

ESB Investor Update

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GROUP FINANCE DIRECTOR



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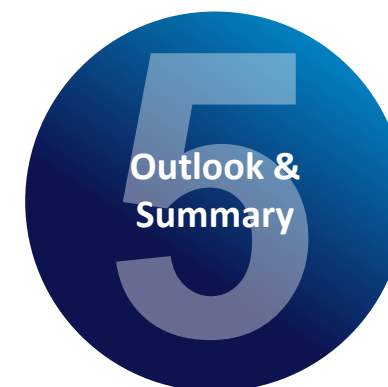


ÉILISH DOLAN

MANAGER, INVESTOR
RELATIONS & CREDIT RATING



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- As the provider of an essential service, **ESB has a critical role to play in supporting the Irish Government's response** to this crisis. The principles underpinning our approach crisis are:
 - ❖ Maintain the *safety, health and wellbeing* of all ESB employees, contractors, their families, customers and the public;
 - ❖ Maintain a *secure and reliable electricity service*;
 - ❖ Remain **agile and responsive**, adapting rapidly and appropriately as the situation evolves.
- We have instigated several *key contingency measures* to ensure the business continues to operate effectively including:
 - ❖ remote working, remote operation of assets, additional PPE etc
- ESB is a **financially strong business** illustrated by:
 - ❖ *Strong investment grade credit rating* from S&P and Moody's (A- / A3);
 - ❖ ESB Networks and NIE Networks *revenue is secured under regulatory contracts*;
 - ❖ *Liquidity* as at 31 December 2019 was €1.5 billion;
 - ❖ In February 2020 executed a new 5-year *€1.4 billion Sustainability RCF*;
 - ❖ We have *no significant refinancing* requirements in 2020.
- We are currently undergoing business and financial **scenario planning** in conjunction with key stakeholders to understand the potential impact of the crisis on the energy industry and ESB.



2019 Highlights

ESB delivered improved financial results as it continues its transition to a low carbon energy future

- **EBITDA €1,372 million; Capex €1,242 million; Gearing 57%**
- Capital expenditure €1,242 million, including 59% (€735 million) on regulated networks capital infrastructure.

Networks: Regulated Networks Businesses in Ireland; 67% of Group EBITDA¹ and 59% of capital expenditure, supported by established and transparent regulatory frameworks

Generation & Trading: Improved financial results, continuing investment in low carbon renewable generation

Customer Solutions (including Electric Ireland): Electric Ireland competing effectively with an Irish market share of 34%

Strong liquidity position of €1.5 billion at 31 December 2019

Credit ratings reaffirmed A- / A3

Climate Action Plan: ESB strategy is aligned with the Government's recently published Climate Action Plan which is targeting significant increases in renewables and the electrification of heat and Transport.



Brighter Future Strategy - Leading the Transition to Reliable, Affordable, Low-Carbon Energy.

Strategic Objectives

- 5 Strategic Objectives to deliver the Brighter Future Strategy

Investment Focus

- Core Markets Ireland & UK
- Smart reliable networks
- Low carbon generation

Climate Action Plan (CAP)

- ESB Strategy is fully aligned with Government of Ireland CAP
 - Target of 70% of electricity from renewable sources by 2030
 - Targeting c. 1 million EV's by 2030
 - 600k heat pumps to be installed by 2030



How is ESB Leading the Transition?

Generation & Trading:

- Offshore Wind: Neart na Gaoithe (Scotland), Galloper (England) and Oriel (ROI)
- Onshore Wind: Grousemount & Oweninny (Ireland) & Coriolis (Scotland)
- ESB's 2 peat stations will cease generating in December 2020
- Moneypoint (c. 900MW) will not burn coal after 2025
- Long term partnerships: Coillte & Equinor



Networks:

- National Smart Metering Programme (NSMP) rollout has commenced (15k installed)
- 5.2 GW of renewable generation connected to the grid
- ESB Networks Electric “Yellow Vans”



Customer Solutions:

- Electric Vehicle (EV) infrastructure upgrade commenced
- Smart Energy Services will deliver a world-first £120m greenhouse project (largest installed capacity of heat pumps in the UK)

FINANCIAL OVERVIEW



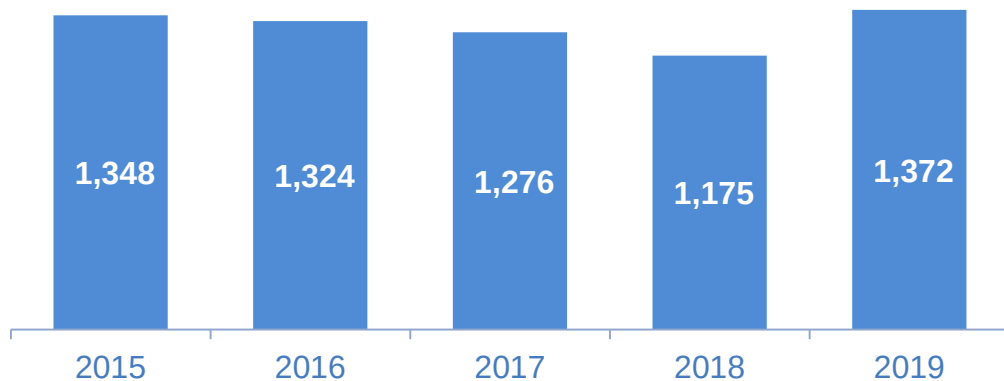
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Consistent Financial Performance

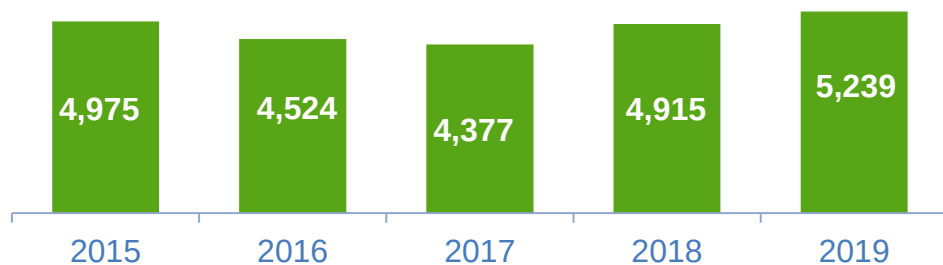


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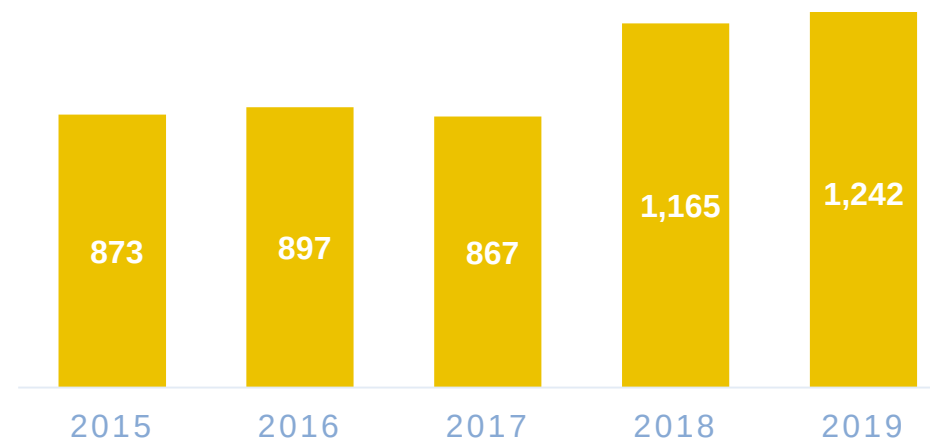
EBITDA (€m)



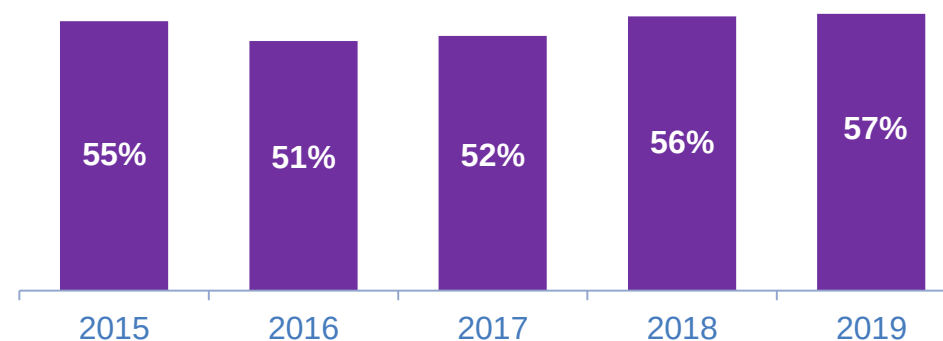
Net Debt (€m)



Capital Expenditure (€m)*



Gearing (%)



- 2015-2017 capex is net of capital contributions (Avg €150 p.a)
- 2018 & 2019 capex is gross of capital contributions

2019 Financial Highlights

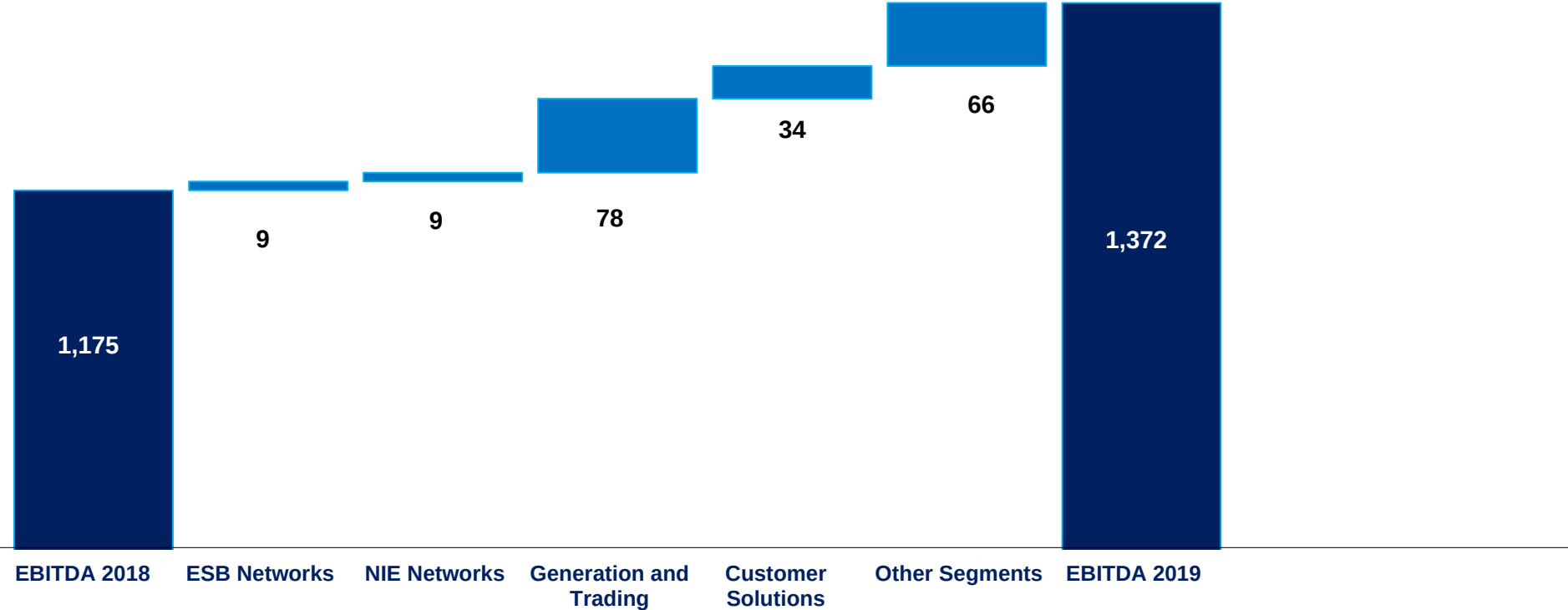


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Highlights	2019	Change vs 2018	Commentary
EBITDA	€1,372m	+17%	Higher margins and lower operating costs 67% of EBITDA in regulated businesses
Capex	€1,242m	+7%	€340m on renewables incl. 50% stake in Neart na Gaoithe c.60% of capex in regulated businesses
Gearing	57%	+1%	Materially in line with 2018
Liquidity	€1.5bn	-€100m	€100m reverse enquiry bond – April 2019 €500m inaugural green bond – Jun 2019
Credit Ratings	A-/A3	-	Ratings with both agencies re-affirmed in 2019

EBITDA Movement – 2019 vs 2018

17% increase in EBITDA (v 2018) driven by higher energy margins and lower operating costs



BUSINESS REVIEW



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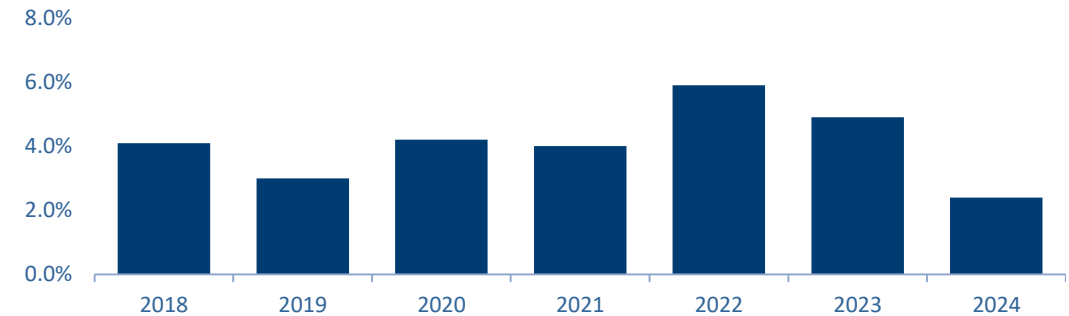
Ireland

- Strong Irish sovereign rating : AA- (S&P) and A2 (Moody's)
- Irish GDP +5.5% 2019, +4.8% 2020F*
- NTMA – *“The strong progress Ireland has made improving its debt profile over the past five years leaves us well placed to address any borrowing challenges posed by the economic fallout of Covid-19”*
- SEM electricity demand growth

Great Britain

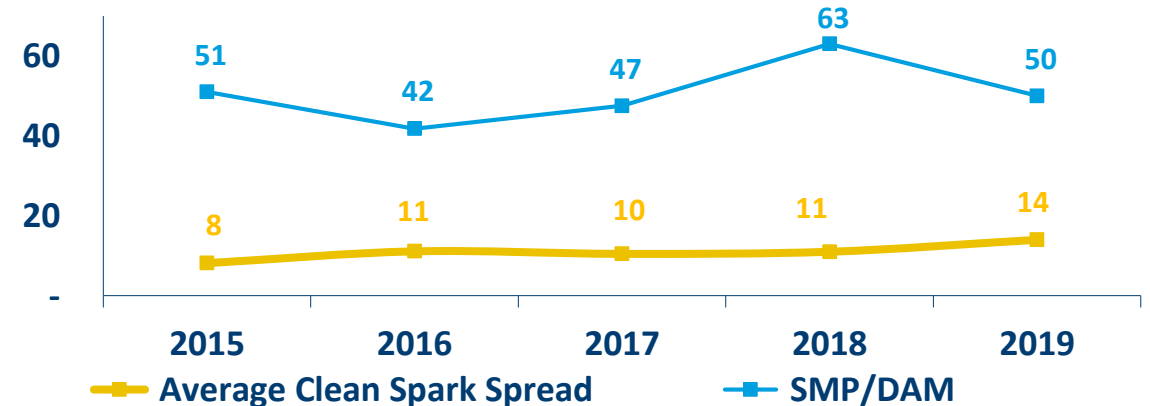
- UK GDP +1.4% 2019F, +1.1% 2020F*
- Brexit
 - Sterling assets matched with sterling funding;
 - SEM underpinned by pre-existing legislation in NI and ROI;
 - NIE Networks has no volume risk; visibility to end Q1 2024
- UK Capacity Market re-instated in Oct 2019

SEM System Demand Growth (%)



¹ Single Electricity Market = Republic of Ireland and Northern Ireland

Source: Eirgrid



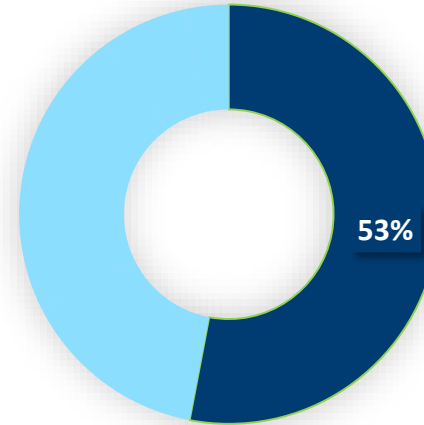
Forecast Irish GDP Source: Central Bank of Ireland Q1 2020 Bulletin
Forecast UK GDP Source: Office of Budget Responsibility March 2020

Business Strategy - Smart Reliable Networks to Support Decarbonisation

Business Highlights

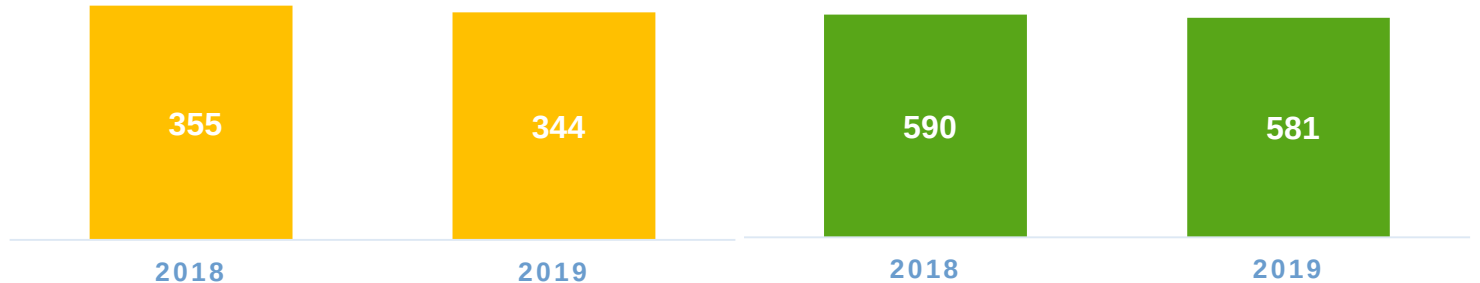
- 53% of Group EBITDA and 53% of Group Assets
- Operating profit decrease due to higher depreciation, offset by increase in TUOS income
- Capex decrease reflects lower transmission spend due to timing of projects offset by higher SMART metering spend
- Regulated Asset Base (RAB) 31 Dec 2019 €8.1bn
- PR4 Revenue Determination (2016-2020)
 - €3.1 billion capex programme
 - WACC 4.95% pre-tax real¹
- **Focus:**
 - PR4 delivery
 - PR5 (2021-2025) draft determination due Q2 2020

2019 ESB Group EBITDA - €1,372m / ESB Networks EBITDA - €727m



Operating Profit (€m)

Capital Expenditure (€m)

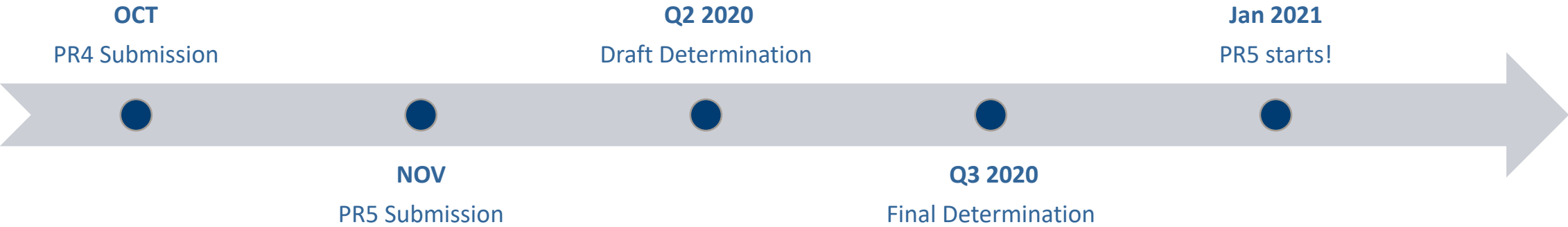


¹ WACC pre-tax real calculated real pre-tax cost of debt and real pre-tax cost of equity

PR5 Objectives



PR5 Timetable

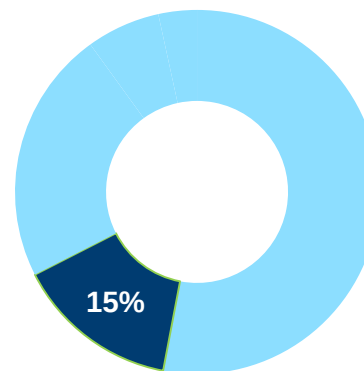


Business Strategy - Smart Reliable Networks to Support Decarbonisation

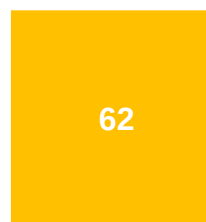
Business Highlights

- 15% of Group EBITDA and 16% of Group Assets
- Operating profit is in line with 2018
- Capex decrease is due to lower generation connections
- Regulated Asset Base 2019 €1.9bn / £1.6bn
- RP6 revenue determination (Oct '17 – Mar '24)
 - RP6 WACC 3.2% vanilla real¹ (3.8% pre-tax real)
- **Focus:**
 - RP6 Implementation

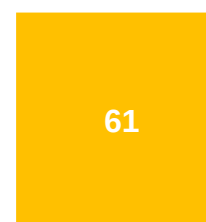
2019 ESB Group EBITDA - €1,372m / NIE Networks EBITDA - €199m



Operating Profit (€m)



2018

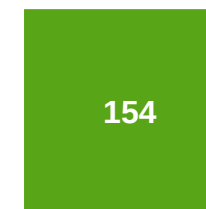


2019

Capital Expenditure (€m)



2018



2019

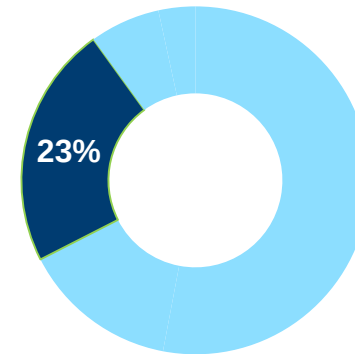
Generation & Trading (GT)

Business Strategy – Transition to Low Carbon Generation Portfolio

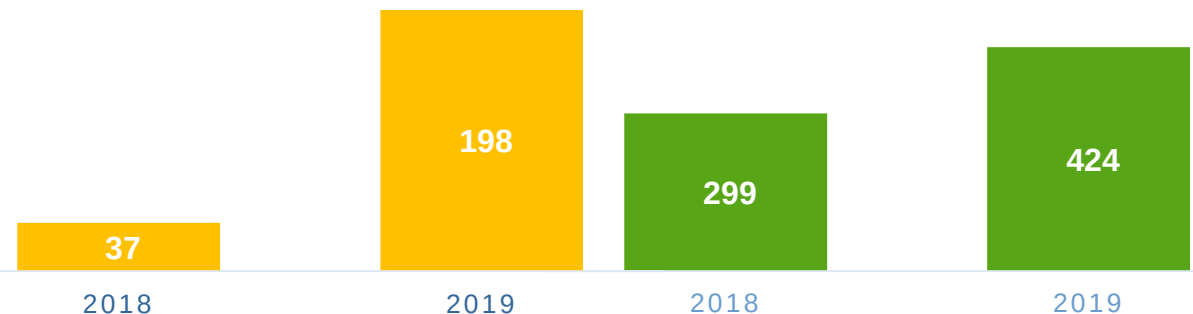
Business Highlights

- 23% of Group EBITDA and 21% of Group Assets
- All-Island SEM market share 30% by volume
- Increase in operating profit reflects higher energy margin, non-recurrence of 2018 operating costs and lower depreciation due to impaired assets
- Energy margin – increase in gas spreads offset by reduced running of Moneypoint
- Increase in capex reflects 50% acquisition in the Neart na Gaoithe offshore windfarm
- Carbon intensity is 406 g/kWh – reduced from 454 g/kWh in 2018 and targeted to reach 200 g/kWh by 2030
- **Focus:**
 - Build pipeline of renewable projects
 - Prepare for newly announced RESS auctions

2019 ESB EBITDA - €1,372m /
GT EBITDA - €309m

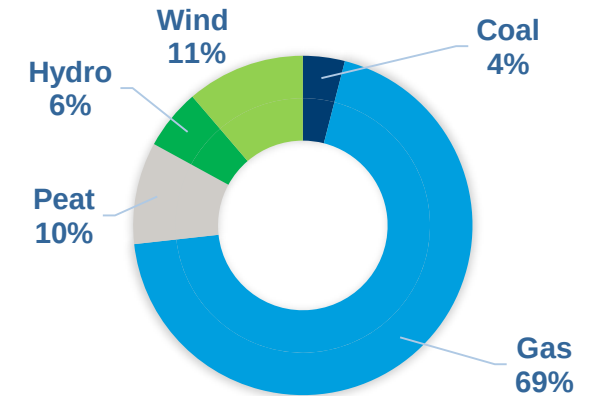


Operating Profit (€m)



Fuel Mix:

SEM & GB Generation



Capital Expenditure (€m)

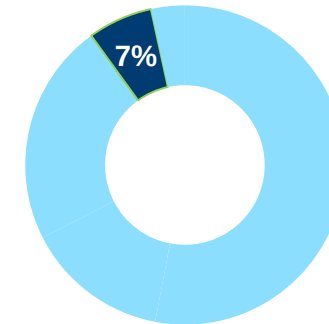
Customer Solutions (including Electric Ireland)

Business Strategy – Competitive Offerings & Excellent Customer Service to Meet Customer Needs

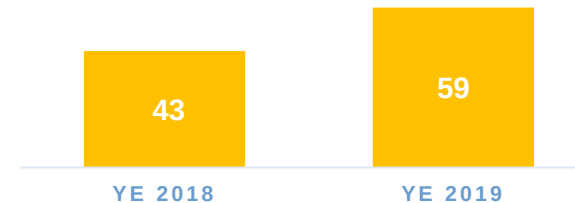
Business Highlights

- Customer-facing businesses including supply of electricity, gas, energy services, e-transport and wholesale telecoms
- Customer Solutions contributed 7% of Group EBITDA
- Operating profit €59m with increase driven by the timing of two price increases following winter price freezes
- EV infrastructure upgrade commenced along with new charging arrangements
- GB Energy customer numbers were 110,000 at year end
- Irish market share 34% with 1.4m customer accounts
- **Focus:**
 - Meet customer energy needs through value driven solutions at appropriate margins

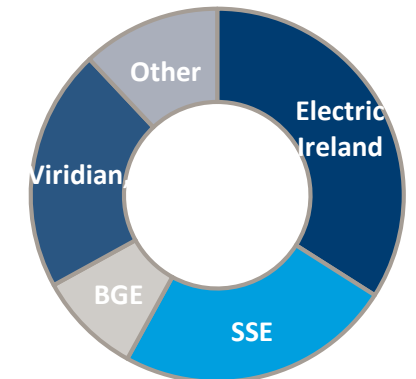
2019 ESB Group EBITDA - €1,372m / Customer Solutions EBITDA - €90m



Operating Profit (€m)



SEM Retail Market Share (MWh)*





Funding & Liquidity



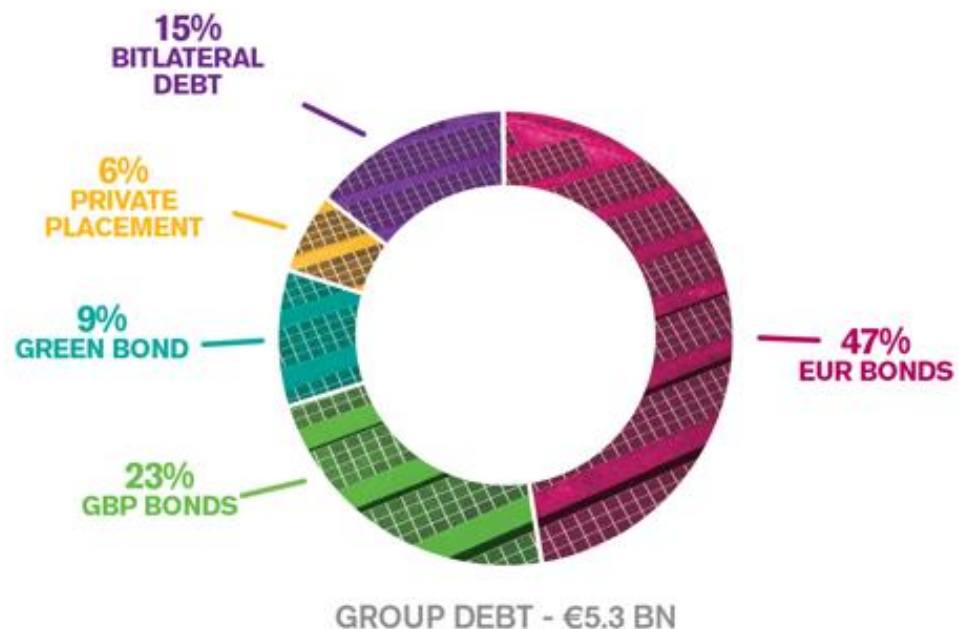
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ESB Group Debt – Diversified Funding Liquidity



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Group Debt 31 December 2019

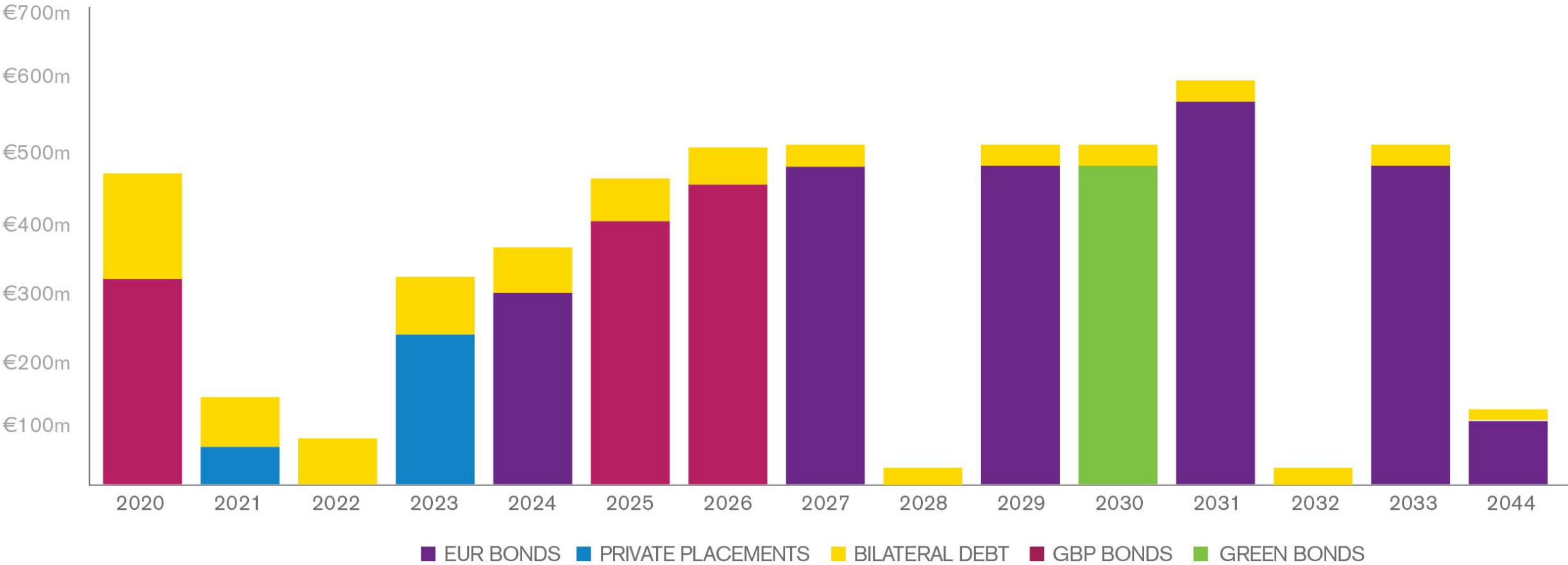


Available Liquidity 31 December 2019



- Included above is ESB's inaugural Green Bond issued in June 2019 – coupon 1.125% maturity June 2030
- In January 2020 ESB issued a £325 million bond – coupon 1.875% maturity July 2035
- In February 2020 ESB signed a new 5 year €1.4 billion sustainability linked loan replacing existing RCF

Debt Repayment Profile as at 31 December 2019



S&P Global
Ratings

A-

(Stable Outlook)
Long Term Rating

MOODY'S
INVESTORS SERVICE

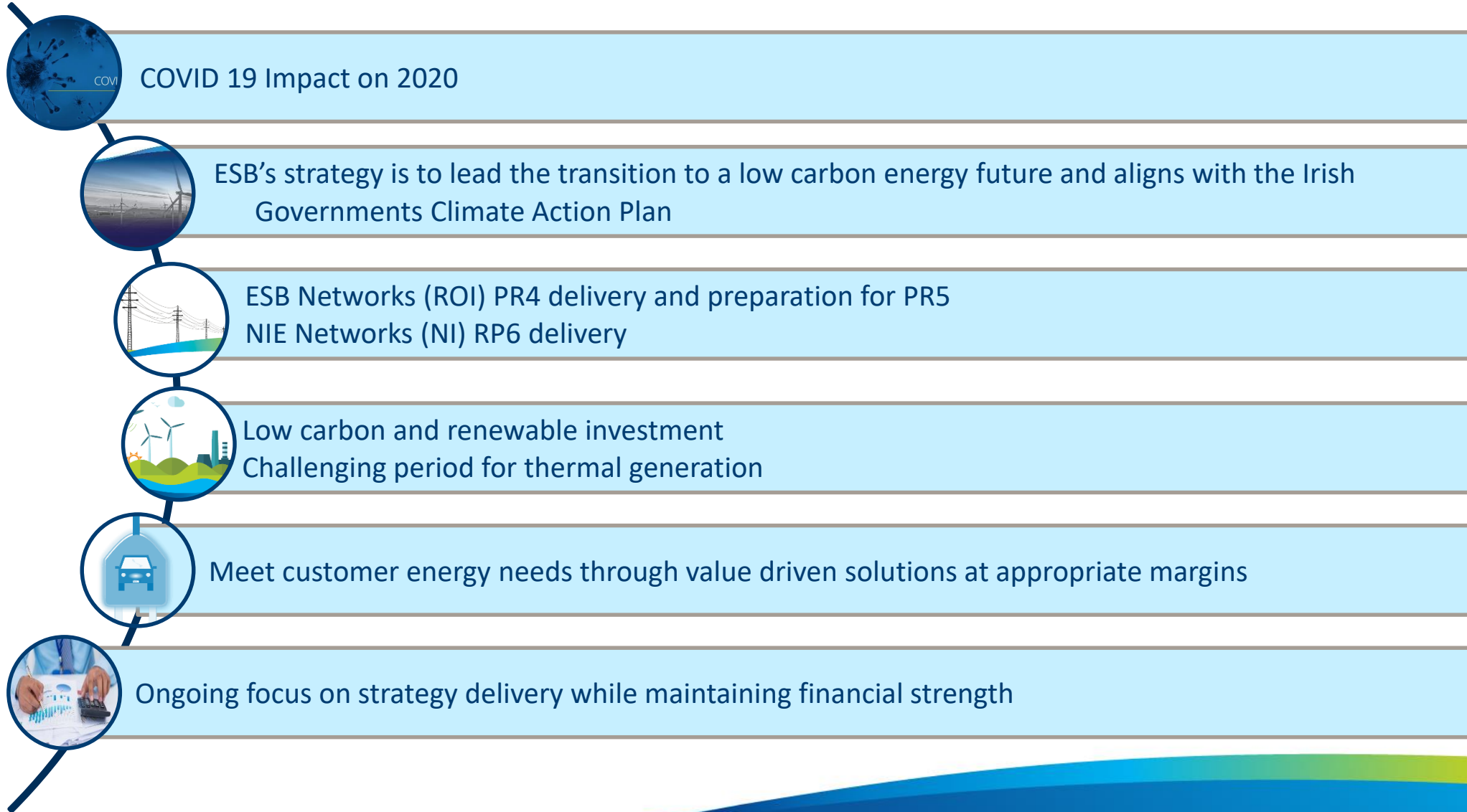
A3

(Stable Outlook)
Long Term Rating

Summary & Outlook

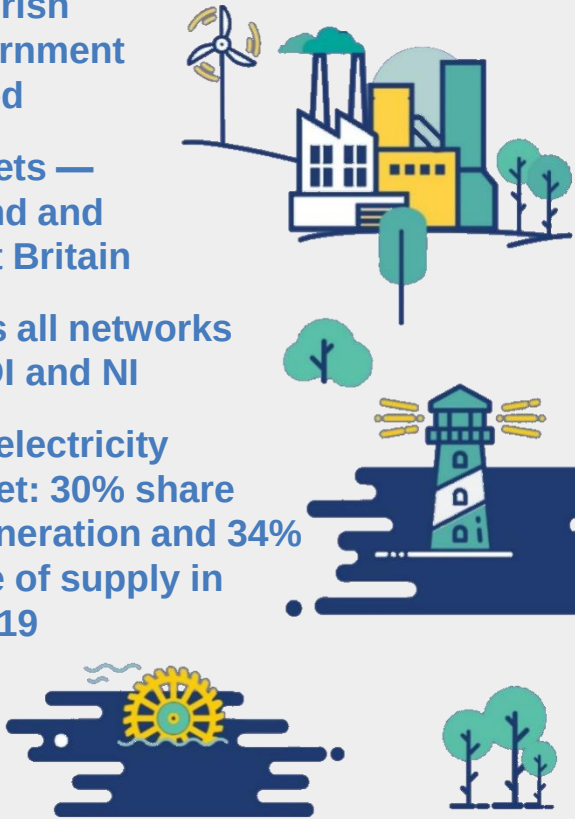


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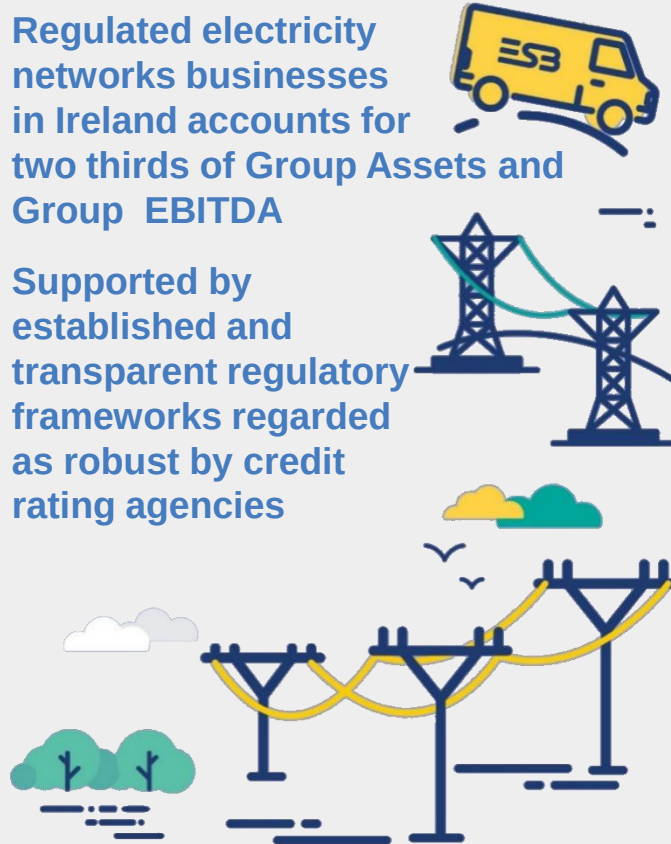
Leading Irish Energy Utility

- 96% Irish Government owned
- Markets — Ireland and Great Britain
- Owns all networks in ROI and NI
- Irish electricity market: 30% share of generation and 34% share of supply in YE2019



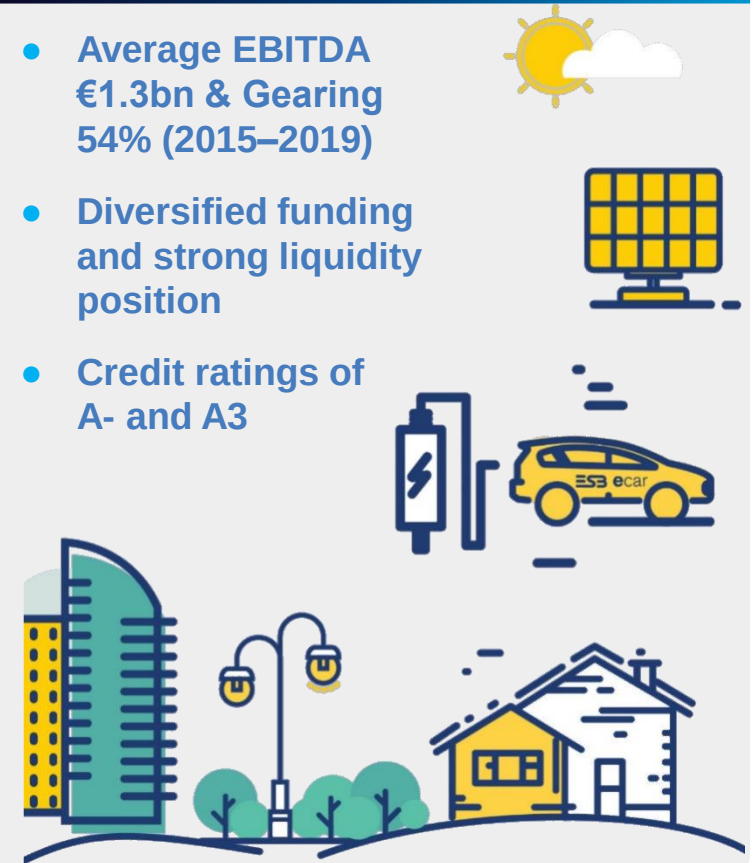
Stable Business Profile

- Regulated electricity networks businesses in Ireland accounts for two thirds of Group Assets and Group EBITDA
- Supported by established and transparent regulatory frameworks regarded as robust by credit rating agencies



Consistent Financial Performance

- Average EBITDA €1.3bn & Gearing 54% (2015–2019)
- Diversified funding and strong liquidity position
- Credit ratings of A- and A3





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