20 October 2023 – Neuss, Germany

Rating Action / Update:

Creditreform Rating has affirmed the unsolicited corporate issuer rating of Electricity Supply Board at A / Positive

Creditreform Rating (CRA) has affirmed the ratings of the unsolicited, public corporate issuer rating of Electricity Supply Board and ESB Finance DAC – together referred to as "ESB", the Group, or the Company – as well as the unsolicited corporate issue rating of long-term local currency senior unsecured notes issued by ESB Finance DAC, at A with a positive outlook. Additionally, CRA has assigned the Company with an initial unsolicited short-term rating of L2 (High level of liquidity).

ESB is a statutory corporation established in 1927 under the Electricity (Supply) Act and is 96.9% owned by the Government of the Republic of Ireland. The Company owns and operates electricity distribution and transmission networks in the Republic of Ireland ('ROI') and Northern Ireland ('NI'). It also generates and supplies electricity in Ireland (both ROI and NI) and Great Britain ('GB'). While electricity generation and supply are open to full competition, the electricity transmission and distribution are regulated monopolies in ROI, NI and GB. Additional services round off the range of the Company's business model, including the supply of gas, the use of its networks to carry fiber for telecommunications, and the development of a public infrastructure to charge electric vehicles. In 2022, the Group – with a workforce of over 8,000 employees – generated a total revenue of EUR 7,596.1 million (2021: EUR 5,400.0 million) and a profit after tax of EUR 558.1 million (2021: EUR 190.7 million).

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Current relevant factors for the rating

The following considerations were of specific relevance for the rating assessment:

- Strong operating results in 2022 and in the first half 2023 due to higher wholesale electricity prices and robust economic growth in Ireland
- Recent improvement in the Irish Government's creditworthiness is a supporting factor for ESB's ratings, and regulatory framework will remain highly supportive of the country's energy transition
- Investments will likely continue to increase in the years ahead in order to accomplish its Net Zero Strategy by 2040
- Gross financial debt materially increased since 2021, with deteriorating leverage ratios
- Liquidity position improved with higher cash holdings in 1H2023 and continued ample access to capital market

ESG factors are factors related to environment, social issues and, governance. For more information, please see the "Regulatory requirements". CRA generally takes ESG relevant factors into account, when assessing the rating object and discloses them when they have a significant influence on the creditworthiness of the rating object, leading to a change in the rating result or the outlook.

ESG-criteria:

CRA generally takes ESG factors (environment, social and governance) into account within its rating decisions. In the case of Electricity Supply Board we have not identified any ESG factors with significant influence.

We view the ESB's Net Zero by 2040 Strategy, which is in line with the Irish Government's Climate Action Plan, as favorable. ESB is committed to connecting up to 80% renewable electricity generation to its grids by 2030 and to reducing carbon intensity from its current 419 to 140 g/kWh. As a result of this Action Plan, we expect ESB to increase investments to keep up with the industry's expansion of smart grids and growing demand for electric heat and transport, with long-term financial compensation set by the regulatory framework. The Company's regulatory Asset

Base (RAB) is expected to increase from EUR 12 billion at the end of 2022 (including ESB networks and NIE) to between EUR 16.0 and 17.5 billion by 2030.

Please note:

The scenarios are based on information available at the time of the rating. Within the forecast horizon, circumstances may occur that could lead to a change of the rating out of the indicated range.

In addition to investments to increase grid resilience and connection to renewable energy sources (RES), the Company is also increasing spending on numerous other projects, such as flexible gas generation, battery storage, installation of smart meters, as well as in the construction of wind and solar power generation platforms. Currently, the Company has 923 MW of RES capacity and it expects to increase this to over 5,000 MW by 2030, with the share of total energy generation capacity increasing from 15% to 63% in the period.

In our view, ESB is well positioned to address the challenges associated with the established objectives, and it will play a central role in Irish climate and transport policy in the future. We therefore believe that the energy transition can be a key growth driver for the Company's performance in the long term.

A general valid description of Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Rating result

The current unsolicited rating of A attests ESB a high level of creditworthiness, representing a low default risk. The rating is supported by the Group's strong operating performance in recent years and relatively stable result of key financial ratios - despite increased external financing needs - as well as stable cash flow generation, roughly two-thirds of which stems from the Company's regulated activities. ESB is of strategic importance for the region and is supported by a solid regulatory framework on both sides of the Irish border (in ROI and NI). Given the fact that the Republic of Ireland owns 96.9% of the Company's shares, we assume that the Irish Government would be willing to provide ESB with sufficient financial support in the event of financial distress, a positive rating factor based on our rating methodology for government-related companies. The corporate issuer rating of ESB is two notches below the sovereign rating of the Republic of Ireland (CRA: AA- / positive as of 19 September 2023). The difference to the sovereign rating is mainly based on the significant and growing share of revenue from the Company's non-regulated business, as well as the absence of unconditional and irrevocable guarantees on the part of the owner. Conversely, constraining rating factors are the likely increase in investments in the years ahead and sequential increase in financial debt levels.

Outlook

The one-year rating outlook is positive. This assessment takes into account the Company's strong operating growth expected in the forthcoming year, strong economic prospects in Ireland in 2023 and continued supportive regulatory framework. The outlook was also supported by the recent upgrade on the sovereign rating of the Republic of Ireland.

Best-case scenario: A+

In our best-case scenario for one year, we assume a rating of A+. This would be the case if the Company is able to implement its energy transition strategy - which involves increasing capex - without breaking the Group's stable balance sheet ratios. In view of the close relationship between ESB and the Irish Government, a continued and robust economic growth of Republic of Ireland and an upward movement on the sovereign rating could exert positive pressure on ESB's rating.

Worst-case scenario: A-

In our worst-case scenario for one year, we assume a corporate issuer rating of A-. It is assumed here that ESB's investment plan is mostly financed with debt, with an adverse effect on the Group's financial position and deteriorating ESB's liquidity profile. Another significant upward adjustment in the investment plan could also have a detrimental effect on the Group's creditworthiness.

Business development and outlook

ESB's consolidated net revenues have shown significant increases over recent years, from EUR 3,731 million in 2020 to EUR 7,596 in 2022. This development in revenues was largely driven by extraordinarily higher wholesale electricity prices, whose average price in 2022 was 337% higher than the 5-year average in preceding years[1]. Only to a certain extent, the top-line growth was offset by restricting changes in the tariff methodology for the Company's regulated business activities. On the cost side, ESB faced highly volatile commodity prices, which notably raised fuel and overall energy costs during 2022, albeit at a slower rate than operational gains. Hence, ESB's operating profit grew by 25% in 2022 (excluding non-recurring items), followed by a 10% growth in the subsequent year, reaching EUR 845 million at the end of the period, but with a moderate deterioration in operating margin (to 11.1% in 2022 from 12.9% in 2021). This positive operational performance was also sustained during the first half 2023, with robust operating growth of 30% compared to the same period of the previous year, most of it being related to Generation and Trading operations in Great Britain. Since the Company is majority state-owned and has a significant share of regulated activities in its business model, the strong economic growth of the Republic of Ireland over the past year, and which is also expected for 2023, is also a supporting factor in the assessment of ESB's credit profile.

While regulated segments (ESB and NIE Networks) presented a 44% yoy decline in operating profit on a combined basis, and the Customer Solution business generated losses during 2022, the Generation and Trading segment presented strong growth of 322% yoy in the same period. In the first half of 2023, all segments reverted to positive earnings. This growth trajectory will likely continue as the investment plan is executed, including expenditure to improve the resilience, efficiency and safety of the grids, as well as the expansion of wind and solar power generation capacity, three new gas turbines, and energy storage projects. In 2022, the Company connected 689 MW of renewable energy to its networks and added 79 MW of battery storage capacity (out of 300 MW earmarked and expected to be completed in 2023). For the coming year, the development of over 2,000 MW of renewable energy generation capacity is expected to be executed through joint ventures. In order to comply with the Net Zero by 2040 Strategy and to support Ireland's environmental targets, the Company has been increasing capital expenditure sequentially over the last few years and has increased its funding needs from external sources, i.e. bank facilities and bond notes. In the first half of 2023, the amount of investments reached EUR 779 million, 46% higher than one year earlier, and since the beginning of this year it has issued EUR 1,350 million in bond notes.

ESB's gross financial debt reached EUR 7 billion at the end of June 2023, following sequential increases since 2020, when total debt amounted to EUR 5.2 billion at year-end. On the profitability side, the Company's reported EBITDA generation increased by 36% in the same period, reaching EUR 2,005 million in the twelve months up to June 2023 (compared to EUR 1,358 million

[1] Source: Central Statistics Office (CSO).

in 2020), which somewhat slowed down the rise in financial leverage. Accordingly, ESB's analytical net financial leverage (adjusted by CRA and measured by net financial debt to EBITDA) has remained sustainably between 3-4 times in recent years, which, taking into account the capital-intensive nature of the business, can be considered a good level. We believe ESB will be able to sustain a solid financial risk profile in the forthcoming year based on prospects of stronger operating performance in the next quarters.

An additional positive rating factor are the recent increase in the Company's cash holdings, to EUR 1,188 million at the end of June 2023 (compared to EUR 236 million at the end of 2022), and its stronger operating cash flows. The liquidity profile is further strengthened by the availability of a EUR 1.4 billion sustainability-linked committed credit facility with an expiry date in February 2027, as well as by the Company's ample access to bond markets. The recent EUR 1 billion bond issued in October 2023 had a high level of interest from investors, with purchase orders 3.5 times higher than the amount issued; the situation was similar in 2022, despite market volatility and much more cautious investment sentiment. The Company' internal fund sources (including cash holdings and operating cash flows) comfortably cover its short-term financial debt and dividend payments; however, it will remain reliant on external financing for the execution of its investment plans. Historically, ESB has maintained the ratio of cash sources/uses between 150-200%, which is perceived as good in our liquidity assessment.

Table 1: Financials of Electricity Supply Board I Source: ESB Annual report 2022, standardized by CRA

Electricity Supply Board **Selected key figures of the financial statement analysis** **Basis: Annual accounts and report of 31.3. (IAS, Group)**	**CRA standardized figures[2]**	
	2022	**2021**
Sales (million EUR)	7,596.10	5,400.00
EBITDA (million EUR)	1,757.30	1,646.70
EBIT (million EUR)	842.70	769.50
EAT (million EUR)	558.10	190.70
EAT after transfer (million EUR)	587.20	215.10
Total assets (million EUR)	18,756.95	15,789.15
Equity ratio (%)	25.88	27.92
Capital lock-up period (days)	28.56	32.29
Short-term capital lock-up (%)	39.68	30.38
Net total debt / EBITDA adj. (factor)	7.20	6.63
Ratio of interest expenses to total debt (%)	1.05	2.27
Return on Investment (%)	3.11	2.80

[2] For analytical purposes, CRA adjusted the original values in the financial statements in the context of its financial ratio analysis. For example, when calculating the analytical equity ratio, deferred tax assets, goodwill (entirely or partly), and internally-generated intangible assets are subtracted from the original equity, whilst deferred tax liabilities are added. Net total debt takes all balance sheet liabilities into account. Therefore, the key financial figures shown often deviate from the original values of the company.

Table 2: Interim Results of Electricity Supply Board I Source: First Half-2023 Financials, reported information

Electricity Supply Board				
In million EUR	1H 2023	1H 2022	Δ	Δ %
Sales	4,892.6	3,672.6	+1,220.0	+33.2%
EBIT	675.9	356.9	+319.0	+89.4%
EBITDA	1,093.0	763.0	+330.0	+43.3%
EBT	575.8	317.8	+258.0	+81.2%
EAT	492.1	248.8	+243.3	+97.8%

Table 3: Operating performance by segment I Source: Annual Report 2022

ESB according to individual corporate divisons in 2022				
in million EUR	ESB Network	NIE Network	Generation and Trading	Customer Solutions
Sales	1,191.2	345.8	3,301.6	5,536.7
Operating profit	206.9	63.7	774.3	-108.9
Operating margin %	17.4%	18.4%	23.5%	-2.0%

Further ratings

In addition to the rating of Electricity Supply Board, the following Issuer and its issues (see below), have also been rated.

- ESB Finance DAC

Due to the corporate, strategic, liability, financial, economic and performance-related interdependencies of the aforementioned subsidiary (fully-owned by Electricity Supply Board and which have been consolidated into the Group's annual accounts), we have set its unsolicited issuer rating equal to the unsolicited issuer rating of Electricity Supply Board (A / positive).

Based on the long-term issuer rating, and taking into account our liquidity analysis, the short-term rating of Electricity Supply Board and the abovementioned subsidiary was set at L2 (standard), which corresponds to an assessment of good liquidity for one year.

The rating objects of the issue rating are exclusively long-term senior unsecured issues, denominated in euro, issued by ESB Finance DAC, which are included in the list of ECB-eligible marketable assets. Electricity Supply Board is guarantor with respect to the Notes issued by the abovementioned subsidiary under the Euro Medium Term Note Programme (EMTN), with the last basis prospectus of 06.07.2023 and with the last amendment of 22.09.2023. We have provided these notes with an unsolicited rating of A / positive. The rating is based on the corporate issuer rating of Electricity Supply Board.

All long-term local currency senior unsecured notes issued by ESB Finance DAC, which have similar conditions to the current EMTN programme, denominated in euro and included in the list of ECB-eligible marketable assets, generally receive the same ratings as the existing LT LC senior unsecured notes issued under the current EMTN programme. Notes issued in any currency other than euro, or other types of debt instruments, have not yet been rated by CRA. For a list of all currently valid ratings and additional information, please consult the website of Creditreform Rating AG.

Table 4: Overview of CRA Ratings I Source: CRA

Rating Category	Details	
	Date of rating committee	Rating
Electricity Supply Board	20.10.2023	A / positive / L2
ESB Finance DAC	20.10.2023	A / positive / L2
Long-term Local Currency Senior Unsecured Issues issued by ESB Finance DAC	20.10.2023	A / positive / L2
Other	--	n.r.

Appendix

Rating history

The rating history is available under https://www.creditreform-rating.de/en/ratings/published-ratings.html.

Table 5: Corporate Issuer Rating of Electricity Supply Board

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	01.10.2018	31.10.2018	22.12.2020	A / positive

Table 6: Corporate Issuer Rating of ESB Finance DAC

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	01.10.2018	31.10.2018	22.12.2020	A / positive

Table 7: LT LC Senior Unsecured Issues issued by ESB Finance DAC

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	01.10.2018	31.10.2018	22.12.2020	A / positive

Table 8: Short-term Issuer Rating of Electricity Supply Board

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	20.10.2023	www.creditreform-rating.de	Withdrawal of the rating	L2 / positive

Table 9: Short-term Issuer Rating of ESB Finance DAC

Event	Rating created	Publication date	Monitoring until	Result
Initial rating	20.10.2023	www.creditreform-rating.de	Withdrawal of the rating	L2 / positive

Regulatory requirements

The rating[3] was not endorsed by Creditreform Rating AG (Article 4 (3) of the CRA-Regulation).

The present rating is, in the regulatory sense, an unsolicited rating that is public. The analysis was carried out on a voluntary basis by Creditreform Rating AG, which was not commissioned by the Issuer or any other third party to prepare the present rating.

The rating is based on the analysis of published information and on internal evaluation methods for the assessment of companies and issues. The rating object was informed of the intention of creating or updating an unsolicited rating before the rating was determined.

The rating object participated in the creation of the rating as follows:

With Rated Entity or Related Third Party Participation	No
With access to Internal Documents	No
With Access to Management	No

The rating was conducted based on the following information.

List of documents

Accounting and controlling
- ESB Annual Report 2022
- Interim Financials for the first half 2023

Finance
- EMTN Prospectus dated 6 July 2023 and Supplement from 22 September 2023

Additional documents
- Investor Presentation March 2023

A management meeting did not take place within the framework of the rating process.

The documents submitted and information gathered were sufficient to meet the requirements of Creditreform Rating AG's rating methodologies.

The rating was conducted based on the following rating methodologies and the basic document.

Rating methodology	Version number	Date
Corporate Ratings	2.4	July 2022
Corporate Short-Term Ratings	1.0	June 2023
Government-related Companies	1.1	May 2023
Non-financial Corporate Issue Ratings	1.0	October 2016
Rating Criteria and Definitions	1.3	January 2018

The documents contain a description of the rating categories and a definition of default.

The rating was carried out by the following analysts:

Name	Function	Mail-Address
Sabrina Mascher de Lima	Lead-analyst	S.Mascher@creditreform-rating.de
Tim Winkens	Analyst	T.Winkens@creditreform-rating.de

[3] In these regulatory requirements the term "rating" is used in relation to all ratings issued by Creditreform Rating AG in connection to this report. This may concern several companies and their various issues.

The rating was approved by the following person (person approving credit ratings, PAC):

Name	Function	Mail-Address
Philip Michaelis	PAC	P.Michaelis@creditreform-rating.de

On 20 October 2023, the analysts presented the rating to the rating committee and the rating was determined. The rating result was communicated to the company on 24 October 2023. There has not been a subsequent change to the rating.

The rating will be monitored until Creditreform Rating AG withdraws the rating. The rating can be adjusted as part of the monitoring, if crucial assessment parameters change.

In 2011, Creditreform Rating AG was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on this registration, Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation.

ESG-factors

You can find out whether ESG factors were relevant to the rating in the upper section of this rating report "Relevant rating factors".

A general valid description for Creditreform Rating AG, as well as a valid description of corporate ratings for understanding and assessing ESG factors in the context of the credit rating process, can be found here.

Conflict of interests

No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or in approving credit ratings and rating outlooks.

Creditreform Rating AG ensures that the provision of ancillary services does not present conflicts of interest with its credit rating activities and discloses in the final rating reports any ancillary services provided for the rated entity or any related third party. The following ancillary services were provided for the rating entity or for third parties associated with the rated entity:

3.) No ancillary services in the regulatory sense were carried out for this rating object.

For the complete list of provided rating and credit service ancillaries please refer to the Creditreform Rating AG's website: https://www.creditreform-rating.de/en/about-us/regulatory-requirements.html#non-core-business-activities .

Rules on the presentation of credit ratings and rating outlooks

The approval of credit ratings and rating outlooks follows our internal policies and procedures. In line with our "Rating Committee Policy", all credit ratings and rating outlooks are approved by a rating committee based on the principle of unanimity.

To prepare this credit rating, Creditreform Rating AG has used following substantially material sources:

Corporate issuer rating:

1. Annual report
2. Website
3. Internet research

Corporate issue rating:

1. Corporate issuer rating incl. information used for the corporate issuer rating
2. Documents on issues / instruments

There are no other attributes and limitations of the credit rating or rating outlook other than those displayed on the Creditreform Rating AG website. Furthermore, Creditreform Rating AG considers as satisfactory the quality and extent of information available on the rated entity. With respect to the rated entity, Creditreform Rating AG regarded available historical data as sufficient.

Between the time of disclosure of the credit rating to the rated entity and the public disclosure, no amendments were made to the credit rating.

The Basic Data Information Card indicates the principal methodology or version of methodology that was used in determining the rating, with a reference to its comprehensive description.

In cases where the credit rating is based on more than one methodology or where reference only to the principal methodology might cause investors to overlook other important aspects of the credit rating, including any significant adjustments and deviations, Creditreform Rating AG explains this fact in the credit rating report and indicates how the different methodologies or other aspects are taken into account in the credit rating. This information is integrated in the credit rating report.

The meaning of each rating category, the definition of default or recovery and any appropriate risk warning, including a sensitivity analysis of the relevant key rating assumptions such as mathematical or correlation assumptions, accompanied by worst-case scenario credit ratings and best-case scenario credit ratings are explained.

The date at which the credit rating was initially released for distribution and the date when it was last updated, including any rating outlooks, is indicated clearly and prominently in the Basic Data Information Card as a “rating action”; initial release is indicated as “initial rating”, other updates are indicated as an “update”, “upgrade” or “downgrade”, “not rated”, “confirmed”, “selective default” or “default”.

In the case of a rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the Basic Data Information Card.

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009, a registered or certified credit rating agency shall make available, in a central repository established by ESMA, information on its historical performance data including the rating transition frequency and information about credit ratings issued in the past and on their changes. Requested data are available at the ESMA website.

An explanatory statement of the meaning of Creditreform Rating AG’s default rates are available in the credit rating methodologies disclosed on the website.

Disclaimer

Any rating performed by Creditreform Rating AG is subject to the Creditreform Rating AG Code of Conduct, which has been published on the web pages of Creditreform Rating AG. In this Code of Conduct, Creditreform Rating AG commits itself – systematically and with due diligence – to establish its independent and objective opinion as to the sustainability, risks and opportunities concerning the enterprise or the issue under review.

Future events are uncertain, and forecasts are necessarily based on assessments and assumptions. This rating is therefore no statement of fact, but an opinion. For this reason, Creditreform Rating AG cannot be held liable for the consequences of decisions made on the basis of any of their ratings. Neither should these ratings be construed as recommendations for investors, buyers or sellers. They should only be used by market participants (entrepreneurs, bankers, investors etc.) as one factor among others when arriving at corporate or investment decisions. Ratings are not meant to be used as substitutes for one's own research, inquiries and assessments.

We have assumed that the documents and information made available to us by the client are complete and accurate and that the copies provided to us represent the full and unchanged contents of the original documents. Creditreform Rating AG assumes no responsibility for the true and fair representation of the original information.

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