesses in Ireland accounts for 67% of Group Assets and 72% of Group EBITDA
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies

Consistent Financial Performance

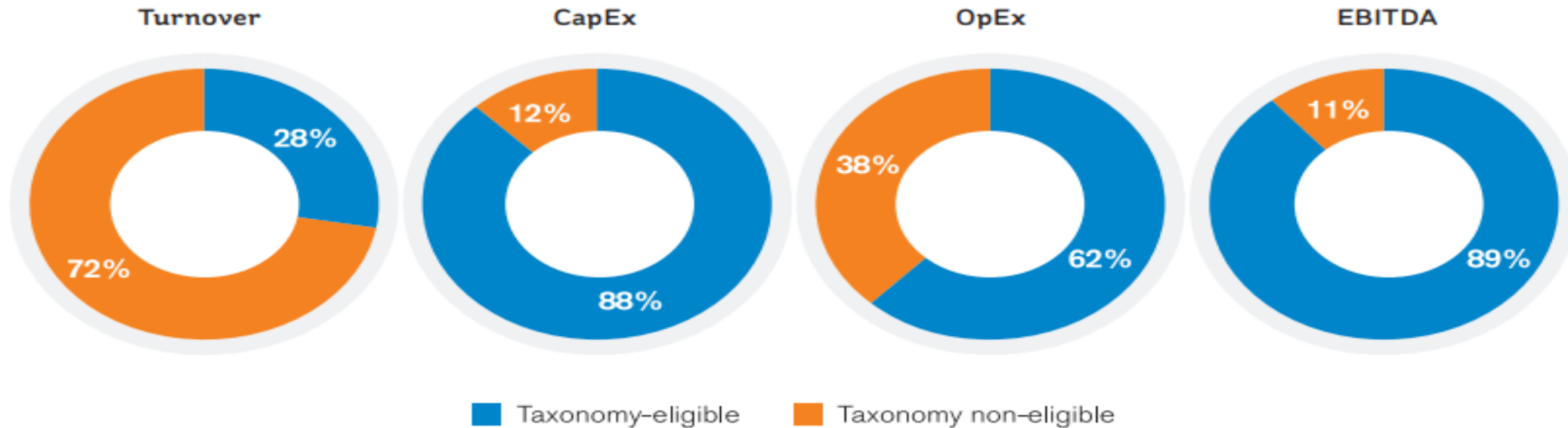
- Average EBITDA €1.3bn & Gearing 54% (2017–2021)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3



WILLIAM YOUNG

MANAGER, INVESTOR
RELATIONS & CREDIT RATING

+353 1 702 26942
William.young@esb.ie
www.esb.ie/ir



- Taxonomy-Eligible **Turnover** reflecting revenue from the transmission and distribution of electricity and wholesale market income from renewable generation (notably wind and hydro power)
- Taxonomy-Eligible **Capex** reflects ESB's 2021 investment in developing the electricity network both in ROI and NI along with continued investment in onshore wind, battery and solar projects
- Taxonomy-Eligible **OpEx** as a percentage of total OpEx is 62% primarily reflecting OpEx supporting the transmission and distribution system
- Taxonomy-Eligible **EBITDA** as a percentage of total EBITDA is 89%. Although Taxonomy-Eligible EBITDA is not a KPI required to be disclosed, it is a useful metric in determining the financial performance of ESB relative to the EU Taxonomy