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generations

# ESB

## Investor Presentation

### 2014 Half-Year Results and Business Update

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October 2014

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# ESB Team



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Cathal Marley  
Group Treasurer



Deirdre Shields  
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# Agenda

- Highlights
- H1 2014 Results
- Business Review
- Funding and Liquidity
- Summary

# Highlights

# Highlights – H1 2014

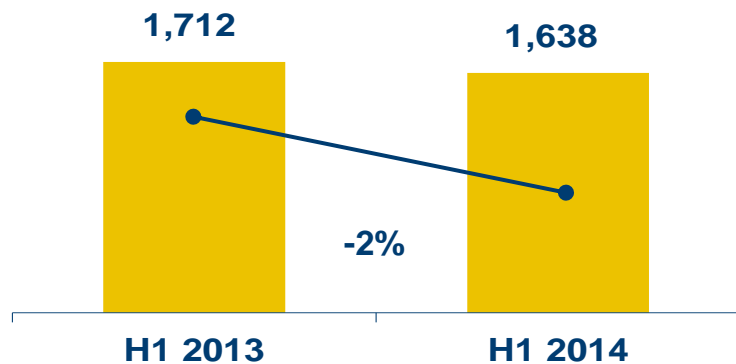


- Solid Financial Performance in period despite some headwinds
- €450m investment in core network assets & Carrington project
- Moody's rating upgraded by 2 notches to Baa1 (Stable)
- Full Special Dividend Commitment to Government expected to be completed by end of year
- NIE RP5 Review concluded
- Financial performance remains a focus – cost savings on target

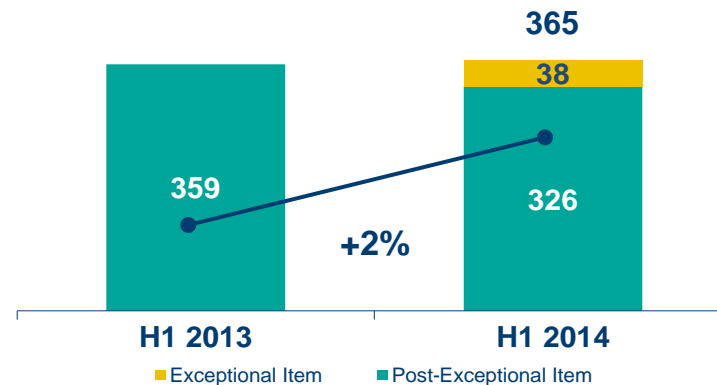
# H1 2014 Results

# H1 2014 – Key Financial Highlights

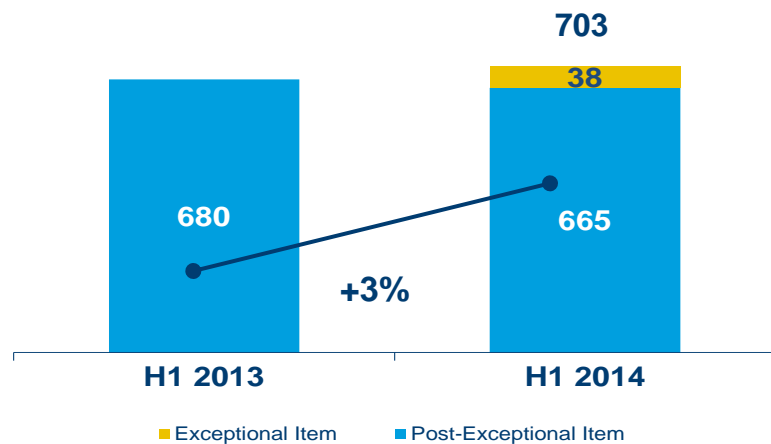
## Revenue (€m)



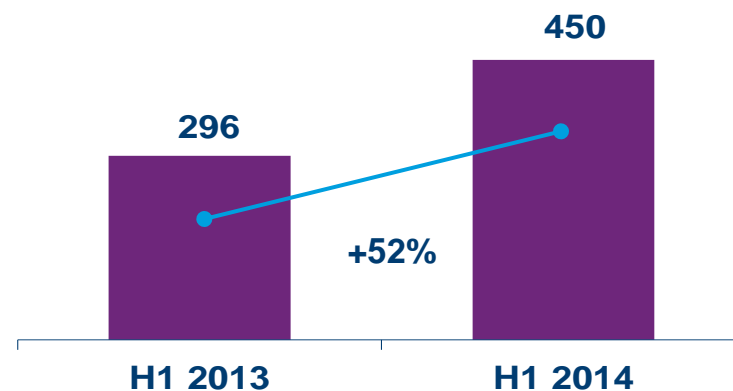
## Operating Profit\* (€m)



## EBITDA\* (€m)



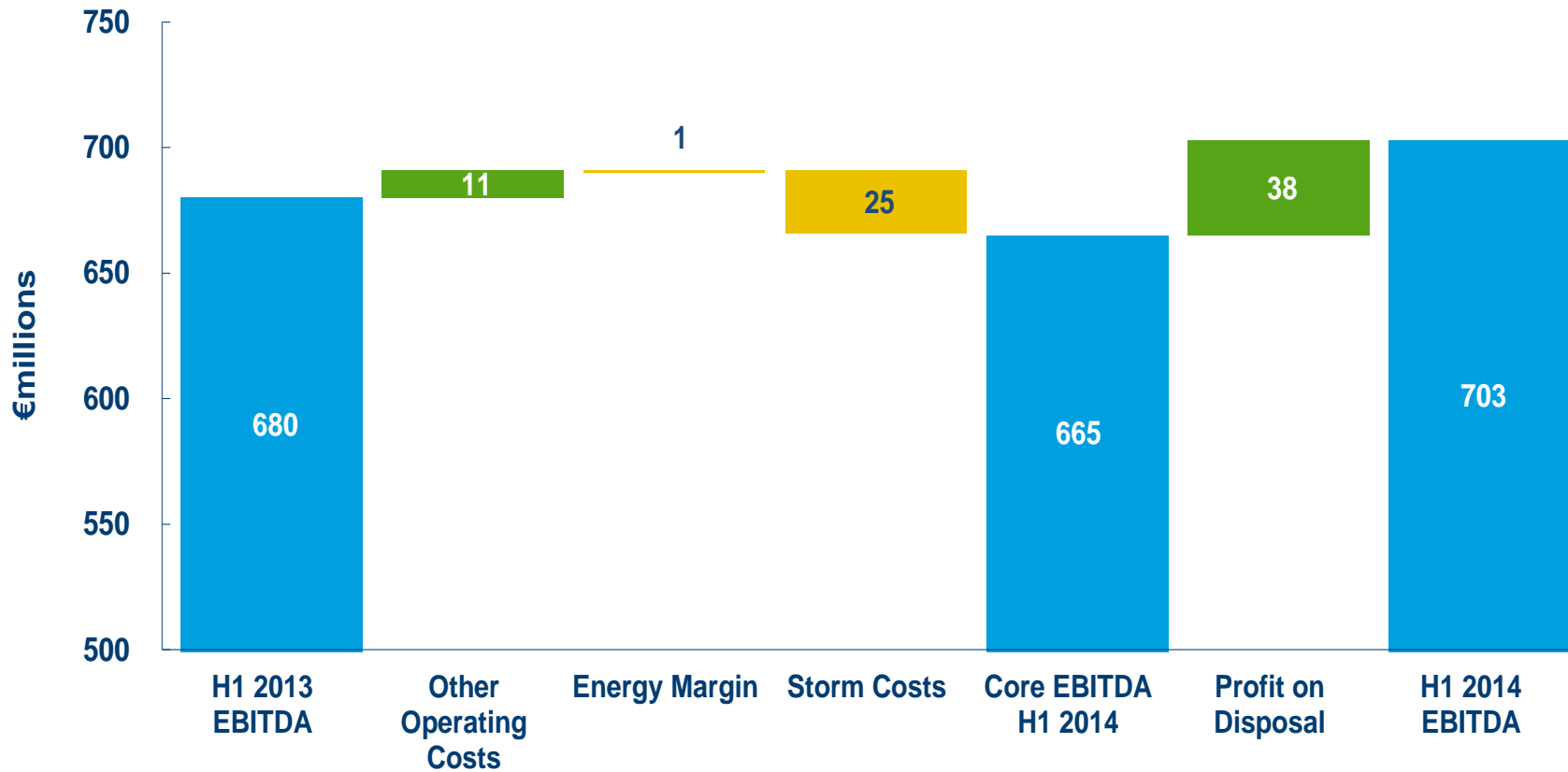
## Capital Expenditure (€m)



\* Exceptional items: Profit on Disposal of Shareholding: €38m



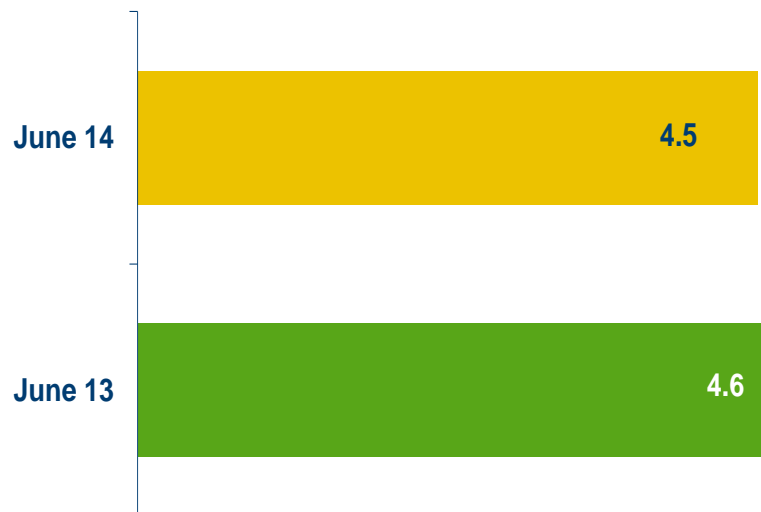
# EBITDA Movement – H1 2014 vs H1 2013



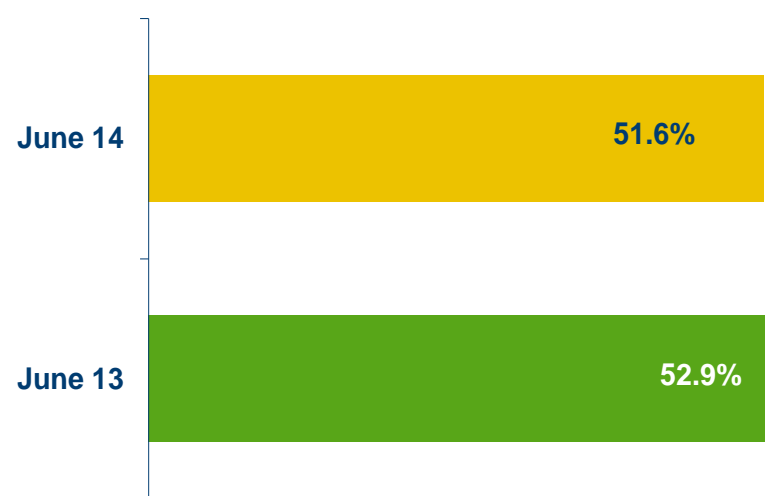
- Continued focus on cost reduction programme

# 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).  
Indicative – subject to final certification.*

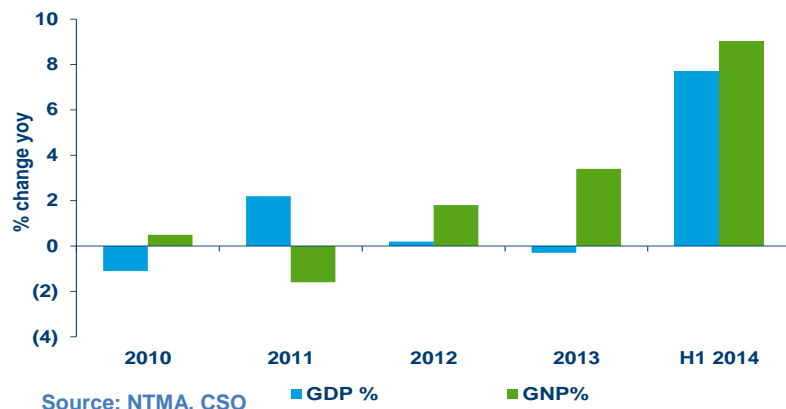
# Sales of Non-Strategic Generation Capacity



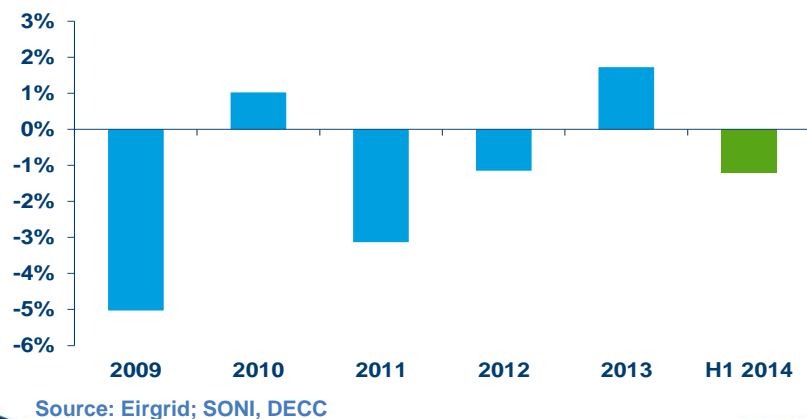
- October 2012 – Agreement with Government:
  - Up to €400m special dividends payable by end-2014
  - Funded from sale of non-strategic generation capacity
- H1 2014: €197m in dividends paid to Government out of proceeds from sales of Marchwood and Amorebieta shareholdings
- July 2014 announcement:
  - Lough Ree and West Offaly Power assets will be retained
  - More financially beneficial for ESB to fund remaining dividend amount from existing facilities
  - Cashflows from the assets will be available to the company to meet additional funding costs associated with dividend payment
- This payment will complete ESB's €400m dividend programme
- Continued commitment to credit rating of BBB+, and to revised dividend policy approved in October 2013

# Business Review

## GDP Growth accelerates in H1 2014



## SEM System Demand Growth



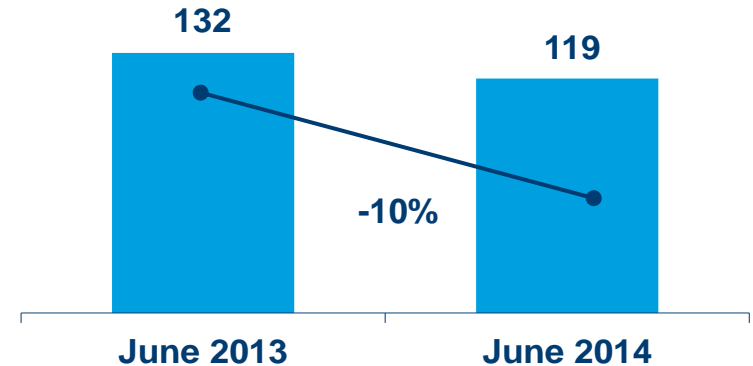
## Ireland

- Recovery continues with 5.2% GDP Growth in year to end June (7.7% yoy)
  - Broad-based growth with all sectors up
- Construction sector showing signs of improvement
- Unemployment rate falling - 11.2% at end August
- Sovereign rating upgrades
  - Now A- Positive (S+P) / A- Stable (Fitch) / Baa1 Stable (Moody's)
- System demand down due to mild, wet winter

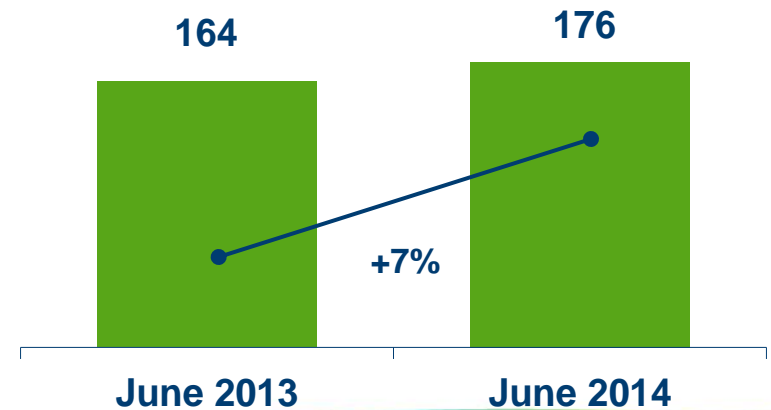
## Highlights

- H1 Profits negatively impacted by €25m Storm Costs (recoverable)
- Mid-term adjustment to 2014-15 return to take effect later this year
- Preparation for next price control (PR4) continues
  - Historic reconciliation of PR3 price control due end October
  - ESB preliminary submission for 2016-20 to be made to regulator by end November
  - Draft decision May / June 2015

## Operating Profit (€m)



## Capital Expenditure (€m)

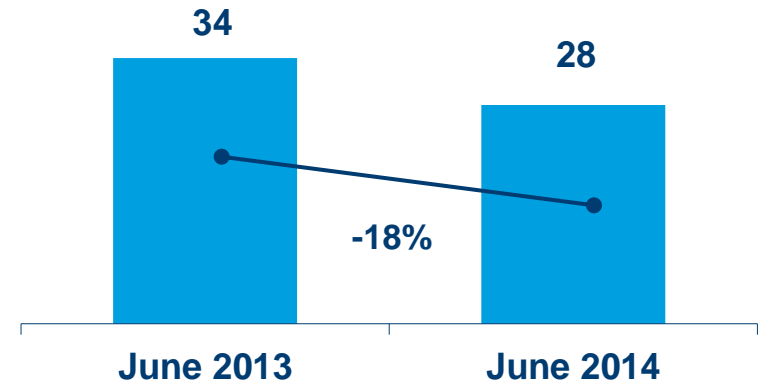


# Northern Ireland Electricity

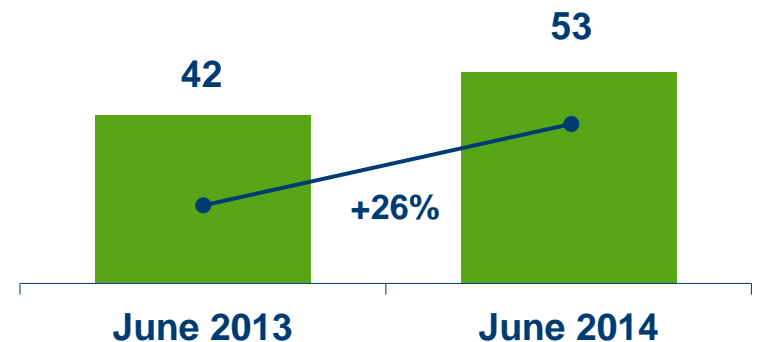
## Highlights

- H1 Operating Profit negatively impacted by lower demand, offset by FX gains
- RAB growth to £1.25bn – increased capital spend on renewable integration
- Competition Commission Final Determination for RP5 (2012-17) received in April
- Challenges within determination being considered in setting objectives for delivering price control requirements

## Operating Profit (€m)



## Capital Expenditure (€m)



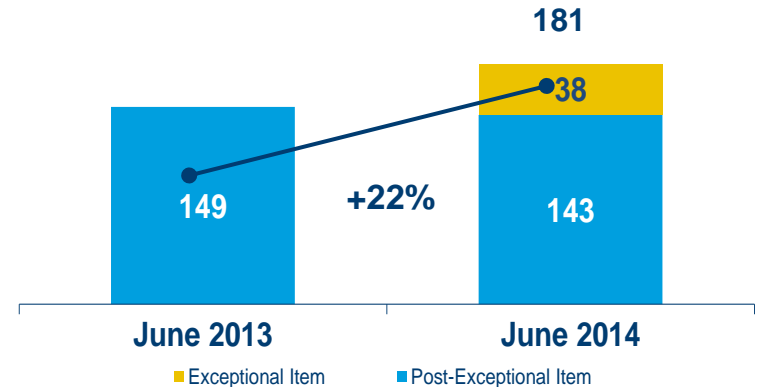
# Generation & Wholesale Markets



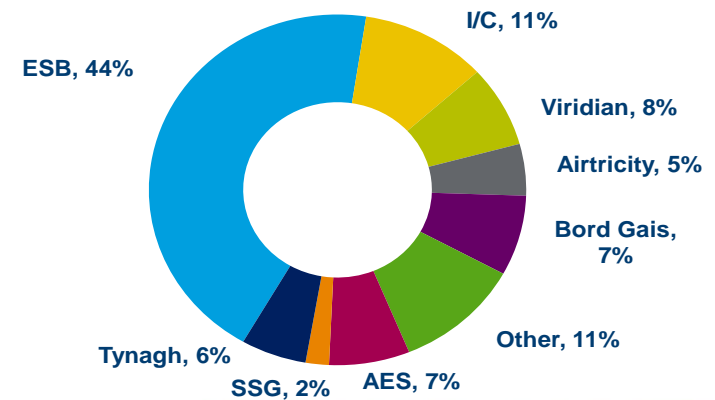
## Business Description

- Core GWM operating profit excluding exceptional items down due to plant outages and lower wholesale prices
- Offset by mark-to-market gain on hedges for next 1-2 years
- Market share of 44% in period
- Capital Expenditure of €189m (H1 2013: €63m) reflecting higher expenditure on Carrington project
- H2 2014 Focus:
  - Plant availability
  - I-SEM – Further detailed design draft due end September
  - Carrington delivery

## Operating Profit\* (€m)



## Generation Market Share



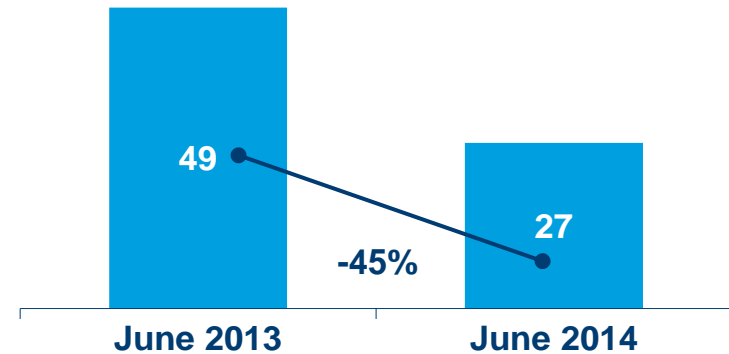
\* H1 2014 Profit includes exceptional Profit on Asset Disposal (€38m)



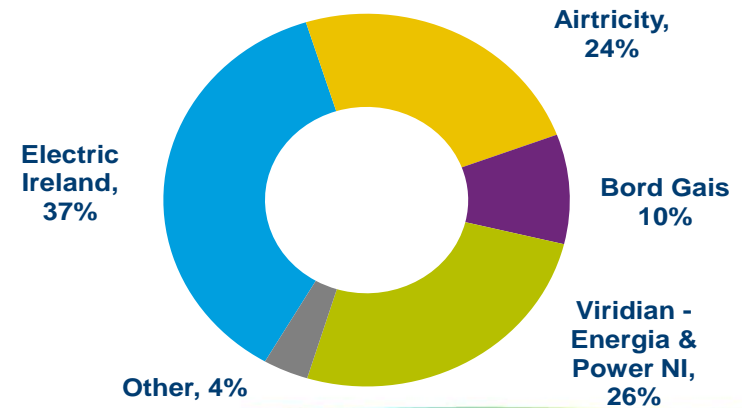
## Highlights

- Lower Operating Profits due to lower system demand and competitive environment
- Net margin of 2.6%
- Market share stable at 37%
- Customer gains in Gas / Dual Fuel segment in period
- Powering Rewards Loyalty scheme launched in Q1

## Operating Profit (€m)



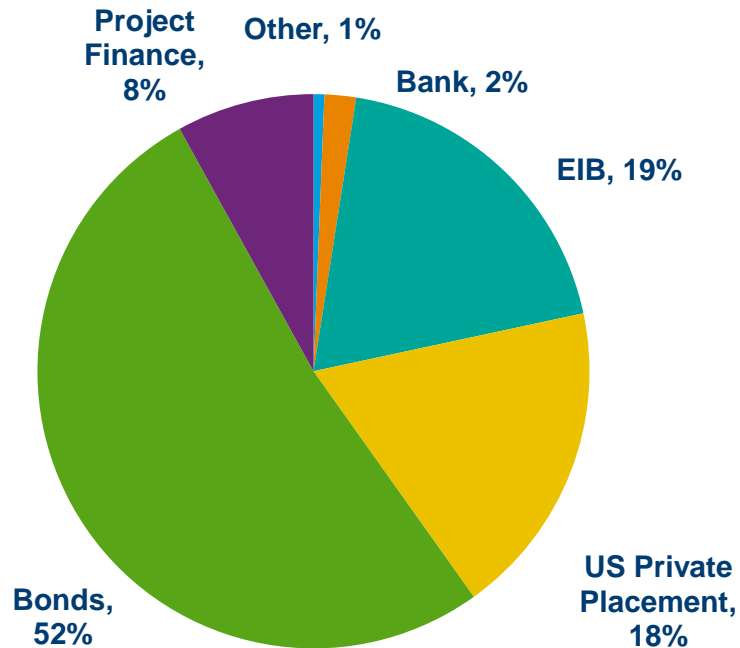
## Retail Market Share (MWh)



# Funding & Liquidity

# Debt Overview

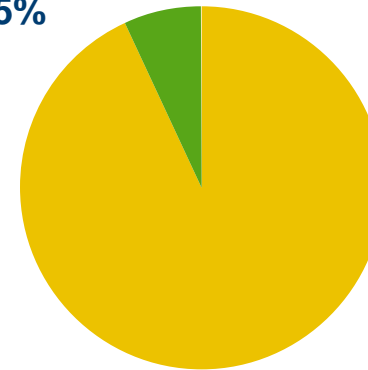
## Group Debt 30 June 2014 - €4.7bn



- Index-linked swaps restructured in Q2

## Interest Rate Management

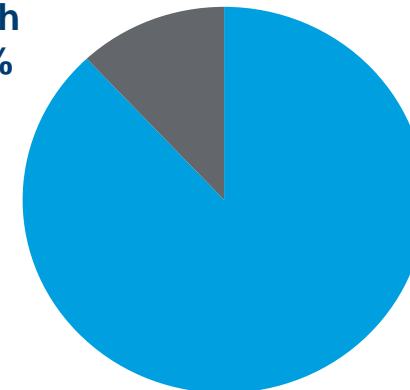
Floating 5%



Fixed 95%

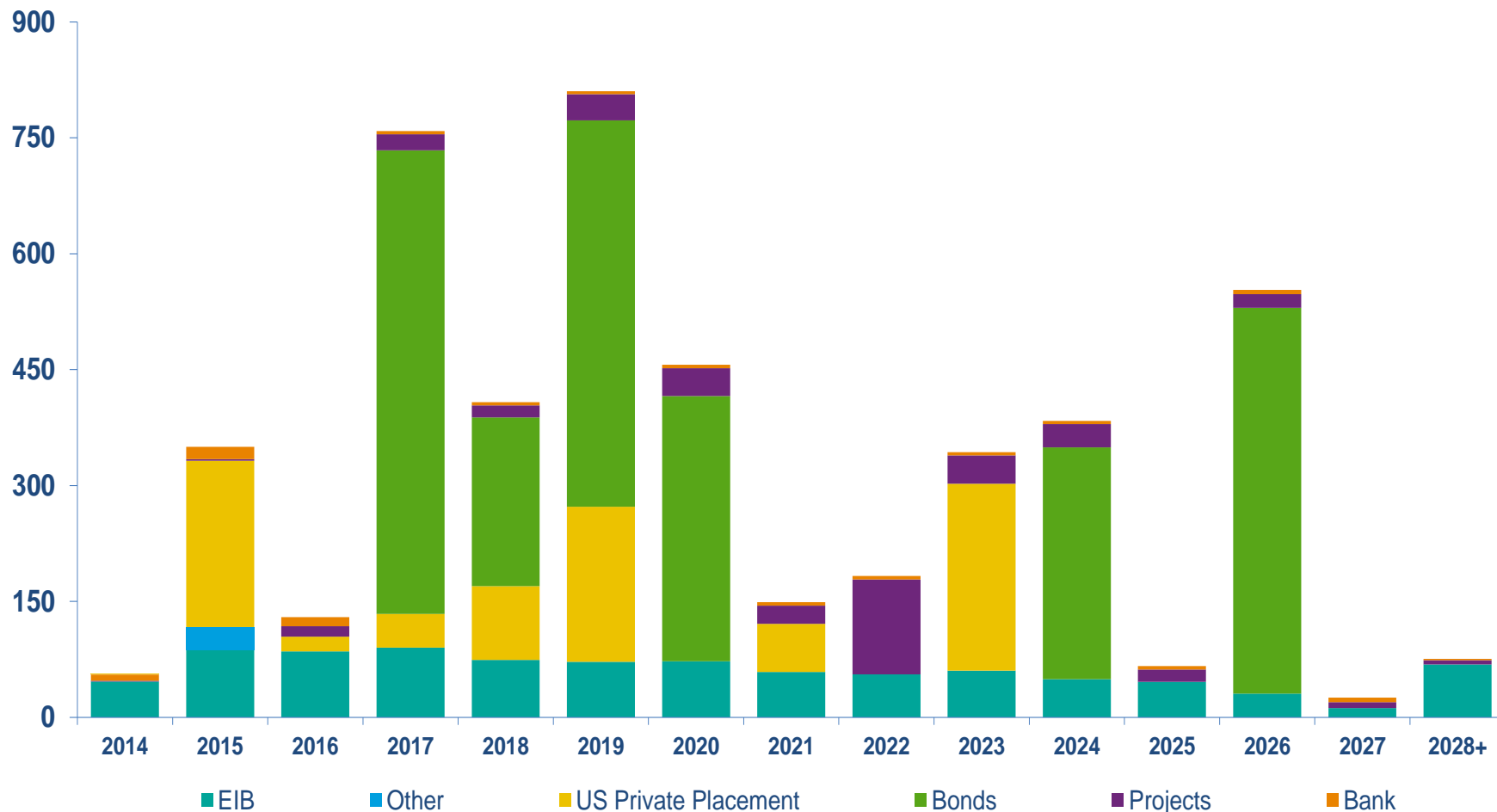
## Available Liquidity - €1.7bn

Cash 12%



Committed Facilities 88%

# Debt Maturity – 30 June 2014



# ESB Credit Ratings



## Moody's Rating upgraded twice in H1 2014

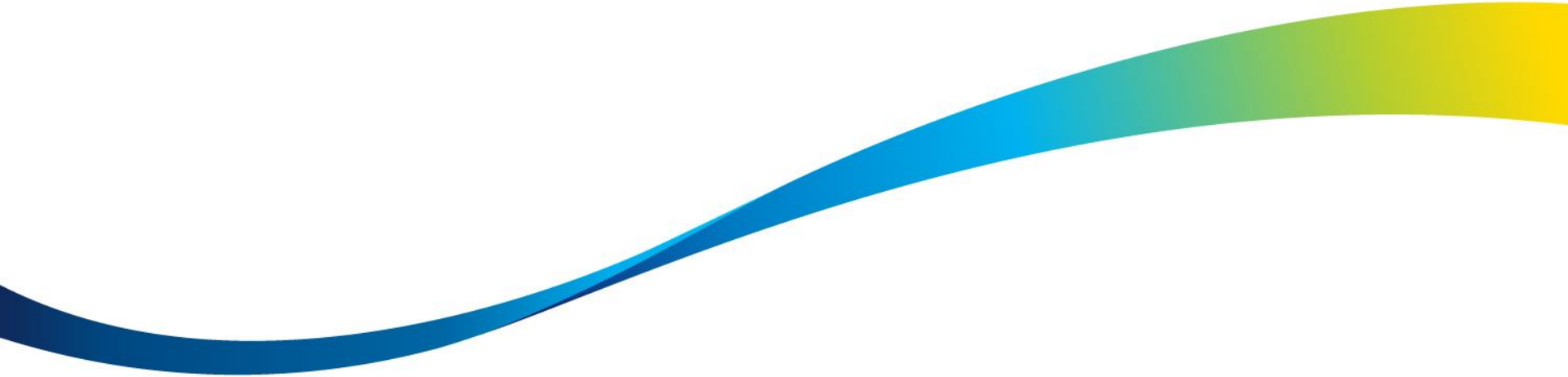
	Standard & Poor's	Fitch	Moody's
<b>Current Rating</b>	BBB+ (Stable Outlook) November 2013	BBB+ (Stable Outlook) February 2014	Baa1 (Stable Outlook) May 2014

# Summary

# Outlook H2 2014

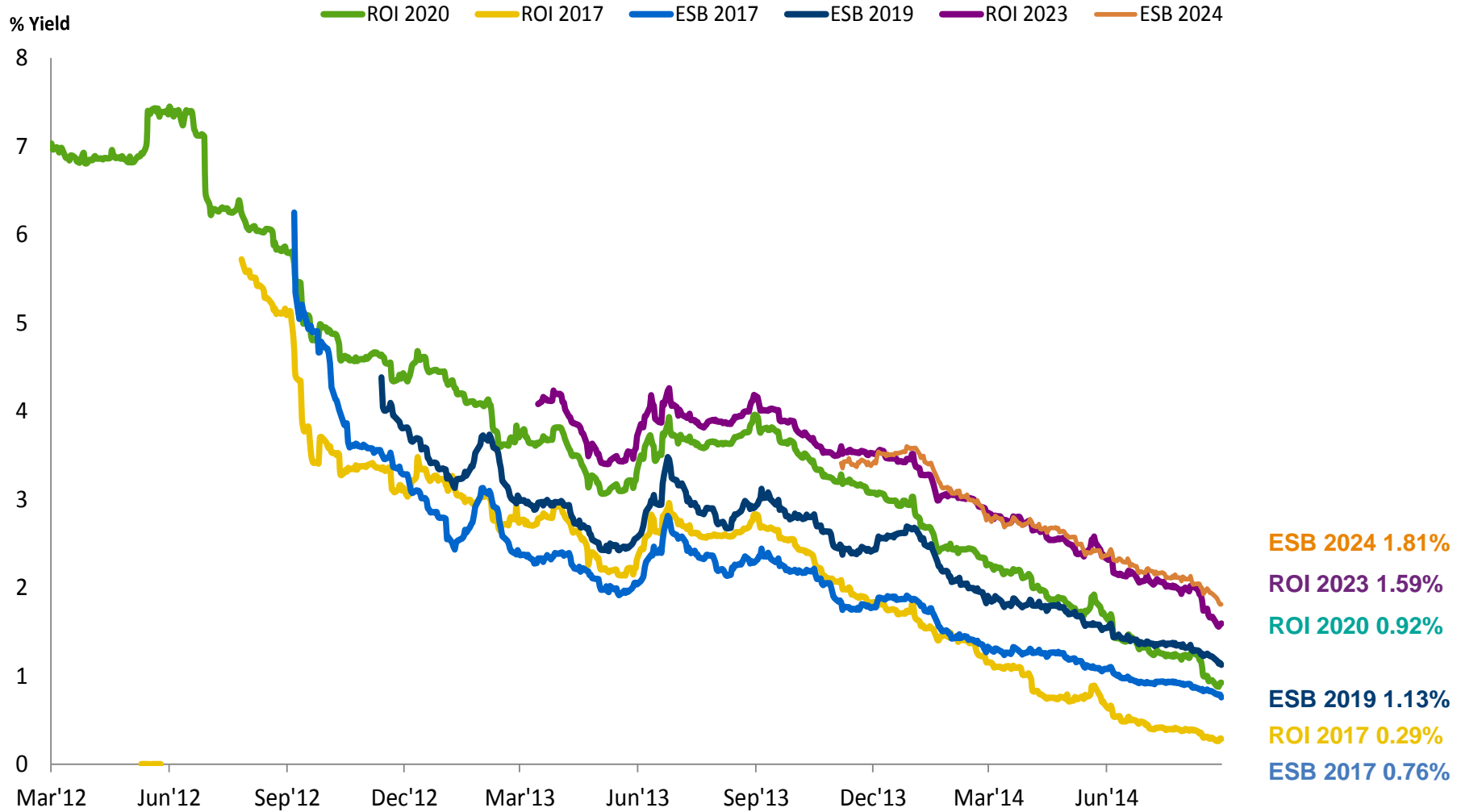
- Continued improvement in macroeconomy expected
- Special dividend commitment expected to be completed by end of year
- Networks
  - PR4 Submission to Regulator a key focus
  - Implementation of NIE RP5
- Generation
  - Plant availability
  - Focus on Carrington project delivery
  - I-SEM Project and potential implications for ESB
- Electric Ireland
  - Focus on market share retention
- Ongoing focus on cost efficiency and financial strength

# Appendix

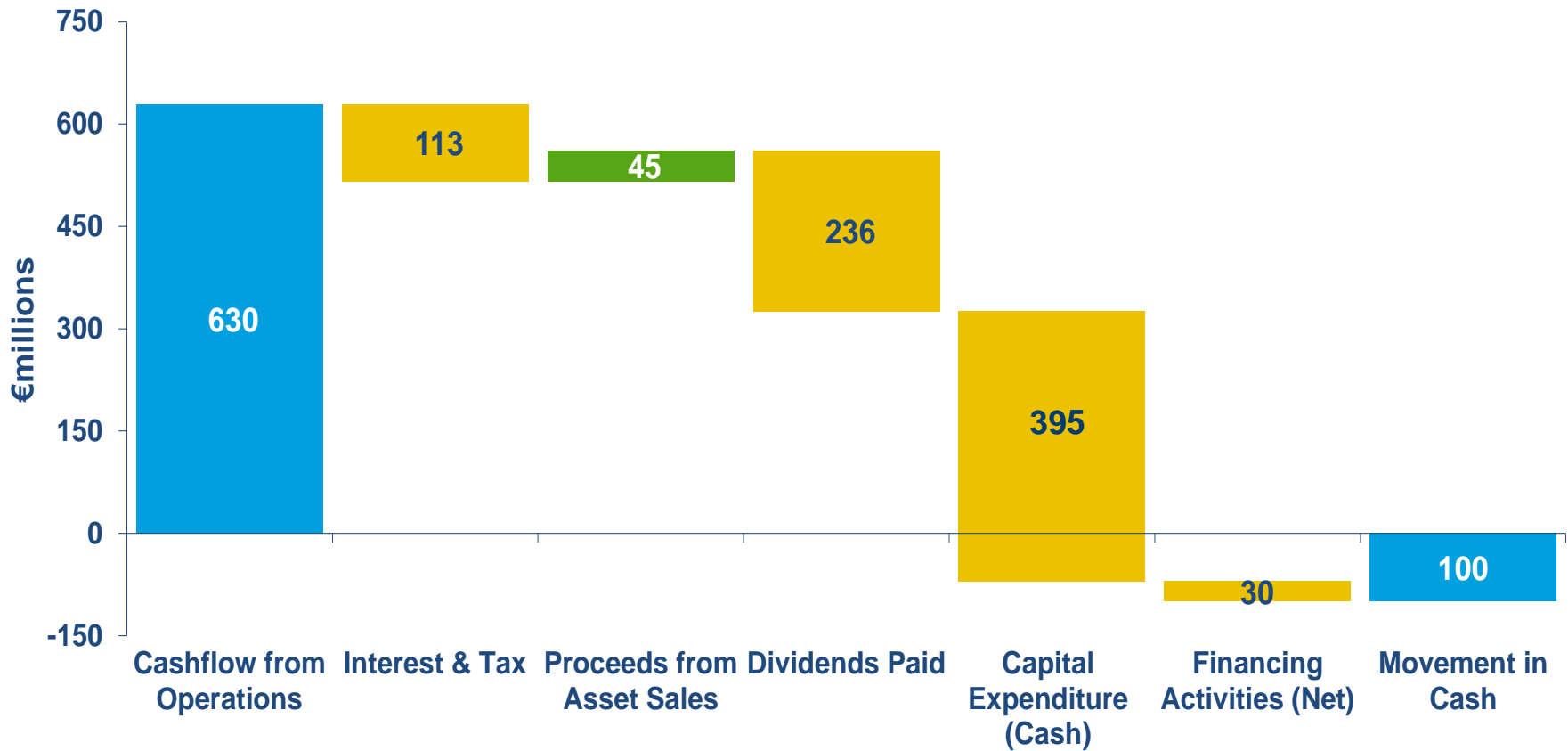




# Bond Yields March 2012 – August 2014



# Cashflow H1 2014



# Contacts



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