



Energy for
generations

ESB

Debt Investor Presentation

2017 Half-Year Results and Business Update

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Agenda

- H1 2017 Highlights
- H1 2017 Financial Review
- Business Review
- Funding and Liquidity
- Outlook and Summary

H1 2017 Highlights

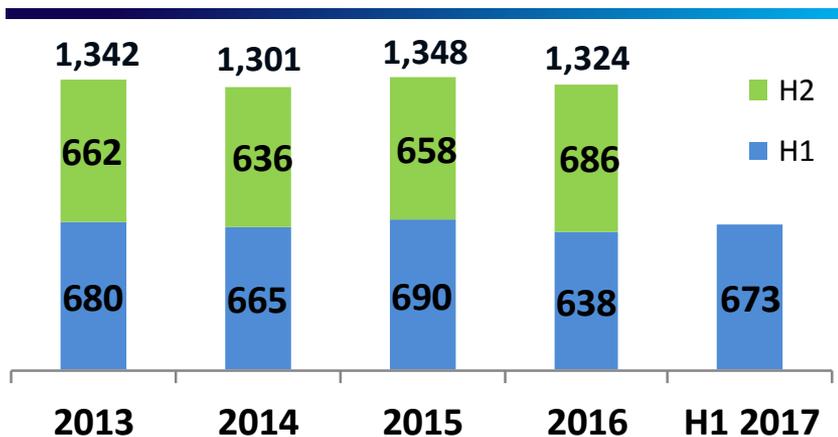


- Strategy: Diversified Vertically Integrated Utility. Irish & Great Britain Markets.
- Strong operational performance resulted in solid financial performance
 - Sustained solid performance : EBITDA € 673 m; Capex € 303 m; Gearing 48%
 - Regulated Networks Businesses in Ireland 66% EBITDA and 68% capex in H1 supported by established, consistent and transparent regulatory frameworks
- Networks
 - ROI: PR4 2016-20 delivery
 - NI : NIE Networks
 - RP6 (October 2017- March 2024) challenging but satisfactory final revenue determination
- Generation (GWM) and Supply (Electric Ireland)
 - GWM: Good plant availability. Lower SEM energy margin. Good performance by Carrington plant.
 - Electric Ireland. Good Performance. Competing effectively.
- Very strong liquidity position €2.3 bn. €500m 12 year Bond issued.
Moody's credit rating upgrade to A3. S&P and Fitch ratings of A- and BBB+ affirmed.

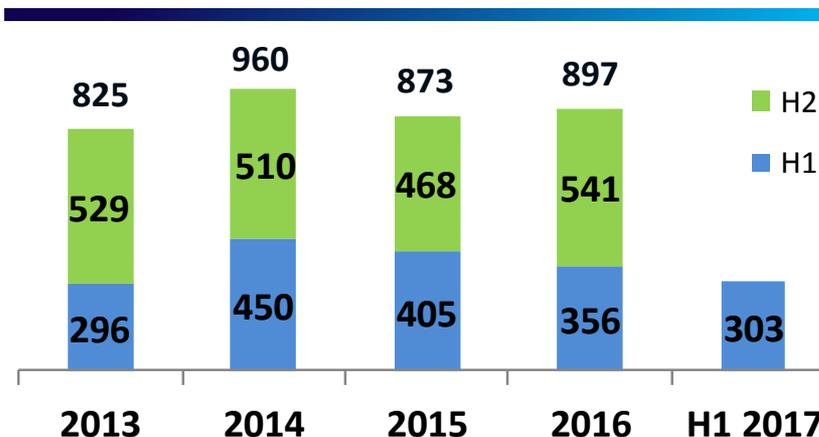
H1 2017 Financial Review

Consistent Financial Performance

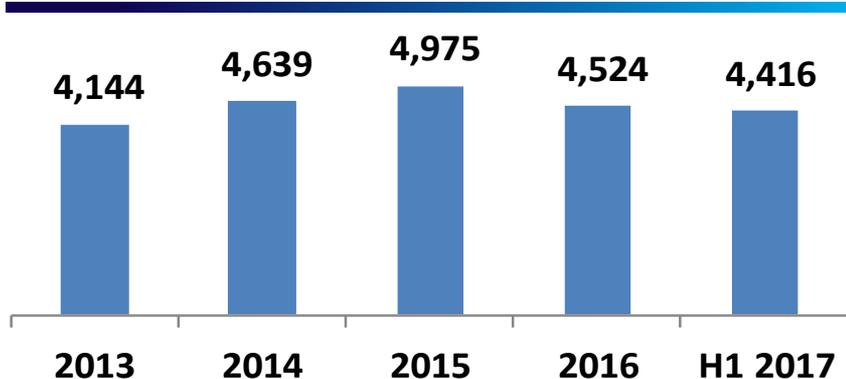
EBITDA¹ (€m)



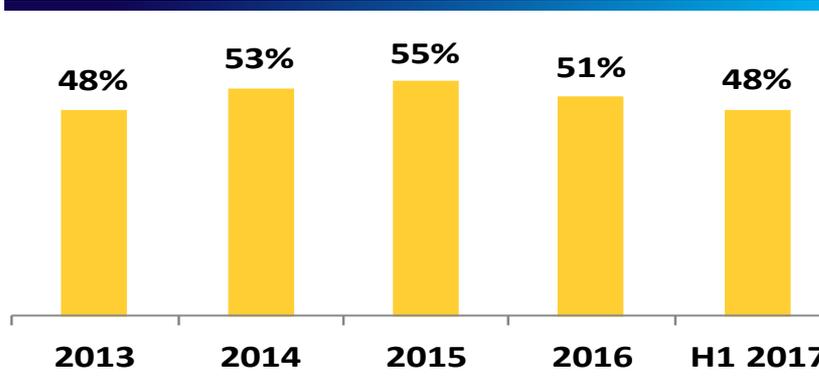
Capital Expenditure (€m)



Net Debt (€m)



Gearing (%)²

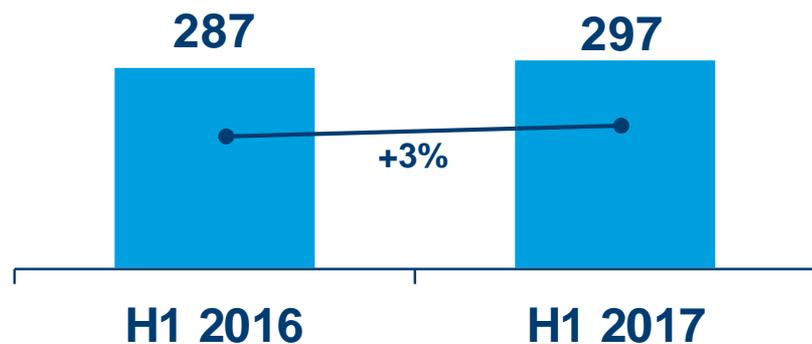


¹ Before Exceptional items

² Gearing = Net Debt / (Debt + Equity) on IFRS basis

H1 2017 – Key Financial Highlights

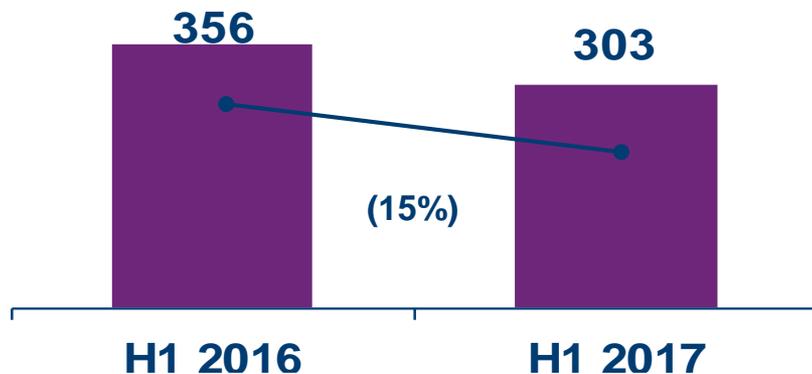
Operating Profit (€m)



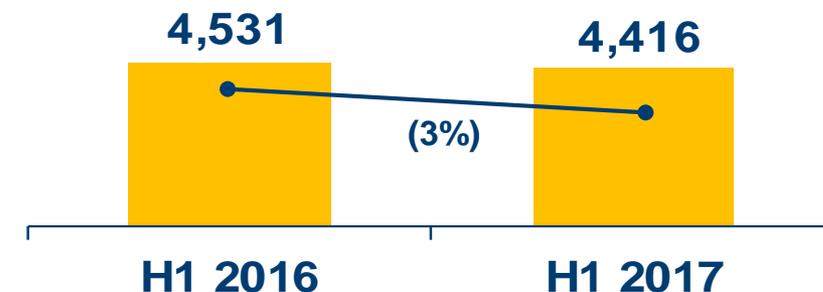
EBITDA (€m)



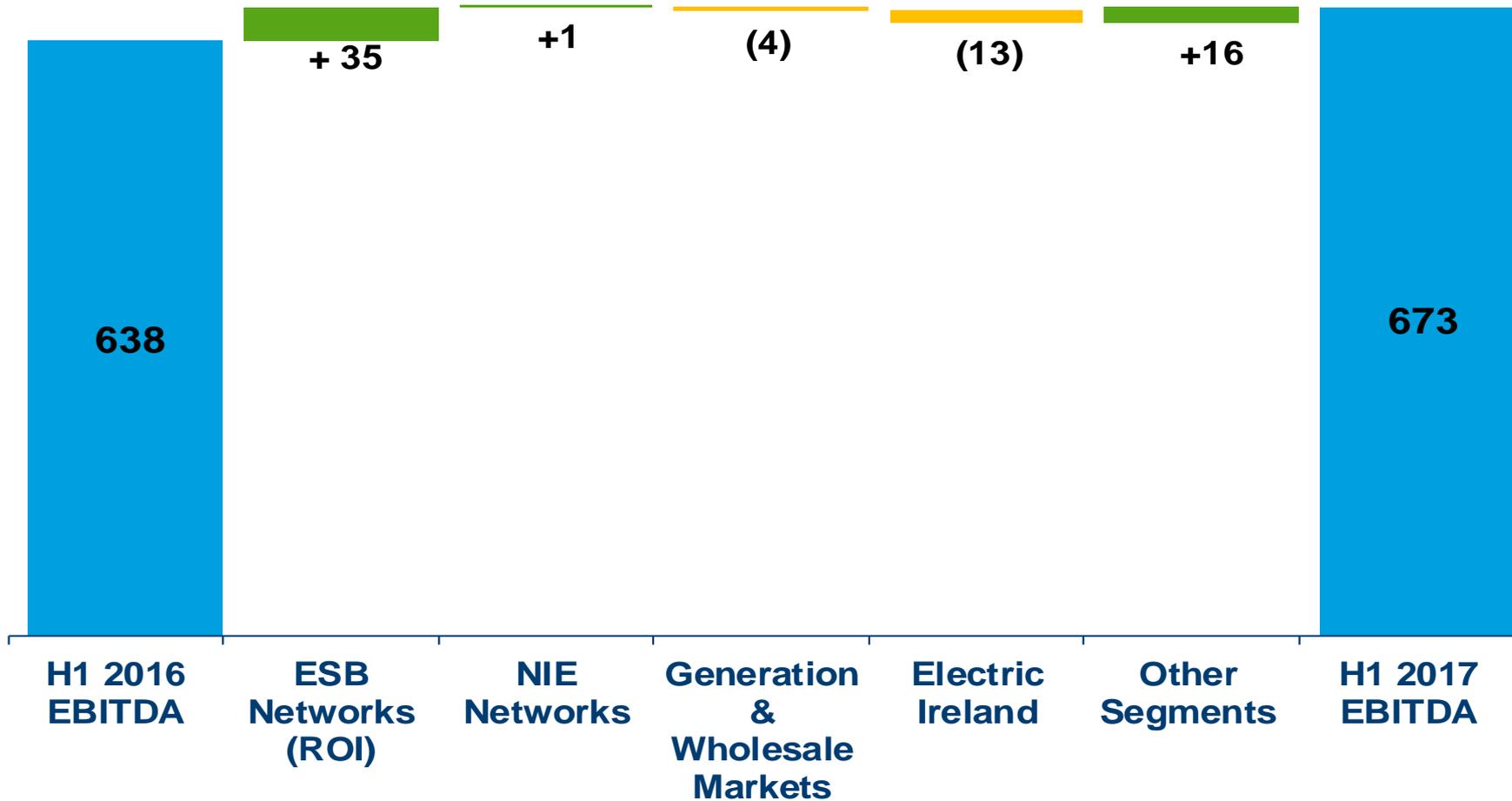
Capital Expenditure (€m)



Net Debt (€m)



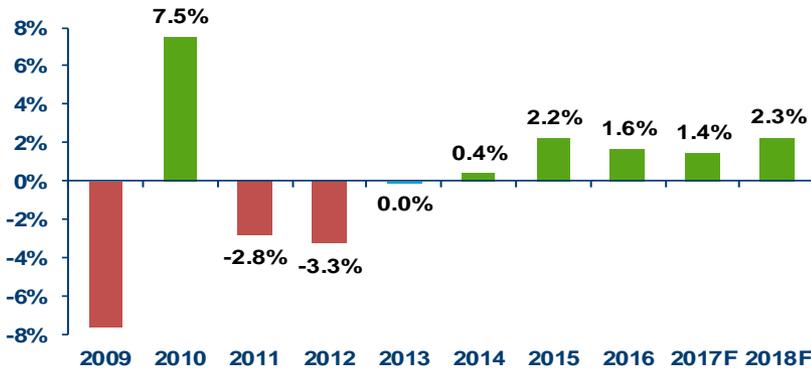
EBITDA Movement – H1 2017 vs H1 2016



Business Review

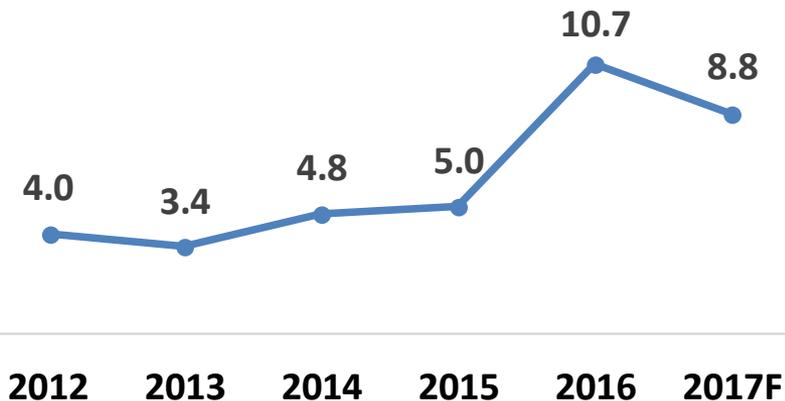
Macro Environment

SEM System Demand Growth



Source: Eirgrid

GB Base Load Clean Spark Spread



Source: Epex spot & Marex Spectron

Ireland

- Strong broad based economic growth
- Forecast GDP 2017F 4.5% 2018F 3.6%
- SEM Electricity demand growth
- Irish sovereign rating strengthened
 - A+ Stable (S&P) / A Stable (Fitch) / A2 Stable (Moody's)

UK

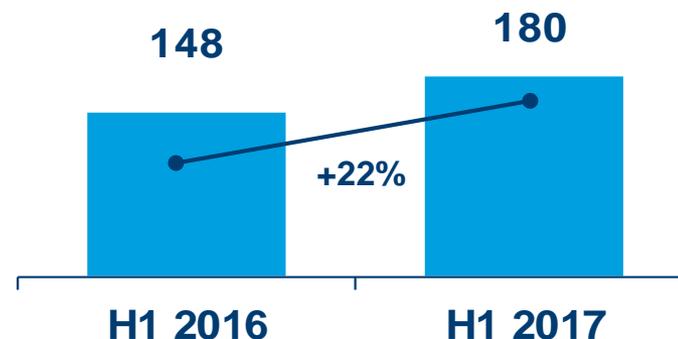
- Economic growth GDP 2017F 1.5%
- Brexit: Prudent financial management protecting ESB's credit metrics
- UK Electricity
 - Tight capacity reserve margins
 - Increasing spreads 2016 & 2017

Forecast GDP Source: Central Bank Ireland

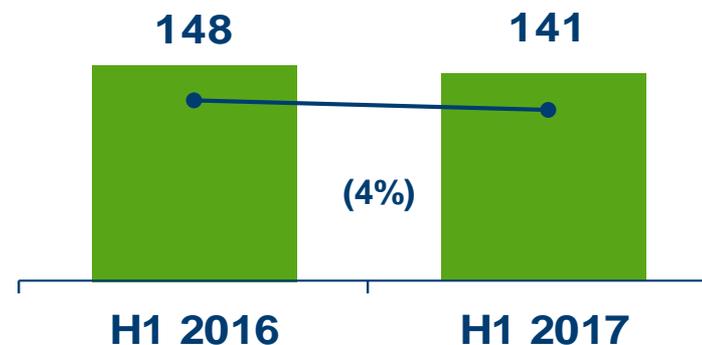
Highlights

- ~53% of Group EBITDA & Assets
- RAB €7.5bn end 2016
- Strategy: Smart Reliable Networks
- PR4 (2016-2020) delivery
 - WACC 4.95% pre tax real
- H1 2017 operating profit reflects increase in regulated tariffs
- H1 2017 capex reflects delivery of PR4 transmission and distribution network reinforcement and asset replacement programmes
- **H2 2017 Focus:** PR4 delivery

Operating Profit (€m)



Capital Expenditure (€m)



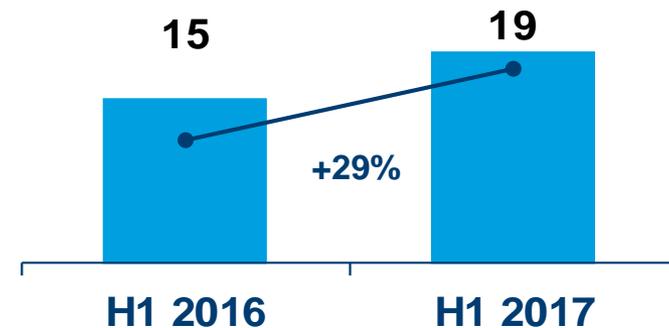
Northern Ireland Electricity Networks



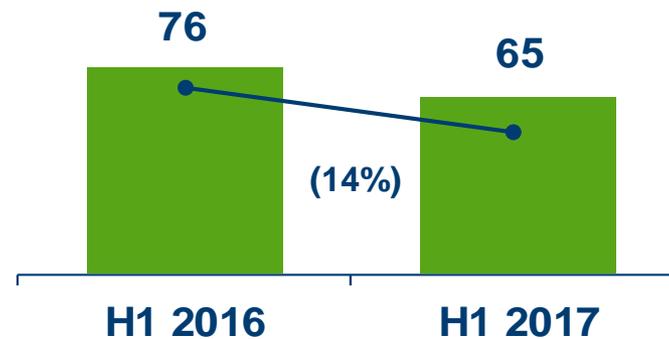
Highlights

- ~13% of Group EBITDA and 17% of Assets
- RAB €1.6bn end 2016
- Strategy: Smart Reliable Networks
- Operating Profit increase reflects lower operating costs
- Capex reflects implementation of agreed RP5 programmes
- RP6 (Oct 2017-Mar 2024)
Challenging but satisfactory final revenue determination published June 2017
- **H2 2017 Focus:** RP5 completion and RP6 implementation

Operating Profit (€m)



Capital Expenditure (€m)



NIE Networks RP6

Summary Final Determination (RP6 FD)



- RP6 FD (Oct 2017 – March 2024) published 30 June 2017. Underpins ~13% Group EBITDA
- Challenging but satisfactory. Focus on operating within RP6 allowances.

	RP6 Final Determination Oct 2017 - March 2024	RP5 Apr 2012 - Sept 2017
Overall Revenue Total	€1.9 bn (real, 2016) €293m p.a. (real, 2016)	€ 1.6 bn €289 m p.a.
WACC (vanilla, real)	3.2%	4.1%
Net Capex	€0.8 bn (real, 2016) €118m p.a. (real, 2016)	€0.7bn €120m p.a.
Operating Allowances	€0.5 bn (real, 2016) €77m p.a. (real, 2016)	€0.45 bn €81 m p.a.
RAB Projected	€1.8 bn (real, 2016)	€1.6 bn

NIE Networks RP6 : WACC

RP6 WACC 3.2% vanilla real (3.8% real pre-tax) for RP6 compared to 4.1% RP5 allowed

WACC	NIE RP5	NIE RP6 Final Determination	Key Points
Cost of Debt pre tax	3.1%	1.63%	Note 1
Cost of Equity post tax	5.0%	4.45%	Note 2
Gearing	45%	45%	
Vanilla WACC (Debt pre tax and Equity post tax)	4.1%	3.2%	

Note 1: RP6 FD cost of debt. Embedded cost of debt allowed.

New cost of debt adjustment mechanism in line with market rate prevailing for iBoxx BBB corporate index at time of issue

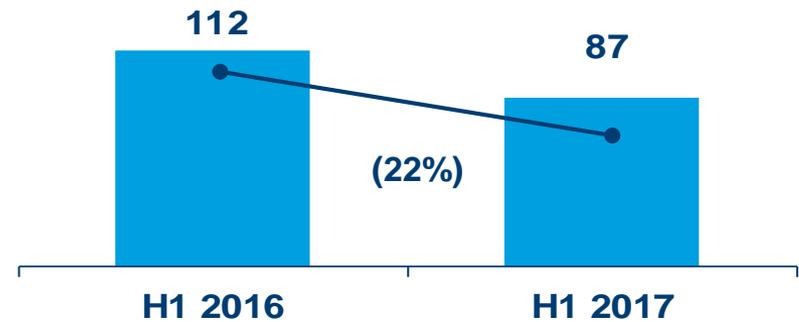
Note 2: Asset beta in line with UK DNOs for RIIO ED1

Generation & Wholesale Markets

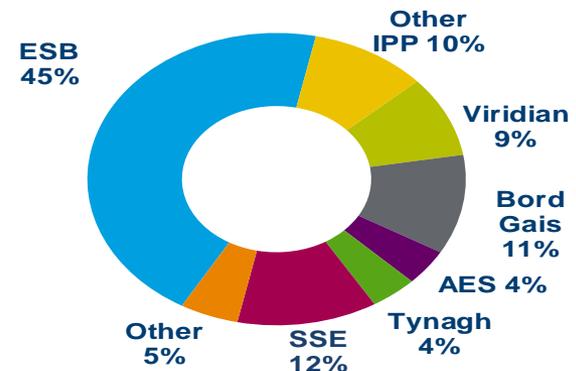
Highlights

- ~30% of EBITDA and 22% Assets
- Strategy: Low carbon energy
- Operating Profit reflects lower SEM energy margin and good Carrington performance
- SEM Market Share 45%
- Very good plant availability 96%
- Capital expenditure: Renewables focus.
Lower H1 2017 €49m v H 1 2016 €85m due to Carrington commercial operation from Sept 2016
- **H2 2017 Focus:**
 - Integrated Single Electricity Market (I-SEM)
 - Renewable Investment
 - Continued good plant availability

Operating Profit (€m)



SEM Generation Market Share (MWh)



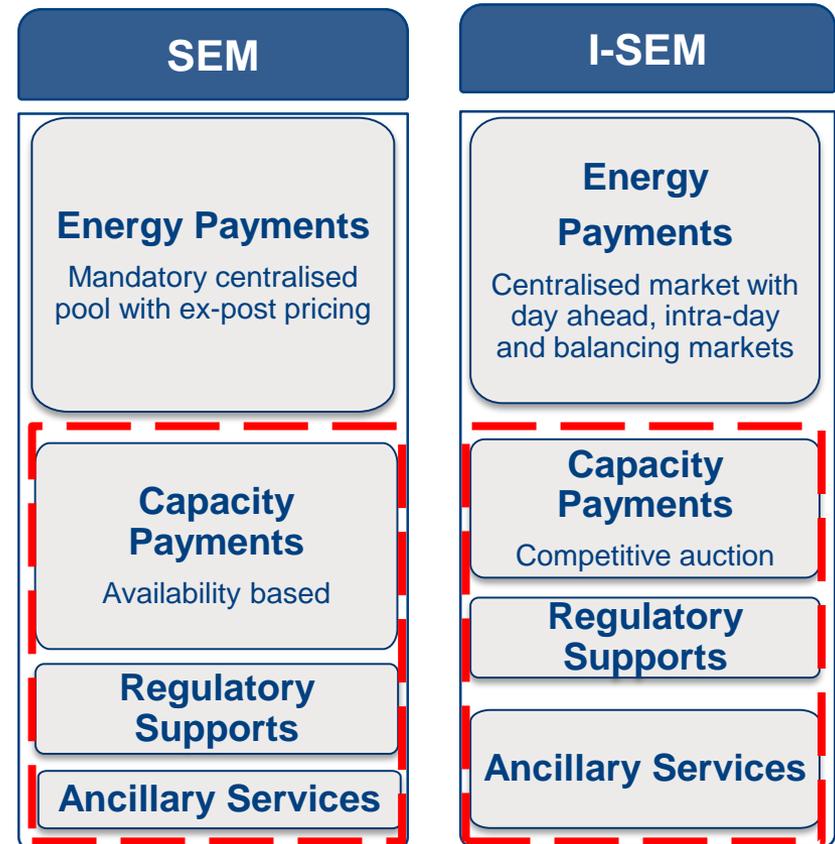
Integrated Single Electricity Market Transition



I-SEM

- EU Internal Energy Market rules compliance & changes how ancillary services rewarded to support more renewables
- CER target implementation from May 2018
- Expected that:
 - Energy trading more closely aligned with EU
 - Capacity payments remain, but expected to be lower and awarded on different basis (auction Dec 2017 for May 2018 to Sept 2019)
 - Ancillary services revenue cap increased. Cap €235m 2020 from €75m 2016
- Significant energy margin expected to continue from capacity payments and quasi regulated regulatory supports
- More margin at risk. ESB portfolio mix advantageous. Will take number of years to evolve

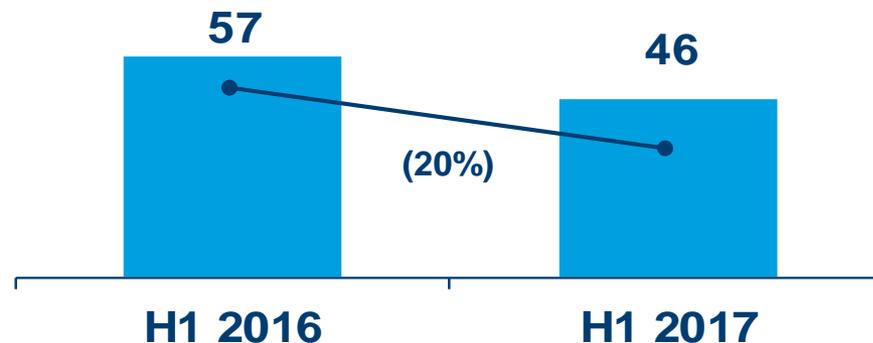
Broad Indicative Changes



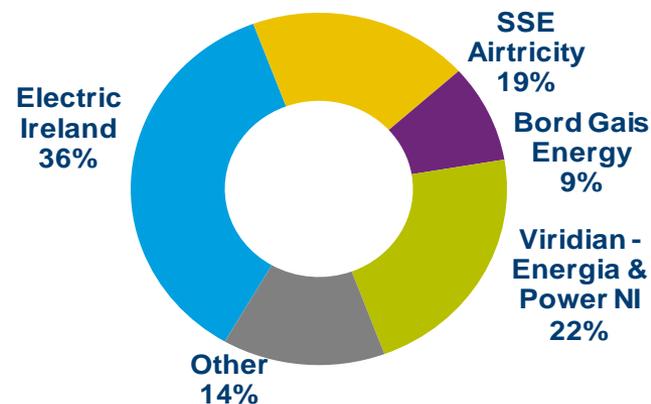
Highlights

- 7% of Group EBITDA
- Strategy: Empowered, Informed Customer
 - Competitive Offerings
 - Excellent Customer Service
 - New and Innovative products
- H1 Good performance. Lower profits reflect residential price reduction June 2016
- Market share 36%. Competing effectively.
- NI Residential market entry progressing well. GB Supply Residential Market entry as long term growth opportunity.
- **H2 2017 Focus:** Customer service, value and market share at appropriate margins

Operating Profit (€m)



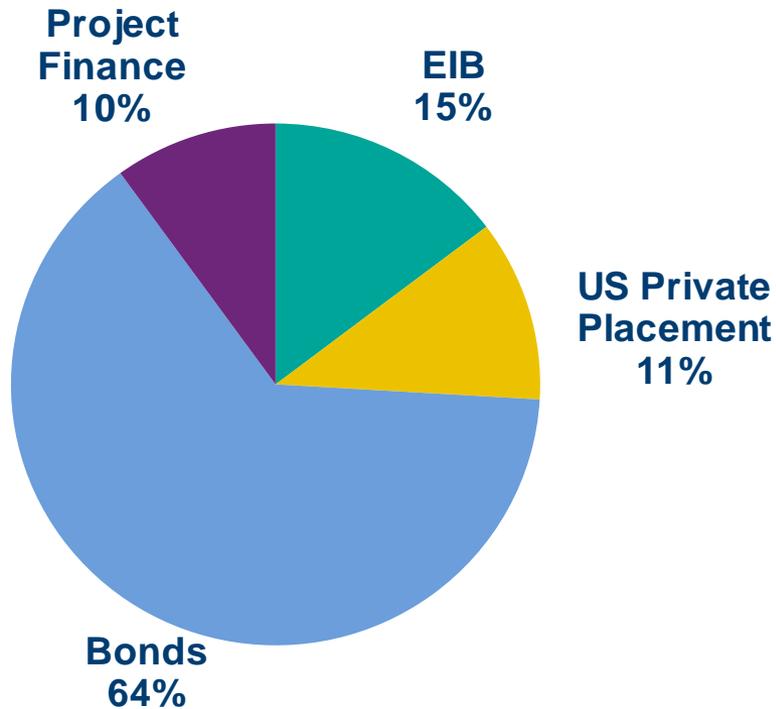
SEM Retail Market Share (MWh)



Funding & Liquidity

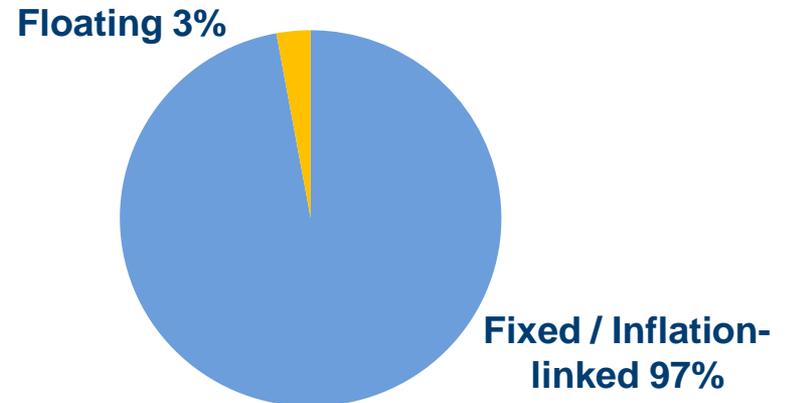
ESB Group Debt Overview

Group Debt 30 June 2017 - €5.2 bn

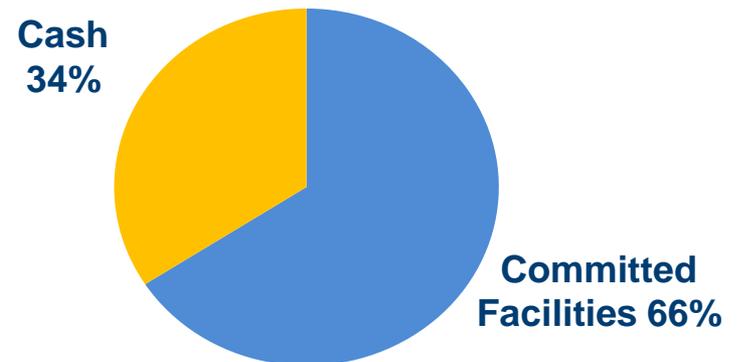


- €500m bond issued early 2017 – 12 years 1.75%
- GBP debt £1.6bn ~34% debt

Interest Rate Management

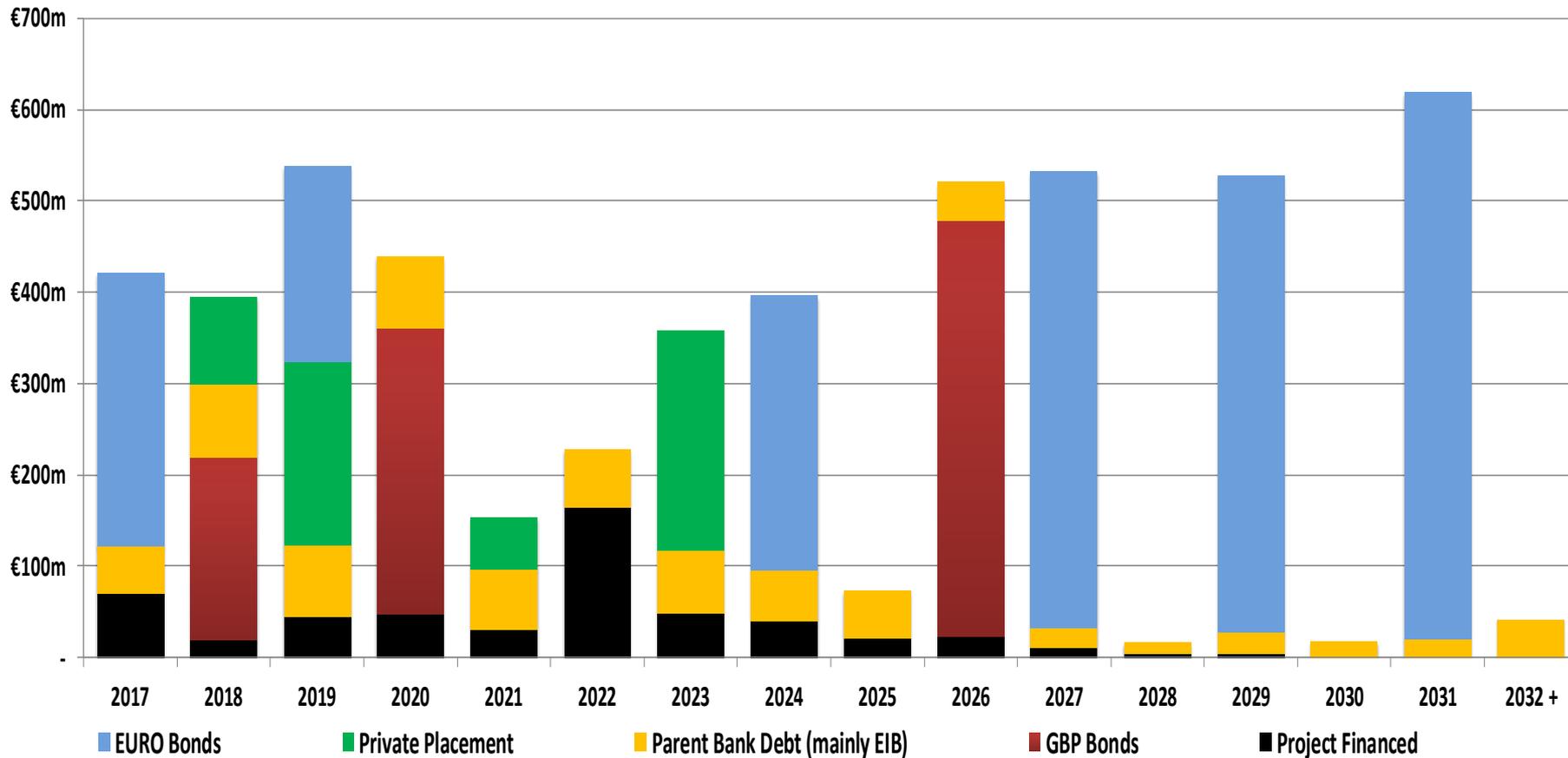


Available Liquidity - €2.3 bn



Increased liquidity, diversified funding and reducing interest costs

Repayment Profile – 30 June 2017



- Profile manageable. €2.3bn existing liquidity and EBITDA ~ €1.3bn pa.

Note: Excludes Joint Venture Debt

ESB Credit Ratings

	Current Rating	Rating Updated
	A- (Stable Outlook)	Affirmed May 2017
	A3 (Stable Outlook)	Upgraded September 2017
	BBB+ (Stable Outlook)	Affirmed August 2017

Outlook and Summary

Outlook H2 2017

- Continued growth in Irish macro economy and SEM electricity demand expected
- Networks
 - ROI: PR4 2016-20 delivery
 - NI : NIE Networks - conclude RP5 and implement RP6
- Generation
 - Integrated Single Electricity Market (I-SEM) preparations
 - Maintain plant availability
 - Carrington commercial operation
 - Low carbon renewable investment
- Electric Ireland
 - Continued focus on customer service, value and market share at appropriate margins
- Ongoing focus on maintaining financial strength

Summary : Consistent Financial Performance



- Strong operational performance resulted in solid financial performance
- H1 2017 EBITDA €673m; Gearing 48%
- Very strong liquidity position €2.3bn
- Credit ratings: Moody's upgrade to A3. S&P & Fitch ratings A- & BBB+ affirmed.

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