



Energy for  
generations

# ESB

## Debt Investor Presentation

## 2015 Half-Year Results and Business Update

Donal Flynn  
Cathal Marley  
Brendan Heneghan

Group Finance Director  
Group Treasurer  
Manager, Investor Relations

September 2015



# Disclaimer



**Forward looking statements:** This presentation contains certain “forward-looking statements” with respect to Electricity Supply Board’s and ESB Finance Limited’s (hereinafter collectively referred to as “ESB”) financial condition, results of operations and business and certain of ESB’s plans and objectives with respect to these items. By their very nature forward-looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to and depend upon future events and circumstances. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. All forward-looking statements in the presentation are expressly qualified in their entirety by such factors. ESB does not intend to update these forward-looking statements.

**No warranty as to accuracy:** Neither ESB nor any person acting on its behalf makes any representation or warranty, express or implied, as to the accuracy or completeness of the information contained within this presentation. Neither ESB nor any person acting on its behalf shall have any liability whatsoever for loss, howsoever arising, directly or indirectly, from use of the information contained within this presentation.

**No invitation to engage in investment activity:** This document is not an offer to sell, exchange or transfer any securities of ESB nor any of its subsidiaries and is not soliciting an offer to purchase, exchange or transfer such securities in any jurisdiction. This document is not intended for distribution to, or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation.

**Confidentiality:** The information contained in this presentation is provided to you on a strictly confidential basis on the understanding that (i) you will maintain the confidentiality of such information and that you will not permit such information to be given or come into the possession of or be used for the benefit of any third party without first obtaining the prior written consent of Electricity Supply Board (“ESB”); (ii) you will ensure that only those persons within your organisation who require to have access to the information for the purposes of performing their duties will have access to it and you will take all necessary steps to ensure that the information is, at all times, securely kept and that access thereto is restricted to those persons who are entitled to such access; and (iii) you will not use the information for any unlawful purpose.

You should be aware that certain information contained in this presentation may not be publicly available and, as such, may constitute “inside information” for the purposes of the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland with respect to ESB and securities issued by ESB which are admitted to trading on a regulated market in the European Economic Area.

# ESB Team



Donal Flynn  
Finance Director



Cathal Marley  
Group Treasurer



Brendan Heneghan  
Investor Relations

# Agenda



- Highlights
- H1 2015 Financial Results
- Business Review
- Funding and Liquidity

# Highlights

# Highlights – H1 2015



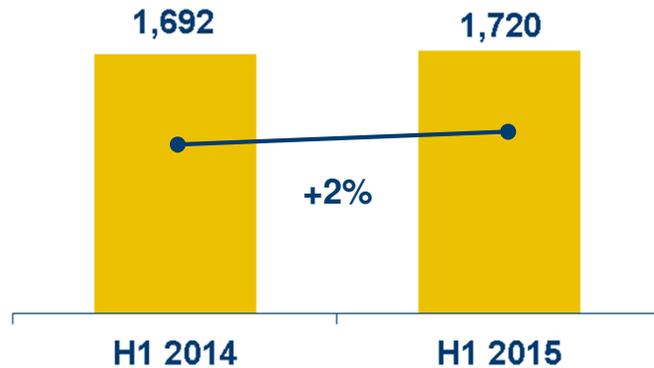
- Improved H1 performance compared to 2014
- €405m Capital investment – core network assets in Ireland (€268m) and Carrington project
- Strong liquidity position – €1.44bn facility extended to 2020, additional option to 2022
- €500m 12-year Bond issue and €300m buy-back in June
- S&P one-notch upgrade to A- in June on strength of Irish sovereign
- Financial performance remains a focus, cost savings on target
- ESB Networks latest price control reaches final consultation stage

# H1 2015 Financial Results

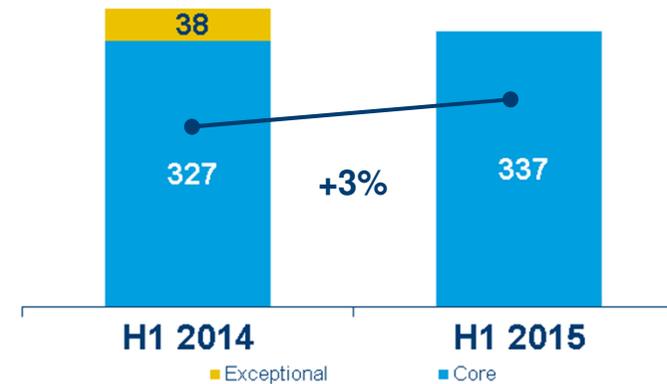
# H1 2015 – Key Financial Highlights



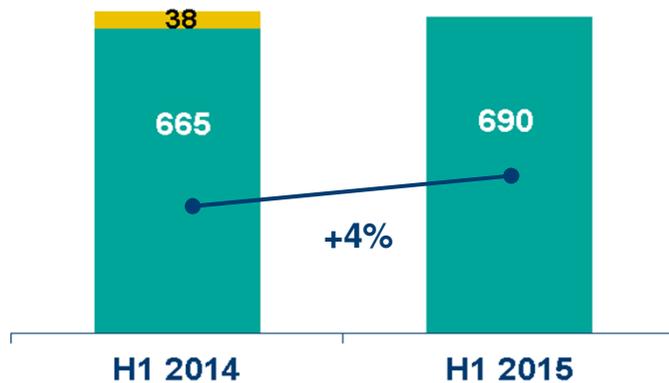
## Revenue<sup>1</sup> (€m)



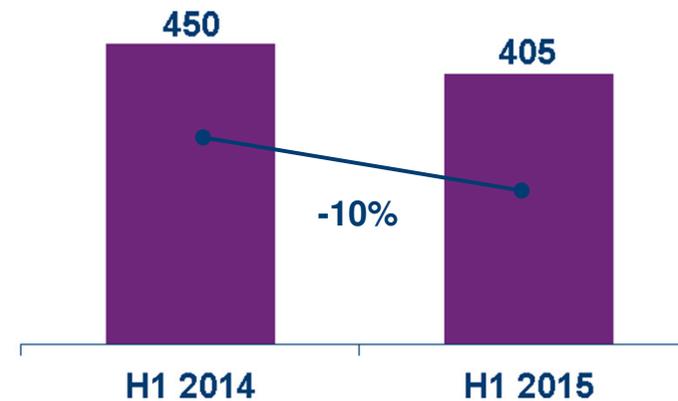
## Operating Profit<sup>1</sup> (€m)



## EBITDA<sup>1</sup> (€m)

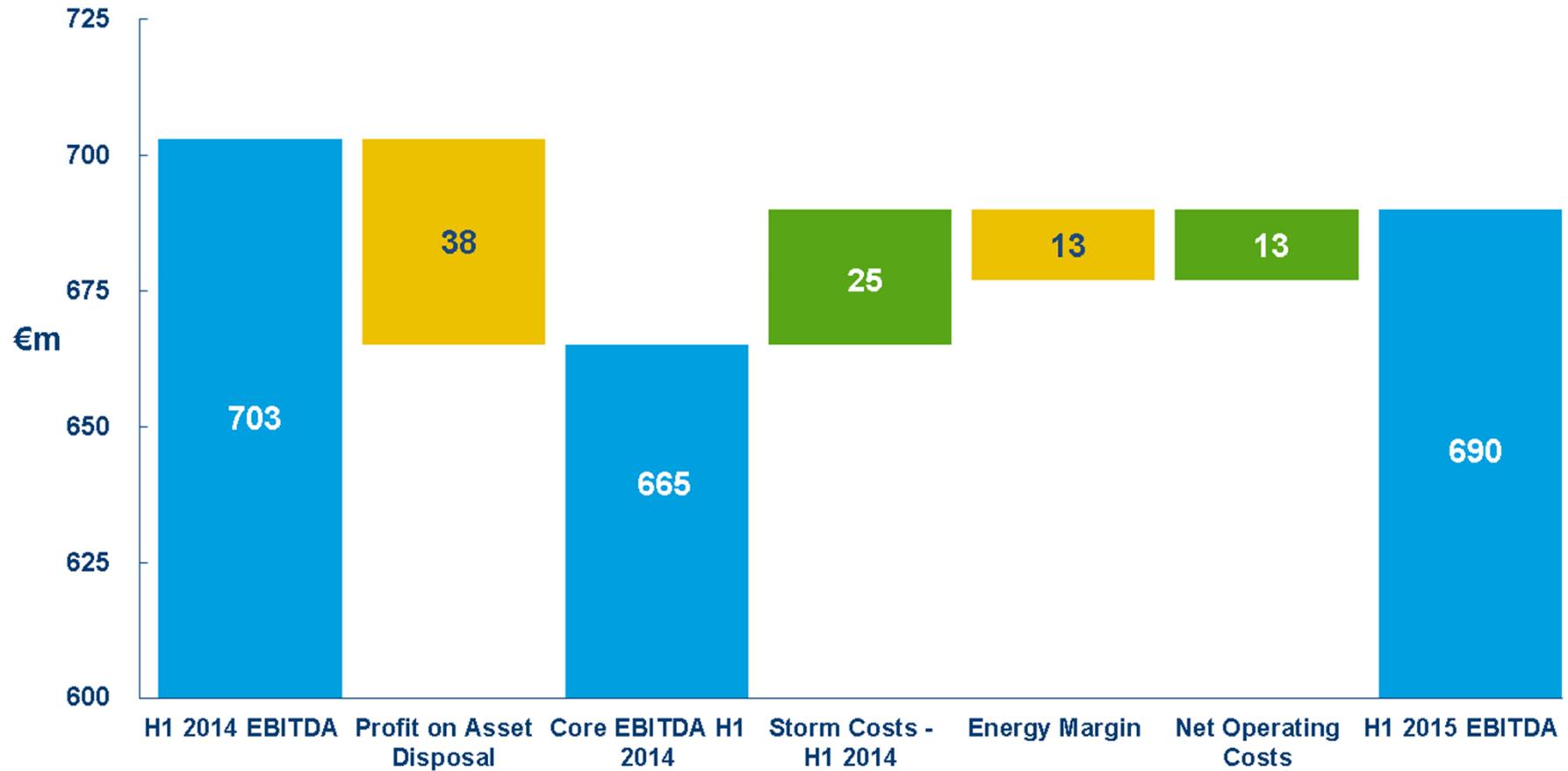


## Capital Expenditure (€m)



<sup>1</sup>Exceptional items: Profit on Disposal of Shareholding: H1 2014 - €38m

# EBITDA Movement – H1 2015 vs H1 2014



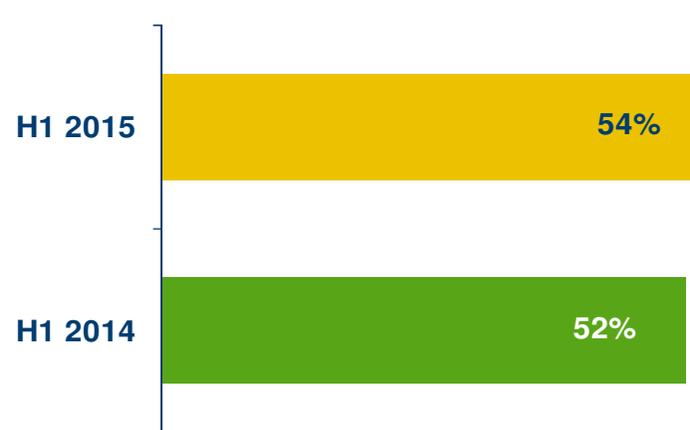
# Interest Cover and Gearing



## Adjusted<sup>1</sup> EBITDA Interest Cover



## Adjusted<sup>1</sup> Gearing %



- ESB US Private Placement Agreement Covenants:
  - Adjusted<sup>1</sup> EBITDA Interest Cover > 3.5x
  - Adjusted<sup>1</sup> Gearing < 67.5%

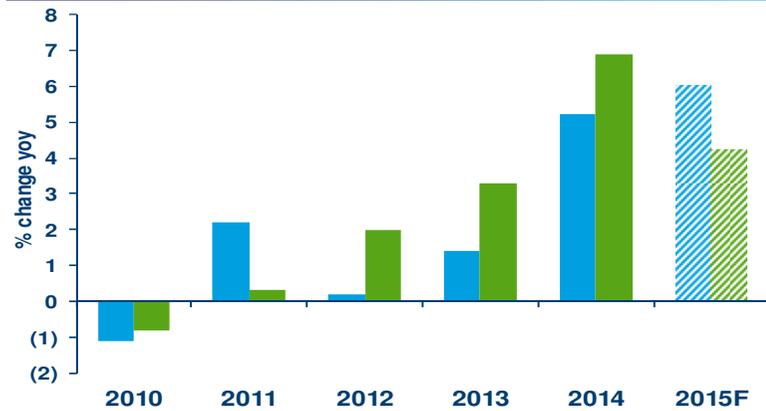
<sup>1</sup>Adjusted to restate financials to accounting principles in effect at time of USPP issue (UK GAAP 2002).  
Indicative – subject to final certification.

# Business Review

# Macro Environment

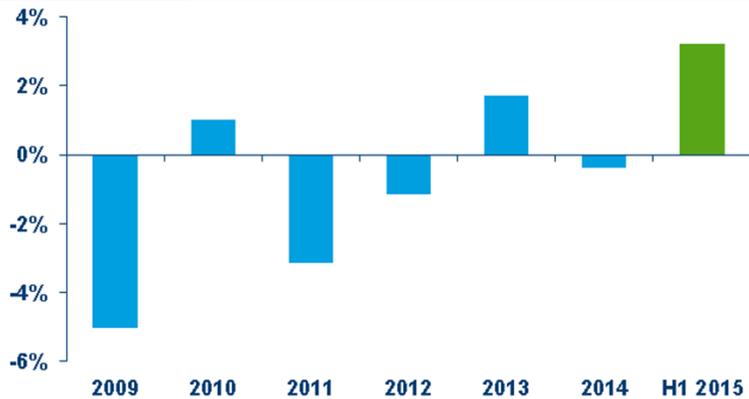


## GDP Growth strong through 2015



Source: NTMA, CSO ■ GDP % ■ GNP%

## SEM System Demand Growth



Source: Eirgrid, SONI

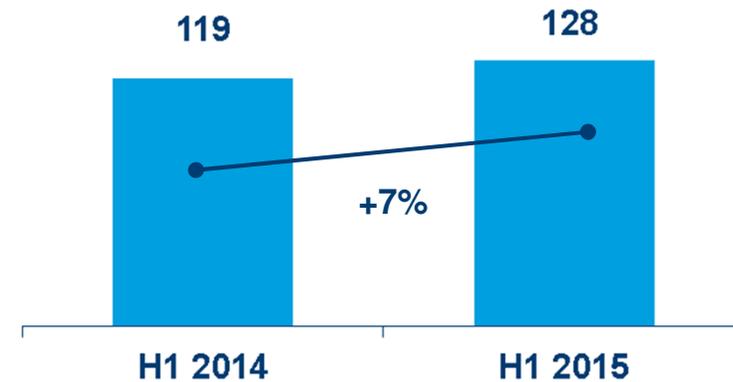
## Ireland

- Strong growth continues with 5.2% GDP growth in 2014 and 6% forecast for 2015
  - 6.7% year on year at Q2 2015 (GNP 5.3%)
- Broad based growth with all sectors showing improvement
- Unemployment rate consistently falling – 9.5% at end August 2015
- Further sovereign rating upgrades
  - Now A+ Stable (S&P) / A- Positive (Fitch) / Baa1 Positive (Moody's)
- Initial signs of system demand growth
  - +3.2% in H1 2015, +1.7% in full year

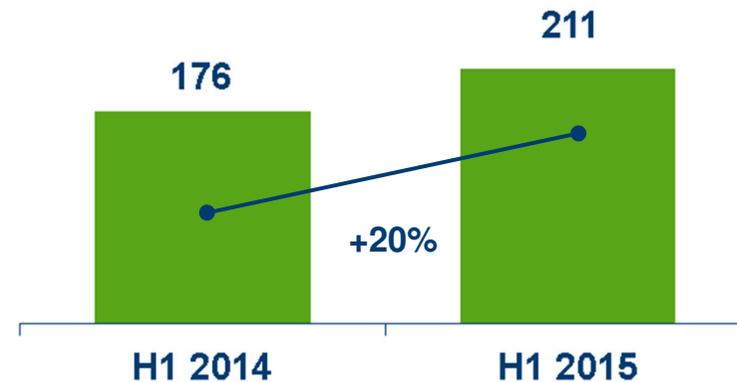
## Highlights

- Earnings improved in H1 2015
  - H1 2014 profits impacted by €25m Storm Costs – these do not recur
  - Mid-term WACC decrease from PR3 reduces tariff in H1 2015 (€10m)
  - Increase in depreciation as asset base grows (€4m)
- Next price control (PR4) reaches final consultation stage – draft determination in late August
  - 4.8% WACC
  - More challenging than previous control
  - No disallowance of PR3 Capex or Opex

## Operating Profit (€m)



## Capital Expenditure (€m)



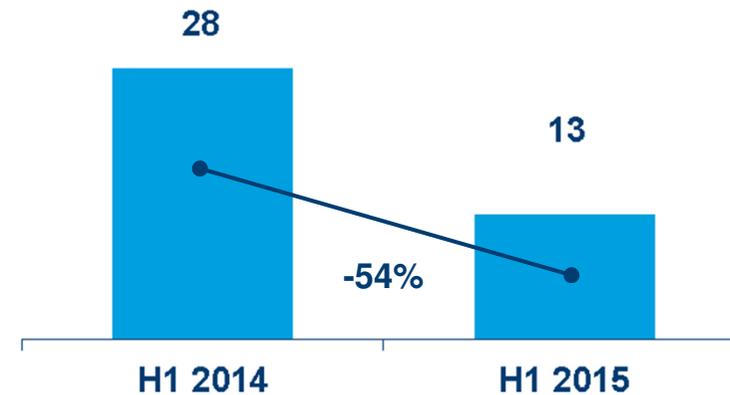
# Northern Ireland Electricity



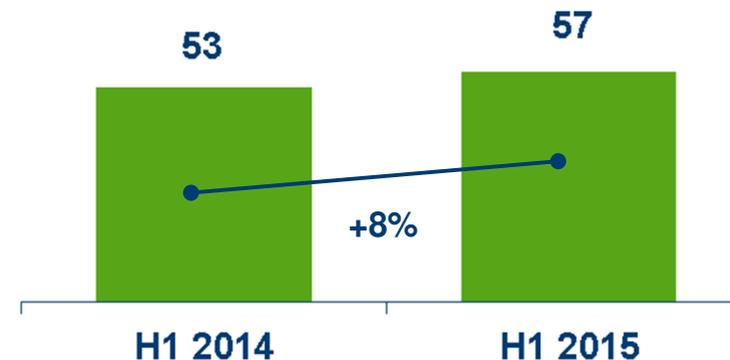
## Highlights

- Operating Profit movement reflects RP5 delay – 2 years' reduction in one tariff period
- Underlying EBITDA down 16% in H1 – full year impact will be lower – increased tariff from 1<sup>st</sup> October
- 100 employees exited under VS programme in late 2014, £5m cost savings in full year 2015
- RAB growth to £1.3bn – increased capital spend in H2 as RP5 projects approved

## Operating Profit (€m)



## Capital Expenditure (€m)



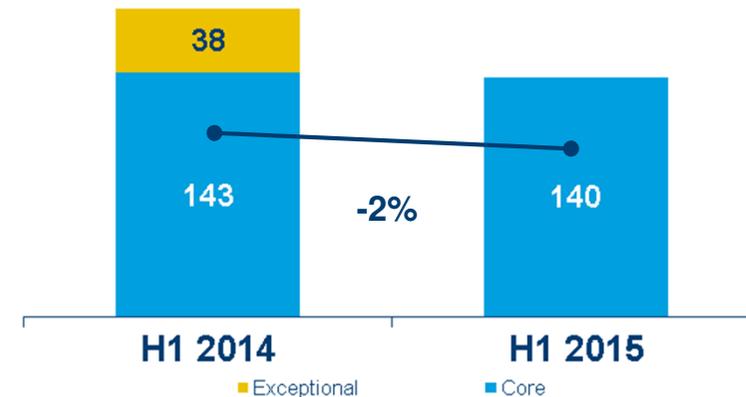
# Generation & Wholesale Markets



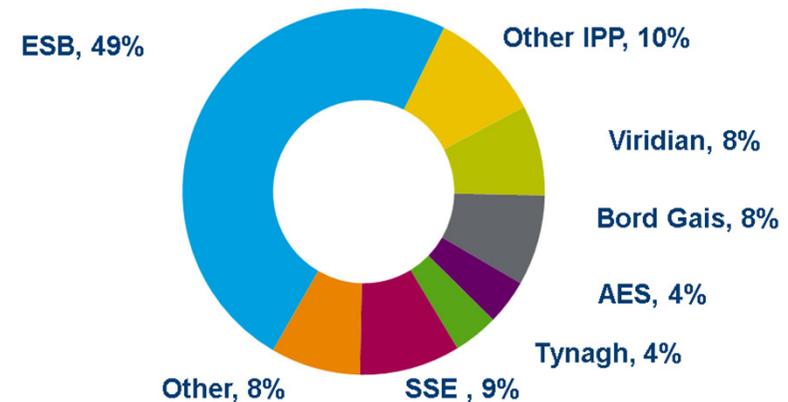
## Highlights

- Improved availability of fleet (95% v 86%) – €41m increase in margin
- Offset by €44m mark-to-market gain in H1 2014 which does not recur
- Market share of 49% reflects improved availability
- Lower capital expenditure of €108m (H1 2014: €189m) as Carrington construction nears final stages
- New JV's at Tilbury (GB Biomass) and Raheenleagh (ROI Wind)
- H2 2015 Focus:
  - Continued high plant availability
  - Carrington construction to complete
  - I-SEM – Further design work

## Operating Profit (€m)



## Generation Market Share



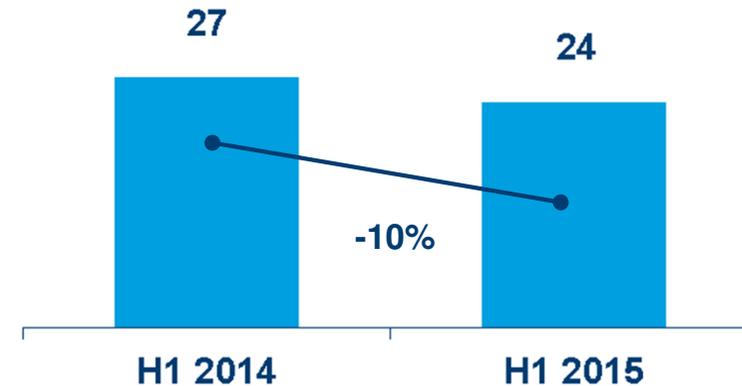
# Electric Ireland



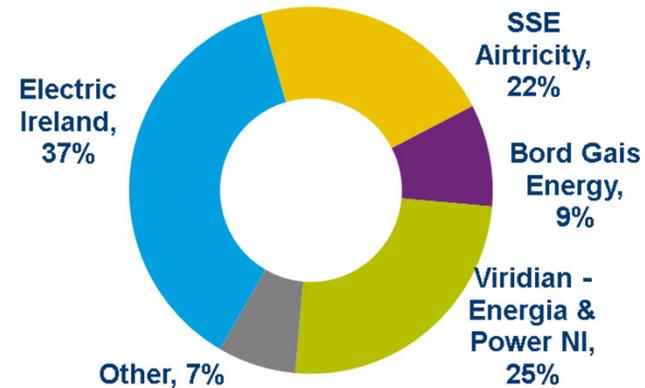
## Highlights

- Market share stable at 37%
- Net margin of 2.3% (H1 2014: 2.6%)
- Intensity of competition and defense of share impacting on profit, as expected
- Residential market crowding – focus on higher value customers
- Targeted customer gains in Business segments in H1
- NI Residential market entry from Q4 2015
- Digital offering expanded – Smart Home products, business online portal

## Operating Profit (€m)



## Retail Market Share (MWh)

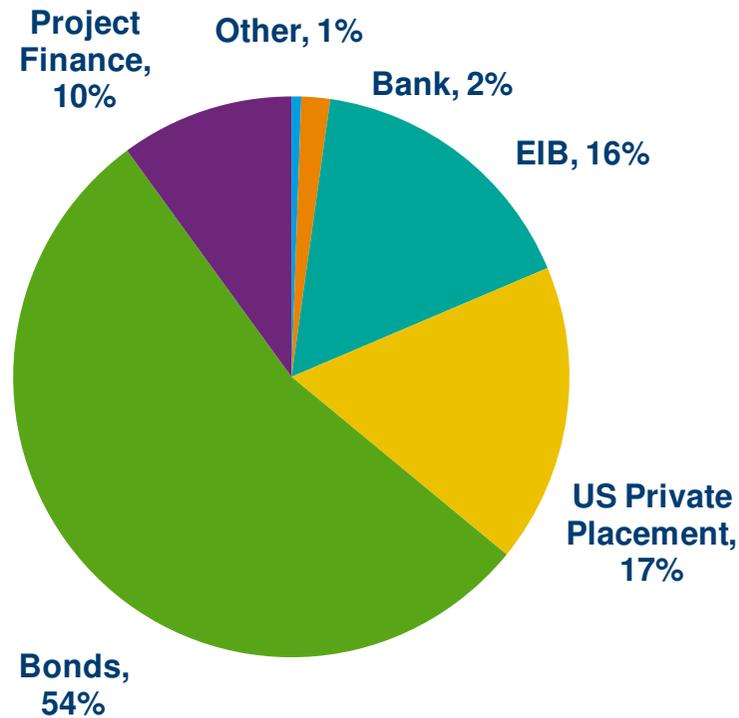


# Funding & Liquidity

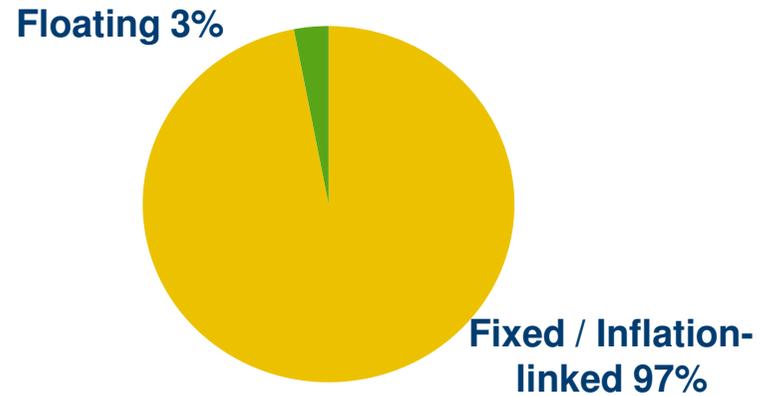
# Debt Overview



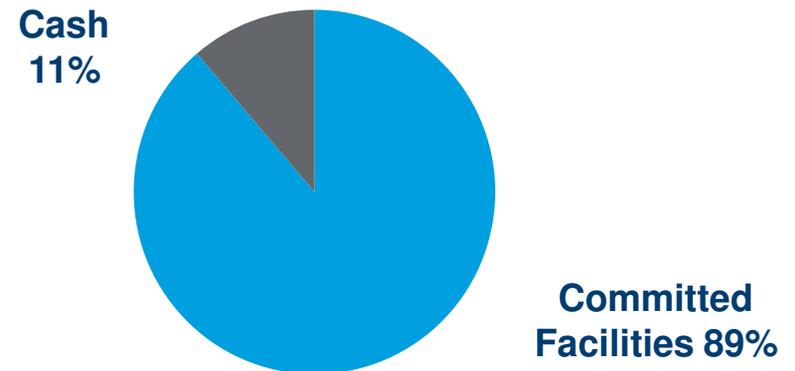
## Group Debt 30 June 2015 - €5.2bn



## Interest Rate Management

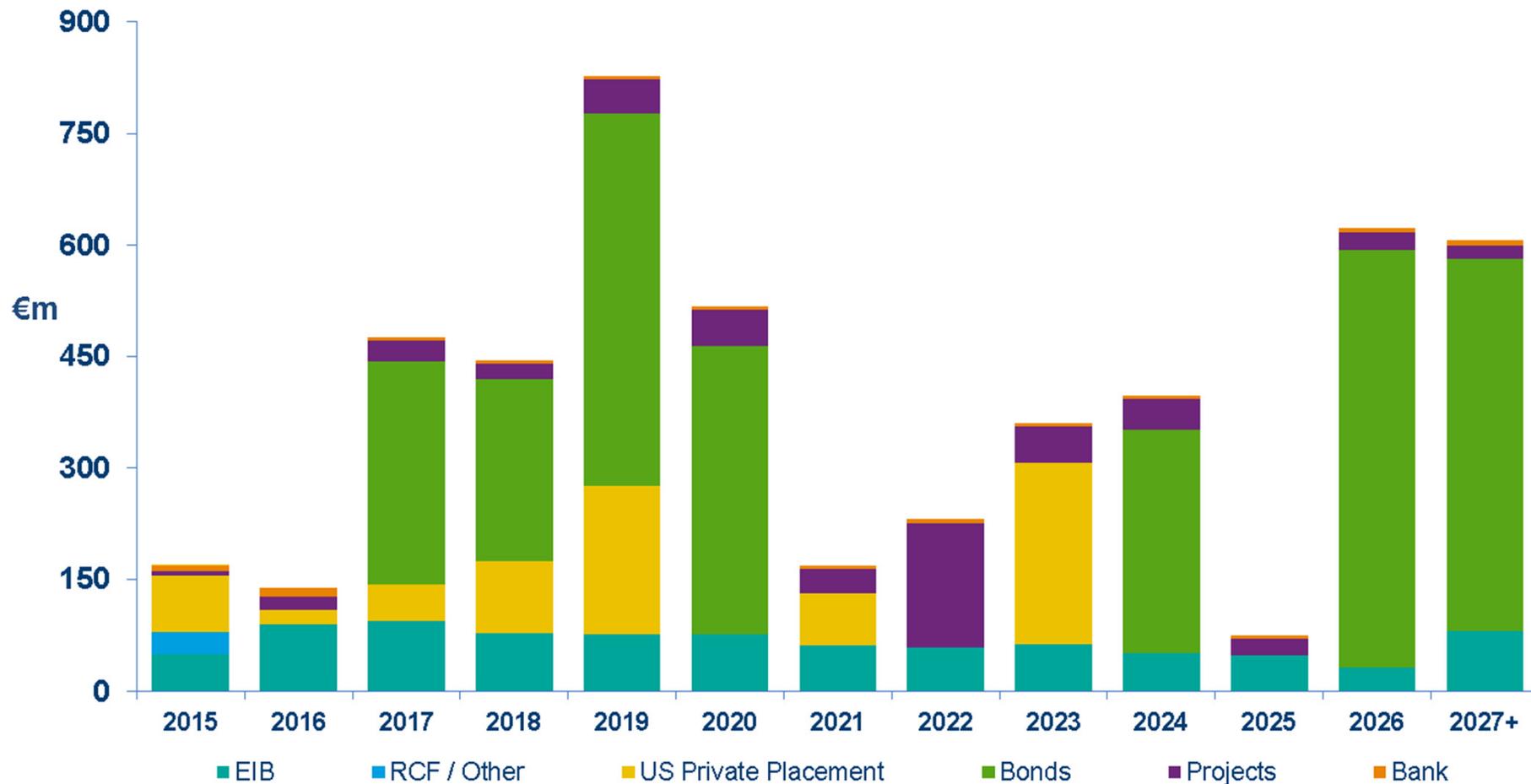


## Available Liquidity - €1.85bn



- €500m Bond issued June 2015 – 12 years, 2.125%, €300m buy-back
- €1.44bn RCF Amend and Extend signed January 2015 – 5 + 2 years facility, competitive pricing

# Debt Maturity – Post-June Bond Issue



# ESB Credit Ratings



- S&P upgrade to A- on strength of Irish sovereign
- Moody's and Fitch affirm Baa1 / BBB+

|                       | Standard & Poor's  | Moody's  | Fitch  |
|-----------------------|--|--|--|
| <b>Current Rating</b> | <b>A-<sup>1</sup></b><br>(Stable Outlook)<br>9 June 2015 | <b>Baa1</b><br>(Stable Outlook)<br>24 April 2015 | <b>BBB+</b><br>(Stable Outlook)<br>11 May 2015 |

<sup>1</sup> S&P upgrade due to upgrade of Irish sovereign

# Summary

# Outlook H2 2015



- Continued strong growth in macroeconomy expected – early signs of demand growth
- Ongoing investment in core network assets and Carrington construction due to complete this year
- Networks
  - PR4 Determination to be finalised soon – progress to implementation
  - NIE begin work on initial submission for RP6 – due H1 2016
- Generation
  - Wholesale prices remain at subdued levels
  - Continued focus on fleet availability
  - Carrington – GB capacity auction in Q4
- Electric Ireland
  - Targeted retention of market share
- Continued focus on cost efficiency and financial strength

# Contacts



## ESB

27 Lower Fitzwilliam Street  
Dublin 2  
Ireland  
[www.esb.ie](http://www.esb.ie)

**Brendan Heneghan**  
Investor Relations Manager  
+353 1 702 6461  
[brendan.heneghan@esb.ie](mailto:brendan.heneghan@esb.ie)