



Energy for
generations



INTERIM FINANCIAL REPORT

FOR THE PERIOD
TO 30 JUNE 2020



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FINANCE REVIEW JUNE 2020



FINANCIAL PERFORMANCE

In the context of an extremely challenging operating environment brought about by the global COVID-19 pandemic, ESB delivered an operating profit before exceptional items of €249 million, a decrease of €45 million on 2019. The reduction in operating profits has been driven primarily by the impact of COVID-19 on our operations as revenue has reduced due to lower demand and restrictions on capital programmes led to higher net payroll costs being charged to the Income Statement.

As an essential service provider, we have been focussed on successfully ensuring the supply of electricity throughout this pandemic, while safeguarding our employees, contractors, customers and the general public.

Thermal GB energy margins have fallen in the period to June 2020 as increased renewable generation on the system and reduced demand due to COVID-19 has displaced thermal plant and reduced margins. GB projected thermal margins and captured spreads into the future have also fallen due to reduced demand and lower forecast peak prices. It is in this context that we have made an exceptional impairment charge of €177 million on our Carrington gas fired power plant in Great Britain. This charge represents about 1% of our total asset base at the end of June 2020.

Pat Fenlon, Executive Director, Group Finance and Commercial.

**FIGURE 1: FIVE-YEAR SUMMARY
SIX MONTHS TO 30 JUNE**

	June 2020 €m	June 2019 €m	June 2018 €m	June 2017 €m	June 2016 €m
Operating profit	249	294	244	297	287
EBITDA ¹	604	664	620	673	638
Capital expenditure ²	395	396	579	303	356
	June 2020 €m	December 2019 €m	December 2018 €m	December 2017 €m	December 2016 €m
Net debt ³	4,985	5,239	4,915	4,337	4,524
Gearing (%) ⁴	55%	57%	56%	52%	51%
Total assets	13,740	14,159	13,304	12,294	12,907

¹ EBITDA: operating profit before interest, taxation, depreciation, impairments (including non-trading net impairment losses on financial assets), amortisation and revenue from supply contributions

² 2018 - 2020 Capex is gross of customer contributions for network connections

³ Borrowings and other debt, net of cash and cash equivalents, in 2019 and 2020 net debt includes lease liabilities recognised in accordance with IFRS 16 'Leases'

⁴ Net debt divided by the sum of net assets and gross debt (including lease liabilities) excluding joint ventures

FIGURE 2: SUMMARISED EBITDA CALCULATION

	June 2020 €m	June 2019 €m
Operating profit after exceptional items	72	294
Depreciation	390	389
Revenue from supply contributions	(36)	(33)
Impairments	178	14
EBITDA	604	664

HIGHLIGHTS

OPERATING PROFIT:

€249 million

(€45 MILLION DECREASE ON JUNE 2019)

CAPITAL EXPENDITURE:

€395 million

(€1 MILLION DECREASE ON JUNE 2019)

SEGMENTAL PERFORMANCE

The Group is organised into five main reportable segments or strategic divisions, which are managed separately. Further details on the business segments are included in note 6 of the interim financial statements. The Group operating profit before exceptional items of €249 million is set out below on a segmental basis.

■ ESB Networks operating profit of €132 million is down €24 million. This is primarily due to the impact of COVID-19, which has restricted certain capital work programmes (reducing payroll capitalisation, thus increasing payroll costs in the Income Statement) and reduced revenue with lower overall electricity demand. In addition, the growing asset base resulted in higher depreciation but this has been offset by an increase in regulated tariffs.

■ Customer Solutions operating profit of €18 million is down €23 million from 2019. On 1 April 2020, a residential price decrease of 2.5% and a gas price decrease of 11.5% was applied, reflecting the impact of lower energy costs. Customer Solutions reduced profits are due to higher market operator imperfection charges* and the impact of COVID-19 with reduced demand in the SME sector as well as a higher bad debt charge.

■ Generation and Trading (GT) operating profit of €68 million is down €2 million due to lower demand (COVID-19 related), reduced running, and an increase in station closure provision for the peat stations offset by lower payroll costs following 2019 severance scheme exits, non-recurrence of 2019 impairment charges on the Tilbury financial asset and lower depreciation as a result of the peat stations being fully depreciated in 2019.

■ Other Segments include Engineering and Major Projects, Corporate Centre and Enterprise Services which provide services to the other business segments. This segment, which includes most of the financing costs of the Group, reported an operating loss of €14 million for 2020 primarily reflecting foreign exchange losses on intercompany positions.

■ Northern Ireland Electricity Networks (NIE Networks) operating profit of €45 million is up €13 million due to higher Public Service Obligation (PSO) income (regulated charges) and higher agreed tariffs offset by the negative impact of COVID-19 on demand and capital activities which have resulted in higher net payroll costs being charged to the Income Statement.

*Imperfection charges arise in the wholesale energy market to recover residual market costs not included in other charges.

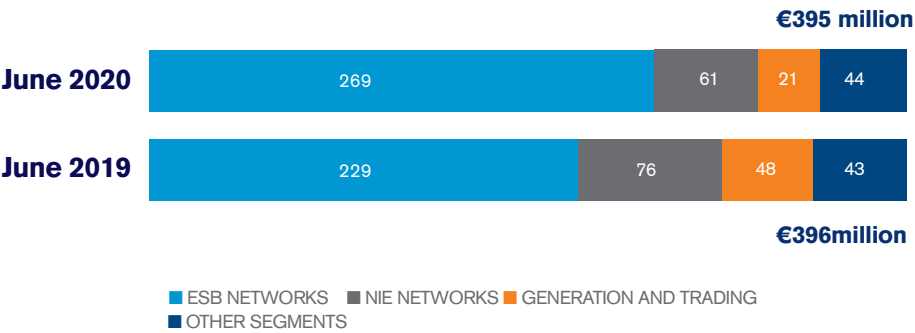
FIGURE 3: SUMMARISED INCOME STATEMENT

	2020 €m	2019 €m
Revenue and other operating income	1,857	1,897
Operating costs	(1,608)	(1,603)
Operating profit	249	294
Exceptional item	(177)	-
Operating Profit After Exceptional Item	72	294
Net finance costs	(78)	(92)
Fair value movements on financial instruments	(53)	(46)
Share of equity accounted investees loss	(3)	(2)
(Loss)/profit before tax	(62)	154
Tax charge	(4)	(22)
(Loss)/profit after tax	(66)	132

FIGURE 4: SUMMARISED CASH FLOW STATEMENT

	2020 €m	2019 €m
EBITDA	604	664
Provision utilisation and working capital	88	71
Interest and tax	(140)	(123)
Net cash inflow from operating activities	552	612
Sale proceeds	13	3
Capital expenditure and loans to equity accounted investees	(390)	(360)
Net cash outflow from investing activities	(377)	(357)
Net cash inflow from financing activities	16	253
Net increase in cash	191	508

FIGURE 5: CAPITAL EXPENDITURE (INCLUDING PURCHASE OF FINANCIAL ASSETS)



ESB Networks expenditure of €269 million is up €40 million mainly due to increased spend on Smart metering, non-network and transmission network projects. COVID-19 has primarily impacted the mix of distribution networks spend, which is in line with the prior year, with lower employee costs offset by higher material and other costs.

NIE Networks expenditure of €61 million is down €15 million due to lower core network and connections spend driven by delays as a result of COVID-19.

Capital Expenditure in Generation and Trading at €21 million is down €27 million largely due to lower renewables spend in 2020.

Other Segments expenditure of €44 million is broadly in line with the prior period and includes spend on the redevelopment at the Fitzwilliam Street Head Office complex.

NET DEBT AND GEARING

Net debt of €5.0 billion at 30 June 2020 comprises borrowings of €5.2 billion (31 December 2019: €5.2 billion), cash of €311 million (31 December 2019: €125 million) and Lease liabilities of €125 million recognised under IFRS 16 'Leases' (31 December 2019: €132 million).

Net debt has decreased in the first six months of the year due to positive EBITDA and the impact of the weakening of GBP on the value of sterling denominated debt which together exceeded capital expenditure. The increased cash balance is due to proactive funding (outlined below) in the first half of 2020 and the maintenance of higher cash levels given uncertainties

caused by COVID-19.

The gearing level of 55% at 30 June 2020 has reduced since December 2019 (57%) reflecting lower net debt.

FUNDING

Group Treasury’s funding activities support ESB’s capital expenditure programme, the refinancing of maturing debt and the maintenance of a sufficient liquidity buffer against future political or economic events which may have an impact on cash flows and financial markets.

During the period the most significant such event was the disruption caused by COVID-19 and the associated public health restrictions in Ireland, the UK and around the world. In advance of the imposition of these restrictions, in January 2020 the Group raised a 15.5 year STG£325 million bond under its Euro Medium Term Note (EMTN) public bond programme. This bond has a coupon of 1.875% and was more than five times oversubscribed.

In February 2020, ESB negotiated a new €1.4 billion Sustainability linked Revolving Credit Facility with a group of fourteen international banks. This replaced the previous €1.44 billion facility signed in 2015. The cost of this standby liquidity facility is directly linked to the delivery by ESB of specific decarbonisation targets aligned with ESB’s Brighter Future Strategy. €1.3 billion of this facility was undrawn at 30 June 2020.

Since the imposition of COVID-19 restrictions, ESB has successfully maintained a strong level of cashflow and cash liquidity in challenging conditions. Including over €300 million of cash on hand, and the Revolving Credit Facility,

the Group had over €1.6 billion in available liquidity at 30 June 2020. This is greatly in excess of scheduled debt repayments due over the next 24 months of just over €300 million. Accordingly, the Group’s debt maturity profile is not considered to pose a significant risk to the Group. In addition, after the period-end, in July 2020, ESB raised €200 million in additional 'green' borrowings under its Eurobond programme at an all-in yield of 0.55% over 10 years.

The weighted average interest rate on the Group’s portfolio of outstanding borrowings at 30 June 2020 had fallen to 2.7% (31 December 2019: 3.0%). 95% of borrowings are fixed to maturity or inflation linked. Almost £1.6 billion of Group borrowings are Sterling denominated, amounting to just under one third of the total borrowings portfolio by value at prevailing exchange rates. These borrowings have been raised to fund assets in Great Britain and Northern Ireland, which earn, or will earn in the future, Sterling denominated net revenues.

ESB’s strong liquidity position reflects its underlying financial strength and credit ratings of A- and A3 with Standard & Poor’s and Moody’s respectively both with a stable outlook. The Group continues to proactively manage its borrowings repayment profile and maintains its ability to fund in the future through close ongoing engagement with its credit rating agencies, debt investors and relationship banks.

PRINCIPAL RISKS AND OPPORTUNITIES

The Board of ESB is responsible for the Group’s risk management and internal control systems, which are designed to identify, manage and mitigate potential material risks to the achievement of the Group’s strategic and business objectives. The Board has approved the annual review and update of the Group Risk Management Policy and Governance Framework which sets out delegated responsibilities and procedures for the management of risk across the Group.

Following completion of the mid-year risk review process, it is confirmed that the principal risks and opportunities facing the Group, as set out on pages 28 to 37 of the 2019 Annual Report (together with the principal mitigation measures), continue to be the principal risks and opportunities facing the Group for the remaining

six months of the financial year, and in consideration of the impact of the COVID-19 pandemic, an additional principal risk, “Pandemic/COVID-19 and its impacts” has been added.

In respect of Brexit, which is included under the “political or economic uncertainty” principal risk, the Board notes that on 31 January 2020, the UK left the EU under the terms of the Withdrawal Agreement entered by the UK and the EU. A Transition Agreement is in place between the UK and the EU, but it is due to expire on 31 December 2020 and is not expected to be extended. Obligations set out in the Withdrawal Agreement including the Northern Ireland Protocol are due to remain in place. ESB is monitoring events closely and has adopted a range of prudent financial management policies to manage the financial risks and business risks of Brexit.

What is included in the Annual Report is not an exhaustive statement of all relevant risks and opportunities. Matters which are not currently known to the Board or events which the Board considers to be of low likelihood could emerge and give rise to material consequences. The mitigation measures that are maintained in relation to these risks are designed to provide a reasonable but not an absolute level of protection against the impact of the events in question.

OUTLOOK

Whilst electricity demand in Ireland fell by about 15% at the height of the lockdown restrictions brought about by the response to COVID-19, demand has recovered since the start of July and is now back in line with or slightly above 2019 comparative levels. ESB continues to deliver operating profits (before exceptional items) and maintains a strong liquidity position of €1.6 billion. This means ESB is financially well positioned to meet the challenges that lie ahead and to deliver our strategic ambition to lead the transition to reliable, affordable low-carbon energy for the benefit of our customers.

RESPONSIBILITY STATEMENT OF THE BOARD MEMBERS IN RESPECT OF THIS INTERIM FINANCIAL REPORT

The Board members are responsible for preparing this Interim Financial Report including the Condensed Consolidated Financial Statements in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

We confirm that to the best of our knowledge and belief that the unaudited condensed consolidated set of financial statements for the six month period ended 30 June 2020, which comprise the Condensed Consolidated Income Statement, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Balance Sheet, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Cash Flow Statement, and the related notes thereto, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting, as adopted by the European Union.

The Board members are responsible for the maintenance and integrity of the corporate and financial information included on the ESB website. Legislation in the Republic of Ireland governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions. On behalf of the Board,

Noreen O’Kelly, Board Member

Pat O’Doherty, Chief Executive

15 September 2020

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six month period ended 30 June 2020

	Notes	Unaudited June 2020			Unaudited June 2019
		Excluding exceptional items	Exceptional items note 8	Total	Total
		€m	€m	€m	€m
Revenue	6	1,849.8	-	1,849.8	1,895.1
Other operating income (net)	9	6.8	-	6.8	2.0
Net impairment losses on financial assets	10	(10.5)	-	(10.5)	(15.4)
Operating costs	10	(1,597.2)	(176.6)	(1,773.8)	(1,587.4)
Operating profit		248.9	(176.6)	72.3	294.3
Net interest on borrowings	11	(65.4)	-	(65.4)	(80.9)
Financing charges	11	(13.0)	-	(13.0)	(12.1)
Fair value movement on financial instruments	11	(53.3)	-	(53.3)	(45.6)
Finance income	11	0.7	-	0.7	0.9
Net finance cost		(131.0)	-	(131.0)	(137.7)
Share of equity accounted investees loss, net of tax	14	(3.6)	-	(3.6)	(2.4)
(Loss) / profit before taxation		114.3	(176.6)	(62.3)	154.2
Income tax expense	17	(25.8)	22.1	(3.7)	(22.4)
(Loss) / profit after taxation		88.5	(154.5)	(66.0)	131.8
Attributable to:					
Equity holders of the Parent		89.9	(154.5)	(64.6)	131.8
Non-controlling interest		(1.4)	-	(1.4)	-
(Loss) / profit for the financial period		88.5	(154.5)	(66.0)	131.8

Notes 1 to 27 form an integral part of these financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period ended 30 June 2020

	Unaudited June 2020 €m	Unaudited June 2019 €m
(Loss) / profit for the financial period	(66.0)	131.8
Items that will not be reclassified subsequently to profit or loss:		
NIE Networks pension scheme actuarial losses	(92.5)	(10.4)
Tax on items that will not be reclassified to profit or loss	21.4	1.8
	(71.1)	(8.6)
Items that are or may be reclassified subsequently to profit or loss:		
Effective hedge of a net investment in foreign subsidiary	0.2	-
Translation differences on consolidation of foreign subsidiaries	(14.0)	4.4
Fair value gains / (losses) on cash flow hedges	19.1	(1.9)
Fair value losses on cash flow hedges in equity accounted investees	(3.7)	(0.7)
Transferred to income statement on cash flow hedges	(21.1)	(34.1)
Tax on items transferred to income statement	2.6	4.2
Tax on items that are or may be reclassified subsequently to profit or loss for equity accounted investees	0.6	0.1
Tax on items that are or may be reclassified subsequently to profit or loss	(2.5)	-
	(18.8)	(28.0)
Other comprehensive expense for the financial period, net of tax	(89.9)	(36.6)
Total comprehensive (expenses) / income for the financial period	(155.9)	95.2
Attributable to:		
Equity holders of the Parent	(154.5)	95.2
Non-controlling interest	(1.4)	-
Total comprehensive (expenses) / income for the financial period	(155.9)	95.2

CONDENSED CONSOLIDATED BALANCE SHEET

As at 30 June 2020

	Notes	Unaudited June 2020 €m	Audited December 2019 €m
ASSETS			
Non-current assets			
Property, plant and equipment	13	10,670.3	11,077.4
Intangible assets		376.9	458.1
Right of use assets		123.9	133.3
Goodwill		166.6	178.3
Investments in equity accounted investees	14	371.1	413.5
Financial asset investments at fair value through profit or loss	14	7.6	13.4
Trade and other receivables		109.7	12.4
Derivative financial instruments	19	22.9	65.5
Deferred tax assets		180.7	180.7
Total non-current assets		12,029.7	12,532.6
Current assets			
Inventories	15	157.9	151.0
Intangible asset		3.9	-
Derivative financial instruments	19	196.7	244.8
Trade and other receivables		1,041.4	1,105.1
Cash and cash equivalents		310.6	125.1
Total current assets		1,710.5	1,626.0
Total assets		13,740.2	14,158.6
EQUITY			
Capital stock		1,966.4	1,966.4
Capital redemption reserve		13.5	13.5
Translation reserve		(10.1)	3.7
Cash flow hedging reserve		(22.0)	(17.0)
Other reserves		(304.3)	(233.2)
Retained earnings		2,107.2	2,171.8
Equity attributable to equity holders of the Parent		3,750.7	3,905.2
Non-controlling interest		(11.6)	(10.0)
Total equity		3,739.1	3,895.2
LIABILITIES			
Non-current liabilities			
Borrowings and other debt	18	4,935.2	4,751.7
Lease liabilities		107.9	112.4
Liability – ESB pension scheme	21	98.8	96.1
Liability – NIE Networks pension scheme	20	187.2	116.0
Employee related liabilities		50.3	70.4
Deferred income		1,255.7	1,259.3
Provisions		430.1	322.5
Deferred tax liabilities		597.9	645.8
Derivative financial instruments	19	599.1	662.5
Total non-current liabilities		8,262.2	8,036.7
Current liabilities			
Borrowings and other debt	18	235.4	480.7
Lease liabilities		17.1	19.6
Liability – ESB pension scheme	21	297.9	296.5
Employee related liabilities		85.6	79.7
Trade and other payables		682.3	834.6
Deferred income		85.6	88.3
Provisions		90.2	150.0
Current tax liabilities		16.0	9.5
Derivative financial instruments	19	228.8	267.8
Total current liabilities		1,738.9	2,226.7
Total liabilities		10,001.1	10,263.4
Total equity and liabilities		13,740.2	14,158.6

Noreen O'Kelly, Board Member

Pat O'Doherty, Chief Executive

Pat Fenlon, Executive Director, Group Finance and Commercial

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

As at 30 June 2020

Unaudited reconciliation of changes in equity	Capital stock €m	Translation reserve €m	Capital redemption reserve €m	Cash flow hedging reserve ¹ €m	Other reserves ² €m	Retained earnings €m	Total €m	Non-controlling interest €m	Total equity €m
Balance at 1 January 2019	1,970.8	(4.8)	9.1	20.7	(223.3)	1,877.4	3,649.9	(5.9)	3,644.0
Total comprehensive income / (expense) for the period									
Profit for the financial period	-	-	-	-	-	131.8	131.8	-	131.8
NIE Networks pension scheme actuarial losses	-	-	-	-	(10.4)	-	(10.4)	-	(10.4)
Translation difference net of hedging	-	4.4	-	-	-	-	4.4	-	4.4
Cash flow hedges:									
- Net fair value losses	-	-	-	(1.9)	-	-	(1.9)	-	(1.9)
- Transfers to income statement									
- Finance cost (interest)	-	-	-	(1.9)	-	-	(1.9)	-	(1.9)
- Finance cost (foreign translation movements)	-	-	-	(5.2)	-	-	(5.2)	-	(5.2)
- Other operating expenses	-	-	-	(27.0)	-	-	(27.0)	-	(27.0)
- Fair value losses for hedges in equity accounted investees	-	-	-	(0.7)	-	-	(0.7)	-	(0.7)
Tax on items taken directly to OCI	-	-	-	-	1.8	-	1.8	-	1.8
Tax on items transferred to income statement	-	-	-	4.2	-	-	4.2	-	4.2
Tax on items taken directly to OCI for equity accounted investees	-	-	-	0.1	-	-	0.1	-	0.1
Total comprehensive income / (expense) for the period	-	4.4	-	(32.4)	(8.6)	131.8	95.2	-	95.2
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	(5.0)	(5.0)	-	(5.0)
Balance at 30 June 2019	1,970.8	(0.4)	9.1	(11.7)	(231.9)	2,004.2	3,740.1	(5.9)	3,734.2
Balance at 1 January 2020	1,966.4	3.7	13.5	(17.0)	(233.2)	2,171.8	3,905.2	(10.0)	3,895.2
Total comprehensive income / (expense) for the period									
Loss for the financial period	-	-	-	-	-	(64.6)	(64.6)	(1.4)	(66.0)
NIE Networks pension scheme actuarial losses	-	-	-	-	(92.5)	-	(92.5)	-	(92.5)
Translation differences net of hedging	-	(13.8)	-	-	-	-	(13.8)	-	(13.8)
Cash flow hedges:									
- Net fair value gain	-	-	-	19.1	-	-	19.1	-	19.1
- Transfers to income statement									
- Finance cost (interest)	-	-	-	(0.3)	-	-	(0.3)	-	(0.3)
- Finance cost (foreign translation movements)	-	-	-	(0.6)	-	-	(0.6)	-	(0.6)
- Other operating expenses	-	-	-	(20.2)	-	-	(20.2)	-	(20.2)
- Fair value losses for hedges in equity accounted investees	-	-	-	(3.7)	-	-	(3.7)	-	(3.7)
Tax on items taken directly to OCI	-	-	-	(2.5)	21.4	-	18.9	-	18.9
Tax on items transferred to income statement	-	-	-	2.6	-	-	2.6	-	2.6
Tax on items taken directly to OCI for equity accounted investees	-	-	-	0.6	-	-	0.6	-	0.6
Total comprehensive expense for the period	-	(13.8)	-	(5.0)	(71.1)	(64.6)	(154.5)	(1.4)	(155.9)
Transactions with owners recognised directly in equity									
Dividends	-	-	-	-	-	-	-	(0.2)	(0.2)
Balance at 30 June 2020	1,966.4	(10.1)	13.5	(22.0)	(304.3)	2,107.2	3,750.7	(11.6)	3,739.1

¹Included within the cash flow hedge reserve at 30 June 2020 are amounts of €2.4 million (31 December 2019: €1.3 million) relating to currency basis risk.

²Other reserves include (i) other reserves relating to the Northern Ireland Electricity Networks Limited (NIE Networks) pension scheme of (€290.9) million (31 December 2019: (€219.7) million), (ii) a non-distributable reserve of (€5.0) million which was created on the sale of the Group's share in Ocean Communications Limited in 2001; and (iii) an ESOP repurchase provision which relates to the amount that ESB has committed to date to purchase from the ESOP internal market (€7.5) million (31 December 2019: (€7.5) million). Refer to note 25 for information on the ESOP repurchase.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six month period ended 30 June 2020

	Notes	Unaudited June 2020 €m	Unaudited June 2019 €m
Cash flows from operating activities			
(Loss) / profit after taxation		(66.0)	131.8
Adjustments for:			
Depreciation and amortisation	10	390.3	388.9
Revenue from supply contributions and amortisation of other deferred income		(54.1)	(62.8)
Net emissions movement		49.0	55.3
Profit on disposal of non-current assets	9	(0.1)	(2.0)
Inventory impairment	15	0.4	1.1
Net finance cost	11	131.0	137.7
Impact of fair value adjustments in operating costs		2.8	23.9
Losses from equity accounted investees	14	3.6	2.4
Income tax expense	17	3.7	22.4
Dividend received	9	(0.5)	-
Net impairment losses on financial assets	10	10.5	15.4
Impairment charge	10	177.6	3.2
Operating cash flows before changes in working capital and provisions		648.2	717.3
Charge in relation to provisions		18.7	2.9
Charge in relation to employee related liabilities		40.1	31.3
Utilisation of provisions		(6.2)	(9.0)
Payments in respect of employee related liabilities		(71.0)	(49.6)
Deferred income received		76.4	72.9
Decrease in trade and other receivables		54.3	12.6
Decrease / (increase) in inventories		7.1	(7.0)
Decrease in trade and other payables		(75.1)	(36.6)
Cash generated from operations		692.5	734.8
Current tax paid (net)		(19.1)	(0.2)
Financing costs paid		(121.3)	(122.5)
Net cash inflow from operating activities		552.1	612.1
Cash flows from investing activities			
Purchase of property, plant and equipment		(342.7)	(349.7)
Purchase of intangible assets		(60.0)	(46.1)
Proceeds from sale of non-current assets		0.2	2.9
Proceeds from sale of investments		12.7	-
Amounts repaid to equity accounted investees on shareholder loans		-	28.7
Dividends received from associate undertaking		11.0	7.5
Purchase of financial assets and equity accounted investees		(0.7)	(1.8)
Repayment from financial assets and equity accounted investees		1.5	-
Interest received		0.7	0.9
Net cash outflow from investing activities		(377.3)	(357.6)
Cash flows from financing activities			
Dividends paid		-	(5.0)
Repayments of term debt facilities		(433.0)	(248.8)
Proceeds from the issue of bonds		431.9	592.9
Proceeds from / (repayments) of revolving credit facility and other borrowings		30.0	(70.0)
Principal element of lease payments		(5.2)	(8.7)
Payments on inflation linked interest rate swaps		(7.6)	(7.1)
Net cash inflow from financing activities		16.1	253.3
Net increase in cash and cash equivalents		190.9	507.8
Cash and cash equivalents at 1 January		125.1	229.1
Effect of exchange rate fluctuations on cash held		(5.4)	(1.9)
Cash and cash equivalents at 30 June		310.6	735.0

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. REPORTING ENTITY

ESB is a statutory body domiciled in the Republic of Ireland. The condensed consolidated financial statements of ESB as at and for the six months ended 30 June 2020 comprise the results of ESB and its subsidiaries (together referred to as ESB or the Group) and the Group's interests in associates and joint arrangements. These results are unaudited. The condensed consolidated financial information herein does not constitute the statutory financial statements of ESB, which were prepared as at and for the year ended 31 December 2019 and are available on our website www.esb.ie. The auditor's report on those financial statements was unmodified.

2. STATEMENT OF COMPLIANCE

These condensed consolidated financial statements for the six month ended 30 June 2020 are not full financial statements and were not reviewed by the auditors. These condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 - Interim Financial Reporting as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the 2019 consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

A list of the accounting policies applicable in the current reporting period are detailed in note 1 of the 2019 consolidated financial statements, other than as set out below.

New standards or amendments

A number of new standards, amendments and interpretations have been issued in the current reporting period. See table below.

New standards or amendments	Details	Effective Date	Material effects on the results and financial position of the group
IFRS 3 (Amendments)	Business Combinations	01 January 2020	No material effect
IFRS 9, IAS 39 and IFRS 7 (Amendments)	Interest Rate Benchmark Reform	01 January 2020	No material effect
IAS 1 (Amendments)	Presentation of Financial Statements	01 January 2020	No material effect
IAS 8 (Amendments)	Accounting Policies, Changes in Accounting Estimates and Errors	01 January 2020	No material effect
The Conceptual Framework	Revised Conceptual Framework for Financial Reporting	01 January 2020	No material effect
IFRS 16 (Amendments)	COVID-19 related rent concessions	01 June 2020	No material effect

Certain tables in the consolidated financial statements may not add precisely due to rounding.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4. ESTIMATES AND JUDGEMENTS

The preparation of condensed consolidated financial statements requires a significant number of judgemental assumptions and estimates to be made. These impact on the income and expenses contained within the income statement and the valuation of the assets and liabilities in the balance sheet. Such estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances and are subject to continual re-evaluation.

Key judgements are described in note 31 of the 2019 consolidated financial statements. Other than the recognition of a provision in relation to a legal case (refer to note 26 for further details) there has been no change to the nature of these key judgements during the period and they are still considered to be the most relevant judgements and estimates in preparing our financial statements.

Management have considered the impact of the COVID-19 pandemic with respect to judgments and estimates it makes in the application of accounting policies.

The key impacts of COVID-19 up to 30 June 2020 include:

-The Group's trade debtors have been assessed for potential risk, and an additional provision was made to reflect the impact of COVID-19 on expected recoverability. Refer to note 10 for further details.

-Due to COVID-19 restrictions there has been less meter readings since March resulting in additional system estimates included within revenue from Use of Systems charges to customers and revenue from sales to electricity and gas customers as well as the lack of availability of actual usage data to base unbilled revenue accruals on. Management is satisfied that revenue and unbilled estimates are estimated in line with Group accounting policies and International Financial Reporting Standards.

-The Group also assessed the carrying value of property, plant and equipment, goodwill and intangible assets and investments in equity accounted investees for indicators of impairment. Impairment reviews were carried out for those assets where indicators of impairment were noted. With the exception of an impairment in respect of the Carrington Combined Cycle Gas Turbine asset no other impairments were identified. Please refer to note 8 and 13 for further details.

5. GOING CONCERN

The Group's performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the 2019 annual report.

The COVID-19 pandemic has had a negative economic impact which saw all-island Irish electricity demand fall by a peak of around 15% in April 2020 relative to 2019. As the economy re-opened demand recovered and was back in line with 2019 comparable levels by the start of July. While this had a knock-on impact on ESB's financial performance, ESB delivered operating profits (pre-exceptional items) of €248.9 million for the half-year. The Group has considerable financial resources (with net assets at the balance sheet date of €3.7 billion) and the Board believes that the Group is well placed to manage its risks successfully. After making appropriate enquiries the Board is satisfied that ESB has sufficient cash flows, available strong liquidity (see below) and access to capital markets to continue in operational existence for at least twelve months from the date of approval of the financial statements. Accordingly, the condensed consolidated financial statements are prepared on the going concern basis of accounting.

The Group's performance, business model, strategy and principal risks and uncertainties and how these are managed and mitigated are set out in the strategy and performance section of the 2019 annual report. The principal risks were updated in 2020 to include a risk on the challenges and risks associated with the Pandemic/COVID-19 and its impacts.

The funding and liquidity management of the Group are described in note 21 of the 2019 consolidated financial statements. The amount of cash and cash equivalents that the Group had on hand on 30 June 2020 was €310.6 million. The Group also has a revolving credit facility of €1.4 billion providing standby liquidity to February 2025, of which €1.3 billion was undrawn at 30 June 2020. The Group also has substantial headroom in its various financial covenants in respect of debt facilities. Subsequent to the balance sheet date, in July 2020 the Group raised €200.0 million in additional funding under its Eurobond programme at an all-in yield of 0.55% over 10 years.

Note 22 to the condensed consolidated financial statements includes an overview of financial risk management, details of the Group's financial instruments and hedging activities and its exposure to credit risk and liquidity risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

6. SEGMENT REPORTING

The Group has applied IFRS 8 Operating Segments, and has made the appropriate disclosures in these financial statements.

For management purposes, the Group is organised into four key reportable segments, being the Group's strategic divisions which are managed separately and in respect of which internal management information is supplied to Executive Management and to the Board being collectively the Chief Operating Decision Maker (CODM) of the Group. Three further corporate divisions provide support and other services to the principal operating divisions of the Group and are combined as Other Segments in the information below.

(a) Income statement

(i) Segment revenue - June 2020

	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
External revenues	1,131.5	404.3	147.5	152.8	13.7	-	1,849.8
Inter-segment revenue	2.4	183.8	498.0	19.6	154.0	(857.8)	-
Revenue	1,133.9	588.1	645.5	172.4	167.7	(857.8)	1,849.8

(ii) Segment operating costs - June 2020

Depreciation and amortisation	(8.8)	(222.1)	(65.9)	(79.9)	(13.6)	-	(390.3)
Net other operating costs	(1,096.9)	(234.3)	(510.6)	(47.5)	(167.6)	857.8	(1,199.1)
Impairment charge	-	-	(177.6)	-	-	-	(177.6)
Net impairment losses on financial assets	(10.3)	-	-	(0.2)	-	-	(10.5)

(iii) Operating result - June 2020

Operating profit / (loss) - including exceptional items	17.9	131.7	(108.6)	44.8	(13.5)	-	72.3
Net finance cost	(0.1)	(1.1)	(17.0)	(21.1)	(91.7)	-	(131.0)
Share of equity accounted investees' (loss) / profit	(0.1)	-	2.1	-	(5.6)	-	(3.6)
Profit / (loss) before taxation	17.7	130.6	(123.5)	23.7	(110.8)	-	(62.3)

(i) Segment revenue - June 2019

	Customer Solutions €m	ESB Networks €m	Generation and Trading €m	NIE Networks €m	Other Segments €m	Consolidation and eliminations €m	Total €m
External revenues	1,057.4	392.6	297.0	133.5	14.6	-	1,895.1
Inter-segment revenue	3.2	180.3	537.8	18.0	131.2	(870.5)	-
Revenue	1,060.6	572.9	834.8	151.5	145.8	(870.5)	1,895.1

(ii) Segment operating costs - June 2019

Depreciation and amortisation	(8.8)	(213.5)	(77.4)	(76.7)	(12.5)	-	(388.9)
Net other operating costs	(1,005.8)	(202.5)	(673.6)	(43.1)	(138.8)	870.5	(1,193.3)
Impairment charge	-	-	(3.2)	-	-	-	(3.2)
Net impairment losses on financial assets	(4.5)	-	(11.1)	-	0.2	-	(15.4)

(iii) Operating result - June 2019

Operating profit / (loss) – including exceptional items	41.5	156.9	69.5	31.7	(5.3)	-	294.3
Net finance cost	(0.2)	(1.2)	(19.3)	(21.3)	(95.7)	-	(137.7)
Share of equity accounted investees' profit / (loss)	-	-	4.6	-	(7.0)	-	(2.4)
Profit / (loss) before taxation	41.3	155.7	54.8	10.4	(108.0)	-	154.2

All inter-segment revenues are eliminated upon consolidation and are reflected in the eliminations column above.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(b) Other disclosures

	June 2020 €m	June 2019 €m
Additions to non-current assets		
Customer Solutions	14.0	11.1
ESB Networks	269.4	229.3
Generation and Trading	21.1	48.4
NIE Networks	60.5	75.8
Other Segments	30.0	31.8
Total	395.0	396.4

Additions to non-current assets include investments in property, plant and equipment, intangible assets (excluding emission allowances), financial assets and equity accounted investees.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. REVENUE FROM CONTRACTS WITH CUSTOMERS

IFRS 15 requires disclosure to reflect the nature, timing, amount and uncertainty of its revenue within its disclosure requirements. ESB has determined that the disaggregation using existing segments and the nature of revenues is appropriate for its circumstances.

	Customer Solutions	ESB Networks	Generation & Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
30 June 2020							
External revenues							
Revenue from Power Generation	-	-	147.5	-	-	-	147.5
Revenue from Use of System charges to customers	-	376.8	-	144.5	-	-	521.3
Revenue from supply contributions	-	27.5	-	8.3	-	-	35.8
Revenue from sales to electricity and gas customers	1,100.0	-	-	-	-	-	1,100.0
Other revenue	31.5	-	-	-	13.7	-	45.2
Revenue from contracts with customers	1,131.5	404.3	147.5	152.8	13.7	-	1,849.8
Inter-segment revenue	2.4	183.8	498.0	19.6	154.0	(857.8)	-
Total ESB Group revenue	1,133.9	588.1	645.5	172.4	167.7	(857.8)	1,849.8

	Customer Solutions	ESB Networks	Generation & Trading	NIE Networks	Other Segments	Consolidation and eliminations	Total
	€m	€m	€m	€m	€m	€m	€m
30 June 2019							
External revenues							
Revenue from Power Generation	-	-	297.0	-	-	-	297.0
Revenue from Use of System charges to customers	-	367.0	-	125.6	-	-	492.6
Revenue from supply contributions	-	25.6	-	7.9	-	-	33.5
Revenue from sales to electricity and gas customers	1,040.2	-	-	-	-	-	1,040.2
Other revenue	17.2	-	-	-	14.6	-	31.8
Revenue from contracts with customers	1,057.4	392.6	297.0	133.5	14.6	-	1,895.1
Inter-segment revenue	3.2	180.3	537.8	18.0	131.2	(870.5)	-
Total ESB Group revenue	1,060.6	572.9	834.8	151.5	145.8	(870.5)	1,895.1

8. EXCEPTIONAL ITEMS

	June 2020	June 2019
	€m	€m
Impairment charges	176.6	-

Impairment Charges

IAS 36 - Impairment of Assets stipulates that an impairment loss is the amount by which the carrying value of an asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. Value in use is calculated by taking the Net Present Value (NPV) of expected future cash flows from the asset discounted at an appropriate discount rate.

The impact of COVID-19 on electricity demand in the short term, in addition to lower forecast wholesale electricity margins in both the GB market and the Integrated Single Electricity Market (I-SEM) were the indicators that prompted impairment reviews as at 30 June 2020. Impairment reviews were undertaken in respect of the following assets; I-SEM thermal and onshore windfarm assets, GB thermal, onshore and offshore windfarm assets. With the exception of the Carrington (UK) Combined Cycle Gas Turbine plant (CCGT), the recoverable amount of each asset was higher than the carrying value and no impairments were noted.

The main assumptions used in preparing impairment reviews are outlined below:

- Specific discount rates are applied to each class of asset and applied to their cash inflows and outflows in determining the NPV
- Forecast cash inflows for each asset and generation plant are based on the expected energy margin produced by the plant which is calculated based on forecasted running profiles for the plants, regulatory support and forward prices for electricity, gas and carbon.
- Forecast cash outflows reflect the forecast operating and capital expenditure plans based on the Board approved five-year business plans and 10-year long term asset plans updated for management's latest view. Thereafter, forecast cash outflows are extrapolated based on forecast inflation rates, forecast running profile and management's view of required operating and capital expenditure.
- Sensitivity analysis is performed in respect of significant assumptions.

Carrington is an 885MW Combined Cycle Gas Turbines plant in the Generation & Trading segment located in Great Britain (GB). It was commissioned in September 2016. A value in use calculation has been used to determine the recoverable amount as €401.0 million as at 30 June 2020. This has resulted in an impairment charge of €176.6 million (30 June 2019: €nil) being recorded in operating costs in 2020 (note 10). The impairment reflects somewhat lower forecasted demand in addition to lower day ahead power prices and lower peak prices, both resulting in lower forecasted revenue and margins. The real discount rate applied to the projected cash flows to determine the NPV was a pre-tax rate of 6.1% (2019: 6.1%).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. OTHER OPERATING INCOME

	June 2020	June 2019
	€m	€m
Profit on disposal of property, plant and equipment and intangible assets	0.1	2.0
Dividends received	0.5	-
Fair value movements on assets held at fair value through profit and loss ¹	6.2	-
Total	6.8	2.0

¹ These fair value movements relate to adjustments to the value of investments in renewable enterprises held by ESB Novusmodus Limited Partnership, a subsidiary, as detailed in note 14.

10. OPERATING COSTS (including net impairment losses on financial assets)

	June 2020	June 2019
	€m	€m
Employee costs (note 12)	275.4	253.0
Energy costs ¹	655.1	707.8
Operations and maintenance	275.4	234.5
Net impairment losses on financial assets	10.5	15.4
Other impairment charges ²	177.6	3.2
Depreciation and amortisation	390.3	388.9
Total	1,784.3	1,602.8

¹ Included in energy costs is a gain of €3.0 million (30 June 2019: charge of €12.4 million) relating to the fair valuing of fuel commodity swaps which have not been designated as accounting hedges.

² Impairment charges of €177.6 million (30 June 2019: €3.2 million) have been recognised in 2020, €176.6 million (30 June 2019: €nil) of which have been disclosed as exceptional items in the income statement and which relate to the generation portfolio (see note 8) and the remaining €1.0 million (30 June 2019: €3.2 million) relates to other impairments.

Net impairment losses on financial assets

Net impairment losses on financial assets include impairment losses incurred on trade and other receivables of €10.5 million (30 June 2019: €4.3 million) and impairment charges incurred on loans to equity accounted investees of €nil (30 June 2019: €11.1 million).

The application of IFRS 9 to the Group's financial trade and other receivables and contract assets is described in note 17 of the 2019 consolidated financial statements. The Group has continued to apply the simplified model in order to measure impairment provisions for credit losses on trade and other receivables, contract assets, and other financial assets that are not carried at fair value.

The economic impacts arising from the COVID-19 pandemic and associated government responses in the geographies in which the Group operates have increased the level of uncertainty around the estimates the Group makes in measuring provisions for the impairment of financial assets. Where customers experience difficulties in settling balances, the increased aging of these amounts results in an increase in provisions held in respect of them under the provision matrix approach employed. In measuring the provision for expected losses, the Group has also considered macroeconomic forecasts and the potential economic impacts of COVID-19 on the sectors in which they operate. Government support schemes currently in place for the benefit of customers are expected to mitigate, to some degree, the near-term impacts of any forecast economic decline on financial assets recognised at 30 June 2020.

The assumptions made in estimating the impairment charge for the period and provisions held at the reporting date are felt to be appropriate, however, the current high level of economic uncertainty means that impairment charges and provisions in respect of financial assets are a matter of significant judgement. The impact of any worsening of the economic outlook and any future recession could impact receivables from residential and business customers to differing extents.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. NET FINANCE COST AND OTHER FINANCING CHARGES

	June 2020 €m	June 2019 €m
Interest payable on borrowings	77.9	93.9
Less capitalised interest	(12.5)	(13.0)
Net interest on borrowings	65.4	80.9
Financing charges:		
- on NIE Networks pension scheme (note 20)	1.1	1.5
- on ESB pension scheme (note 21)	9.8	7.6
- on asset retirement costs	1.2	1.3
- on lease obligations	0.9	1.7
Total financing charges	13.0	12.1
Fair value (gains) / losses on financial instruments:		
- currency / interest rate swaps: cash flow hedges, transfer from OCI	(0.3)	(1.8)
- interest rate swaps and inflation-linked swaps not qualifying for hedge accounting	53.6	47.3
- foreign exchange contracts not qualifying for hedge accounting	-	0.1
Total fair value losses on financial instruments	53.3	45.6
Finance cost	131.7	138.6
Finance income	(0.7)	(0.9)
Net finance cost	131.0	137.7

The financing charges on provisions are calculated in accordance with the policy for discounting of future payment obligations as disclosed in the 2019 consolidated financial statements.

In addition to the amounts transferred from other comprehensive income relating to interest rate swaps and foreign exchange contracts disclosed above, a gain of €0.6 million (30 June 2019: €5.3 million) has been transferred from the cash flow hedging reserve to net finance cost and other financing charges during the period. However, these amounts are substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates.

Included in finance income is interest on borrowings receivable from Oweninny Power DAC €0.2 million (30 June 2019: €0.2 million).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

12. EMPLOYEES

	June 2020 €m	June 2019 €m
Employee costs in period		
Current staff costs (excluding pension)		
Salaries	275.8	263.6
Overtime	17.9	21.0
Social welfare costs (PRSI and national insurance)	22.8	21.0
Other payroll benefits ¹	14.3	18.1
Payroll cost for employees	330.8	323.7
Pension and other employee benefit costs		
Exit costs - severance programmes	-	0.5
Pensions charge - other schemes ²	25.5	24.5
NIE Networks pension scheme charge ³	3.2	3.9
	28.7	28.9
Capitalised payroll	(84.1)	(99.6)
Total employee related costs charged to the income statement	275.4	253.0

¹These benefits primarily include travel and subsistence allowances.

²The pension charge for other schemes include contributions to the ESB Defined Contribution Scheme, the ESB Defined Benefit Pension Scheme, the Options section of the NIE Networks Pension Scheme (NIE Networks Scheme) and the stakeholder pension scheme for Great Britain (GB) employees (FMUK Pension Scheme). See note 20 and 21 for further details.

³The NIE Networks pension scheme charge relates solely to the Focus section of the NIE Networks Scheme. See note 20 for further details.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. PROPERTY, PLANT & EQUIPMENT

	Land and buildings €m	Plant and machinery €m	Total assets in commission €m	Assets under construction €m	Total €m
Cost					
Balance at 1 January 2019	1,217.0	19,417.9	20,634.9	1,236.3	21,871.2
Additions	12.3	195.6	207.9	140.5	348.4
Retirements / disposals	(0.9)	(5.6)	(6.5)	-	(6.5)
Transfers out of assets under construction	7.8	171.6	179.4	(179.4)	-
Translation differences	(0.5)	(12.4)	(12.9)	-	(12.9)
Balance at 30 June 2019	1,235.7	19,767.1	21,002.8	1,197.4	22,200.2
Balance at 1 January 2020	1,220.1	20,213.1	21,433.2	1,366.8	22,800.0
Additions	-	178.5	178.5	156.7	335.2
Retirements / disposals	-	(8.3)	(8.3)	-	(8.3)
Transfers out of assets under construction	3.8	85.3	89.1	(89.1)	-
Transfers from / (to) intangible assets	-	0.1	0.1	-	0.1
Translation differences	(1.3)	(356.9)	(358.2)	(2.0)	(360.2)
Balance at 30 June 2020	1,222.6	20,111.8	21,334.4	1,432.4	22,766.8
Depreciation					
Balance at 1 January 2019	713.3	10,402.7	11,116.0	-	11,116.0
Charge for the period	10.9	341.4	352.3	-	352.3
Retirements / disposals	(0.3)	(5.3)	(5.6)	-	(5.6)
Impairment	0.1	1.7	1.8	-	1.8
Translation differences	-	(6.4)	(6.4)	-	(6.4)
Balance at 30 June 2019	724.0	10,734.1	11,458.1	-	11,458.1
Balance at 1 January 2020	699.1	11,023.5	11,722.6	-	11,722.6
Charge for the period	11.2	343.0	354.2	-	354.2
Retirements / disposals	-	(8.3)	(8.3)	-	(8.3)
Impairment	-	176.6	176.6	-	176.6
Translation differences	(0.2)	(148.4)	(148.6)	-	(148.6)
Balance at 30 June 2020	710.1	11,386.4	12,096.5	-	12,096.5
Net book value at 30 June 2020	512.5	8,725.4	9,237.9	1,432.4	10,670.3
Net book value at 31 December 2019	521.0	9,189.6	9,710.6	1,366.8	11,077.4
Net book value at 30 June 2019	511.7	9,033.0	9,544.7	1,197.4	10,742.1

During the period the Group capitalised interest of €12.5 million (30 June 2019: €13.0 million) in assets under construction, using an effective interest rate of 2.5% (30 June 2019: 3.2%).

Impairment charge

An impairment review has been carried out on assets displaying indications of impairment as at 30 June 2020 resulting in an exceptional impairment charge of €176.6 million (30 June 2019: €nil). Refer to note 8 for further details on the indicators of impairment noted, impairment testing methodology and this exceptional impairment item.

The impairment charge of €1.8 million in 2019 relates to a wind farm in the Generation and Trading segment.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

14. FINANCIAL ASSET INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND EQUITY ACCOUNTED INVESTEEES

	Equity accounted investees €m	Financial assets at fair value through profit or loss €m	Total €m
Balance at 1 January 2019	189.8	10.5	200.3
Additions	-	1.8	1.8
Share of loss (net)	(2.4)	-	(2.4)
Share of fair value movement on cash flow hedges	(0.7)	-	(0.7)
Dividends received	(7.5)	-	(7.5)
Translation differences	(0.3)	-	(0.3)
Balance at 30 June 2019	178.9	12.3	191.2
Balance at 1 January 2020	413.5	13.4	426.9
Additions	-	0.7	0.7
Disposal of investments	-	(12.7)	(12.7)
Share of loss (net)	(3.6)	-	(3.6)
Fair value movement through profit or loss	-	6.2	6.2
Share of fair value movement on cash flow hedges	(3.1)	-	(3.1)
Dividends received	(10.5)	-	(10.5)
Repayments	(1.5)	-	(1.5)
Translation differences	(23.7)	-	(23.7)
Balance at 30 June 2020	371.1	7.6	378.7

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

15. INVENTORIES

	June 2020 €m	December 2019 €m
Materials	34.9	33.4
Fuel	42.3	48.8
Construction work in progress	80.7	68.8
Total	157.9	151.0

Inventories consumed during the period ended 30 June 2020 totalled €24.6 million (30 June 2019: €37.7 million). Provision for impairments recognised during the period was €0.4 million (30 June 2019: €1.1 million).

Construction work in progress includes property assets which are being constructed for resale and stated at the lower of cost and net realisable value.

16. CHANGES IN EQUITY

(i) Non-controlling interest

Non-controlling interests at 31 December 2019 and 30 June 2020 relate to the minority shareholdings in Crockahenny Wind Farm DAC, Mountain Lodge Power DAC, and wind farms associated with Coriolis Energy.

(ii) Dividends

	June 2020 €m	June 2019 €m
Dividends on capital stock:		
Total dividend paid nil (2019: 0.25) cents per unit of capital stock	-	5.0
Total	-	5.0

Total dividends paid during the period ended 30 June 2020 included a final dividend of €nil in respect of 2019 (30 June 2019: €5.0 million in respect of 2018).

17. TAXATION

	June 2020 €m	June 2019 €m
Income tax expense		
Current tax expense		
Current tax	28.8	33.4
Prior year over provision	(3.2)	(0.8)
	25.6	32.6
Deferred tax expense		
Origination and reversal of temporary differences	(34.0)	(10.4)
Increase in tax rate ¹	11.3	-
Prior year under provision	0.8	0.2
	(21.9)	(10.2)
Total	3.7	22.4

¹ The substantively enacted UK corporation tax rate was increased from 17% to 19% on 1 April 2020, effectively cancelling the proposed reduction in the future corporation tax rate. The remeasurement of the Group's UK deferred tax balances resulted in a tax charge of €11.3 million.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT

	Recourse borrowings €m	Non-recourse borrowings €m	June 2020 Total €m	December 2019 Total €m
Current borrowings				
- Repayable by instalments	78.7	1.8	80.5	88.7
- Repayable other than by instalments	154.9	-	154.9	392.0
Total current borrowings	233.6	1.8	235.4	480.7
Non-current borrowings				
- Repayable by instalments				
Between one and two years	73.1	1.9	75.0	75.7
Between two and five years	196.7	5.8	202.5	216.2
After five years	256.9	3.3	260.2	294.2
	526.7	11.0	537.7	586.1
- Repayable other than by instalments				
Between one and two years	-	-	-	57.6
Between two and five years	551.7	-	551.7	553.7
After five years	3,024.9	820.9	3,845.8	3,554.3
	3,576.6	820.9	4,397.5	4,165.6
Total non-current borrowings	4,103.3	831.9	4,935.2	4,751.7
Total borrowings outstanding	4,336.9	833.7	5,170.6	5,232.4

		June 2020 €m	December 2019 €m
Current borrowings by facility	Ref		
ESB Eurobonds	1	-	323.2
Non-recourse long-term project finance debt	2	1.8	1.9
Non-recourse NIE Networks Sterling Bonds	3	-	-
Long-term bank borrowings	4	178.6	155.6
Private placement borrowings	5	55.0	-
		235.4	480.7

		June 2020 €m	December 2019 €m
Non-current borrowings by facility	Ref		
ESB Eurobonds	1	3,324.5	2,973.1
Non-recourse long-term project finance debt	2	11.0	12.7
Non-recourse NIE Networks Sterling Bonds	3	820.9	878.5
Long-term bank borrowings	4	523.8	573.4
Private placement borrowings	5	255.0	314.0
		4,935.2	4,751.7

With the exception of borrowings relating to non-recourse project finance debt, which is secured against specific assets, none of the borrowings are secured against the Group assets.

ESB was rated A- from Standard & Poor's (outlook stable) and A3 (equivalent to BBB+) from Moody's (outlook stable) at June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT (Continued)

1. ESB Eurobonds

The table below provides details of ESB Eurobonds included in borrowings at 30 June 2020:

Issuer	Value	Issue Date	Tenor	Coupon
ESB Finance DAC	Euro €300.0 million	November 2013	10 years	3.494%
ESB Finance DAC	Euro €500.0 million	June 2015	12 years	2.125%
ESB Finance DAC	Euro €600.0 million	June 2016	15 years	1.875%
ESB Finance DAC	Euro €500.0 million	January 2017	12 years	1.750%
ESB Finance DAC	Euro €500.0 million	November 2018	15 years	2.125%
ESB Finance DAC	Euro €100.0 million	April 2019	25 years	2.000%
ESB Finance DAC	Euro €500.0 million	June 2019	11 years	1.125%
ESB Finance DAC	Stg £325.0 million	January 2020	15 years	1.875%

2. Non-recourse long-term project finance debt

This debt relates to a wind farm in Great Britain (GB).

3. Non-recourse NIE Networks Sterling Bonds

The table below provides details of non-recourse NIE Networks Sterling Bonds included in borrowings at 30 June 2020:

Issuer	Value	Issue Date	Tenor
NIE Networks Limited	Stg £400.0 million	June 2011	15 years
NIE Networks Limited	Stg £350.0 million	September 2018	7 years

4. Long-term bank borrowings

The table below provides details of long-term bank borrowings included in borrowings at 30 June 2020:

	Balance at 30 June 2020
Long-term bank borrowings of floating rate debt borrowed on a bilateral basis	Stg £219.0 million
€1.4 billion revolving credit facility (with a syndicate of 14 banks)	Euro €100.0 million
€200.0 million facility with the European Investment Bank (EIB) to support renewable connections to the electricity network in the southwest of Ireland	Euro €200.0 million

In February 2020 ESB entered into a new €1.4 billion Sustainability linked Revolving Credit Facility up to February 2025 with a group of 14 international banks. This replaced the previous €1.44 billion facility signed in 2015. €1.3 billion of this facility was undrawn at 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

18. BORROWINGS AND OTHER DEBT (Continued)

5. Private placement borrowings

The table below provides details of private placement borrowings included in borrowings at 30 June 2020:

	Balance at 30 June 2020	Issue Date	Maturity Date
First Private Placement Senior unsecured notes	USD \$273.5 million Stg £10.0 million	December 2003 December 2003	December 2023 December 2023
Second Private Placement Senior unsecured notes	Stg £50.0 million	June 2009	June 2021

The private placement debt and certain other facilities have conditions which require ESB to maintain certain interest cover and asset covenants. At 30 June 2020 ESB is fully in compliance with all the covenant requirements associated with the private placement debt and other facilities.

19. DERIVATIVE FINANCIAL INSTRUMENTS

(a) Fair value by class of derivative financial instrument

Derivative financial instruments are carried at fair value. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The method used to calculate the fair value of the Group's financial instruments is discounted cash flow analysis, using a zero coupon discount rate and reflecting counterparty credit risk. This method enables the Group to discount the cash flows at a rate equal to the prevailing market rate of interest taking into account maturity and credit margin.

The fair values of financial instruments, grouped by class of instrument, are as follows:

	June 2020				
	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
Interest rate swaps	2.2	0.8	(1.8)	-	1.2
Inflation linked interest rate swaps	-	-	(582.6)	(18.7)	(601.3)
Currency swaps	9.4	-	-	-	9.4
Foreign exchange contracts	0.1	2.2	(4.7)	(11.3)	(13.7)
Forward fuel price contracts ¹	11.2	193.7	(10.0)	(198.8)	(3.9)
	22.9	196.7	(599.1)	(228.8)	(608.3)

¹Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel price contracts at 30 June 2020.

	December 2019				
	Non-current assets €m	Current assets €m	Non-current liabilities €m	Current liabilities €m	Total €m
Interest rate swaps	1.1	4.6	(1.9)	-	3.8
Inflation linked interest rate swaps	-	-	(578.5)	(16.9)	(595.4)
Currency swaps	-	-	(24.9)	-	(24.9)
Foreign exchange contracts	4.6	20.7	(7.3)	(5.4)	12.6
Forward fuel price contracts	17.7	180.3	(49.9)	(245.5)	(97.4)
Forward electricity price contracts	42.1	39.2	-	-	81.3
	65.5	244.8	(662.5)	(267.8)	(620.0)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

19. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

(a) Fair value by class of derivative financial instrument (continued)

The Group decides at inception whether to designate financial instruments into hedge relationships for certain arrangements that meet the specific hedging accounting criteria of IFRS 9.

When interpreting the positive and negative fair values of derivative financial instruments, it should be noted that they are matched with underlying transactions with offsetting risks.

(i) Interest rate swaps

The Group has executed interest rate swaps of Stg\$459.7 million (31 December 2019: Stg\$431.1 million) in connection with a certain portion of its borrowings, including project finance debt secured by West Durham Wind Farm Limited, fixed rate borrowings held by the Parent and ESB Finance DAC. These have all been classified as cash flow hedges.

For interest rate swaps, the fair value takes into account the fixed, floating and market rates prevailing at the balance sheet date. As interest rate swaps are marked to market at 30 June 2020, their carrying value is equal to their fair value.

Total movement reflects a loss of €2.6 million (30 June 2019: gain of €2.3 million) during the period in relation to interest rate swaps recognised directly in finance costs in the income statement.

(ii) Inflation linked interest rate swaps

Inflation linked interest rate swaps with a fair value liability on acquisition of €272.5 million were acquired in December 2010 as part of the purchase of the NIE Networks business. The inflation linked interest rate swaps did not qualify for hedge accounting under IFRS 9 on acquisition of the NIE Networks business. The fair value of the inflation linked interest rate swaps is affected by relative movements in interest rates and in market expectations of future retail price index (RPI) movements in the United Kingdom (UK).

Arising from movements in forward interest rates, UK RPI forward prices, foreign currency exchange rates and payments during the period, the fair value of the liability has increased by €5.9 million on these swaps in the period ended 30 June 2020 (30 June 2019: fair value of the liability increased by €40.3 million). The movement reflects negative mark to market movements in the underlying swaps of €55.8 million (30 June 2019: negative movement €49.4 million), reflected in finance costs in the income statement (note 11) and payments of €7.7 million (30 June 2019: €7.0 million) arising under the swaps during the period. In addition, positive translation movements of €42.2 million (30 June 2019: positive translation movement of €2.1 million) during the year on translation of the swaps from sterling to euro are reflected in the OCI.

(iii) Currency swaps

The fair value of currency swaps is affected by movements in foreign exchange and interest rates. ESB's currency swaps are primarily classified as cash flow hedges and relate mainly to the cross-currency swaps entered into in connection with the private placement debt, which is described in note 18. These cross-currency swaps were entered into in order to swap US dollar and sterling interest and principal repayments on the underlying debt to euro, thereby hedging the risk on these payments over the years to maturity from 2010 to 2023. During 2019, a portion of the cross-currency swaps matured due to USD\$226.0 million of private placement debt being repaid.

No ineffectiveness under the meaning of IFRS 9 arose on the currency swaps during the year (30 June 2019: €nil). Separately included in the income statement for the period 30 June 2020 is a gain of €0.6 million (30 June 2019: gain of €5.3 million) arising on cross-currency swaps which is substantially offset by movements in the translation of the underlying hedged foreign currency borrowings at the prevailing exchange rates (see note 11).

In addition to foreign exchange contracts entered into in relation to the Group's borrowings, the Group has entered into foreign exchange contracts in relation to energy costs, LTSAs and fuel purchase requirements (which are in US dollar and sterling). These contracts have maturities extending until 2024. Total negative fair value movements of €26.3 million (30 June 2019: negative movements of €3.4 million) were recognised during the period in relation to such foreign exchange contracts, of which positive €3.6 million (30 June 2019: positive movements of €0.1 million) was recognised through OCI and negative fair value movement of €29.9 million (30 June 2019: positive movement of €3.5 million) was recognised in the income statement.

Fair value hierarchy

Further information on the methods of valuing financial instruments is included in note 22.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

20. PENSION LIABILITIES

Northern Ireland Electricity Networks (NIE Networks) Pension Scheme

	June 2020 €m	June 2019 €m
Change in benefit obligation		
Net deficit at 1 January	(116.0)	(110.8)
Movements during the period:		
Actuarial losses recognised in OCI during the period	(92.5)	(10.4)
Charge to the income statement - current service cost	(3.2)	(3.8)
Pension contributions paid	14.3	14.1
Charged to the income statement: net pension scheme interest	(1.1)	(1.5)
Translation differences	11.3	0.3
Net deficit at 30 June	(187.2)	(112.1)

The majority of the employees in NIE Networks are members of the NIE Networks Pension Scheme (the NIE Networks Scheme). This has two sections: Options, which is a money purchase arrangement whereby the employer generally matches the members' contributions up to a maximum of 7% of salary, and Focus which provides benefits based on pensionable salary at retirement or earlier exit from service. The assets of the NIE Networks Scheme are held under trust and invested by the Trustees on the advice of professional investment managers.

The actuarial losses for the period arise due to a change in financial assumptions (€121.2 million impact) partly offset by a higher return on assets (€28.7 million). The discount rate used to value the scheme liabilities has decreased from 2.0% at 31 December 2019 to 1.5% at 30 June 2020.

21. LIABILITY - ESB PENSION SCHEME

	€m
Balance at 1 January 2019	395.2
Movements during the period:	
Utilised during the period	(6.0)
Financing charge	7.8
Balance at 30 June 2019	397.0
Balance at 1 January 2020	392.6
Movements during the period:	
Utilised during the period	(5.7)
Financing charge	9.8
Balance at 30 June 2020	396.7
Analysed as follows:	
Non-current liabilities	98.8
Current liabilities	297.9
Total	396.7

During 2010, the Group reached agreement with the ESB Group of Unions to amend pension arrangements within the ESB statutory body and this is explained in note 23 of the 2019 consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE

(a) Overview of financial risk management

Risk environment

The main financial risks faced by the Group relate to foreign exchange (particularly movements in the value of the euro relative to sterling and the US dollar) and commodity (electricity and fuel) price movements. Liquidity risk, and exposure to interest rate volatility, are key long-term financial risks also, but have been substantially addressed in the short run. Policies to protect the Group from these risks and other risk areas, such as credit risk are regularly reviewed, revised and approved by the Board as appropriate. Group Treasury is responsible for the day-to-day treasury activities of the Group. The Finance and Investment Committee is regularly updated on key treasury matters, risk and associated mitigants.

Commodity price risk is managed by the front and middle office functions of the relevant business units: ESB Trading (within Generation and Trading) and Customer Solutions. This is done in the context of an overall Group risk management framework. These activities are reviewed regularly by Group Internal Audit and it is the responsibility of the Trading Risk Management Committees (overseen by the Group Trading Committee (GTC)) to ensure that internal audit findings and recommendations are adequately addressed. The Group Trading Risk Management function ensures that the Group's market, credit and operational risks are managed in a way designed to protect the Group from loss, while respecting the ring-fencing obligations in place between the business units.

Contracts entered into in order to hedge exposures arising from the production and sale of electricity may be divided into forward fuel price contracts, forward electricity price contracts and foreign exchange contracts. Financial instruments are derecognised on settlement or sale.

Risk reporting structure

Through the Chief Executive, the Board has delegated to the GTC, the broader responsibility of managing ESB's trading risk in a manner consistent with the Group's risk tolerances and business strategies. The GTC has established risk limits to manage and limit trading risk exposure at Group and business unit level. These limits are documented for each of the ESB businesses engaged in wholesale trading activities. Furthermore, the Group Trading Risk Management Policy is applicable to each of these businesses.

In both Generation and Trading and Customer Solutions, separate Trading Risk Management Committees meet on a monthly basis (or more frequently as required) and serve as the primary overseer of trading risk at individual ring-fenced business unit level. These committees include the head of the Front Office function, the Trading Risk (Middle Office) Manager, a representative from Group Trading Risk Management, and the business unit Financial Controller. The Trading Risk Management Committees are responsible for formulating trading risk strategy in accordance with the Group Trading Risk Management Policy and ensuring compliance with same, trading risk limit management and for ensuring that an effective control framework is in place.

The Middle Office function in each business unit maintains a separate reporting line to the Group Trading Risk Management function, which is responsible for ensuring that the Group's net exposure to movements in commodity or other price movements is adequately managed in accordance with Group Trading Risk Management Policy.

Hedge accounting

ESB funds its operations using borrowings and uses deposit instruments to invest surplus funds. ESB also uses interest rate and foreign currency instruments to manage interest rate and currency risks that arise in the normal course of operations from US dollar and sterling denominated borrowings, from its foreign currency subsidiaries and from the use of foreign currency suppliers. Hedge accounting pursuant to IFRS 9 is used both for hedges of foreign currency liabilities and interest rate risks from current and non-current liabilities.

In addition, the Group enters into certain commodity hedging transactions to fix fuel costs and to link electricity revenues more closely to fuel inputs, where possible. The Group decides at inception whether to designate financial instruments into hedge relationships. Certain arrangements meet the specific hedging accounting criteria of IFRS 9.

Within its regular course of business, the Group routinely enters into sale and purchase contracts for commodities, including gas and electricity. Where the contract was entered into and continues to be held for the purposes of receipt or delivery of the commodities in accordance with the Group's expected sale, purchase or usage requirements, the contracts are designated as own use contracts and are accounted for as executory contracts. These contracts are therefore not within the scope of IFRS 9.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(b) Fair value

The fair values of financial assets and liabilities carried at amortised cost together with the carrying amounts shown in the balance sheet are as follows:

	June 2020		December 2019	
	Carrying value €m	Fair value €m	Carrying value €m	Fair value €m
Long-term debt	4,935.2	5,612.4	4,751.7	5,351.6
Short-term borrowings	235.4	248.4	480.7	505.6
Lease liabilities	125.0	125.0	132.0	132.0
Total borrowings	5,295.6	5,985.8	5,364.4	5,989.2
				-
Current trade and other payables	568.2	568.2	772.6	772.6
Non-current trade and other receivables	(109.7)	(109.7)	(12.4)	(12.4)
Current trade and other receivables	(931.4)	(931.4)	(1,029.7)	(1,029.7)
Cash and cash equivalents	(310.6)	(310.6)	(125.1)	(125.1)
Net liabilities	4,512.1	5,202.3	4,969.8	5,594.6

Current trade and other receivables and trade and other payables are all due within one year, and have been provided for where impaired, their carrying value is considered to be materially in line with their fair value.

The fair value of non-current trade and other receivables is calculated based on the present value of future cash flows, discounted at the market rate interest rate or where applicable a specific interest rate has been applied.

ESB Eurobonds and NIE Networks Sterling Bonds are regarded as Level 1 fair values (see note 18). The fair value of these bonds are derived from observation of the most recent traded values for these bonds in liquid markets at the balance sheet date. Other borrowings and debt are Level 2 fair values. The primary valuation technique used for borrowings and other debt classified as Level 2 fair values is discounting of the future associated cash flows using the zero coupon discount curve of the relevant currency.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy

The table below analyses financial assets and liabilities carried at fair value, by valuation method. The different levels relevant to financial assets and liabilities held by the Group have been defined as follows:

- Level 2: inputs, other than unadjusted quoted prices in active markets for identical assets and liabilities, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 2 €m	Level 3 €m	Total €m
30 June 2020			
ASSETS			
Derivative financial instruments			
- Interest rate swaps	3.0	-	3.0
- Currency swaps	9.4	-	9.4
- Foreign exchange contracts	2.3	-	2.3
- Forward fuel price contracts ¹	204.9	-	204.9
Financial assets at fair value through profit or loss	-	7.6	7.6
	219.6	7.6	227.2
LIABILITIES			
Derivative financial instruments			
- Interest rate swaps	(1.8)	-	(1.8)
- Foreign exchange contracts	(16.0)	-	(16.0)
- Forward fuel price contracts ¹	(204.9)	(3.9)	(208.8)
- Inflation-linked interest rate swaps	(601.3)	-	(601.3)
	(824.0)	(3.9)	(827.9)
Net (liability) / asset	(604.4)	3.7	(600.7)

¹ Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel price contracts at 30 June 2020.

	Level 2 €m	Level 3 €m	Total €m
31 December 2019			
ASSETS			
Derivative financial instruments			
- Interest rate swaps	5.7	-	5.7
- Foreign exchange contracts	25.3	-	25.3
- Forward fuel price contracts	198.0	-	198.0
- Forward electricity price contracts	-	81.3	81.3
Financial assets at fair value through profit or loss	-	13.4	13.4
	229.0	94.7	323.7
LIABILITIES			
Derivative financial instruments			
- Interest rate swaps	(1.9)	-	(1.9)
- Currency swaps	(24.9)	-	(24.9)
- Foreign exchange contracts	(12.7)	-	(12.7)
- Forward fuel price contracts	(217.9)	(77.5)	(295.4)
- Inflation-linked interest rate swaps	(595.4)	-	(595.4)
	(852.8)	(77.5)	(930.3)
Net (liability) / asset	(623.8)	17.2	(606.6)

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

Measurement of fair values - valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation techniques	Significant unobservable inputs	Inter relationship between significant unobservable inputs and fair value measurement
Currency swaps, foreign exchange contracts and interest rate swaps	Level 2 - Present valuation of future cash flows constructed using market observable inputs and discounted back to present value.		
Forward fuel and electricity price contracts	Level 2 - The fair value of forward fuel contracts is determined by reference to gas, coal and carbon prices with the resulting value discounted to present values. Level 3 - The fair value of some specific forward fuel and electricity contracts are determined by reference to forward electricity prices which are unobservable.	Forward electricity prices	The estimated fair value would increase / (decrease) if Wholesale Electricity Price was higher / (lower). Generally a change in gas prices is accompanied by a directionally similar change in Wholesale Electricity Price.
Inflation-linked interest rate swaps	Level 2 - Independent valuations are used and validated using the present valuation of expected cash flows using the interest rate yield curve of the relevant currency. The zero-coupon curve is based on using the interest rate yield curve of the relevant currency.		
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss are carried at fair value. Where applicable, valuations are based on the most recent independent information available at period end, taking into account any other known and relevant factors. Unquoted investments are valued by deriving an enterprise value using one of the following methodologies: ▪ the price of a recent investment; ▪ revenue multiple; ▪ cost, less any required provision; ▪ realised value.	Forecast annual revenue growth rate. Forecast gross margin	Novusmodus typically assess the value of investments based on its expectations of the proceeds which could be realised in a disposal. See note 9 and note 14. This value will usually be driven by a number of inputs including the ability of the investee to grow its revenue and associated margins leading to higher EBITDA thus higher values.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

22. FINANCIAL RISK MANAGEMENT AND FAIR VALUE (continued)

(c) Fair value hierarchy (continued)

The following table shows a reconciliation from opening balances at 1 January 2020 to the period ended 30 June 2020 for fair value measurements in Level 3 of the fair value hierarchy:

	Financial assets at fair value through profit or loss €m	Forward electricity price contracts¹ €m	Forward fuel price contracts¹ €m	Total €m
Balance at 1 January 2019 - net	10.5	82.9	(44.3)	49.1
Additions	1.8	-	-	1.8
Total gains / (losses):				
- in profit or loss	-	-	-	-
- in OCI	-	1.5	(25.5)	(24.0)
Settlements	-	(11.3)	(2.2)	(13.5)
				-
Balance 30 June 2019 - net	12.3	73.1	(72.0)	13.4
Balance 1 January 2020	13.4	81.3	(77.5)	17.2
Transfer to forward fuel price contracts	-	(81.3)	81.3	-
Additions	0.7	-	-	0.7
Disposals	(12.7)	-	-	(12.7)
Total gains / (losses):				
- in profit or loss	6.2	-	-	(6.2)
- in OCI	-	-	(13.3)	(13.3)
Settlements	-	-	5.6	5.6
Balance 30 June 2020 - net	7.6	-	(3.9)	3.7

¹ Contracts that link the forward electricity price more closely with forward fuel prices are presented net in forward fuel price contracts at 30 June 2020.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

23. COMMITMENTS AND CONTINGENCIES

	June 2020 €m	December 2019 €m
(a) Capital commitments		
Contracted for	353.3	318.7

(b) Fuel contract commitments

There are a number of long term gas supply arrangements in place for different periods up to 2020. These arrangements provide for pricing changes in line with changes in inbuilt energy market indicators. Where appropriate, embedded derivatives have been separated and valued in accordance with IFRS 9.

(c) Other disclosures

In addition to the legal case disclosed in note 26, a number of other lawsuits, claims and disputes with third parties have arisen in the normal course of business. While any litigation or dispute has an element of uncertainty, the Board members believe that there were no contingent liabilities which would have a materially adverse effect on the Group's financial position.

24. RELATED PARTY TRANSACTIONS

Equity accounted investees

	Sale of goods / services¹		Purchase of goods / services²		Amounts owed (to) / from as at period / year ended³⁴⁵		Equity advanced during the period /year	
	June 2020 €m	June 2019 €m	June 2020 €m	June 2019 €m	June 2020 €m	December 2019 €m	June 2020 €m	December 2019 €m
NNG Windfarm Holdings Ltd.	-	-	-	-	-	-	-	242.7
SIRO Ltd.⁵	5.4	4.1	-	-	99.0	106.0	-	-
Tilbury Green Power Holdings Ltd.	0.3	0.6	12.1	18.0	1.7	-	-	-
Raheenleagh Power DAC.	0.3	0.3	5.3	4.8	0.2	0.2	-	-
Oweninny Power DAC.	-	2.2	-	-	16.2	17.5	-	-
Emerald Bridge Fibres DAC.	-	0.2	-	-	0.2	-	-	0.2
Kingspan ESB DAC.	-	-	-	-	0.1	0.1	-	-
Total	6.0	7.4	17.4	22.8	117.4	123.8	-	242.9

¹ ESB provided electricity sales, management and other professional services during the period to equity accounted investees as set out in the above table.
² ESB has purchased power and services in relation to telecoms and maintenance during the period from equity accounted investees as set out in the above table.
³ Amounts owed (to) / from equity accounted investees include shareholders loans (shown net of any impairments), interest on these loans and trade receivable and payable balances of €1.2 million (31 December 2019: €1.0 million). Interest receivable on borrowings relates to Oweninny Power DAC. €1.6 million (31 December 2019: €1.4 million).
⁴ Included in the bad debt provision is an amount of €1.3 million in respect of the balances owed from Tilbury Green Power Holdings Ltd. and Emerald Bridge Fibres DAC.
⁵ ESB committed to provide capital funding to SIRO Ltd. of €93.0 million, of which €93.0 million has been advanced as a short-term shareholder loan as disclosed above. ESB has guaranteed a 50% share of a €200.0 million loan facility held by SIRO Ltd. of which €172.0 million was drawn down as at 30 June 2020 (31 December 2019: €123.0 million). Fees payable by SIRO Ltd. to ESB in respect of this guarantee amounted to €2.4 million (31 December 2019: €1.3 million).

Terms and Conditions

Sales to and purchases from equity accounted investees and associates are conducted in the ordinary course of business. The outstanding balances included in receivables and payables as at the balance sheet date in respect of transactions with equity accounted investees and associates are unsecured and settlement arises in cash. No guarantees have been either requested or provided in relation to related party receivables and payables.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

25. ESB ESOP TRUSTEE LIMITED

ESB ESOP Trustee Limited was incorporated by ESB during 2001, with a €1 investment, as Trustee to the ESB Employee Ownership Trust (ESOT) and the ESB Approved Profit Sharing Scheme (APSS). Under the terms of the creation of ESB ESOP Trustee Limited, ESB has no ability or rights to exert control over the assets or management of the Company. The Trustee Company is chaired by an independent professional Trustee with four directors representing ESB employees and two directors representing ESB. As such, severe restrictions which substantially hinder the exercise of the rights of ESB over the assets and management of the company exist. In accordance with IFRS 10 Consolidated Financial Statements, the financial statements for ESB ESOP Trustee Limited are not consolidated with the results of the ESB Group.

26. EVENTS SINCE THE BALANCE SHEET DATE

On 15 July 2020, ESB successfully raised a €200.0 million Green bond at an all-in yield of 0.55% over 10 years.

On 6 July 2020, ESB paid €240.0 million to the ESB Defined Benefit Pension Scheme as part of the 2010 Pension Agreement Injection.

Legal case

Following on from flooding in Cork in November 2009, Aviva as University College Cork's (UCC) insurer pursued a legal action against ESB in the High Court seeking recovery of €19 million for property damage. The High Court judgment found ESB liable for the damage caused by the flood but discounted the award to UCC by 40% to reflect UCC's contributory negligence.

ESB appealed the High Court decision to the Court of Appeal. On 20 March 2018, the Court of Appeal delivered its judgment which held that ESB is not liable for any damage caused to UCC's property by the flood.

UCC appealed this judgment to the Supreme Court. Their appeal was heard in July 2019. The Supreme Court delivered its decision on 8 July 2020 and upheld UCC's appeal, overturning the unanimous decision of the Court of Appeal. The Court decided by a 4:1 majority that ESB is liable to UCC in negligence in this case. The Court concluded that ESB did have a duty of care which required it to consider the effects of a natural flood on downstream landowners in operating its dams.

In addition to the UCC claim, since the 2009 High Court judgment in the UCC case, ESB has been served with 388 sets of proceedings relating to the flooding in Cork in November 2009.

The Supreme Court judgment represents an adjusting post balance sheet event in accordance with IAS 10. Consequently, ESB has estimated the amount of damages and related costs in respect of these claims and a provision of €97 million has been recognised as at 30 June 2020. There are a number of uncertainties in respect of the nature and quantum of claims made and consequently as further information becomes available, this could materially impact the estimate of the provision. However, ESB does not anticipate that the total amount of damages awarded and related costs for all of the actions, including the Aviva / UCC case, will exceed its insurance cover. As at 30 June 2020 a corresponding amount of €97 million has been included in other receivables in respect of the expected reimbursement under the related insurance contracts.

There are no other post balance sheet events that the directors believe require adjustment to or disclosure in the financial statements.

27. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 15 September 2020.

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