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ESB Team

Pat Fenlon
Group Finance Director

Gerry Tallon
Group Treasurer

Éilish Dolan
Manager, Investor Relations & Credit Rating
Agenda

- 2018 Highlights
- 2018 Financial Review
- Business Review
- Funding and Liquidity
- Outlook & Summary
2018 Highlights
2018 Highlights

ESB delivered a satisfactory performance in challenging market conditions

- EBITDA €1.2 billion; Capex €1.2 billion; Gearing 56%

- Exceptional impairment charge of €140 million (c. 1% Total Assets) reflecting challenging generation market environment

- Capital expenditure c. €1.2 billion, 65% (€760 million) in regulated networks and €250 million on renewable generation projects as part of our transition to low carbon generation

Networks: Regulated Networks Businesses in Ireland; 77% of Group EBITDA¹ and total assets, 65% of capital expenditure, supported by established and transparent regulatory frameworks

Generation & Trading: Irish market share 38%, lower energy margins, investment in low carbon renewable generation

Customer Solutions (including Electric Ireland): Competing effectively with an Irish market share of 33%

Strong liquidity position - €1.6 billion at 31 December 2018

Credit ratings reaffirmed A-/A3

¹All references to EBITDA in presentation are before exceptional items.
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
Leading the Transition to Low Carbon Future

Generation & Trading:

- ESB took first steps into Offshore Wind – Galloper (UK) and Oriel (ROI) investments
- Carbon intensity of generation portfolio reduced by 32% to 454 g/KWh (vs 2005)
- Developing options to transition Moneypoint out of coal by 2025

Networks:

- Investment in SMART Networks
- 536 MW of renewable generation connected to Networks in ROI & NI
- Dingle Project – trialling new technologies

Customer Solutions:

- Electric Ireland’s Smarter Home and All Electric Offer
- Approved €26m capital expenditure to upgrade EV infrastructure

CDP score of B- issued to ESB in Feb 2019, above sector average of C
2018 Financial Review
Consistent Financial Performance

**EBITDA (€m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,301</td>
<td>1,348</td>
<td>1,324</td>
<td>1,276</td>
<td>1,175</td>
</tr>
</tbody>
</table>

**Net Debt (€m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>4,639</td>
<td>4,975</td>
<td>4,524</td>
<td>4,377</td>
<td>4,915</td>
</tr>
</tbody>
</table>

**Capital Expenditure (€m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>960</td>
<td>873</td>
<td>897</td>
<td>867</td>
<td>1,165</td>
</tr>
</tbody>
</table>

**Gearing (%)**

<table>
<thead>
<tr>
<th>Year</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>53%</td>
<td>55%</td>
<td>51%</td>
<td>52%</td>
<td>56%</td>
</tr>
</tbody>
</table>
2018 – Key Financial Highlights

Operating Profit (€m)

- 2017: €490
- 2018: €455
- Change: (7%)

EBITDA (€m)

- 2017: €1,276
- 2018: €1,175
- Change: (8%)

Capital Expenditure (€m)

- 2017: €867
- 2018: €1,165
- Change: 34%

Net Debt (€m)

- 2017: €4,377
- 2018: €4,915
- Change: 12%
EBITDA Movement – 2018 vs 2017

EBITDA 2017

- ESB Networks: +46
- NIE Networks: +17
- Generation and Trading: (146)
- Customer Solutions & Other Segments: (18)

EBITDA 2018

- ESB Networks: 1,175
Business Review
Macro Environment

Ireland

- Irish economy performing strongly
- GDP +7.5% 2018 +4.4% 2019 forecast
- SEM Electricity demand growth
- Irish sovereign rating strengthened
  - A+ Stable (S&P) and A2 Stable (Moody’s)

Great Britain

- UK GDP +1.4% 2018 & +1.2% 2019 forecast
- Brexit
  - Sterling assets matched with sterling funding;
  - SEM underpinned by pre-existing legislation in NI and ROI;
  - NIE Networks has no volume risk; visibility to end Q1 2024
- UK Capacity Market
  - Suspension has minimal financial impact for 2018/2019
ESB Networks

Business Highlights

- 61% of Group EBITDA and 55% Group Assets
- Operating profit increase due to higher price and additional volume
- Capex increase mainly due to accounting for customer contributions (IFRS15)
- Regulated Asset Base (RAB) 2018 €7.9bn
- **Strategy**: Smart Reliable Networks to support decarbonisation
- PR4 Revenue Determination (2016-2020)
  - €3.1 billion capex programme
  - WACC 4.95% pre tax real
- **Focus**: PR4 delivery, preparation for PR5

### Operating Profit (€m)

- 2017: 317
- 2018: 355

### Capital Expenditure (€m)

- 2017: 501
- 2018: 590

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 Highlights

- 16% of Group EBITDA and 19% Group Assets
- Operating profit increase due to higher price and PSO revenue
- Capex increase mainly due to accounting for customer contributions (IFRS15)
- Regulated Asset Base 2018 €1.7bn / £1.6bn
- **Strategy**: Smart Reliable Networks to support decarbonisation
- RP6 revenue determination (Oct ‘17 – Mar ‘24)
  - RP6 WACC 3.2% vanilla real (3.8% pre tax real)
- **Focus**: RP6 Implementation

2018 EBITDA - €1.2bn

Operating Profit (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>35</td>
</tr>
<tr>
<td>2018</td>
<td>62</td>
</tr>
</tbody>
</table>

Capital Expenditure (€m)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expenditure (€m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>143</td>
</tr>
<tr>
<td>2018</td>
<td>171</td>
</tr>
</tbody>
</table>
Generational & Trading (GT)

Business Highlights

- 20% of Group EBITDA and 19% Group Assets
- Capacity 5.9GW - 4.4GW All-Island and 1.5GW in GB
- All-Island SEM\(^1\) market share 38% by volume
- Reduction in operating profit reflects lower energy margins and extended Moneypoint outage
- Market prices were higher in 2018 but volumes were lower resulting in a reduction in energy margin
- Impairment charge of €140m (1% of total assets)
- Increase in Capex reflects investment in renewable generation
- **Strategy**: Transition to low carbon energy. Increase of 78MW renewables in 2018
- **Focus**: SEM new market arrangements & Renewable Investment

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**Market Prices**

<table>
<thead>
<tr>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>SMP</td>
<td>47</td>
</tr>
<tr>
<td>Spark Spread*</td>
<td>10</td>
</tr>
<tr>
<td>Dark Spread*</td>
<td>12</td>
</tr>
<tr>
<td>GB spark spread**</td>
<td>17</td>
</tr>
</tbody>
</table>

**Operating Profit (€m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>120</td>
</tr>
<tr>
<td>2018</td>
<td>37</td>
</tr>
</tbody>
</table>

**Capital Expenditure (€m)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>128</td>
</tr>
<tr>
<td>2018</td>
<td>299</td>
</tr>
</tbody>
</table>

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1 SEM = Republic of Ireland and Northern Ireland
*market spreads
** captured spreads (£/MWh)
Integrated Single Electricity Market

- EU Internal Energy Market compliance to align energy trading more closely with EU – went “live” successfully on 1\textsuperscript{st} October 2018

- Capacity payments remain but are now secured by way of competitive auction
  - 3,280 MW of ESB plant secured contracts in the first T-1 auction in December 2017 at a market average price €41.80/kW/pa
  - 3,186 MW of ESB plant secured contracts in the second T-1 auction in December 2018 at a market average price of €40.65/kW/pa
  - T-4 auction (2022-2023) pre-qualification results announced. 7,880 MW of existing and 3,038 MW of new capacity has qualified. Initial results due out early April 2019.

- Ancillary services market revenue cap increasing from €75m in 2016 to a cap of €235m by 2020

- Market operating effectively however it will take time before a clear picture emerges given a number of plant outages which coincided with market go-live.
Customer Solutions: Electric Ireland

Business Highlights

- Customer-facing businesses including supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Electric Ireland contributed 5% of Group EBITDA
- Operating profit €54m. Margin of 3%

**Strategy:** Meet customer energy needs through

- Competitive Offerings
- Excellent Customer Service
- Innovative and value driven solutions

- Irish market share 33% with 1.25m customer accounts
- ESB’s GB Supply business unit (ESB Energy) has successfully gained 36,000 customers to date
- **Focus:** Meet customer energy needs through value driven solutions at appropriate margins

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1. Irish= Republic of Ireland and Northern Ireland

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**SEM Retail Market Share (MWh)**

- SSE Airtricity
- Bord Gáis Energy
- Viridian - Energia & Power NI
- Other
- Electric Ireland

**Operating Profit (€m)**

- 2017: 68
- 2018: 54

**2018 EBITDA - €1.2bn**

- 5%
Funding & Liquidity
ESB Group Debt – Diversified Funding and Strong Liquidity

Group Debt 31 December 2018 - €5.1bn

- Bonds 73%
- Bilateral 16%
- US Private Placement 10%
- Project Financing 1%

Available Liquidity 31 December 2018 - €1.6bn

- Cash 14%
- Committed Facilities 86%

Included above are 2 bonds issued in 2018:
- NIE Networks £350m bond issued September 2018, maturity October 2025 with 2.5% coupon
- ESB €500m bond issued October 2018, maturity 2033 with a coupon of 2.125%
Debt Repayment Profile as at 31 December 2018

Note: Excludes Joint Venture Debt
ESB Credit Ratings

S&P Global Ratings

A-
(Stable Outlook)
Long Term Rating

Moody’s Investors Service

A3
(Stable Outlook)
Long Term Rating

Credit ratings with both rating agencies reaffirmed with stable outlooks in May 2018
Outlook & Summary
Summary & Outlook

● Continued growth in Irish economy and SEM electricity demand expected
● Challenging period for thermal generation
● Transitioning to low carbon renewable investments

● Networks
  ➢ ESB Networks (ROI) PR4 delivery and preparation for PR5
  ➢ NIE Networks (NI) RP6 delivery

● Generation (GT)
  ➢ Low carbon and renewable investment

● Customer Solutions
  ➢ Meet customer energy needs through value driven solutions at appropriate margins

● Ongoing focus on strategy delivery while maintaining financial strength

Create a brighter future for our customers by leading the transition to low carbon energy
### 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: 38% share of generation and 33% share of supply in 2018

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

#### Consistent Financial Performance
- FY 2018 EBITDA €1.2bn & Gearing 56% (2017 EBITDA €1.3bn & Gearing 52%)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3
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