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ESB Team

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Group Finance Director

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Group Funding Manager

Ted Browne
Manager, Investor Relations & Credit Rating
Agenda

Key Credit Strengths

H1 2018 Highlights

H1 2018 Financial Review

Business Review

Funding and Liquidity

Outlook and Summary
## ESB Key Credit Strengths

### Leading Irish Energy Utility
- 95% Irish Government owned
- Markets - Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 42% share of generation and 33% share of supply

### Stable Business Profile
- Regulated electricity networks businesses in Ireland account for approximately two-thirds EBITDA and assets
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies

### Consistent Financial Performance
- EBITDA H1 2018 €620m & Gearing H1 2018 53%
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3

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1. In Republic Of Ireland (ROI) and in Northern Ireland (NI) via its wholly-owned subsidiary NIE Networks
2. See S&P Global report published May 2018 “Why we see the Republic of Ireland’s Electricity Regulatory Framework as supportive”
H1 2018 Highlights

ESB’s strategy to 2030 – Leading the transition to low carbon energy

Satisfactory performance in challenging generation and supply market conditions
• Operating Profit €244m; EBITDA €620m; Capex €499m; Gearing 53%
• Regulated Networks Businesses in Ireland: 88% operating profit and 73% of assets supported by established and transparent regulatory frameworks

Networks
• ESB Networks (ROI) PR4 2016-20 delivery. Operating profit €181m in line with H1 2017.
• NIE Networks (NI) RP6 October 2017- March 2024 delivery. Operating profit €35m is €16m higher than H1 2017.

Generation (G&WM)
• Irish market share 42%. Investment in low carbon and renewables. Operating profit €44m is €43m lower than H1 2017 mainly due to lower GB energy margins

Supply (Electric Ireland)
• Competing effectively. Irish market share 33%. Operating profit €18m is €28m lower than H1 2017 mainly due to higher energy costs and timing of price increases

Strong liquidity position €1.8bn

Moody’s credit rating A3 and S&P credit rating A- affirmed in May 2018. Both with stable outlook.
ESB - Strategy for a Brighter Future

ESB’s Purpose
Create a brighter future for our customers by leading the transition to reliable, affordable, low carbon energy

- Meet customers’ energy needs through diverse businesses across energy value chain
- Markets – Ireland and Great Britain
- Investment focus
  - Smart reliable networks
  - Low carbon energy
  - New business growth potential
Consistent Financial Performance

EBITDA (€m)

- 2014: 665 (H1), 636 (H2)
- 2015: 690 (H1), 658 (H2)
- 2016: 638 (H1), 686 (H2)
- 2017: 673 (H1), 603 (H2)
- H1 2018: 620 (H1)

Capital Expenditure (€m)

- 2014: 450 (H1), 510 (H2)
- 2015: 405 (H1), 468 (H2)
- 2016: 303 (H1), 541 (H2)
- 2017: 356 (H1), 564 (H2)
- H1 2018: 499 (H1)

Net Debt (€m)

- 2014: 4,639
- 2015: 4,975
- 2016: 4,524
- 2017: 4,377
- H1 2018: 4,554

Gearing (%)

- 2014: 53%
- 2015: 55%
- 2016: 51%
- 2017: 52%
- H1 2018: 53%

1 Gearing = Net Debt / (Debt + Equity) on IFRS basis
H1 2018 – Key Financial Highlights

Operating Profit (€m)

- H1 2017: 297
- H1 2018: 244
  - Decrease: (18%)

EBITDA (€m)

- H1 2017: 673
- H1 2018: 620
  - Increase: +4%

Capital Expenditure (€m)

- H1 2017: 303
- H1 2018: 499
  - Increase: +65%

Net Debt (€m)

- Dec-17: 4,377
- H1 2018: 4,554
  - Increase: +4%
EBITDA Movement – H1 2018 vs H1 2017

H1 2017 EBITDA: 673
ESB Networks (ROI): +4
NIE Networks (NI): +11
Generation & Trading: (39)
Electric Ireland: (27)
Other Segments: (2)
H1 2018 EBITDA: 620
Business Review
Macro Environment

SEM\(^1\) System Demand Growth (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Demand Growth (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>2.2%</td>
</tr>
<tr>
<td>2016</td>
<td>1.6%</td>
</tr>
<tr>
<td>2017</td>
<td>1.4%</td>
</tr>
<tr>
<td>2018F</td>
<td>2.3%</td>
</tr>
<tr>
<td>2019F</td>
<td>1.6%</td>
</tr>
<tr>
<td>2020F</td>
<td>1.4%</td>
</tr>
<tr>
<td>2021F</td>
<td>1.5%</td>
</tr>
</tbody>
</table>

1 Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid

GB Base Load Clean Spark Spread (£/ MWh)

<table>
<thead>
<tr>
<th>Year</th>
<th>Spark Spread (£/ MWh)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>4.8</td>
</tr>
<tr>
<td>2015</td>
<td>5.0</td>
</tr>
<tr>
<td>2016</td>
<td>10.7</td>
</tr>
<tr>
<td>2017</td>
<td>8.2</td>
</tr>
<tr>
<td>2018F</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Source: Epex & Marex Spectron

Ireland

- Irish economy performing strongly
- GDP 7.2% 2017 4.7% 2018 forecast
- SEM Electricity demand growth
- Irish sovereign rating strengthened
  - A+ Stable (S&P) and A2 Stable (Moody’s)

UK

- GDP 1.7% 2017 & 1.4% 2018 forecast
- Brexit: Uncertainty persists but prudent financial management protecting ESB’s credit metrics. ESB’s Networks businesses have no volume risk.
- UK Electricity
  - Tight capacity reserve margins
ESB Networks

Highlights

- 74% of group operating profit and 42% of group capex
- Regulated Asset Base (RAB) 2017 €7.7bn
- Strategy: Smart Reliable Networks
- PR4 Revenue Determination (2016-2020)
  - Significant capital investment
  - Higher transmission and distribution capex H1 2018
  - WACC 4.95% pre tax real
- Operating profit in line with H1 2017
- Focus: PR4 delivery

Operating Profit (€m)

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>181</td>
<td>181</td>
</tr>
</tbody>
</table>

Capital Expenditure (€m)

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>141</td>
<td>210</td>
</tr>
</tbody>
</table>

- WACC pre tax real calculated real pre tax cost of debt and real pre tax cost of equity
Northern Ireland Electricity (NIE) Networks

**Highlights**

- 15% of group operating profit and 11% group capex
- Regulated Asset Base 2017 €1.7bn / £1.5bn
- Strategy: Smart Reliable Networks
- RP6 (Oct 2017 – Mar 2024)
- RP6 WACC 3.2% vanilla real 1 (3.8% pre tax real), reflecting low interest rate environment. Cost of new debt adjusted to market rate
- Operating profit up due to higher PSO income and use of system revenue offset by voluntary severance scheme costs
- Capex lower due to timing of transmission networks systems
- Focus: RP6 delivery

**Operating Profit (€m)**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>19</td>
<td>35</td>
</tr>
<tr>
<td>Change</td>
<td>+84%</td>
<td></td>
</tr>
</tbody>
</table>

**Capital Expenditure (€m)**

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>65</td>
<td>56</td>
</tr>
<tr>
<td>Change</td>
<td>(14%)</td>
<td></td>
</tr>
</tbody>
</table>

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

- 18% of group operating profit and 39% group capex
- Strategy: Transition to low carbon energy
  Develop energy services
- Irish market share 42%
- Investment:
  - Low carbon renewables
  - H1 2018 €193m v €49m H1 2017 due to 12.5% investment in 335 MW Galloper UK off-shore wind farm
- Operating profit reflects lower GB energy margin and higher plant maintenance costs
- I-SEM: Go live 1st October 2018
- Focus: Integrated Single Electricity Market (I-SEM)
  Renewable Investment

Operating Profit (€m)

<table>
<thead>
<tr>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>87</td>
<td>44</td>
</tr>
</tbody>
</table>

(50%)

SEM Generation Market Share (MWh)

- ESB 42%
- Viridian 11%
- Bord Gais 8%
- AES 3%
- Tynagh 4%
- SSE 16%
- Other IPP 12%
- Other 5%
Integrated Single Electricity Market Transition

- EU Internal Energy Market compliance to align energy trading more closely with EU
- “Go live” 1st Oct 2018
- Ancillary services market revenue cap increasing from €75m in 2016 to cap €235m by 2020.
- Significant energy margin expected to continue from capacity payments and quasi-regulated regulatory supports
- More challenging but ESB portfolio mix advantageous and well positioned with focus on
  - Availing of additional revenue opportunities
  - Cost efficiency
  - Investing in balanced low carbon portfolio of low thermal & renewable generation

Broad Indicative Changes

SEM
Energy Payments
Mandatory centralised pool with ex-post pricing

I-SEM
Energy Payments
Centralised market with day ahead, intra-day and balancing markets

Regulatory Supports

Capacity Payments
Availability based

Ancillary Services

Capacity Payments
Competitive auction

Ancillary Services
Supply: Electric Ireland

Highlights

● 7% of group operating profit

● Strategy: Meet customer energy needs
  ▪ Competitive Offerings
  ▪ Excellent Customer Service
  ▪ Innovative and value driven solutions

● Operating profit €18m lower due to higher energy costs
  Margin H1 2018 1.9%
  Residential price increase August 2018

● Competing effectively

● Irish Market share 33% with 1.4m customer accounts

● GB Supply residential market entry under brand “ESB Energy” as long term growth opportunity

● Focus: Meet customer energy needs through value driven solutions at appropriate margins

Operating Profit (€m)

<table>
<thead>
<tr>
<th></th>
<th>H1 2017</th>
<th>H1 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>(61%)</td>
</tr>
<tr>
<td></td>
<td>46</td>
<td>18</td>
</tr>
</tbody>
</table>

SEM Retail Market Share (MWh)

- Electric Ireland 33%
- SSE Airtricity 20%
- Bord Gais Energy 9%
- Viridian - Energia & Power NI 24%
- Other 14%
Funding & Liquidity
ESB Group Debt – Diversified Funding and Strong Liquidity

Group Debt 30 June 2018 - €4.8bn

Available Liquidity - €1.8bn

NIE Networks £350m bond issued September 2018. Maturity October 2025 with 2.5% coupon
Debt Repayment Profile – 30th June 2018

Manageable profile. €1.8 bn liquidity and EBITDA ~ €1.3bn pa.

Note: Excludes Joint Venture Debt
Credit ratings with both rating agencies reaffirmed with stable outlooks in May 2018
Outlook & Summary
Outlook

● Continued growth in Irish economy and SEM electricity demand expected

● Networks
  ▪ ESB Networks (ROI) PR4 2016-20 delivery
  ▪ NIE Networks (NI) RP6 Oct 2017-March 2024 delivery

● Generation (G&WM)
  ▪ Integrated Single Electricity Market (I-SEM)
  ▪ Low carbon and renewable investment

● Supply (Electric Ireland)
  ▪ Meet customer energy needs through value driven solutions at appropriate margins

● Ongoing focus on strategy delivery while maintaining financial strength

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