

OFFERING CIRCULAR



ELECTRICITY SUPPLY BOARD

(a body corporate established in Ireland under the Electricity (Supply) Acts 1927-2004 of Ireland)

ESB FINANCE LIMITED

(a private company incorporated with limited liability in Ireland with registration number 480184)

EUR3,000,000,000

**Euro Medium Term Note Programme
unconditionally and irrevocably guaranteed by
ELECTRICITY SUPPLY BOARD**

(a body corporate established in Ireland under the Electricity (Supply) Acts 1927 to 2004 of Ireland)

Under this EUR3,000,000,000 Euro Medium Term Note Programme (the **Programme**), Electricity Supply Board (**ESB**) and ESB Finance Limited (**ESB Finance**) (together, the **Issuers** and each of them, an **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of Notes issued by ESB Finance will be unconditionally and irrevocably guaranteed by ESB (in such capacity, the **Guarantor**).

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed EUR3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under “*Overview of the Programme*” and any additional Dealer appointed under the Programme from time to time by the relevant Issuer (each a **Dealer** and together the **Dealers**), which appointment may be for a specific issue or on an ongoing basis. References in this Offering Circular to the **relevant Dealer** shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of these risks see “*Risk Factors*”.

The Offering Circular has been approved by the Central Bank of Ireland (the **Central Bank**) as competent authority under Directive 2003/71/EC, as amended (the **Prospectus Directive**). The Central Bank only approves this Offering Circular as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. Such approval relates only to Notes which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC (the **Markets in Financial Instruments Directive**) or which are to be offered to the public in any Member State of the European Economic Area. Application has been made to the Irish Stock Exchange for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and trading on its regulated market.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined under “*Terms and Conditions of the Notes*”) of Notes will be set out in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the Irish Stock Exchange, will be filed with the Central Bank.

The Programme provides that Notes may be listed or admitted to trading, as the case may be, on such other or further stock exchanges or markets as may be agreed between the relevant Issuer and the relevant Dealer. Either Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The relevant Issuer may agree with any Dealer and the Trustee (as defined herein) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplemental Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

Arranger

The Royal Bank of Scotland

Dealers

Banco Bilbao Vizcaya Argentaria S.A.

Barclays Capital

Danske Bank

HSBC

The Royal Bank of Scotland

BofA Merrill Lynch

BNP PARIBAS

Deutsche Bank

RBC Capital Markets

Société Générale Corporate & Investment Banking

The date of this Offering Circular is 4 November 2011.

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Prospectus Directive and has been prepared in order to provide information with regard to the issue of Notes by either of the Issuers under the Programme during the period of twelve months after the date hereof.

Each of ESB and ESB Finance (the Responsible Persons) accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of ESB and ESB Finance (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Subject as provided in the applicable Final Terms, the only persons authorised to use this Offering Circular in connection with an offer of Notes are the persons named in the applicable Final Terms as the relevant Dealer or the Managers, as the case may be.

Copies of Final Terms will be available from the registered office of the relevant Issuer and the specified office set out below of each of the Paying Agents (as defined below).

Neither the Dealers nor the Trustee have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by ESB and/or ESB Finance in connection with the Programme. No Dealer nor the Trustee accepts any liability in relation to the information contained in this Offering Circular or any other information provided by ESB and/or ESB Finance in connection with the Programme.

No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by ESB, ESB Finance, any of the Dealers or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by ESB or ESB Finance, any of the Dealers or the Trustee that any recipient of this Offering Circular or of any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of ESB and/or ESB Finance. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of ESB or ESB Finance, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning ESB and/or ESB Finance is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of ESB or ESB Finance during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the *Securities Act*) and are subject to U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "*Subscription and Sale*").

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. ESB, ESB Finance, the Dealers and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by ESB, ESB Finance, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published

in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Circular or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Circular and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom and Ireland) and Japan, see “*Subscription and Sale*”.

This Offering Circular has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of Notes which are the subject of an offering contemplated in this Offering Circular as completed by final terms in relation to the offer of those Notes may only do so in circumstances in which no obligation arises for ESB or ESB Finance or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither ESB, ESB Finance nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for ESB or ESB Finance or any Dealer to publish or supplement a prospectus for such offer.

All references in this document to *U.S. dollars*, *U.S.\$* and *\$* refer to United States dollars. In addition, all references to *Sterling* and *£* refer to pounds sterling and to *euro*, *EUR* and *€* refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

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In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in the applicable Final Terms may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

OVERVIEW OF THE PROGRAMME

The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms. The Issuer and any relevant Dealer may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of listed Notes only and if appropriate, a supplemental Offering Circular will be published.

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing the Prospectus Directive.

Words and expressions defined in “*Form of the Notes*” and “*Terms and Conditions of the Notes*” shall have the same meanings in this Overview.

Issuers:	Electricity Supply Board and ESB Finance Limited
Guarantor (in the case of Notes issued by ESB Finance only):	Electricity Supply Board
Risk Factors:	There are certain factors that may affect ESB’s ability to fulfil its obligations under Notes issued under the Programme or, in the case of Notes issued by ESB Finance, under the Guarantee. These are set out under “ <i>Risk Factors</i> ” below and include legal, regulatory risks, political risks, financial risks and business risks. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under “ <i>Risk Factors</i> ” and include the fact that the Notes may not be a suitable investment for all investors, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	The Royal Bank of Scotland plc
Dealers:	Banco Bilbao Vizcaya Argentaria S.A. Barclays Bank PLC BNP Paribas Danske Bank A/S Deutsche Bank AG, London Branch HSBC Bank plc Merrill Lynch International RBC Europe Limited Société Générale The Royal Bank of Scotland plc and any other Dealers appointed in accordance with the Programme Agreement.
Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”) including the following restrictions applicable at the date of this Offering Circular.

Notes having a maturity of less than one year

In respect of any Notes issued by the relevant Issuer having a maturity of less than one year from the date of their issue, the relevant Issuer will issue such Notes only in accordance with one of the exemptions from the requirement to hold a banking licence provided by Notice BSD C 01/02 issued by the Central Bank of Ireland pursuant to section 8(2) of the

Central Bank Act 1971 of Ireland, inserted by section 31 of the Central Bank Act 1989 of Ireland, as amended by section 70(d) of the Central Bank Act 1997 of Ireland. Any such Notes will not have the status of a bank deposit and will not be within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland. Neither ESB nor ESB Finance are regulated by the Central Bank of Ireland.

Notes having a maturity of less than one year will, if the proceeds of the issue are accepted in the United Kingdom, constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the Financial Services and Markets Act 2000 unless they are issued to a limited class of professional investors and have a denomination of at least £100,000 or its equivalent, see "*Subscription and Sale*".

Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Trustee:	Citicorp Trustee Company Limited
Programme Size:	Up to EUR3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies:	Notes may be denominated in euro, Sterling, U.S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the relevant Issuer and the relevant Dealer.
Redenomination:	The applicable Final Terms may provide that certain Notes may be redenominated in euro. The relevant provisions applicable to any such redenomination are contained in Condition 4 (<i>Redenomination</i>).
Maturities:	The Notes will have such maturities as may be agreed between the relevant Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency. There are certain regulatory requirements as regards any Notes having a maturity of less than a year, as to which see the section above titled " <i>Certain Restrictions</i> ".
Issue Price:	Notes may be issued on a fully-paid or a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in " <i>Form of the Notes</i> ".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined: <ul style="list-style-type: none">(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or(b) on the basis of a reference rate appearing on the agreed screen page of a commercial quotation service; or

- (c) on such other basis as may be agreed between the relevant Issuer and the relevant Dealer.

The margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Index Linked Notes:

Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.

Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes:

Floating Rate Notes and Index Linked Interest Notes may also have a maximum interest rate, a minimum interest rate or both. Index Linked Interest Notes or Index Linked Redemption Notes may be redeemed prior to Final Maturity as further described in Condition 7.6 (*Redemption and Purchase – Redemption for Indexation Reasons*).

Interest on Floating Rate Notes and Index Linked Interest Notes in respect of each Interest Period, as agreed prior to issue by the relevant Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Day Count Fraction, as may be agreed between the relevant Issuer and the relevant Dealer.

Dual Currency Notes:

Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Redemption:

The applicable Final Terms will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.

The applicable Final Terms may provide that Notes may be redeemable in two or more instalments of such amounts and on such dates as are indicated in the applicable Final Terms.

Notes having a maturity of less than one year may be subject to restrictions on their denomination and distribution, see "*Certain Restrictions – Notes having a maturity of less than one year*" above.

Change of Control Redemption:

Noteholders may have the option to require the relevant Issuer to redeem or, at the relevant Issuer's option, purchase Notes on the occurrence of an Event Risk Put Event to the extent (if at all) specified in the relevant Final Terms, as described in Condition 7.5 (*Redemption as a result of a Change in Control of the Issuer*).

Redemption for tax reasons:

Except as described in "Redemption", "Redemption for Change of Control Event" and "Other provisions in relation to Floating Rate Notes and Index Linked Interest Notes", early redemption will only be permitted for tax reasons as described in Condition 7.2 (*Redemption and Purchase – Redemption for tax reasons*).

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer save that the minimum denomination of each Note will be such amount as may be

allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency, see “*Certain Restrictions – Notes having a maturity of less than one year*” above, and save that the minimum denomination of each Note admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive will be EUR100,000 (or, if the Notes are denominated in a currency other than EUR, the equivalent amount in such currency).

- Taxation:** All payments in respect of the Notes will be made without deduction for or on account of withholding taxes imposed by any Tax Jurisdiction as provided in Condition 8 (*Taxation*). In the event that any such deduction is made, the relevant Issuer, or as the case may be the Guarantor will, save in certain limited circumstances provided in Condition 8 (*Taxation*), be required to pay additional amounts to cover the amounts so deducted.
- Negative Pledge:** The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (*Covenants*).
- Asset Sales:** The terms of the Notes will contain an asset disposals covenant as further described in Condition 3 (*Covenants*).
- Cross Default:** The terms of the Notes will contain a cross default provision as further described in Condition 10 (*Events of Default and Enforcement*).
- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
- Guarantee:** The Notes issued by ESB Finance will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Guarantor and will rank *pari passu* and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor from time to time outstanding.
- Rating:** The rating of certain Series of Notes to be issued under the Programme may be specified in the applicable Final Terms. Whether or not each credit rating applied for in relation to relevant Series of Notes will be issued by a credit rating agency established in the European Union and registered under Regulation (EC) No. 1060/2009 will be disclosed in the Final Terms.
- Listing and admission to trading:** Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and trading on its regulated market.
- Notes may be listed or admitted to trading, as the case may be, on other or further stock exchanges or markets agreed between the relevant Issuer and the relevant Dealer in relation to the Series. Notes which are neither listed nor admitted to trading on any market may also be issued.
- The applicable Final Terms will state whether or not the relevant Notes are to be listed and/or admitted to trading and, if so, on which stock exchanges and/or markets.
- Governing Law:** The Notes and any non-contractual obligations arising out of or in connection with the Notes will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States, the European Economic Area (including the United Kingdom and Ireland) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes, see “*Subscription and Sale*”.

United States Selling Restrictions:

Regulation S, Category 2. TEFRA C or D/TEFRA not applicable, as specified in the applicable Final Terms.

RISK FACTORS

Each of ESB and ESB Finance believe that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. Most of these factors are contingencies which may or may not occur and neither ESB nor ESB Finance is in a position to express a view on the likelihood of any such contingency occurring.

In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

Each of ESB and ESB Finance believe that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of either of ESB and/or ESB Finance to pay interest, principal or other amounts on or in connection with any Notes and/or the Guarantee may occur for other reasons which may not be considered significant risks by ESB and ESB Finance based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.

Factors that may affect ESB's ability to fulfil its obligations under Notes issued under the Programme or in the case of Notes issued by ESB Finance, factors that may affect ESB's ability to fulfil its obligations under the Guarantee

Political, regulatory and legal risks

Regulated Markets

A significant part of the Group's business activities are carried on in regulated markets and are therefore subject to regulation. The principal regulatory risks faced by the Group originate from licence compliance, ring-fencing requirements, the impact of price control reviews in markets where the prices charged by the Group are regulated (including, without limitation, the revenues allowed to the Group as owner of the Irish and Northern Ireland electricity distribution and transmission systems – see further the section of this Offering Circular entitled “*Description of ESB*”), changes to market mechanisms such as the Single Electricity Market (**SEM**) (see further the section of this Offering Circular entitled “*Overview of the Electricity Markets in Ireland and Northern Ireland*”), agreements with regulatory authorities (see further the section of this Offering Circular entitled “*Description of ESB*”) and an evolving EU regulatory framework. In addition, changes to the electricity generation market, such as an increase in the share of that market of wind energy, may result in changes to the structure and regulation of the market, which may have adverse impacts on the Group's business, results of operations, operating costs, prospects and/or financial condition.

In particular, changes to the regulatory regimes operated by the Irish energy regulator, the Commission for Energy Regulation (CER) or by the Northern Ireland energy regulator, the Northern Ireland Authority for Utility Regulation (NIAUR) and/or changes in regulated rates of return, or the basis on which such rates of return are calculated, including, for example, the continued use of the Capital Asset Pricing Model (**CAPM**), and/or changes in margins earned by the Group, could impact adversely the Group's financial performance. Even in markets where the Group is not subject to price regulation directly, changes to the structure or regulation of the relevant market could materially and adversely impact the Group's financial performance.

State ownership and Government control

ESB is majority owned by the Government of Ireland (see further the section of this Offering Circular entitled “*Description of ESB – Overview*” in relation to ESB's current ownership structure and in relation to the proposal of the Government of Ireland to sell a minority stake in ESB). As such, the Group's strategy, business operations, capital structure, corporate and environmental policies, profitability, dividend policy and level of retained profit are directly and indirectly influenced by decisions of the Government of Ireland over which the Group has no control. In particular, the Group's actions and policies may be influenced by political imperatives. In addition, under its governing legislation, ESB is required to obtain the consent of the Minister for Communications, Energy and Natural Resources of Ireland, the Minister for Finance and/or the Minister for Public Expenditure and Reform of Ireland in order to engage in a variety of commercial transactions. There can be no assurance that such consents will be forthcoming when requested by the management of ESB. Political developments and considerations, therefore, have the ability to materially and adversely impact upon the Group's business, results of operations, operating costs, prospects and/or financial condition.

Implementation of Third Energy Package

On 13 July 2009, the European Parliament and the EU Commission adopted a number of legislative measures commonly referred to as the “Third Energy Package”, which further deregulate the European energy sector. Amongst other matters, the Third Energy Package gives a number of options to EU Member States to legislate for the unbundling of electricity transmission assets from vertically integrated electricity utilities. The options comprise full ownership unbundling, an independent system operator (**ISO**) model, an independent transmission operator (**ITO**) model, or the continuation of the existing arrangements in place when the Third Energy Package came into force on 3 September 2009, if it can be demonstrated that the model in place as of that date guarantees more effective independence of the transmission system operator than the ITO model (the **Article 9(9) option**). These options must be implemented by Member States by 3 March 2012.

The Government of Ireland engaged in a process to consider the potential sale of the ESB transmission assets in the context of the Third Energy Package, and as part of this process commissioned a report by an independent third party. Following this process, the Government of Ireland announced on 27 July 2011, that it has decided that the ownership of the transmission assets is to remain with ESB. The Government of Ireland has further announced that there will now follow a process of certification of the existing arrangements under Article 9(9) of the Third Energy Package. New legislation will be required to implement this option under Irish law. In Northern Ireland, legislation has been implemented which (in addition to the other options outlined above) allows for Northern Ireland Electricity Limited (**NIE**), to apply for certification under the Article 9(9) option.

Each of ESB and NIE intend to pursue certification under Article 9(9) on the basis that the transmission assets owned by ESB and NIE respectively are (and since September 2009 have been) operated by independent transmission system operators, being EirGrid in Ireland and SONI in Northern Ireland. In each case, the national energy regulator will manage the process of certification under Article 9(9). The European Commission will take a decision as to whether the applicant can be certified under Article 9(9) and the national energy regulator must comply with the decision of the European Commission.

Any change to the currently proposed models for implementation of the Third Energy Package in Ireland or Northern Ireland could require implementation of one of the other unbundling options provided for by the Third Energy Package which in turn could have implications for ESB’s business.

Environmental, health and safety risks

Many of ESB’s activities have potential for significant environmental impact and are regulated by relevant national authorities in the EU under the integrated pollution prevention and control framework and under other national and EU legislation. Regular compliance audits are a feature of this system.

In addition, safety hazards may arise for employees, contractors and the public from the Group’s activities. In common with other electricity utilities, the Group uses and generates hazardous and potentially hazardous products and by-products in the course of its operations.

The Group commits significant resources towards ensuring compliance with applicable planning, environmental, health and safety laws and regulations. Nevertheless, a major safety or environmental impact incident could cause injury, loss of life, financial loss, a security of supply issue, property damage and/or reputational damage to the Group. In addition, breaches of applicable environmental or health and safety laws or regulations could expose the Group to significant penalties, claims for financial compensation and/or adverse regulatory consequences. Furthermore, there can be no assurance that costs of compliance with applicable environmental standards and regulations will not increase and any such increased costs could adversely affect the Group’s financial performance.

ESB is a member of the EU Emissions Trading Scheme (**ETS**). The ETS is a ‘cap and trade’ scheme, that is to say it caps the overall level of CO₂ emissions allowed but, within that limit, allows participants in the system to buy and sell allowances as they require. Until 2013, a significant proportion of allowances required by operators will be provided free of charge. From 2013, an auction process will take place for these allowances, with enterprises having to bid competitively to obtain them. The requirement to purchase such allowances from 2013 will result in additional costs being incurred by the Group, which may adversely affect the Group’s financial performance.

Increased costs of environmental regulatory compliance could have an adverse impact on the Group’s business, results of operations, generating costs, prospects and/or financial condition.

Litigation

Whilst ESB is not currently party to any material legal proceedings, it is, from time to time, involved in legal proceedings and it may, in the future be involved in other legal proceedings, that may or may not be material.

Any adverse result in relation to any such proceedings could have a significant effect on the Group's financial position and profitability.

Compliance with competition and procurement laws

The Group currently owns and operates some of the key energy infrastructure and services in Ireland. Its ownership of such infrastructure and/or its position in some of the markets in which it operates may result in the Group being required to comply with competition law. In addition, the Group is subject to public procurement law and the provisions of the EU Utilities Directive.

Whilst the Group has policies and procedures in place which seek to ensure compliance with the relevant competition and procurement legislation, any failure by the Group to comply with relevant law could result in penalties being imposed on the Group. The imposition of any such penalties may have an adverse effect on the Group's business, results of operations, prospects and/or financial condition.

Compliance with data protection laws

The Group's activities involve the collection and processing of personal data relating to customers and employees. Any breach of data protection laws could result in a complaint being made to the relevant authorities. In Ireland, the Data Protection Commissioner has power to investigate data protection breaches and has a number of remedies at his disposal including the issue of enforcement and/or information notices, criminal prosecution and the naming of non-compliant organisations in his annual report. The Group has policies and procedures in place which are designed to ensure that it remains compliant with its data protection obligations, particularly those which relate to its marketing activities. Nevertheless, any failure by the Group to comply with relevant law could result in penalties being imposed on the Group. The imposition of any such penalties may have an adverse effect on the Group's business, results of operations, prospects and/or financial condition.

Financial risks

Pension risk

The Group operates a number of pension schemes for staff, the largest of which is a contributory pension scheme (the **Scheme**) of which the majority of ESB employees are members. At the latest actuarial valuation completed as at 31 December 2008, the Scheme's liabilities exceeded its assets by EUR1.96 million.

Management and staff sought to reach an agreement as to how the actuarial deficit identified in relation to the scheme should be addressed and in October 2010 a pension agreement (the **Pension Agreement**), which addressed the actuarial deficit issue, was ratified by the Board of ESB. The Pension Agreement is designed to enhance the financial position of the Scheme, primarily by addressing and reducing the Scheme's liabilities, and also through the gradual increase in the proportion of assets held in lower risk investments, thus reducing the exposure to asset valuation falls arising from financial market volatility.

A key feature of the **Pension Agreement** is the reduction of future pension benefits through the introduction of Career Average Revalued Earnings (**CARE**) for service from January 2012, a pension and pay freeze to 2014 and 2012 respectively, and the capping of any future increases in pensions at 4% per annum. All future increases in pensions paid will also be dependent on the solvency of the Scheme. In order to allow the Scheme to de-risk by investing in lower risk assets in the future, a once-off capital injection of EUR591 million (present actuarial value at 1 January 2010) will also be made by ESB over a 12 year period to facilitate this transition. Under the Pension Agreement, membership of the Scheme has been closed to new joiners.

The Pension Agreement has contributed to clarifying ESB's obligations in relation to the Scheme; such that, under IAS 19 Employee Benefits, the Scheme is now accounted for as a defined contribution scheme, having been formerly accounted for as a defined benefit scheme. The change in accounting treatment has given rise to a once-off exceptional charge in the financial year ended 31 December 2010 of EUR330 million.

Financial market risks

The Group is exposed to a variety of financial market risks, including interest rate, foreign exchange, counterparty credit, funding and liquidity risks. Members of the Group are party to various hedging arrangements including, without limitation, interest rate, inflation-linked, and foreign exchange swaps which are intended to mitigate such risks but which also carry their own counterparty risks. The Group's exposure to funding and liquidity risks can be exacerbated by factors such as (i) debt repayment requirements and (ii) cash collateral or break provisions within derivative contracts to which Group members are party. The Group seeks to ensure that all of these risks are, wherever possible, monitored, reported and managed within a strict framework of controls and procedures. Nevertheless, there can be no assurance that market, political or legislative

developments will not have a material adverse effect on the Group's financial performance. Where possible, the Group applies IAS39 hedge accounting treatment to its derivative transactions. However certain derivative transactions, such as the Group's inflation-linked (Retail Price Index or "RPI") swaps, which hedge a large proportion of the Group's UK network assets, are not eligible for such hedge accounting treatment. Therefore the volatility in the marked to market valuation of these swaps, which can be significant, impacts the Group's income statement and, depending on the marked to market valuation on any reporting date, could have a material adverse effect on the Group's reported profits. The marked to market valuation of these swaps is subject to changes in UK real interest rates.

Borrowing restrictions and covenants

ESB is subject to certain statutory borrowing restrictions, including a statutory borrowing limit which is currently set at EUR6 billion. ESB is also subject to certain covenants and restrictions under the terms of its senior unsecured debt securities and credit facilities. Any failure to comply with such restrictions, limits or covenants could have a material adverse effect on the Group's operations, operating costs, prospects and/or financial condition.

Commodity price movements

Power prices and fuel prices paid by the Group in connection with its electricity generating activities, have shown significant volatility in recent years. The Group's profits could be (and have been) materially affected by changes in power prices, fuel and CO₂ prices, and by relative movements between prices of different fuel and/or power types.

Continuing volatility in power and fuel prices could have a material adverse effect on ESB's results of operations, prospects and/or financial condition.

Accounting and tax risks

Non-compliance with applicable accounting standards, revisions to existing accounting standards, or the introduction of new accounting standards, rules or interpretations could have an adverse effect on the Group's reported financial results.

The effective rate of tax paid by the Group may be influenced by a number of factors, including changes in law and accounting standards, and changes in the practices of, or legal interpretations adopted by, relevant tax authorities. Changes in such factors could result in an increase in the effective rate of tax paid by the Group and therefore could have a material adverse effect on the Group's prospects and/or financial condition.

Business risks

The economic environment in which the Group operates

The ability of the Group to maintain and grow its business and profit levels could be adversely affected by economic factors, such as a general economic downturn. This could result in lower business activity levels and/or lower profitability in existing business lines. In addition, the fixed nature of a significant proportion of the Group's cost base could, in such circumstances, make it difficult for the Group to achieve cost savings which may be required in response to lower business activity levels. An economic downturn could also adversely affect the ability of the Group to proceed with planned investment. Furthermore the value of ESB's regulated asset base and its allowed cost base, is adjusted for inflation or deflation as part of the applicable regulatory pricing structure (see further the section of this Offering Circular entitled "*Description of ESB*"). Therefore a significant period of economic recession and/or deflation in Ireland could have a material adverse effect on the Group's results of operations, prospects and/or financial condition.

Competition

The Group faces strong competition in its generation, supply (see further the section of this Offering Circular entitled "*Description of ESB – ESB Electric Ireland*") and overseas markets. There can be no assurance that existing or increased competition will not adversely affect the Group in one or more of the markets in which it operates, in particular in markets in which the Group is subject to price regulation. For example, increased competition is likely to result, and in the recent past has resulted, in a decline in the Group's customer numbers and demand for the Group's products or services in certain competitive markets in which the Group operates, and consequently in revenues earned by the Group in such markets. There can be no assurance that further declines in customer numbers will not occur in such markets. In addition, the Group may encounter difficulties in transitioning to deregulated markets, when required to do so. Adverse consequences which may affect the Group include loss of profitability and an inability to recover stranded fixed costs.

Surplus capacity

The SEM is a small electricity market by international standards, where the addition of a new thermal power plant represents a material increase to total capacity. Significant new capacity has been added in recent years and new wind capacity is being added each year. In addition, the East-West Interconnector, which is scheduled for completion in early 2013, will introduce the potential for a further 500MW of capacity in Ireland (see further the section of this Offering Circular entitled “*Overview of the Electricity Markets in Ireland and Northern Ireland*”). Combined with an observed fall in demand in 2009 and 2010 and the potential for further reductions in the future, the SEM faces the possibility of excess capacity until additional demand materialises, or some existing capacity closes. Surplus capacity could result in lower power prices and reduced profits, or losses, to generators in the SEM, including the Group. Sustained excess capacity could have a material adverse effect on the Group’s results of operations, prospects and/or financial condition.

Formulation and implementation of strategy

It is the responsibility of the Board of ESB to consider strategic issues including capital investment in projects, acquisitions, disposals, investments, market positioning, climate change, sustainable development and new technologies. The Group’s ‘Strategic Framework to 2020’ launched in 2008 sets out the Group’s investment and growth targets for that period (see further the section of this Offering Circular entitled “*Description of ESB*”). Implementation of the Group’s investment and growth targets will require significant borrowing and there can be no assurance that the Group will be able to raise the necessary funds on acceptable terms. In addition, a failure to formulate a successful strategy, to review and refine such strategy in the light of economic, regulatory and market developments, or to implement such strategy effectively could adversely impact on the financial or market position of the Group.

Project execution

Project execution in general is subject to commercial, construction, technical, contractor, planning permission, relevant approvals and economic risks. Failure to secure an appropriate revenue structure is an additional key risk for any project. Failure to deliver planned new projects to successful technical and commercial operation could have a material adverse effect on the Group’s business, results of operations, operating costs, prospects and/or financial condition.

Labour relations

ESB had approximately 8,200 employees as at 31 December 2010, including 1,300 employees of Northern Ireland Electricity Limited. Approximately 80% of ESB’s employees are members of unions. While relations between Group management and the employees and trade unions are good and there has been no significant strike action by ESB employees since 1991, any industrial action by employees could affect critical services, curtail operations and have an adverse financial and reputational impact on the Group and/or result in adverse regulatory action.

Reputational risk

The Group’s reputation for professionalism and competence within the energy sector is exposed to the risk of an occurrence of any adverse event or circumstance that may damage its brand or public standing. This in turn could have an adverse impact on the Group’s business, results of operations, operating costs, prospects and/or financial condition.

Security of primary energy sources

The principal sources of primary energy in the Irish electricity market are gas, coal, hydro, peat and wind. Approximately 80% of the primary energy for electricity production in Ireland is imported fuel. At present over 95% of gas used in Ireland is purchased on the United Kingdom gas markets, which in turn are supplied by United Kingdom production, European imports and the import of liquified natural gas. Any disruption to the importation of fuel into Ireland could have an adverse impact on the Group’s electricity generating capability and its financial condition.

Network, plant and other infrastructure performance and security risk

The Group’s businesses include the operation and development of electricity networks and also encompass certain responsibilities in relation to waterways in Ireland. Electricity networks are critical infrastructure for electricity users in Ireland and the Irish economy. The risk of a major network failure or disruption of electricity supply is an inherent part of the business. For example, a failure or disruption to network performance, or

damage to other infrastructure, could be a consequence of such factors as under-investment, inadequate maintenance, inadequate planning for future demand, system failure, severe weather conditions, flooding or natural disasters. In addition, sabotage or other intentional and unlawful acts of third parties may result in damage to, or destruction of, plant, networks and other infrastructure owned and/or operated by the Group. The potential consequences for the Group of any of the above risks could include damage to reputation, material financial loss, risk of injury or death, and/or adverse regulatory action.

The breakdown or malfunction of generation plant, including dams associated with hydro-electric generating plants, could also have a material adverse impact on the Group's business, for example as a result of increased exposure to SEM pool market prices, increased cost of production, increased maintenance costs and/or reputational damage.

Insurance

The Group seeks to maintain insurance cover on all its key property and liability exposures in the international insurance market. No assurance can be given that the insurance cover acquired by the Group provides adequate or sufficient cover for all events or incidents. The international insurance market is volatile and therefore there can be no guarantee that existing cover will remain available or will be available at commercially acceptable premiums.

Systems and business interruption

The Group's ability to manage its operations and engage in critical business tasks is dependent on the efficient and uninterrupted operation of its IT, software, hardware and communication systems. The risk extends to reliance on key personnel and suppliers who provide, operate or maintain these systems and on the IT, software, hardware and communication systems used by third parties in the course of their dealings with the Group. A failure in any relevant system could have an adverse effect on the Group's results of operations, operating cost, prospects and/or financial condition.

Information security

The confidentiality, integrity and availability of information could be affected by factors that include human error, ineffective design or operation of key controls, data theft or through cyber attack. Loss of data integrity could affect the Group's ability to conduct day-to-day operations, while any compromise of the confidentiality of information held by the Group may have an adverse impact on the Group's business, reputation, results of operations, operating costs, prospects and/or financial condition.

Operational risk

The Group faces the risk of losses or reputational damage due to human error, fraud or inadequate processes across all its operations, including its trading and treasury operations. Any losses which may arise as a result of human error, fraud or inadequate processes affecting the Group's trading or treasury operations may, due to the nature and scale of such operations, be significant and therefore have a material adverse effect on the Group's financial condition.

Reliance on key personnel

The Group is reliant on the employment of competent and qualified personnel in all areas of its business (including its senior management team as outlined in the section of this Offering Circular entitled "*Description of ESB*"). Failure to attract or retain, or changes in, key personnel could have an adverse effect on the Group's business, results of operations, prospects and/or financial condition.

Factors that may affect ESB Finance's ability to fulfil its obligations under Notes issued under the Programme

ESB Finance is a special purpose financing entity with no business operations other than the entry into of financing arrangements (including the issuance of Notes under the Programme), the lending of the proceeds to ESB or other members of the Group, the giving of intra-group guarantees, and the entry into of certain ancillary arrangements, including related hedging contracts. ESB Finance's only material assets will be receivables due to it from ESB or other members of the Group under intra-Group financing arrangements and/or from third parties under related hedging contracts. Therefore, ESB Finance is subject to all risks to which ESB is subject, to the extent that such risks could limit ESB's or the relevant Group recipient's ability to satisfy in full and on a timely basis its obligations under such loan. See "*Factors that may affect ESB's ability to fulfil its obligations under*

Notes issued under the Programme or in case of Notes issued by ESB Finance, factors that may affect ESB's ability to fulfil its obligations under the Guarantee" above for a further description of certain of these risks.

Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme

The Notes may not be a suitable investment for all investors

Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (i) have sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained in this Offering Circular or any applicable supplement;
- (ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understand thoroughly the terms of the Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate, currency exchange rates and other factors that may affect its investment and its ability to bear the applicable risks.

Some Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Notes subject to optional redemption by the relevant Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Index Linked Notes and Dual Currency Notes

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a **Relevant Factor**). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) they may receive no interest;

- (iii) payment of principal or interest may occur at a different time or in a different currency than expected;
- (iv) they may lose all or a substantial portion of their principal;
- (v) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vi) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable likely will be magnified; and
- (vii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index should not be viewed as an indication of the future performance of such index during the term of any Index Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Index Linked Notes and the suitability of such Notes in light of its particular circumstances.

Partly-paid Notes

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that converts from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Where the relevant Issuer has the right to effect such a conversion, this will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts from a fixed rate to a floating rate in such circumstances, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the relevant Issuer converts from a floating rate to a fixed rate in such circumstances, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally:

Modification, waivers and substitution

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The conditions of the Notes also provide that the Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 15 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither ESB, ESB Finance nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. ESB or ESB Finance is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

The secondary market generally

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment

requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Notes.

In addition, Noteholders should be aware of the prevailing and widely reported global credit market conditions (which continue at the date of this Offering Circular), whereby there is a general lack of liquidity in the secondary market for instruments similar to the Notes. Such lack of liquidity may result in investors suffering losses on the Notes in secondary resales even if there is no decline in the performance of the assets of ESB or ESB Finance. Neither ESB nor ESB Finance can predict which of these circumstances will change and whether, if and when they do change, there will be a more liquid market for the Notes and instruments similar to the Notes at that time.

Exchange rate risks and exchange controls

The relevant Issuer will pay principal and interest on the Notes and the Guarantor will make payments under the Guarantee in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the **Investor's Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes.

Credit ratings may not reflect all risks and may be subject to change

One or more independent credit rating agencies may assign credit ratings to the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

ESB is currently rated by S&P, Moody's and Fitch (see further the section of this Offering Circular entitled "*Description of ESB – Credit Ratings*").

The methodology employed by each of S&P, Moody's and Fitch to ascribe credit ratings to state-owned energy utilities such as ESB may change from time to time. Relevant factors within such methodology may include, without limitation, the sovereign rating of the relevant state. Accordingly, for so long as ESB remains majority owned by the Government of Ireland, any downgrading of Ireland's sovereign credit rating may contribute towards, or result in, a corresponding downgrading of ESB's credit rating.

In general, European regulated investors are restricted under Regulation (EC) No. 1060/2009 (the **CRA Regulation**) from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). Certain information with respect to the credit rating agencies and ratings will be disclosed in the Final Terms.

Legal investment considerations may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of

borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Irish Stock Exchange or approved by the Central Bank shall be incorporated in, and form part of, this Offering Circular:

- (a) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2010 of each of ESB and ESB Finance;
- (b) the auditors' report and audited consolidated annual financial statements for the financial year ended 31 December 2009 of ESB; and
- (c) the terms and conditions of the Notes contained in the previous base prospectus dated 12 February 2010 on pages 33 to 66 (inclusive) and pages 135-195 (inclusive) prepared by ESB and ESB Finance in connection with the Programme.

Any documents incorporated by reference in the documents referred to above do not form part of this Offering Circular. The information not incorporated by reference from the previous base prospectus dated 12 February 2010 prepared by ESB and ESB Finance in connection with the Programme is not relevant for investors and is superseded by the information included in this Offering Circular.

Following the publication of this Offering Circular a supplement may be prepared by ESB and ESB Finance and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise) be deemed to modify or supersede statements contained in this Offering Circular or in a document which is incorporated by reference in this Offering Circular. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Offering Circular.

Copies of the documents incorporated by reference in this Offering Circular can be obtained from the registered office of each Issuer and from the specified office of the Paying Agent for the time being in London.

ESB and ESB Finance will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes, prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with any subsequent issue of Notes.

FORM OF THE NOTES

Each Tranche of Notes will be in bearer form and will be initially issued in the form of a temporary global note (a **Temporary Global Note**) or, if so specified in the applicable Final Terms, a permanent global note (a **Permanent Global Note**) which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the **Common Depository**) for Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the Temporary Global Note if the Temporary Global Note is not intended to be issued in NGN form) only to the extent that certification to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the **Exchange Date**) which is 40 days after a Temporary Global Note is issued, interests in such Temporary Global Note will be exchangeable (free of charge) upon a request as described therein either for (a) interests in a Permanent Global Note of the same Series or (b) for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms), in each case against certification of beneficial ownership as described above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the Permanent Global Note if the Permanent Global Note is not intended to be issued in NGN form) without any requirement for certification.

The applicable Final Terms will specify that a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, **Exchange Event** means that (i) an Event of Default (as defined in Condition 10 (*Events of Default and Enforcement*)) has occurred and is continuing, or (ii) the relevant Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available. The Issuer will promptly give notice to Noteholders in accordance with Condition 14 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) or the Trustee may give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The following legend will appear on all Notes which have an original maturity of more than 365 days and on all receipts and interest coupons relating to such Notes:

“ANY UNITED STATES PERSON WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.”

The sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment of any gain on any sale, disposition, redemption or payment of principal in respect of such Notes, receipts or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under “*Terms and Conditions of the Notes*”), the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes, the Notes of such further Tranche shall be assigned a common code and ISIN which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least the expiry of the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the relevant Issuer, or as the case may be, the Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

APPLICABLE FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme with a denomination of at least EUR 100,000 (or its equivalent in another currency).

[Date]

Electricity Supply Board (ESB)/[ESB Finance Limited (ESB Finance)]

**[ESB/ESB Finance] Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[unconditionally and irrevocably guaranteed by Electricity Supply Board]
under the EUR3,000,000,000
Euro Medium Term Note Programme**

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 4 November 2011 [as supplemented by a Supplemental Offering Circular dated [●]] which constitute[s] [together constitute] a base prospectus for the purposes of Directive 2003/71/EC, as amended (the **Prospectus Directive**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular [as supplemented]. Full information on the Issuer[, the Guarantor] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular [as supplemented]. The Offering Circular [and the Supplemental Offering Circular are] [is] available for viewing during normal business hours at ESB Headquarters, 27 Lower Fitzwilliam Street, Dublin 2, Ireland and copies may be obtained from ESB Headquarters, 27 Lower Fitzwilliam Street, Dublin 2, Ireland.

[The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.]

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the **Conditions**) set forth in the Offering Circular dated [original date] which are incorporated by reference in the Offering Circular dated [current date] and are attached hereto. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of Directive 2003/71/EC, as amended (the **Prospectus Directive**) and must be read in conjunction with the Offering Circular dated [current date] which constitutes a base prospectus for the purposes of the Prospectus Directive. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular dated [current date]. Copies of such Offering Circulars are available for viewing [at [website]] [and] during normal business hours at [address] [and copies may be obtained from [address]].

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Final Terms.]

[When adding any other final terms or information consideration should be given as to whether such terms or information constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.]

[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination may need to be £100,000, €125,000 or its equivalent in any other currency.]

1. (a) Issuer: [Electricity Supply Board/ESB Finance]
 (b) [Guarantor: Electricity Supply Board]
2. (a) Series Number: []
 (b) Tranche Number: []
(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible)
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
 (a) Series: []
 (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount
 [plus accrued interest from [insert date] (if applicable)]
6. (a) Specified Denominations: []
(Note – where multiple denominations above €100,000 or equivalent are being used the following sample wording should be followed:
“[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].”)
(N.B. If an issue of Notes is (i) NOT admitted to trading on an European Economic Area exchange; and (ii) only offered in the European Economic Area in circumstances where a prospectus is not required to be published under the Prospectus Directive the €100,000 minimum denomination is not required.)
- (b) Calculation Amount: []
(If only one Specified Denomination, insert the Specified Denomination.
If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)
7. (a) Issue Date: []
 (b) Interest Commencement Date: [specify/Issue Date/Not Applicable]
(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)

8. Maturity Date:¹ [Fixed rate – specify date/
Floating rate – Interest Payment Date falling in or
nearest to [specify month]]
9. Interest Basis: [[] per cent. Fixed Rate]
[[LIBOR/EURIBOR] +/- [] per cent. Floating
Rate]
[Zero Coupon]
[Index Linked Interest]
[Dual Currency Interest]
[specify other]
(further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]
[Index Linked Redemption]
[Dual Currency Redemption]
[Partly Paid]
[Instalment]
[specify other]

(N.B. If the Final Redemption Amount is other than
100 per cent. of the nominal value the Notes will be
derivative securities for the purposes of the
Prospectus Directive and the requirements of
Annex XII to the Prospectus Directive Regulation
will apply.)
11. Change of Interest Basis or Redemption/
Payment Basis: [Specify details of any provision for change of
Notes into another Interest Basis or
Redemption/Payment Basis]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: Senior
(b) [Date [Board] approval for issuance of
Notes [and Guarantee] obtained: [] [and [], respectively]]

(N.B. Only relevant where Board (or similar)
authorisation is required for the particular tranche
of Notes or related Guarantee)
14. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

15. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining
subparagraphs of this paragraph)
- (a) Rate(s) of Interest: [] per cent. per annum [payable [annually/semi-
annually/quarterly/other (specify)] in arrear]
(If payable other than annually, consider amending

¹ Notes issued by the relevant Issuer which have a maturity of less than one year from the date of their issue must bear the following legend on page 1 of the Final Terms:

“The Notes constitute Commercial Paper for the purposes of Notice BSD C 01/02 issued by the Central Bank of Ireland (the Notice). The Notes are issued in accordance with one of the exemptions from the requirement to hold a banking licence provided by the Notice pursuant to section 8(2) of the Central Bank Act 1971 of Ireland, inserted by section 31 of the Central Bank Act 1989 of Ireland, as amended by section 70(d) of the Central Bank Act 1997 of Ireland. The Notes do not have the status of a bank deposit and are not within the scope of the Deposit Protection Scheme operated by the Central Bank of Ireland. The Issuer is not regulated by the Central Bank of Ireland.”

Any such Notes must be issued and transferable in a minimum amount of €125,000 (or its equivalent in other currencies).

Condition 5 (Interest)

- (b) Interest Payment Date(s): in each year up to and including the Maturity Date/[specify other]
(N.B. This will need to be amended in the case of long or short coupons)
- (c) Fixed Coupon Amount(s): per Calculation Amount
(Applicable to Notes in definitive form.)
- (d) Broken Amount(s): per Calculation Amount, payable on the Interest Payment Date falling [in/on]
(Applicable to Notes in definitive form.)
- (e) Day Count Fraction: [30/360 or Actual/Actual (ICMA) or [specify other]]
- (f) [Determination Date(s): in each year

*(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon
N.B. This will need to be amended in the case of regular interest payment dates which are not of equal duration
N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA))*
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/Give details]
16. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Specified Period(s)/Specified Interest Payment Dates:
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]]
- (c) Additional Business Centre(s):
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent):
- (f) Screen Rate Determination:
- Reference Rate:
(Either LIBOR, EURIBOR or other, although additional information is required if other – including fallback provisions in the Agency Agreement)
 - Interest Determination Date(s):
(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)

- Relevant Screen Page: []
(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fallback provisions appropriately)
- (g) ISDA Determination:
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) Margin(s): [+/-] [] per cent. per annum
- (i) Minimum Rate of Interest: [] per cent. per annum
- (j) Maximum Rate of Interest: [] per cent. per annum
- (k) Day Count Fraction: [Actual/Actual (ISDA)
Actual/365 (Fixed)
Actual/365 (Sterling)
Actual/360
30/360
30E/360
30E/360 (ISDA)
Other]
(See Condition 5 (Interest) for alternatives)
- (l) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
17. Zero Coupon Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Accrual Yield: [] per cent. per annum
 - (b) Reference Price: []
 - (c) Any other formula/basis of determining amount payable: []
 - (d) Day Count Fraction in relation to Early Redemption Amounts and late payment: [Conditions 7.7 and 7.12. (*Redemption and Purchase – Early Redemption Amounts*) and –Late payment on Zero Coupon Notes)] [apply/specify other]
(Consider applicable day count fraction if not U.S. dollar denominated)
18. Index Linked Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)*
- (a) Index/Formula: [give or annex details]

- (b) Calculation Agent: [give name (and, if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, address) – such Calculation Agent must be an EU credit institution or equivalent]
- (c) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): []
- (d) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (e) Specified Period(s)/Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (g) Additional Business Centre(s): []
- (h) Minimum Rate of Interest: [] per cent. per annum
- (i) Maximum Rate of Interest: [] per cent. per annum
- (j) Day Count Fraction: []
- (k) Minimum Indexation Factor: [Not Applicable/specify]
- (l) Maximum Indexation Factor: [Not Applicable/specify]
- (m) Limited Indexation Month(s) or Period for calculation of Limited Indexation Factor: []
- (n) Limited Indexation Month Reference Period: []
- (o) Index/Index Figure: []/[Specify relevant retail price index]
- (p) Commencement Date of the Index: []/[Specify the relevant commencement month of the retail price index]
- (q) Base Index Figure on commencement of Index: []/[Specify the relevant commencement month of the retail price index]
- (r) Interpolation: [Applicable/Not Applicable]
- (s) Indexation Month Reference Period X: []
- (t) Indexation Month Reference Period Y: []
- (u) Base Index Figure (Condition 5.6): []
- (v) Reference Gilt: []
- (w) Sovereign: []
19. Dual Currency Interest Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

- (a) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (b) Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (d) Person at whose option Specified Currency(ies) is/are payable: []

PROVISIONS RELATING TO REDEMPTION

20. Issuer Call: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
 - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
 - (c) If redeemable in part:
 - (i) Minimum Redemption Amount: []
 - (ii) Maximum Redemption Amount: []
 - (d) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
21. Investor Put: [Applicable/Not Applicable]
(If not applicable, delete the remaining subparagraphs of this paragraph)
- (a) Optional Redemption Date(s): []
 - (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
 - (c) Notice period (if other than as set out in the Conditions): []
(N.B. If setting notice periods which are different to those provided in the Conditions, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems and custodians, as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)
22. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is other than 100 per cent. of the nominal value the Notes will be derivative securities for the purposes of the

Prospectus Directive and the requirements of Annex XII to the Prospectus Directive Regulation will apply.)

23. Early Redemption Amount payable on redemption for taxation reasons, indexation reasons (if applicable) or on an event of default and/or the method of calculating the same (if required or if different from that set out in Condition 5.6 or 7.7 (*Redemption and Purchase – Early Redemption Amounts*)): per Calculation Amount/*specify other/see Appendix*

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:

(a) [Form:]

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]

[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date]

[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event/at any time at the request of the Issuer]]

(Ensure that this is consistent with the wording in the "Form of the Notes" section in the Offering Circular and the Notes themselves. N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 5 includes language substantially to the following effect: "[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)

(b) [New Global Note:

[Yes][No]]

25. Additional Financial Centre(s) or other special provisions relating to Payment Days:

[Not Applicable/give details]

(Note that this paragraph relates to the place of payment and not Interest Period end dates to which sub-paragraphs 16(c) and 18(g) relate)

26. Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):

[Yes/No. *If yes, give details*]

27. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:

[Not Applicable/give details. *N.B. a new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues*]

28. Details relating to Instalment Notes:

- (a) Instalment Amount(s): [Not Applicable/give details]
- (b) Instalment Date(s): [Not Applicable/give details]
29. Redenomination applicable: Redenomination [not] applicable
 [(If Redenomination is applicable, specify the applicable Day Count Fraction and any provisions necessary to deal with floating rate interest calculation (including alternative reference rates))][(if Redenomination is applicable, specify the terms of the redenomination in an Annex to the Final Terms)]
30. Other final terms: [Not Applicable/give details]
 [(When adding any other final terms consideration should be given as to whether such terms constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]
 (Consider including a term providing for tax certification if required to enable interest to be paid gross by issuers.)

DISTRIBUTION

31. (a) If syndicated, names of Managers: [Not Applicable/give names]
 (If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, include names of entities agreeing to underwrite the issue on a firm commitment basis and names of the entities agreeing to place the issue without a firm commitment or on a “best efforts” basis if such entities are not the same as the Managers.)
- (b) Date of [Subscription] Agreement: []
 (The above is only relevant if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies).
- (c) Stabilising Manager(s) (if any): [Not Applicable/give name]
32. If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
33. U.S. Selling Restrictions: [Reg. S Compliance Category; TEFRA D/TEFRA C/TEFRA not applicable]
34. Additional selling restrictions: [Not Applicable/give details]

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue and admission to trading on [specify relevant regulated market and, if relevant listing on an official list] of the Notes described herein pursuant to the EUR3,000,000,000 Euro Medium Term Note Programme of Electricity Supply Board as issuer and guarantor and ESB Finance as issuer.

RESPONSIBILITY

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in these Final Terms. [[Relevant third party information, for example in compliance with Annex XII to the Prospectus Directive Regulation in relation to an index or its components] has been extracted from [specify source]. The Issuer [and the Guarantor] confirm[s] that such information has been accurately reproduced and that, so far as it [they] [is]

aware and [are] [is] able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of the Issuer:

[Signed on behalf of the Guarantor:

By:.....

By:.....

Duly authorised

Duly authorised]

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

(i) Listing and Admission to trading: [Application has been made to the Irish Stock Exchange for the Notes to be admitted to the Official List and trading on its regulated market with effect from [].] [Not Applicable.]

(ii) Estimate of total expenses related to admission to trading: []

2. RATINGS

Ratings:

The Notes to be issued have been rated:

[S & P: []]

[Moody's: []]

[Fitch: []]

[[Other]: []]

(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)

[The Notes to be issued [[have been]/[are expected to be]] rated *[insert details]* by *[insert credit rating agency name(s)].*

[[Insert credit rating agency] is established in the European Union and has applied for registration under Regulation (EC) No. 1060/2009, although notification of the corresponding registration decision has not yet been provided by the relevant competent authority.]

[[Insert credit rating agency] is established in the European Union and is registered under Regulation (EC) No. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and is not registered in accordance with Regulation (EC) No. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. However, the application for registration under Regulation (EC) No. 1060/2009 of *[insert the name of the relevant EU CRA affiliate that applied for registration]*, which is established in the European Union, disclosed the intention to endorse credit ratings of *[insert credit rating agency]*.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009. The ratings [[have been]/[are expected to be]] endorsed by *[insert the name of the relevant EU-registered credit rating agency]* in accordance with Regulation (EC) No. 1060/2009. *[Insert the name of the relevant EU-registered credit rating agency]* is established in the European Union and registered under Regulation (EC) No. 1060/2009.]

[[Insert credit rating agency] is not established in the European Union and has not applied for registration under Regulation (EC) No. 1060/2009, but it is certified in accordance with such Regulation.]

3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. – *Amend as appropriate if there are other interests*]

(When adding any other description, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)

4. REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES

[(i) Reasons for the offer: []

[(ii)] Estimated net proceeds: []

[(iii)] Estimated total expenses: []]

(N.B.: Delete unless the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies, in which case 4(i) above is required where the reasons for the offer are different from making profit and/or hedging certain risks and, where such reasons are inserted in (i), disclosure of net proceeds and total expenses at (ii) and (iii) above are also required.)

5. YIELD (Fixed Rate Notes only)

Indication of yield: []

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

6. PERFORMANCE OF INDEX/FORMULA AND OTHER INFORMATION CONCERNING THE UNDERLYING (Index-linked Notes only)

[Need to include details of where past and future performance and volatility of the index/formula can be obtained.]

[Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained.]

[Include other information concerning the underlying required by paragraph 4.2 of Annex XII of the Prospectus Directive Regulation.]

[(When completing the above paragraphs, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

(N.B. This paragraph 6 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

7. PERFORMANCE OF RATE[S] OF EXCHANGE (*Dual Currency Notes only*)

[Need to include details of where past and future performance and volatility of the relevant rates can be obtained.]

[(When completing this paragraph, consideration should be given as to whether such matters described constitute “significant new factors” and consequently trigger the need for a supplement to the Offering Circular under Article 16 of the Prospectus Directive.)]

(N.B. This paragraph 7 only applies if the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies.)

8. OPERATIONAL INFORMATION

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking, société anonyme and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): []
- (vi) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes] [No]
 [Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.] *[include this text if “yes” selected in which case the Notes must be issued in NGN form]*

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by either Electricity Supply Board (**ESB**) or ESB Finance Limited (**ESB Finance**) as specified in the applicable Final Terms (the **Issuer**) constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 12 February 2010 made between ESB and ESB Finance as issuers, ESB as guarantor of Notes issued by ESB Finance (the **Guarantor**) and Citicorp Trustee Company Limited (the **Trustee**, which expression shall include any successor as Trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (a) in relation to any Notes represented by a global Note (a **Global Note**), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 12 February 2010 and made between ESB and ESB Finance as issuers, the Guarantor, the Trustee, Citibank, N.A., London Branch as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents).

Interest bearing definitive Notes have interest coupons (**Coupons**) and, if indicated in the applicable Final Terms, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts (**Receipts**) for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplement these Terms and Conditions (the **Conditions**) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Note. References to the **applicable Final Terms** are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the **Receiptholders**) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (a) expressed to be consolidated and form a single series and (b) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 12 February 2010 at Citigroup Centre, Canada Square, London E14 5LB, United Kingdom and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of the Issuer and of the Agent and copies may be obtained from those offices save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a

prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer, the Guarantor (where the Issuer is ESB Finance), the Trustee and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, are bound by and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed, the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in the Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Trust Deed or the Agency Agreement and the applicable Final Terms, the applicable Final Terms will prevail.

1. FORM, DENOMINATION AND TITLE

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending upon the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in the Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor (where the Issuer is ESB Finance), the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank SA/NV (**Euroclear**) and/or Clearstream Banking, société anonyme (**Clearstream, Luxembourg**), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor (where the Issuer is ESB Finance), the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by the Issuer, the Guarantor (where the Issuer is ESB Finance), any Paying Agent and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions **Noteholder** and **holder of Notes** and related expressions shall be construed accordingly. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms or as may otherwise be approved by the Issuer, the Agent and the Trustee.

2. STATUS OF THE NOTES

2.1 Status of the Notes

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (subject as aforesaid and save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 Status of the Guarantee

Where the Issuer is ESB Finance, the payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the **Guarantee**). The obligations of the Guarantor under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (*Covenants*)) unsecured obligations of the Guarantor and (subject as aforesaid and save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

3. COVENANTS

3.1 Negative pledge applicable to the Issuer

The Issuer undertakes that so long as any of the Notes remains outstanding (as defined in the Trust Deed) it will not and, where the Issuer is ESB, shall ensure that none of its Principal Subsidiaries (as defined below) will, create or permit to subsist any mortgage, charge, pledge, lien or other form of encumbrance or security interest (each a **Security Interest**) upon the whole or any part of its/their respective assets or revenues of whatever nature present or future, to secure any Relevant Debt (other than Non Recourse Indebtedness, as defined in Condition 3.2 below), or any guarantee of or indemnity in respect of any Relevant Debt (other than Non Recourse Indebtedness), unless at the same time or prior thereto the Issuer's obligations under the Notes (a) are secured equally and rateably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms (to the extent permitted by Irish or other applicable law or regulation) thereto or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee shall deem not to be materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution.

3.2 Negative Pledge applicable to the Guarantor

The Guarantor undertakes that so long as any of the Notes issued by ESB Finance remain outstanding it will not, and shall ensure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its/their respective assets or revenues of whatever nature present or future, to secure any Relevant Debt (other than Non Recourse Indebtedness), or any guarantee of or indemnity in respect of any Relevant Debt (other than Non Recourse Indebtedness), unless at the same time or prior thereto the Guarantor's obligations under the Guarantee (a) are secured equally and rateably therewith or benefit from a Security Interest or guarantee or indemnity in substantially identical terms (to the extent permitted by Irish or other applicable law or regulation) thereto or (b) have the benefit of such other security, guarantee, indemnity or other arrangement as the Trustee shall deem not to be materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution.

For the purposes of these Conditions:

Group means ESB and its Subsidiaries taken as a whole.

Non Recourse Indebtedness means any Relevant Debt incurred by a member of the Group on terms that the provider(s) of the Relevant Debt shall have recourse for repayment of such Relevant Debt and for payment of interest thereon only to revenues generated by and/or the proceeds of realisation of, specified asset(s) held by such member of the Group.

Principal Subsidiary means at any time a Subsidiary (other than a Special Purpose Subsidiary) of ESB:

- (a) whose net profits (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of ESB and its Subsidiaries relate, are equal to) not less than 10 per cent. of the consolidated net profits of ESB, or, as the case may be, consolidated net assets, of ESB and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then

latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of ESB and its Subsidiaries, provided that:

- (i) if the then latest audited consolidated accounts of ESB and its Subsidiaries show (x) a net loss for the relevant financial period then there shall be substituted for the words “net profits” the words “gross revenues” for the purposes of this definition and/or (y) negative assets at the end of the relevant financial period then there shall be substituted for the words “net assets” the words “total assets” for the purposes of this definition;
 - (ii) in the case of a Subsidiary of ESB acquired after the end of the financial period to which the then latest audited consolidated accounts of ESB and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of ESB and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by ESB;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of ESB which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of ESB and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition; or
- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of ESB and its Subsidiaries relate, generate net profits equal to) not less than 10 per cent. of the consolidated net profits of ESB, or represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated net assets of ESB and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate net profits equal to) not less than 10 per cent. of the consolidated net profits of ESB, or its assets represent (or, in the case aforesaid, are equal to) not less than 10 per cent. of the consolidated net assets of ESB and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of ESB and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above or, prior to or after such date, by virtue of any other applicable provision of this definition,

all as more particularly defined in the Trust Deed.

A report by two Directors of ESB addressed to the Trustee that in their opinion a Subsidiary of ESB is or is not or was or was not at any particular time or throughout any specified period a Principal Subsidiary may be relied upon by the Trustee without further enquiry or evidence and, if relied upon by the Trustee, shall, in the absence of manifest error, be conclusive and binding on all parties.

Relevant Debt means any present or future indebtedness for borrowed money in the form of, or represented by, bonds, notes or other securities which are for the time being, or are capable of being, quoted, listed or ordinarily dealt in on any stock exchange or other organised securities market.

Special Purpose Subsidiary means at any time a Subsidiary of ESB which itself has no Subsidiaries (other than a Subsidiary which is a company which falls within paragraph (a) or (b) of this definition) and which either:

- (a) is established to be the holding company of a company of the type described in paragraph (b) of this definition and the business of which is comprised wholly or substantially of holding shares or other equity interests in a company of the type described in paragraph (b) of this definition; or
- (b) is established solely for the purposes of (i) the design or structure or building of a specified asset or project and/or (ii) holding a specified asset or project and/or receiving revenues therefrom, and/or (iii) incurring Non Recourse Indebtedness, and matters ancillary thereto.

Subsidiary means an entity of which a person has direct or indirect control or owns directly or indirectly more than 50 per cent. of the voting capital or similar right of ownership.

3.3 Sales of Assets

- (a) ESB will not, and will not permit any Subsidiary to, sell, lease or otherwise dispose of all or any substantial part (as defined in paragraph (b) of this Condition 3.3) of the assets of ESB or the Group (whether by a single transaction or a number of related transactions and whether at the same time or over a period of time), *provided, however*, that:
 - (i) ESB or the Issuer where the Issuer is ESB Finance (or any other Subsidiary substituted as issuer pursuant to Condition 15.2) may sell, lease or otherwise dispose of all or substantially all of its assets to any other Person (an **Acquiror**) if (x) such Acquiror (1) is a solvent entity organised under the laws of any Approved Jurisdiction and a certificate of two directors of the Acquiror (or other officers acceptable to the Trustee) that the Acquiror is solvent both at the time at which the relevant transaction is proposed to be effected and immediately thereafter and is organised under the laws of any Approved Jurisdiction shall be conclusive evidence thereof and binding on all parties, (2) is immediately thereafter engaged (on a consolidated basis) in any similar line of business as ESB and its Subsidiaries on a consolidated basis, and (3) executes a trust deed or some other form of undertaking is given by the Acquiror in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed and these Conditions with any consequential amendments (including where the Acquiror is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the Tax Jurisdiction (as defined in Condition 8), the giving of undertakings or covenants by the Acquiror in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references to Ireland in the definition of Tax Jurisdiction of references to that other or additional territory in which the Acquiror is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and (where applicable) Condition 7.2 (*Redemption and Purchase – Redemption for Taxation Reasons*) shall be modified accordingly) which the Trustee may deem appropriate as fully as if the Acquiror had been named in the Trust Deed and these Conditions as the principal debtor in place of the relevant Issuer, and (y) at the time of such transaction and after giving effect thereto, no Event of Default or potential Event of Default shall have occurred and be continuing; and
 - (ii) any Subsidiary (other than the Issuer where the Issuer is ESB Finance) may sell, lease or otherwise dispose of all or substantially all of its assets to ESB or any other Subsidiary so long as (x) in any such transaction not involving ESB, ESB shall have at least the same degree of voting control and economic interest with respect to the Acquiror as it had with respect to the Subsidiary that sells, leases or otherwise disposes of all of its assets, (y) if such Subsidiary has been substituted as guarantor pursuant to Condition 15.2, the Acquiror executes a trust deed or some other form of undertaking is given by the Acquiror in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of the Trust Deed and these Conditions with any consequential amendments (including where the Acquiror is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the Tax Jurisdiction (as defined in Condition 8), the giving of undertakings or covenants by the Acquiror in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for (or, as the case may be, the addition to) the references to Ireland in the definition of Tax Jurisdiction of references to that other or additional territory in which the Acquiror is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject and (where applicable) Condition 7.2 (*Redemption and Purchase – Redemption for Taxation Reasons*) shall be modified accordingly) which the Trustee may deem appropriate as fully as if the Acquiror had been named in the Trust Deed and these Conditions in place of the Guarantor, and (z) at the time of such transaction and after giving effect thereto no Event of Default or potential Event of Default shall have occurred and be continuing; and

provided, further, that in the event of a sale described in subparagraph (x) of paragraph (i) or subparagraph (y) of paragraph (ii) of this Condition 3.3(a):

- (X) the Trustee shall have received an opinion of independent counsel to the Acquiror, which opinion shall be acceptable to the Trustee, as to (i) the due organisation, valid existence and, if legally applicable, good standing of the Acquiror, (ii) the due authorisation, execution and delivery of any required assumption agreement by the Acquiror, and (iii) the valid, binding and enforceable nature of the obligations of the Acquiror under such assumption agreement subject to reasonable and customary exceptions, assumptions and/or qualifications under the circumstances; and
 - (Y) the Trustee shall have received from ESB, in the case where the Acquiror shall be the primary obligor of the Notes, unconditional and irrevocable written confirmation and reaffirmation as to its obligations under the Guarantee, provided that the written confirmation is in form and substance satisfactory to the Trustee.
- (b) As used in this Condition 3.3, a sale, lease or other disposition of assets shall be deemed to be a “*substantial part*” of the assets of ESB or the Group only if the book value of such assets, (i) when added to the book value of all other assets sold, leased or otherwise disposed of by ESB or its Subsidiaries taken as a whole during the 365-day period ending on the date on which such sale, lease or other disposition occurs, exceeds 20 per cent. of Consolidated Total Assets as of the immediately preceding Year-End Date or (ii) when added to the book value of all other assets sold, leased or otherwise disposed of by ESB or its Subsidiaries during the period from the Issue Date of the first Tranche of Notes of this Series to and including the date that such sale, lease or other disposition occurs, exceeds 30 per cent. of Consolidated Total Assets as of the immediately preceding Year-End Date.

Computations under this paragraph (b) shall include all issues or sales of any shares (or other equity interests) of any class (including as “shares” for the purposes of this Condition 3.3, any warrants, rights or options to purchase or otherwise acquire shares, other equity interests or other Securities exchangeable for or convertible into shares or equity interests) of any Subsidiary (valued at the aggregate net book value of the assets of such Subsidiary multiplied by a fraction, the numerator of which is the aggregate number of shares (or other equity interests) of such Subsidiary issued or sold and the denominator of which is the aggregate number of shares (or other equity interests) of such Subsidiary outstanding immediately prior to such issuance or sale) to any Person other than the Guarantor or a Subsidiary over which ESB shall have at least the same degree of voting control and economic interest as it did with respect to the Subsidiary issuing or selling such shares (or other equity interests) or whose shares (or other equity interests) are being sold, except shares (or other equity interests) issued or sold for the purpose of qualifying directors, or except shares (or other equity interests) issued or sold in satisfaction of the validly pre-existing preemptive rights of minority shareholders (or equity holders) in connection with the simultaneous issuance of stock (or equity interests) to ESB and/or Subsidiaries whereby ESB and/or such Subsidiaries maintain their same proportionate interest in such Subsidiary. In the event of a sale of shares, any liabilities or obligations which are assumed by or otherwise become liabilities or obligations of the acquiring Person shall be netted against the assets or shares sold or otherwise disposed of by ESB or any Subsidiary. Computations under this paragraph (b) shall not include sales, leases or other dispositions made:

- (i) in the ordinary course of business of ESB or any Subsidiary (including any sale or securitisation of receivables for cash in an amount not less than the fair market value (as determined in good faith by a Senior Financial Officer and certified to the Trustee upon request) thereof; *provided* that the value of any securitisation of receivables contemplated hereby, together with the value of all other such receivable securitisations having occurred during the 365-day period ending on the date on which such securitisation is completed) shall not exceed 5 per cent. of Consolidated Total Assets as of the immediately preceding Year-End Date;
- (ii) by ESB to a Wholly-Owned Subsidiary (which is not a Special Purpose Subsidiary) or by a Subsidiary to ESB or another Subsidiary (which is not a Special Purpose Subsidiary) with respect to which ESB shall have at least the same degree of voting control and economic interest as it had with respect to the Subsidiary selling, leasing or otherwise disposing of such assets;
- (iii) by a Special Purpose Subsidiary to another Special Purpose Subsidiary;

- (iv) to the extent that, substantially concurrently therewith (and in any event within a period of 60 days), ESB or the Subsidiary involved receives, in exchange therefor, assets which are to be used in the business of ESB or a Subsidiary and are of at least substantially equal value;
- (v) for fair market value (as determined in good faith by a Senior Financial Officer and certified to the Trustee upon request), to the extent that the Net Proceeds Amount of such transaction (or an equal amount) has been or is applied within 545 days before or after the date of such transaction to either or both of:
 - (A) the purchase, acquisition, development, redevelopment or construction of non- financial assets which are to be used or useful in the business of ESB and/or a Subsidiary and a certificate of two directors of ESB addressed to the Trustee that such purchase, acquisition, development, redevelopment or construction are to be used or useful in the business of ESB and/or a Subsidiary shall be conclusive evidence thereof and binding on all parties, or
 - (B) the repayment or prepayment of unsubordinated Financial Indebtedness of ESB or a Subsidiary (other than unsubordinated Financial Indebtedness owed by a member of the Group to another member of the Group); *provided* that ESB shall contemporaneously make an offer to purchase some or all of the Notes pursuant to Condition 7.10 in aggregate amount calculated by multiplying the aggregate amount of unsubordinated Financial Indebtedness of ESB or any Subsidiary to be prepaid pursuant to this clause (B) by a fraction, (a) the numerator of which is the aggregate unpaid principal amount of Notes outstanding at the time of such offer and (b) the denominator of which is aggregate unpaid principal amount of unsubordinated Financial Indebtedness (including the Notes) of ESB or any Subsidiary at the time of such offer that is to be the subject of any prepayment pursuant to this clause (B);

it being understood that the failure to apply (or have applied) such Net Proceeds Amount of such transaction within such 545 day period will not give rise to a claim by the Trustee or any holder of Notes against the acquirer of such assets; or
- (vi) with respect to assets acquired in an acquisition subsequent to the Issue Date of the first Tranche of Notes of this Series if (a) such assets are outside the principal business areas to which the assets acquired, taken as a whole, relate, and (b) such assets are sold or disposed of for cash or any other consideration which represents the fair market value of such assets.

For the purposes of these Conditions:

Approved Jurisdiction means and includes any one of the following jurisdictions: Ireland, the United States, the United Kingdom, Canada, Australia, Switzerland, and any member of the OECD as of 12 February 2010 (other than Greece, Italy, Spain, Turkey, Portugal, Slovenia, the Czech Republic, the Slovak Republic, Hungary, Poland, Korea or Mexico);

Consolidated Total Assets means, without duplication, at any time, the aggregate value of the assets of the Group calculated on a consolidated basis in accordance with generally accepted accounting principles in Ireland (**GAAP**);

Net Proceeds Amount means, with respect to any sale, lease or disposition of property by any Person, an amount equal to the result of (a) the aggregate amount of the consideration (valued at the fair market value of such consideration at the time of the consummation of such sale, lease or disposition) received by such Person in respect of such sale, lease or disposition, minus (b) all out- of-pocket costs and expenses actually incurred by such Person in connection with, and taxes in respect of, such sale, lease or disposition;

Person means an individual, partnership, corporation, limited liability guarantor, association, trust, unincorporated organisation, or a government or agency or political subdivision thereof;

Senior Financial Officer means the chief financial officer, finance director, principal accounting officer, treasurer or controller of ESB;

Wholly-Owned Subsidiary means, at any time, any Subsidiary 100 per cent. of all of the equity interests (except directors' qualifying shares) and voting interests of which are owned by any one or more of ESB's other Wholly-Owned Subsidiaries at such time and/or employees or directors of ESB or any Subsidiary at such time (provided that the percentage of the equity interests and voting interests of such Subsidiary owned by such employees and directors shall not exceed 5 per cent. of the equity interests and voting interests of such Subsidiary in the aggregate); and

Year-End Date means December 31 of any year or any such other date that ESB shall specify in writing as its fiscal year-end date.

4. REDENOMINATION

4.1 Redenomination

Where redenomination is specified in the applicable Final Terms as being applicable, the Issuer may, without the consent of the Noteholders, the Receiptholders and the Couponholders but after prior consultation with the Trustee, on giving prior notice to the Agent, Euroclear and Clearstream, Luxembourg and at least 30 days' prior notice to the Noteholders in accordance with Condition 14 (*Notices*), elect that, with effect from the Redenomination Date specified in the notice, the Notes shall be redenominated in euro.

The election will have effect as follows:

- (a) the Notes and the Receipts shall be deemed to be redenominated in euro in the denomination of EUR 0.01 with a nominal amount for each Note and Receipt equal to the nominal amount of that Note or Receipt in the Specified Currency, converted into euro at the Established Rate, provided that, if the Issuer determines, with the agreement of the Agent and the Trustee, that the then market practice in respect of the redenomination in euro of internationally offered securities is different from the provisions specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, the stock exchange (if any) on which the Notes may be listed and the Paying Agents of such deemed amendments;
- (b) save to the extent that an Exchange Notice has been given in accordance with paragraph (d) below, the amount of interest due in respect of the Notes will be calculated by reference to the aggregate nominal amount of Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder and the amount of such payment shall be rounded down to the nearest EUR 0.01;
- (c) if definitive Notes are required to be issued after the Redenomination Date, they shall be issued at the expense of the Issuer (i) in the case of Relevant Notes in the denomination of EUR 100,000 and/or such higher amounts as the Agent may determine and notify to the Noteholders and any remaining amounts less than EUR 100,000 shall be redeemed by the Issuer and paid to the Noteholders in euro in accordance with Condition 6 (*Payments*); and (ii) in the case of Notes which are not Relevant Notes, in the denominations of EUR 1,000, EUR 10,000, EUR 100,000 and (but only to the extent of any remaining amounts less than EUR 1,000 or such smaller denominations as the Agent and the Trustee may approve) EUR 0.01 and such other denominations as the Agent shall determine and notify to the Noteholders;
- (d) if issued prior to the Redenomination Date, all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date on which the Issuer gives notice (the **Exchange Notice**) that replacement euro-denominated Notes, Receipts and Coupons are available for exchange (provided that such securities are so available) and no payments will be made in respect of them. The payment obligations contained in any Notes and Receipts so issued will also become void on that date although those Notes and Receipts will continue to constitute valid exchange obligations of the Issuer. New euro- denominated Notes, Receipts and Coupons will be issued in exchange for Notes, Receipts and Coupons denominated in the Specified Currency in such manner as the Agent may specify and as shall be notified to the Noteholders in the Exchange Notice. No Exchange Notice may be given less than 15 days prior to any date for payment of principal or interest on the Notes;
- (e) after the Redenomination Date, all payments in respect of the Notes, the Receipts and the Coupons, other than payments of interest in respect of periods commencing before the Redenomination Date, will be made solely in euro as though references in the Notes to the Specified Currency were to euro. Payments will be made in euro by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque;
- (f) if the Notes are Fixed Rate Notes and interest for any period ending on or after the Redenomination Date is required to be calculated for a period ending other than on an Interest Payment Date, it will be calculated:
 - (i) in the case of the Notes represented by a Global Note, by applying the Rate of Interest to the aggregate outstanding nominal amount of the Notes represented by such Global Note; and

(ii) in the case of definitive Notes, by applying the Rate of Interest to the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding; and

(g) if the Notes are Floating Rate Notes, the applicable Final Terms will specify any relevant changes to the provisions relating to interest.

4.2 Definitions

In the Conditions, the following expressions have the following meanings:

Established Rate means the rate for the conversion of the Specified Currency (including compliance with rules relating to roundings in accordance with applicable European Community regulations) into euro established by the Council of the European Union pursuant to Article 123 of the Treaty;

euro means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty;

Redenomination Date means (in the case of interest bearing Notes) any date for payment of interest under the Notes or (in the case of Zero Coupon Notes) any date, in each case specified by the Issuer in the notice given to the Noteholders pursuant to Condition 4.1 above and which falls on or after the date on which the country of the Specified Currency first participates in the third stage of European economic and monetary union;

Relevant Notes means all Notes where the applicable Final Terms provide for a minimum Specified Denomination in the Specified Currency which is equivalent to at least EUR 100,000 and which are admitted to trading on a regulated market in the European Economic Area;

Treaty means the Treaty establishing the European Community, as amended.

5. INTEREST

5.1 Interest on Fixed Rate Notes

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

(A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in

the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.1:

- (a) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
 - (i) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the **Accrual Period**) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
 - (ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

Determination Period means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

sub-unit means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, one cent.

5.2 Interest on Floating Rate Notes and Index Linked Interest Notes

(a) Interest Payment Dates

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in the Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (A) in any case where Specified Periods are specified in accordance with Condition 5.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above,

shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or

- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, **Business Day** means a day which is both:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre specified in the applicable Final Terms; and
- (b) either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the **TARGET2 System**) is open.

(b) Rate of Interest

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

(i) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (i), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the **ISDA Definitions**) and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is either (a) if the applicable Floating Rate Option is based on the London interbank offered rate (**LIBOR**) or on the Euro-zone interbank offered rate (**EURIBOR**), the first day of that Interest Period or (b) in any other case, as specified in the applicable Final Terms.

For the purposes of this subparagraph (i), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity and Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms the Minimum Rate of Interest shall be deemed to be zero.

(ii) **Screen Rate Determination for Floating Rate Notes**

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (A) the offered quotation; or
- (B) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **Determination of Rate of Interest and calculation of Interest Amounts**

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes or Index Linked Interest Notes (subject to Conditions 5.6 and 5.7 where applicable) for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount

and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

Day Count Fraction means, in respect of the calculation of an amount of interest in accordance with this Condition 5.2:

- (i) if “Actual/Actual (ISDA)” or “Actual/Actual” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/365 (Sterling)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (iv) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (v) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

360

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (vi) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

360

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D₂ will be 30;

- (vii) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

360

where:

“Y₁” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D₁” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30.

(e) Notification of Rate of Interest and Interest Amounts

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Guarantor (if the Issuer is ESB Finance), the Trustee and any stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 14 (*Notices*) as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 14 (*Notices*). For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) Determination or Calculation by Trustee

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (b)(i) or subparagraph (b)(ii) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee shall (or shall, at the expense of the Issuer, appoint an expert to) determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall (or shall, at the expense of the Issuer, appoint an expert to) calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

(g) Certificates to be final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5.2, whether by the Agent or, if applicable, the Calculation Agent, shall (in the absence of wilful default, bad faith

and manifest error) be binding on the Issuer, the Guarantor (if the Issuer is ESB Finance), the Agent, the Calculation Agent (if applicable), the other Paying Agents, the Trustee and all Noteholders, Receiptholders and Couponholders and (in the absence of wilful default and bad faith) no liability to the Issuer, the Guarantor (if the Issuer is ESB Finance), the Trustee, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent or the Trustee (or its expert) in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

5.3 Interest on Dual Currency Interest Notes

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

5.4 Interest on Partly Paid Notes

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

5.5 Accrual of interest

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

5.6 Indexation

In the case of Index Linked Interest Notes or Index Linked Redemption Notes (unless the contrary appears within the applicable Final Terms), the following provisions of Condition 5.6 shall apply.

(a) Indexation of principal

If the Notes are specified as Index Linked Redemption Notes in the applicable Final Terms the Final Redemption Amount payable pursuant to Condition 7.1 and the Early Redemption Amount payable pursuant to Conditions 7.2, 7.3, 7.4, 7.5 or 10 shall be the Final Redemption Amount or Early Redemption Amount (as the case may be) multiplied by the Index Ratio or Limited Index Ratio, in the case of Limited Index Linked Notes, applicable to the date on which the Final Redemption Amount or the Early Redemption Amount (as the case may be) becomes payable.

The Calculation Agent will calculate such Final Redemption Amount or Early Redemption Amount (as the case may be) as soon as practicable after each time such amount is capable of being determined and will notify the Agent thereof as soon as practicable after calculating the same. The Agent will as soon as practicable thereafter notify the Issuer and any stock exchange on which the Notes are for the time being listed thereof and cause notice thereof to be published in accordance with Condition 14 (*Notices*).

(b) Definitions

For the purposes of these Conditions:

Base Index Figure means (subject to Condition 5.7) the base index figure relevant to the Interest Commencement Date as specified in the applicable Final Terms;

Calculation Date means any date when an Interest Amount, Final Redemption Amount or Early Redemption Amount, as applicable, falls due;

Expert means an independent investment bank or other expert in London appointed by the Issuer and approved by the Trustee or (failing such appointment within ten days after the Trustee shall have requested such appointment or failing such approval by the Trustee) appointed by the Trustee;

Index or **Index Figure** means, in relation to any Calculation Date, subject as provided in Condition 5.7 below, the Index or Index Figure as specified in the applicable Final Terms for the indexation of inflation as published by the government department of the Sovereign responsible for the publication of such index and applicable to that Calculation Date or, if that index is not published for any Calculation Date, any substituted index or index figures published by the government department

responsible for the publication of such index or the comparable index which replaces such index for the purpose of calculating the amount payable on repayment of the Reference Gilt;

Any reference to the **Index Figure applicable** to a particular Calculation Date shall, subject as provided in Condition 5.7 below;

- (i) if the applicable Final Terms specify that interpolation will apply, be calculated in accordance with the following formula:

$$\text{RPI}_{m-y} + \frac{(\text{Day of Calculation Date} - 1) \times (\text{RPI}_{m-x} - \text{RPI}_{m-y})}{(\text{Days in month of Calculation Date})}$$

and rounded to five decimal places (0.000005 being rounded upwards) and where:

RPI_{m-y} means the Index Figure for the first day of the month that is the number of months as specified in the applicable Final Terms (**Indexation Month Reference Period Y**) prior to the month in which the payment falls due; and

RPI_{m-x} means the Index Figure for the first day of the month that is the number of months as specified in the applicable Final Terms (**Indexation Month Reference Period X**) prior to the month in which the payment falls due; or

- (ii) otherwise means the Index Figure for the first day of the month that is the number of months as specified in the applicable Final Terms prior to the month in which the payment falls due;

the **Index Ratio** applicable to any Calculation Date means the Index Figure applicable to such date divided by the Base Index Figure and rounded to five decimal places (0.000005 being rounded upwards);

Limited Index Ratio means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, the number of months prior thereto (as specified in the applicable Final Terms (**Limited Indexation Month Reference Period**)); and (c) in respect of any other month or date, as the case may be, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

Limited Indexation Date means any date falling during the period specified in the relevant Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Indexation Factor means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, the number of months prior thereto (as specified in the applicable Final Terms (Limited Indexation Month Reference Period)), provided that (a) if such ratio is greater than the Maximum Indexation Factor specified in the relevant Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor specified in the applicable Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

Limited Indexation Month means any month specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

Limited Index Linked Instruments means Index Linked Instruments to which a Maximum Indexation Factor and/or a Minimum Indexation Factor (as specified in the applicable Final Terms) applies;

the **Rate of Interest** applicable to any amount payable unless stated otherwise in the applicable Final Terms shall be the amount calculated by reference to Condition 5.2(d) and rounded to six decimal places (0.0000005 being rounded upwards); and

Reference Gilt means Treasury Stock specified as such in the applicable Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an **Indexation Adviser**).

5.7 Change in circumstances affecting the Index

(a) Change in base

If at any time the Index is changed by the substitution of a new base for it, then with effect from (and including) the date from and including that on which such substitution takes effect:

- (i) the definition of Index in Condition 5.6(b) shall be deemed to refer to the new date in substitution for the Commencement Date of the Index, as specified in the applicable Final Terms (or, as the case may be, for such other date or month as may have been substituted for it); and
- (ii) the definition of Base Index Figure in Condition 5.6(b) shall be amended to mean the product of the then applicable Base Index Figure and the Index immediately following such substitution, divided by the Index immediately prior to such substitution.

(b) Delay in publication of the Index

- (i) If, in relation to a particular Interest Period or to the redemption of all or some only of the Notes and otherwise than in circumstances which the Issuer certifies to the Trustee (in a certificate addressed to the Trustee and signed by two Directors of the Issuer) may fall within Condition 5.7(c) or 7.6 (notwithstanding that the Issuer may subsequently be advised that they do not fall within Condition 5.7(c) or 7.6), the Index Figure relating to any month (the **calculation month**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the fourteenth day before the date on which such payment is due (the **date for payment**), the Issuer shall appoint an Expert and the Index Figure for the relevant calculation month shall be the substitute index figure (if any) as is published by the government department responsible for the publication of such index for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more of Sovereign's index-linked stocks, as determined by the Expert; or
- (ii) if no such determination is made by the Expert within seven days, the Index Figure last published before the date for payment.

Where the provisions of this Condition 5.7(b) apply, the certificate of the Issuer (signed by two Directors), acting on the advice of an Expert, as to the Index Figure applicable to the date for payment falls shall be conclusive and binding upon the Issuer, the Guarantor (if the Issuer is ESB Finance), the Trustee and the Noteholders, Receiptholders and Couponholders. If a substitute index is published as specified in 5.7(b)(i) above, a determination made based on that index shall be final and no further payment by way of adjustment shall be made, notwithstanding that the Index Figure applicable to the date for payment may subsequently be published. If no substitute index is so published and the Index relating to the date for payment is subsequently published then:

- (A) in the case of any Note not falling due for redemption on the date for payment, if the Index Figure so subsequently published (if published while that Note remains outstanding) is greater or less than the Index Figure applicable by virtue of 5.7(b)(ii) above, the interest payable on that Note on the Interest Payment Date next succeeding the date of such subsequent publication shall be increased or reduced to reflect the amount by which the interest payable on that Note on the date for payment on the basis of the Index Figure applicable by virtue of 5.7(b)(ii) above fell short of, or (as the case may be) exceeded the interest which would have been payable on that Note if the Index Figure subsequently published had been published on or before the second business day before the date for payment; or
- (B) in the case of any Note falling due for final redemption on the date for payment, no subsequent adjustment to amounts paid will be made.

(c) Cessation of or fundamental changes to the Index

If the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer or the Noteholders and if, within 30 days after its appointment (or such longer period as the Trustee may consider reasonable), the Expert recommends for the purposes of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments), then provided that such adjustments or substitute index (as the case may be) are not materially detrimental (in the opinion of the Expert) either to the

interests of the Issuer or the interests of the Noteholders, as compared to the interests of the Issuer and the Noteholders (as the case may be) as they would have been had the Index continued to be published or such fundamental change in the rules governing the Index not been made, the Index shall be adjusted as so recommended or (as the case may be) shall be replaced by the substitute index so recommended (as so adjusted, if so recommended) and references in these Conditions to the Index shall be construed accordingly and the Issuer shall notify the Noteholders of the adjustments to the Index or the introduction of the substitute index (with or without adjustments) in accordance with Condition 14 (*Notices*).

If any payment in respect of the Notes is due to be made after the cessation or changes referred to in the preceding paragraph but before any such adjustment to, or replacement of, the Index takes effect, the Issuer shall (if the Index Figure applicable (or deemed applicable) to the date for payment is not available in accordance with the provisions of Condition 5.6) make a provisional payment on the basis that the Index Figure applicable to the date for payment is the Index last published. In that event or in the event of any payment on the Notes having been made on the basis of an Index deemed applicable under Condition 5.7(b)(i) above (also referred to below as a **provisional payment**) and in either such case in the event of the Trustee on the advice of the Expert subsequently determining that the relevant circumstances fall within this Condition 5.7(c), then:

- (i) except in the case of a payment on redemption of the Notes, if the sum which would have been payable if such adjustments or such substitute index had been in effect on the due date for such provisional payment is greater or less than the amount of such provisional payment, the interest payable on the Notes on the Interest Payment Date next succeeding the last date by which the Issuer and Trustee receive such recommendation shall be increased or reduced to reflect the amount by which such provisional payment of interest fell short of, or (as the case may be) exceeded, the interest which would have been payable on the Notes if such adjustments or such substituted index had been in effect on that date; or
- (ii) in the case of a payment of principal or interest on redemption of the Notes, no subsequent adjustment to amounts paid will be made.

(d) Trustee

The Trustee shall be entitled to assume that no cessation of or change to the Index has occurred until informed otherwise by the Issuer and shall have no obligation to monitor any Index or to check any calculations made pursuant to this Condition and will not be responsible for identifying or appointing an Expert save as provided in these Conditions.

6. PAYMENTS

6.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 (*Taxation*).

6.2 Presentation of definitive Notes, Receipts and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means

the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in Condition 6.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the date on which any definitive Note becomes due and repayable, unexpired Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Note in definitive form becomes due and repayable, unexpired Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

6.3 Payments in respect of Global Notes

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and/or otherwise in the manner specified in the relevant Global Note, where applicable against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made, whether against presentation or surrender of any Global Note or otherwise, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and/or Clearstream, as applicable and in each case such record shall be *prima facie* evidence that the payment in question has been made.

6.4 General provisions applicable to payments

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and the Issuer and the Guarantor (if the Issuer is ESB Finance) will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (b) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and, where applicable, the Guarantor, adverse tax consequences to the Issuer or, as the case may be, the Guarantor.

6.5 Payment Day

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, Payment Day means any day which (subject to Condition 9 (Prescription)) is:

- (a) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:
 - (i) the relevant place of presentation;
 - (ii) London;
 - (iii) each Additional Financial Centre specified in the applicable Final Terms; and
- (b) either (A) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (B) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

6.6 Interpretation of principal and interest

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (a) any additional amounts which may be payable with respect to principal under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7.6); and
- (g) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in the Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

7. REDEMPTION AND PURCHASE

7.1 Redemption at maturity

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

7.2 Redemption for tax reasons

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note, an Index Linked Interest Note nor a Dual Currency Interest Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note, an Index Linked Interest Note or a Dual Currency Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 (*Taxation*) or (if the Issuer is ESB Finance) the Guarantor would be unable for reasons outside its control to procure payment by ESB Finance and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of a Tax Jurisdiction (as defined in Condition 8 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee a certificate signed by two Directors of the Issuer or, as the case may be, the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment and the Trustee shall be entitled to accept the certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 7.2 will be redeemed at their Early Redemption Amount referred to in Condition 7.7 below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

7.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified in the applicable Final Terms, the Issuer may, having given:

- (a) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14 (*Notices*); and
- (b) not less than 15 days before the giving of the notice referred to in (a) above, notice to the Trustee and to the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion) in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 (*Notices*) not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this Condition 7.3 and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 14 (*Notices*) at least five days prior to the Selection Date.

7.4 Redemption at the option of the Noteholders (Investor Put)

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 14 (*Notices*) not less than 15 nor more than 30 days' notice the Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, such Note on the Optional Redemption Date and at the Optional Redemption

Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

Any Put Notice or other notice given in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg given by a holder of any Note pursuant to this Condition 7.4 shall be irrevocable except where, prior to the due date of redemption, an Event of Default has occurred and the Trustee has declared the Notes to be due and payable pursuant to Condition 10 (*Events of Default and Enforcement*), in which event such holder, at its option, may elect by notice to the Issuer to withdraw the notice given pursuant to this Condition 7.4 and instead to declare such Note forthwith due and payable pursuant to Condition 10 (*Events of Default and Enforcement*).

7.5 Redemption as a result of a Change of Control of the Issuer

An **Event Risk Put Event** will occur if, while any of the Notes remains outstanding (as defined in the Trust Deed) a Change of Control Event occurs and during the Change of Control Period either:

- (i) a Ratings Downgrade occurs; or
- (ii) if at the time of the commencement of the Change of Control Period the Notes do not carry a credit rating from a Rating Agency, the relevant Issuer is unable to obtain an investment grade rating from any Rating Agency before the end of the Change of Control Period.

Further, if at the time of the commencement of the Change of Control Period the Notes carry a non-investment grade credit rating (as described below) from any Rating Agency, an Event Risk Put Event will be deemed to occur upon the occurrence of a Change of Control Event alone.

If an Event Risk Put Event occurs (unless the Issuer has given notice under Condition 7.2 (*Redemption or repurchase for tax reasons*) or Condition 7.3 (*Redemption and repurchase at the option of the Issuer*) in respect of all of the Notes then outstanding):

- (a) the Issuer shall, within 10 Dublin Business Days after the occurrence of such Event Risk Put Event, and at any such time upon the Trustee becoming similarly so aware the Trustee may, and if so requested by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Event Risk Put Event Notice**) to the Noteholders in accordance with Condition 14 (*Notices*) specifying the nature of the Event Risk Put Event and the procedure for exercising the option contained in this Condition 7.5; and
- (b) the holder of each Note will have the option to require the Issuer to redeem or, at the relevant Issuer's option, purchase (or procure the purchase of) that Note on the Event Risk Put Date (as defined below) at its principal amount, together with any interest accrued up to (but excluding) the Event Risk Put Date.

To exercise the right to require redemption of the Notes following an Event Risk Put Event, the holder of the Notes must, if the Notes are in definitive form and held outside Euroclear and Clearstream,

Luxembourg, deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent on any Business Day falling within the Event Risk Put Period, deliver a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (an **Event Risk Put Notice**) and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition. If the Notes are in definitive bearer form, the Event Risk Put Notice must be accompanied by the Notes (together with all Coupons appertaining thereto maturing after the Event Risk Put Date), or evidence satisfactory to the Paying Agent concerned that the Notes (and such Coupons) will, following delivery of the Event Risk Put Notice, be held to its order or under its control.

If the Notes are represented by a Global Note or are in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Notes following an Event Risk Put Event the holder of the Notes must, within the Event Risk Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear and Clearstream, Luxembourg, or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if the Notes are represented by a Global Note and the terms of such Global Note so provide, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Notes on the Event Risk Put Date at their principal amount, together with any interest accrued up to (but excluding) the Event Risk Put Date unless previously redeemed or purchased.

If 80 per cent. or more in nominal amount of the Notes originally issued have been redeemed or purchased and cancelled pursuant to the provisions of this Condition 7, the Issuer may, on not less than 30 or more than 60 days' notice to the Noteholders given within 30 days after the Event Risk Put Date, redeem the remaining Notes as a whole at a redemption price of the principal amount thereof plus interest accrued to but excluding the date of such redemption.

If the rating designations employed by Moody's, Fitch and S&P are changed from those which are described within the applicable definition of Ratings Downgrade (below), or if a rating is assigned by another Rating Agency, the Issuer shall determine, with the agreement of the Trustee the rating designations of Moody's, Fitch and S&P or such other Rating Agency (as appropriate) as are most equivalent to the prior rating designations of Moody's, Fitch and S&P and this Condition shall be construed accordingly.

The Trustee is under no obligation to ascertain whether an Event Risk Put Event or any event which would lead to the occurrence of or could constitute an Event Risk Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Event Risk Put Event or other such event has occurred.

Where the definitions within this Condition 7.5 state that the Issuer will seek to obtain a rating from a Rating Agency, the Issuer undertakes that it will make all reasonable endeavours to seek a rating in respect of the Notes from a Rating Agency either prior to or not later than the timeframe as specified.

For the purpose of these Conditions:

A **Change of Control Event** shall occur if the Government of Ireland ceases, directly or indirectly (through any government agency or political subdivision thereof or otherwise), to have Control of ESB.

Change of Control Period means the period:

- (a) commencing on the date that is one Business Day before the earlier of (a) the date of the relevant Change of Control Event and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any); and
- (b) ending 90 days after the date of the Change of Control Event or such longer period for which the Notes are under consideration by a Rating Agency for rating or rating review (such consideration having been announced publicly within the period ending 90 days after the date of the Change of Control Event and such period not to exceed 60 days after the public announcement of such consideration).

Control of ESB means the right, by virtue of holding shares in ESB or otherwise, or by virtue of any contract or other arrangement with any holder of shares in such body corporate, to exercise or control the

exercise of more than 50 per cent. of the total voting rights conferred upon the holders of the entire capital stock for the time being of ESB.

Dublin Business Day means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Dublin.

Event Risk Put Date means the date falling seven days after the expiry of the Event Risk Put Period.

Event Risk Put Period means the period of 45 days after a Event Risk Put Event Notice is given.

Rating Agency means Moody's Investors Service, Inc. (**Moody's**), Fitch Ratings Ltd. (**Fitch**) or Standard & Poor's Rating Services, a division of the McGraw-Hill Companies Inc, (**S&P**), or their respective successors, replacements or substitutes.

Ratings Downgrade means, with respect to a Rating Agency and a Change of Control Event, immediately prior to the commencement of the relevant Change of Control Period, such Rating Agency rated the Notes as investment grade (being at or above Baa3, BBB- or BBB- for Moody's, Fitch and S&P respectively, or its respective equivalent for the time being), or, in the case of a Rating Agency which had not assigned a rating to the Notes immediately prior to the commencement of the relevant Change of Control Period, such Rating Agency assigns an investment grade rating to the Notes during the relevant Change of Control Period, and during such Change of Control Period:

- (a) such Rating Agency rates the Notes as non-investment grade (being at or below Ba1, BB+ or BB+ for Moody's, Fitch and S&P respectively, or its respective equivalent for the time being) and such rating is not within such Change of Control Period restored to an investment grade rating by such Rating Agency or replaced by an investment grade rating of another Rating Agency, or
- (b) such Rating Agency withdraws its rating of the Notes and that rating is not within such Change of Control Period replaced by an investment grade rating of another Rating Agency,

and in each case such Rating Agency publicly announces or confirms in writing to the Issuer, the Guarantor (if the Issuer is ESB Finance) or the Trustee that such non-investment grade rating or withdrawal of rating was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Change of Control Event (whether or not such Change of Control Event shall have occurred at the time such rating is given or rating is withdrawn).

Relevant Potential Change of Control Announcement means any formal public announcement or statement by or on behalf of ESB or the Government of Ireland relating to any potential Change of Control Event where, within 180 days of the date of such announcement or statement, a Change of Control Event occurs.

7.6 Redemption for Indexation Reasons

In the case of Index Linked Interest Notes or Index Linked Redemption Notes (unless the contrary appears within the applicable Final Terms):

- (a) if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Noteholders and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee considers reasonable), or states to the Issuer and the Trustee that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 5.7(c), the Issuer shall, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their principal amount multiplied by the Index Ratio (or Limited Index Ratio in the case of Limited Index Linked Notes), applicable to the date on which the date fixed for redemption falls, together with accrued interest; or
- (b) if the Index ceases to be published or any changes are made to it which, in the opinion of an Expert, constitute a fundamental change in the rules governing the Index and the change would, in the opinion of the Expert, be detrimental to the interests of the Issuer and if the Expert fails within 30 days after its appointment (or such longer period as the Trustee considers reasonable), or states to the Issuer and the Trustee that it is unable, to recommend for the purposes of the Notes any adjustments to the Index or any substitute index (with or without adjustments) as described in Condition 5.7(c),

the Issuer may at its option, within 14 days after the expiry of such period or (as the case may be) after the date of such statement, give notice (which shall be irrevocable and shall state the date fixed for redemption which shall be not more than 15 days after the date on which the notice is given) to redeem the Notes then outstanding, at a price equal to their principal amount multiplied by the Index Ratio or Limited Index Ratio (in the case of Limited Index Linked Notes) applicable to the date on which the date fixed for redemption falls, together with accrued interest.

7.7 Early Redemption Amounts

For the purpose of Condition 7.2 above and Condition 10 (*Events of Default and Enforcement*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (b) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and a Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Note is denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (c) in the case of a Zero Coupon Note, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \cdot 5 (1 + \text{AY})^y$$

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

7.8 Instalments

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to Condition 7.7.

7.9 Partly Paid Notes

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

7.10 Purchases

The Issuer, the Guarantor (where the Issuer is ESB Finance) or any of their respective Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. All Notes so purchased will be surrendered to a Paying Agent for cancellation.

7.11 Cancellation

All Notes which are redeemed, or purchased pursuant to Condition 7.10, will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 7.10 above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

7.12 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 7.1, 7.2, 7.3, 7.4 or 7.5 above upon its becoming due and repayable as provided in Condition 10 (*Events of Default and Enforcements*) is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 7.7 above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14 (*Notices*).

8. TAXATION

All payments in respect of the Notes, Receipts and Coupons by the Issuer or the Guarantor (where the Issuer is ESB Finance) will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, the Issuer, or as the case may be, the Guarantor (where the Issuer is ESB Finance) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

- (a) presented for payment by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6.5); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) **Tax Jurisdiction** means Ireland or any political subdivision or any authority thereof or therein having power to tax; and
- (ii) the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Trustee or the Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14 (*Notices*).

9. PRESCRIPTION

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8 (*Taxation*)) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6.2 or any Talon which would be void pursuant to Condition 6.2.

10. EVENTS OF DEFAULT AND ENFORCEMENT

10.1 Events of Default

If any one or more of the following events (each an **Event of Default**) shall occur and be continuing the Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer or the Guarantor, if applicable), (e) to (g) and (i) inclusive below, only if the Trustee shall have certified in writing to the Issuer and, if applicable, the Guarantor that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer or the Guarantor, if applicable, that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed:

- (a) if default is made in the payment of any amount due in respect of the Notes or any of them and the default continues for a period of 3 days in the case of principal or 7 days in the case of interest; or
- (b) if the Issuer or the Guarantor (where the Issuer is ESB Finance) fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days next following the service by the Trustee on the Issuer or the Guarantor (where the Issuer is ESB Finance), as the case may be, of notice requiring the same to be remedied; or
- (c) if (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries is declared due and repayable prematurely by reason of an event of default (however described); (ii) the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment as extended by any originally applicable grace period; (iii) any security given by the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries for any Indebtedness for Borrowed Money is enforced; or (iv) default is made by the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person; or
- (d) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries, save for the purposes of reorganisation, amalgamation, merger, consolidation or restructuring (i) in the case of a Principal Subsidiary, whilst solvent, (ii) in the case of the Issuer or the Guarantor, on terms previously approved in writing by the Trustee or by an Extraordinary Resolution; or
- (e) if the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries ceases or threatens to cease to carry on the whole or a substantial part of its business, save for the purposes of reorganisation, amalgamation, merger, consolidation or restructuring (i) in the case of a Principal Subsidiary, whilst solvent, or (ii) in the case of the Issuer or the Guarantor, on terms previously approved in writing by the Trustee or by an Extraordinary Resolution or, the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (A) proceedings are initiated against the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries under any applicable liquidation, insolvency, composition, examination, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, examiner, administrator or other similar official, or an administrative or other receiver, manager, examiner, administrator or other similar official is appointed, in relation to the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries or, as the case may be, in relation to the whole or a substantial part of the undertaking or assets of any of them, or an encumbrancer takes possession of the whole or a substantial part of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against the whole or a substantial part of the

undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is not discharged within 30 business days; or

- (g) if the Issuer, the Guarantor (where the Issuer is ESB Finance) or any of ESB's Principal Subsidiaries initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, examination, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors); or
- (h) if (where the Issuer is ESB Finance) ESB Finance ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by ESB; or
- (i) if (where the Issuer is ESB Finance) the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect; or
- (j) if any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (i) above.

10.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer or the Guarantor (where the Issuer is ESB Finance) as it may think fit to enforce the provisions of the Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-fifth in principal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against the Issuer or the Guarantor (where the Issuer is ESB Finance) unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

10.3 Definitions

For the purposes of the Conditions:

Indebtedness for Borrowed Money means any indebtedness (whether being principal, premium, interest or other amounts), other than Non Recourse Indebtedness which singularly or in the aggregate is in excess of €50,000,000 (or its equivalent in other currencies) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities or any borrowed money or any liability under or in respect of any acceptance or acceptance credit.

11. REPLACEMENT OF NOTES, RECEIPTS, COUPONS AND TALONS

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

12. PAYING AGENTS

The names of the initial Paying Agents and their initial specified offices are set out below.

The Issuer and the Guarantor (where the Issuer is ESB Finance) are entitled, with the prior written approval of the Trustee, to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;

- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; and
- (d) there will at all times be a Paying Agent in a jurisdiction other than a Tax Jurisdiction.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6.4. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor (where the Issuer is ESB Finance) and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

13. EXCHANGE OF TALONS

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9 (*Prescription*).

14. NOTICES

All notices regarding the Notes will be deemed to be validly given if published (a) in a leading English language daily newspaper of general circulation in the United Kingdom and (b) if and for so long as the Notes are admitted to trading on, and listed on the Official List of the Irish Stock Exchange and the guidelines of the Irish Stock Exchange so require, filed with the Companies Announcement Office of the Irish Stock Exchange. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

15. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

15.1 Meetings of Noteholders, Modification and Waiver

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of the

Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor (where the Issuer is ESB Finance) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing not less than 50 per cent. in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of the Notes, the Receipts or the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held by a majority consisting of not less than three-fourths of votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding or (iii) consents given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holder(s) of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or the Trust Deed, or determine, without any such consent as aforesaid, that any Event of Default or potential Event of Default shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders, the Receiptholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 (*Notices*) as soon as practicable thereafter.

In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class (but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer, the Guarantor (where the Issuer is ESB Finance), the Trustee or any other person any indemnification or payment in respect of any tax consequences of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 8 (*Taxation*) and/or any undertaking or covenant given in addition to, or in substitution for, Condition 8 (*Taxation*) pursuant to the Trust Deed.

15.2 Substitution

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders agree:

- (a) with the Issuer and the Guarantor (where the Issuer is ESB Finance) to the substitution in place of the Issuer (or of any previous substitute of the Issuer under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, of another company, being either ESB itself or another Subsidiary of ESB, or
- (b) with ESB to the substitution in place of ESB, either as Issuer or as Guarantor (or of any previous substitute of ESB in either capacity under this Condition) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, or under the Guarantee, as the case may be, of another company,

in each case subject to (i) (in the case of a substitution under (a) above of another Subsidiary of ESB) the Notes being unconditionally and irrevocably guaranteed by ESB; (ii) the Trustee being satisfied that such substitution will not be materially prejudicial to the interests of the Noteholders; and (iii) certain other conditions set out in the Trust Deed being complied with.

16. INDEMNIFICATION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (a) to enter into business transactions with the Issuer, the Guarantor (where the Issuer is ESB Finance) and/or any of their Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, the Guarantor (where the Issuer is ESB Finance) and/or any of their Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

17. FURTHER ISSUES

The Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of this Note under the Contracts (Rights of Third Parties) Act 1999, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

19. GOVERNING LAW AND SUBMISSION TO JURISDICTION

19.1 Governing law

The Trust Deed, the Agency Agreement, the Notes, the Receipts, the Coupons and any non-contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

19.2 Submission to jurisdiction

The Issuer and the Guarantor (where the Issuer is ESB Finance) each irrevocably agrees, for the benefit of the Trustee, the Noteholders, the Receiptholders and the Couponholders, that the courts of England are to have exclusive jurisdiction to settle any disputes which may arise out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons (including a dispute relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and/or the Coupons) and accordingly submits to the exclusive jurisdiction of the English courts.

The Issuer and the Guarantor (where the Issuer is ESB Finance) each waives any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum. The Trustee and (where entitled under the Trust Deed to do so) the Noteholders, the Receiptholders and the Couponholders may take any suit, action or proceedings (together referred to as **Proceedings**) arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons (including any Proceedings relating to any non-contractual obligations arising out of or in connection with the Trust Deed, the Notes, the Receipts and the Coupons) against the Issuer or the Guarantor in any other court of competent jurisdiction and concurrent Proceedings in any number of jurisdictions.

19.3 Appointment of Process Agent

The Issuer and the Guarantor (where the Issuer is ESB Finance) each appoints Jordans International Limited at its registered office at 21 St Thomas Street, Bristol BS1 6JS as its agent for service of process,

and undertakes that, in the event of Jordans International Limited ceasing so to act or ceasing to be registered in England, it or they will appoint another person approved by the Trustee as its agent for service of process in England in respect of any Proceedings. Nothing herein shall affect the right to serve proceedings in any other manner permitted by law.

19.4 Waiver of immunity

The Issuer and the Guarantor (where the Issuer is ESB Finance) each hereby irrevocably and unconditionally waives with respect to the Notes, the Receipts and the Coupons any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence and irrevocably and unconditionally consents to the giving of any relief or the issue of any process, including without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes, which include making a profit. If, in respect of any particular issue of Notes which are derivative securities for the purposes of Article 15 of the Commission Regulation No 809/2004 implementing the Prospectus Directive, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

OVERVIEW OF THE ELECTRICITY MARKETS IN IRELAND AND NORTHERN IRELAND

The structure of the electricity market in Ireland and Northern Ireland (the two jurisdictions being referred to together as **All Island** or **Island of Ireland**) can be divided into four segments: generation, supply, transmission and distribution. Electricity generation and supply are open to full competition throughout the Island of Ireland. Electricity transmission and distribution are regulated monopolies in each of Ireland and Northern Ireland.

Energy Policy and Regulation

The Government of Ireland, through the Minister for Communications, Energy and Natural Resources is responsible for energy policy and energy affairs in Ireland. In Northern Ireland, the Department of Enterprise, Trade and Investment is responsible for energy policy and energy affairs. Irish and Northern Ireland energy policy and regulation are heavily influenced by European Union law.

The Commission for Energy Regulation (**CER**) is the independent regulator of the energy markets in Ireland. The Northern Ireland Authority for Utility Regulation (**NIAUR**) is the independent regulator of the energy markets in Northern Ireland. Representatives from each of the CER and NIAUR make up the Single Electricity Market Committee which makes decisions in relation to the Single Electricity Market (**SEM**) (see further below).

Single Electricity Market

The SEM came into operation on the Island of Ireland in November 2007. It is operated by the Single Electricity Market Operator (**SEMO**). SEMO is a joint venture between EirGrid plc (**EirGrid**), the transmission system operator for Ireland, and SONI Limited (**SONI**), the transmission system operator for Northern Ireland. SEMO is licensed and regulated co-operatively by the CER and the NIAUR.

The SEM is a single wholesale market for electricity in Ireland and Northern Ireland into which virtually all electricity generated in, or imported into, the Island of Ireland must be sold, and from which all wholesale electricity consumed in, or exported from, the Island of Ireland must be purchased. The key design features of the SEM are that it is a gross mandatory pool with central commitment and a single unconstrained marginal pricing structure.

For economic efficiency and market power mitigation reasons, the SEM is structured to ensure that the system marginal price (**SMP**) reflects underlying marginal power production cost. As a result, generators are required (under a Bidding Code of Practice) to bid prices into the pool at no less than, and no greater than, short-run marginal costs.

However, due to the capital intensity of generation investment, revenue derived on this basis will in general not provide an adequate return on that investment and, accordingly, the SEM supplements the spot revenue with an administered capacity payment with the aim that, when taken together, generators should receive adequate revenue over the long term.

The SEM therefore incorporates an explicit Capacity Payment Mechanism based on the lifetime cost of a “Best New Entrant”, as well as providing constraint payments to compensate generators constrained on/off due to stability reasons and/or transmission constraints.

In addition, in order to mitigate residual market power, the relevant regulatory bodies direct ESB, and potentially other market participants, to sell each year to eligible suppliers a portion of output in the form of directed contracts for differences (**Directed CfDs**) (which totalled 3 TWhs in 2009 and less than 2TWhs in 2010). The relevant regulatory bodies determine both the quantity and price (which is calculated using a model based on forward SMP values) of these Directed CfDs.

Therefore, to the extent set out in the preceding paragraphs, there remains an element of regulatory control over the wholesale price of electricity in the Island of Ireland.

Participating generators must submit a day-ahead commercial bid, which is based on the avoidable costs of electricity generation. SEMO optimizes the dispatch of these generators to meet demand for electricity, and produces, for each half-hour trading period, a single wholesale energy price that is applicable to generators and suppliers in both jurisdictions. From a generator’s perspective the following two features of the market are of particular interest:

- The availability of a revenue stream to a participating generator will not depend upon it finding a purchaser for its output as all power can be sold into the pool. A generator may, however, wish to mitigate the uncertainty associated with fluctuating SEM energy prices by entering into bilateral arrangements with participating suppliers, so as to achieve the effect of a fixed output price. As the market’s gross mandatory

design is not consistent with the use of physical off-take arrangements, such bilateral arrangements will take the form of contracts for differences.

- In addition to payments for energy, the SEM includes a capacity mechanism that rewards each participating generator for making generation capacity available, whether or not the generator is actually dispatched. Each year the regulatory authorities determine an annual capacity payment sum, which is distributed to generators throughout the year on a weighted basis reflecting the fluctuating value of generation capacity. These capacity payments are funded by suppliers.

Electricity Transmission

The Irish electricity transmission system is a high voltage network for the transmission of bulk electricity supplies around Ireland. Generally the high voltage lines deliver electricity from Ireland's generation sources to the transformer stations, where the electricity voltage is reduced and taken onwards through the distribution system to individual users' premises. There are also approximately 18 very large commercial users directly connected to the transmission system.

The Irish transmission system is operated and owned by separate entities, namely EirGrid and ESB (acting through its ring-fenced ESB Networks division, **ESBN**).

EirGrid, a separate Irish State-owned company, is the licensed operator of the Irish electricity transmission system (Transmission System Operator – **TSO**). It has responsibility for the operation, maintenance and development of Ireland's transmission system in a safe, secure, reliable, economical and efficient manner. It offers terms and levies charges regulated by the CER for the connection to and use of the system by market participants.

ESBN owns the Irish transmission system assets (with a regulatory asset base (**RAB**) value as at 31 December 2010 of approximately EUR1.2 billion) and is licensed as the transmission asset owner (**TAO**) by the CER. ESBN, in its capacity as TAO, is required to maintain the transmission system and carry out construction work for its development in accordance with the TSO's Transmission Development Plan.

The interaction between EirGrid as TSO and ESBN as TAO is the subject of an agreement which has been approved by the CER.

In Ireland, transmission revenue reviews are carried out by the CER every five years and are refined on an annual basis. The latest five year review covers the period 2011 to 2015 and sets out the total allowed revenues over that period for both the TSO and the TAO. Each year the allowed revenue is refined in an annual review that updates a range of assumptions. This determines the allowed revenue in the relevant year, which is then used to calculate tariffs and charges to users of the transmission system. See further the section of this Offering Circular entitled "*Description of ESB – ESB Networks – Networks Regulated Returns*".

EirGrid's subsidiary, SONI Limited, is the licensed operator of the Northern Ireland electricity transmission system.

NIE, which was acquired by ESB in December 2010, owns the electricity transmission system in Northern Ireland.

The transmission functions of planning and development of the transmission system are undertaken in conjunction with SONI (as TSO) in accordance with the arrangements set out in a Transmission Interface Agreement (**TIA**) as agreed by the NIAUR. NIE is responsible for the construction and maintenance of the transmission system.

The NIAUR sets the allowed revenues and tariffs for NIE. The principles applied in this regard by NIAUR are similar to those used by the CER and are based on the CPI-X UK regulatory model. As with Ireland, a price control review takes place every 5 years. The current price control period covers the period April 2007 to March 2012.

Electricity Distribution

The electricity distribution system is the combination of high, medium and low voltage electricity networks used to deliver electricity to individual users (other than those very large users connected directly to the transmission network, referred to above).

The Irish electricity distribution system (with a RAB value as at 31 December 2010 of approximately EUR4.9 billion) is owned and operated by separate entities within the Group. ESB Networks Limited is the licensed distribution system operator (**DSO**) in Ireland. The DSO is a wholly owned subsidiary of ESB and is subject to corporate governance oversight by the Board of ESB but operates independently of ESB in relation to its DSO

functions. It has responsibilities which include the operation, maintenance and development of Ireland's electricity distribution system in a safe, secure, reliable, economical and efficient manner. It offers terms and levies charges regulated by the CER for the connection to and use of the distribution system by market participants.

The Irish distribution system assets are owned by ESNB as the distribution asset owner (**DAO**). The interaction between ESB Networks Limited in its capacity as DSO and ESNB in its capacity as DAO is the subject of an agreement which has been approved by the CER.

Distribution revenue reviews are carried out by the CER every five years and are refined on an annual basis. The latest five year review covers the period 2011 to 2015 and sets out the total allowed revenues over that period for both the DSO and the DAO. Each year the allowed revenue is refined in an annual review that updates a range of assumptions. This determines the allowed revenue in the relevant year which is then used to calculate tariffs and charges to users of the distribution system. See further the section of this Offering Circular entitled "*Description of ESB – ESB Networks – Networks Regulated Returns*".

NIE owns the electricity distribution system assets in Northern Ireland and is responsible for the planning, development, construction and maintenance of the entire distribution network, as well as the operation of the distribution network. NIE's licence requires it to develop and maintain an efficient, coordinated and economical system of electricity distribution. In addition to the charges for transmission services levied on SONI, NIE's revenue is also derived from charges for use of the distribution system levied on electricity suppliers. These charges are also regulated by NIAUR as outlined above.

Interconnection with Other Networks

For geographical reasons, the Irish electricity transmission system is isolated compared to systems in mainland European jurisdictions and in Great Britain.

The Moyle Interconnector links the electricity grids of Northern Ireland and Scotland through submarine cables running between converter stations in County Antrim, Northern Ireland and Ayrshire in Scotland. The link has a capacity of 500 MW.

The Government of Ireland mandated EirGrid to build an interconnector (referred to as the **East-West Interconnector**) between Ireland and Great Britain, which is scheduled for completion in early 2013. The East-West Interconnector will link the electricity transmission system in Ireland to the electricity transmission system in Great Britain, enabling two way transmission of electricity. EirGrid has secured connection points on the power systems in Ireland and Great Britain and has also been granted an interconnector licence by the UK regulator, Ofgem. The capacity of the East-West Interconnector will be 500 MW.

Electricity Generation

The SEM generation sector comprises approximately 10,400 MW of capacity connected to the system on an All Island basis. The capacity connected to the system includes a mix of older generation plants alongside modern combined cycle gas turbine (**CCGT**) plants and renewable energy sources such as wind power. These stations generate electricity from fuels such as gas, coal and oil as well as indigenous fuels including hydro, wind, peat and biomass.

To connect to the electricity network, a generator must hold (i) an Authorisation to Construct or Reconstruct a Generating Station and (ii) a Generation Licence. The CER is responsible for assessing and for granting, or refusing to grant, these permits. The conditions imposed in the Authorisation and in the Licence must be met by the generator and compliance is monitored by the CER on an ongoing basis.

Electricity Supply

The liberalisation of Ireland's electricity market began in February 2000, with a 28% market opening, allowing major consumers of electricity to select a supplier of their choice. A second phase brought market liberalisation to most non-domestic customers. Full market opening to all consumers occurred in February 2005.

The CER licences electricity suppliers in Ireland and NIAUR licences electricity suppliers in Northern Ireland.

Following a public consultation process commenced by the CER in December 2009, with effect from 4 April 2011, the CER removed price regulation previously imposed on ESB's retail electricity supply business in Ireland. In connection with the removal of such price regulation, ESB re-branded its retail electricity supply business in Ireland as 'ESB Electric Ireland' and this business now operates in Ireland without price regulation.

The CER's conditions for the price deregulation of ESB's retail electricity supply business in Ireland required that ESB does not have a market share of more than 60% in Ireland's residential market and 50% market share for each of the small, medium and large business user segments.

With the entry of two significant new suppliers into the Irish residential retail electricity supply market in 2009, ESB Electric Ireland's aggregate customer numbers fell from approximately 2.1million at 31 December 2008 to approximately 1.4 million at 31 December 2010.

ESB Electric Ireland holds the public electricity supply licence issued by the CER. See further the section of this Offering Circular entitled "*Description of ESB – ESB Electric Ireland*".

DESCRIPTION OF ESB FINANCE LIMITED

Introduction

ESB Finance Limited (**ESB Finance**) was incorporated in Ireland on 26 January 2010 as a private limited company with registered number 480184. As an Irish incorporated company it operates under the Companies Acts 1963 to 2009 of Ireland. ESB Finance's registered office is at 27 Lower Fitzwilliam Street, Dublin 2, Ireland and its telephone number is +353 1676 5831. ESB Finance is a wholly owned subsidiary of ESB.

ESB Finance was incorporated for the purpose of, *inter alia*, acting as a general financing vehicle for the Group, including lending or otherwise making available to other members of the Group the proceeds of fundraisings in which it engages from time to time.

Board of ESB Finance

The Directors of ESB Finance Limited and their principal outside activities are:

Name	Principal Activities outside ESB Finance
Deirdre Cowler	Director of certain other ESB subsidiaries and employee of ESB
Paul Stapleton	Director of certain other ESB subsidiaries and employee of ESB
Ronan Sheehy	Director of certain other ESB subsidiaries and employee of ESB
Justin Johnston	Director of certain other ESB subsidiaries and employee of ESB

The business address of each of the Directors of ESB Finance for the purposes of the Programme is 27 Lower Fitzwilliam Street, Dublin 2, Ireland.

There are no potential conflicts of interests between the duties of ESB Finance's directors in such capacity and their private or other professional interests.

ESB Finance and ESB

As a wholly-owned subsidiary of ESB, ESB Finance is dependent on the performance of ESB and the other members of the Group to generate sufficient income to enable ESB Finance to perform and satisfy its payment obligations under the Notes.

Auditors

The auditors to ESB Finance are KPMG Chartered Accountants and Registered Auditors whose office is at 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland.

DESCRIPTION OF ESB

Overview

ESB was established on 11 August 1927 as a statutory corporation in the Republic of Ireland (**Ireland**) under the Electricity (Supply) Act 1927 and it operates under the Electricity (Supply) Acts 1927 to 2004 of Ireland. ESB's head office is at 27 Lower Fitzwilliam Street, Dublin 2, Ireland and its telephone number is +353 1 676 5831. ESB is majority owned by the Government of Ireland through the Minister for Public Expenditure and Reform of Ireland (who holds 85% of its issued capital stock) and the Minister for Communications, Energy and Natural Resources of Ireland (who holds 10% of its issued capital stock). The remaining 5% of the issued capital stock of ESB is held by an Employee Share Ownership Trust.

On 14 September 2011 the Irish Government announced that it has decided to sell a minority stake in ESB as an integrated utility.

The Government of Ireland has stated that there will be a defined process involving a full evaluation of the best approach to be taken, including the size of the minority stake to be sold. This could potentially involve a change to the status of ESB as a statutory corporation. It has been announced that a review group (the **Review Group**) co-chaired by the Department of Communications Energy and Natural Resources and the Department of Public Expenditure and Reform will make a recommendation by the end of November 2011 about the proposed sale. The Review Group will include officials from the Department of Finance and will also avail of the expertise of the National Treasury Management Agency (the NTMA).

The Irish Government has further announced the establishment of a new body, NewERA under the NTMA, which, it is proposed, will carry out the corporate governance function, from a shareholder perspective, of ESB (and various other semi-state companies), reporting to the relevant Ministers of the Government of Ireland. Its operation will be overseen by the Irish Cabinet Committee on Economic Infrastructure.

The primary activities of ESB and its subsidiaries (together, the **Group**) are the ownership and/or operation of electricity distribution and transmission networks in Ireland and Northern Ireland and the generation and supply of electricity in Ireland and certain other countries. As at 31 December 2010, ESB was the sole owner of the electricity distribution and transmission networks in Ireland and Northern Ireland (providing it with a regulatory asset base (**RAB**) of approximately EUR7.4 billion), owned 43% of total electricity generation capacity in Ireland and Northern Ireland (the two jurisdictions being referred to together as **All Island or Island of Ireland**) and supplied electricity to approximately 1.4 million customers throughout the Island of Ireland. As at 31 December 2010, the Group employed approximately 8,200 people.

Summary Financial Information

The table below sets out summary consolidated financial data of the Group as at and for the years ended 31 December 2009 and 31 December 2010. This table should be read in conjunction with, and is qualified in its entirety by reference to, the consolidated financial statements of ESB (including the notes thereto) for the years ended 31 December 2009 and 31 December 2010 (incorporated by reference into this Offering Circular) which have been audited by the auditors to ESB, KPMG.

	Y/E 31.12.09 Audited	Y/E 31.12.10 Audited
Income Statement Data, €m	IFRS	IFRS
Revenue and other operating income.....	3,114.0	2,739.5
EBIT *	350.1	338.7
EBIT margin	11.2%	12.4%
Profit / (loss) after taxation **	580.0	(84.1)
Balance Sheet Data, €m		
Non-current assets (excl. cash)	8,646.0	11,102.1
Current assets (excl. cash).....	921.0	810.0
Total assets (excl. cash)	9,567.0	11,912.1
Current liabilities (excl. debt)	(999.0)	(999.5)
Non-current liabilities (excl. debt)	(2,303.5)	(3,092.3)
Total liabilities (excl. debt)	(3,302.5)	(4,091.8)
Net assets ***	6,264.6	7,820.3
Net cash / (debt).....	(2,230.7)	(3,943.6)
Total equity.....	4,033.9	3,876.7

Cash Flow Data, €m

Cash generated from operations.....	646.0	858.4
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Regulatory Data, €m

ESB Networks Regulated Asset Base.....	5,904.0	6,121.4
NIE T&D Networks Regulated Asset Base.....	N/A	1,240.7

* EBIT stated before profit on disposal of generation assets in 2009, and before exceptional pension charge in 2010.

** Profit/(Loss) after taxation stated after profit on disposal of generation assets in 2009 and after exceptional pension charge in 2010.

*** Total assets (excluding cash) less total liabilities (excluding debt)

The Group is party to a series of Retail Price Index or “RPI” linked swaps which hedge a large proportion of the Group's UK network assets. The value of the Group's UK network assets increases with inflation while the marked to market value of the RPI swaps typically falls when there are increases in inflation. Despite this relationship of assets to liabilities, these swaps do not benefit from hedge accounting and therefore movements in the marked to market valuation of the swaps impact on the Group’s income statement and reported profits (see also “Risk Factors - Financial Risks - Financial Market Risks”).

At the date of this Offering Circular, the long term issuer default rating of ESB from Fitch Ratings Limited (**Fitch**) is BBB+ (negative outlook), the long term issuer rating of ESB from Moody's Investor Services Limited (**Moody's**) is Baa3 (negative outlook) and the long term corporate rating of ESB from Standard & Poor's Credit Market Services Europe Limited (**S&P**) is BBB+ (stable outlook). At the date of this Offering Circular, the short term issuer default rating of ESB from Fitch is F2, the short term issuer rating of ESB from Moody's is P-3 and the short term corporate rating of ESB from S&P is A-2.

As at the date of this Offering Circular, Moody's, Fitch and S&P are established in the European Union and are registered under Regulation (EC) No. 1060/2009 (as amended). As such, Moody's, Fitch and S&P are included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such Regulation.

Strategic Framework to 2020

In early 2008, the Group announced its “Strategic Framework to 2020” in which it set out key elements of the Group’s strategy through to 2020 and beyond. This plan seeks to provide a platform for significant growth for the Group’s core businesses, whilst addressing the challenges posed to the Group’s businesses by climate change.

This strategy envisages a significant capital investment programme to be funded primarily by retained earnings and supplemented by borrowings over the period. Since its announcement, the plan has been refined to incorporate new initiatives and to reflect the current economic environment.

Amongst the most significant elements of the strategy are the following:

- A reduction in the Group’s carbon emissions of 50% by 2020 with a net zero position by 2035.
- Delivery of a world-class sustainable electricity distribution and transmission network in Ireland, providing significant growth opportunities for the Group, including network enhancement for renewables, smart meters/networks and electric vehicles.
- Creation of a renewables business of scale that accounts for 33% of the Group’s electricity generation by 2020, including wind and possibly ocean power.
- Development of a best practice generation portfolio, including a unified trading business and a long term market share of approximately 40% within the All-Island power generation market.
- Building a customer-focused supply business, including enhanced customer service, competitive pricing, new product offerings (e.g. dual fuel) and an energy services business.
- Building a significant international presence, allowing the Group to expand as a vertically integrated utility across the Irish and United Kingdom markets, including the development of a generating/trading presence in the United Kingdom.

Organisational Structure

The group is organised into the following four core operating divisions:

- **ESB Networks**, which consists of the ownership of the electricity distribution and transmission assets in Ireland and the operation, through ESB Networks Limited, of the electricity distribution system;
- **Northern Ireland Electricity**, which owns the electricity transmission networks, and operates and owns the distribution networks, in Northern Ireland;
- **ESB Energy International**, which consists of the Group's generation assets and related trading functions as well as its international activities; and
- **Services and ESB Electric Ireland**, which consists primarily of the Group's energy supply businesses and the business service centre for internal Group services.

In addition, a Finance and Commercial Directorate is responsible for group financing, the assessment of investments, overall Group risk management and governance, and central accounting and reporting.

The Group's operational structure is motivated by an intention to implement a Generation, Trading and Supply business model, whilst observing applicable regulatory constraints. Regulatory developments may facilitate further movement towards this model in the future.

The primary activities of these four core operational divisions are described below.

ESB Networks

ESB Networks (**ESBN**) owns the electricity distribution and transmission systems in Ireland. The Commission for Energy Regulation (**CER**) has issued to ESB (i) Distribution Asset Owner (**DAO**) and (ii) Transmission Asset Owner (**TAO**) licences. As a regulated monopoly ESBN is subject to ring-fencing arrangements and its activities are subject to regulation by the CER.

ESBN carries out its functions through an integrated asset management and work delivery organisational model that covers both distribution and transmission. It has a staff of approximately 3,500, who are supplemented by external resources when required. As at 31 December 2010, it had a RAB of approximately EUR6.1 billion.

ESB Networks Limited was established as a separate company to act as independent operator of the electricity distribution system in Ireland with effect from 1 January 2009. It holds a Distribution System Operator (**DSO**) licence from the CER. ESB Networks Limited is a wholly owned subsidiary of ESB and is subject to corporate governance oversight by the Board of ESB, but operates independently of ESB in the exercise of its DSO functions.

ESBN's role as TAO is carried out under an agreement entered into with EirGrid plc (**EirGrid**), a separate Irish State-owned company, which is the operator of the electricity transmission system in Ireland (Transmission System Operator – **TSO**). This agreement has been approved by the CER.

ESB, through ESB Networks, also owns and maintains transmission circuits interconnecting the Northern Ireland and Ireland transmission systems. ESB's role with respect to these existing circuits is restricted to ownership, maintenance and asset replacement. System operation is the responsibility of EirGrid (in conjunction with SONI in Northern Ireland).

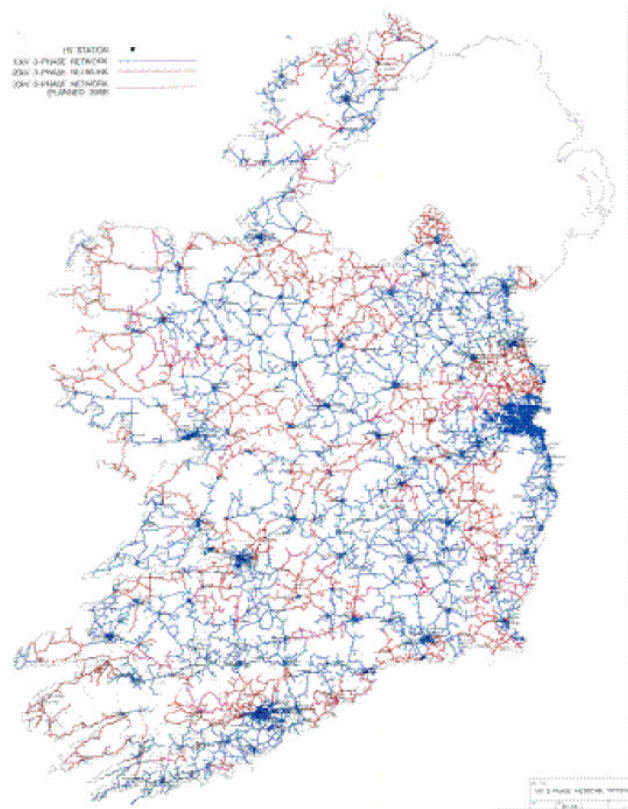
Distribution Business

As the holder of the DAO licence issued by the CER, ESBN is the sole owner of the electricity distribution network in Ireland.

As holder of the DSO licence issued by the CER, ESB Networks Limited is responsible for distribution system development and the construction, operation, and maintenance of over 245,000 transformers and over 160,000km of distribution networks. ESB Networks Limited is also responsible for the installation and maintenance of meters, for reading all end-user meters and for the processing of meter readings.

ESBN in its capacity as DAO and ESB Networks Limited in its capacity as DSO earn their respective revenues principally through charges for connection to and use of the distribution system, in each case as regulated by the CER.

Ireland Distribution Network Diagram



Source: ESBN

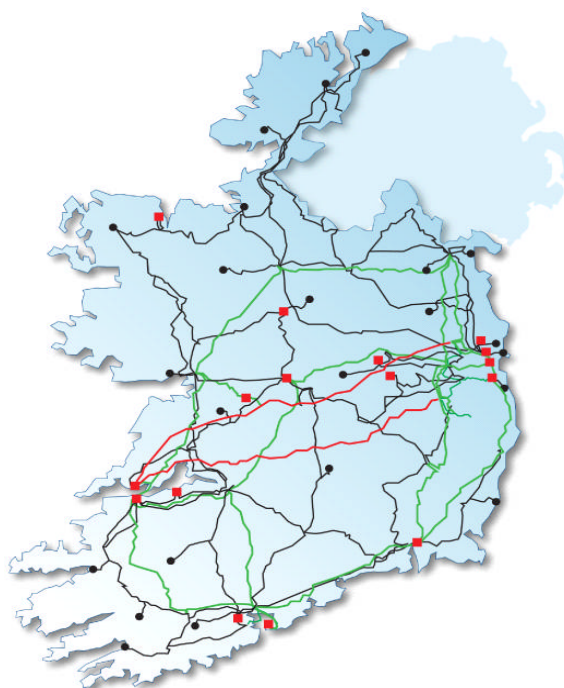
Transmission Business

As the holder of the TAO licence issued by the CER, ESBN is the sole owner of the electricity transmission network in Ireland and is responsible for the construction and maintenance of the transmission system, subject to the terms of an agreement with the TSO, which has been approved by the CER.

The transmission network comprises 30 large transmission stations and over 6,600km of lines at three voltage levels: 400 kV, 220 kV and 110 kV.

The TAO earns its revenue principally through charges for connection to and use of the transmission system, as regulated by the CER.

Ireland Transmission Network Diagram



Source: EirGrid

ESB Networks Regulated Returns

The returns ESBN makes, in its respective capacities as TAO and DAO, are regulated by the CER. The CER sets the total revenues allowed to the TAO and DAO from the transmission system assets and distribution system assets, respectively, for consecutive five year periods (each a **Regulatory Price Control Period**). The current Regulatory Price Control Period, the third such period since inception of this legal regime in Ireland and termed Price Review 3 (**PR3**), covers the years 2011 to 2015 (inclusive). Each year the allowed revenue is refined in an annual review that updates a range of assumptions. This determines the allowed revenue in the relevant year which is then used to calculate tariffs and charges to users of the transmission and distribution systems.

As at 31 December 2010, the value of the RAB in respect of the transmission assets was approximately EUR1.2 billion and the value of the RAB in respect of the distribution assets was approximately EUR4.9 billion. The RAB value is adjusted annually for inflation or deflation. The CER has determined that the annual allowed return on the RAB (as so adjusted) for PR3 is 5.95%, which applies to both transmission and distribution assets. In light of the volatility in debt capital markets at the time of setting the allowed rate of return, the CER has committed to undertaking a mid-term review of this rate (i.e. in June 2013).

ESB Networks made an operating profit of EUR338 million in the financial year ended 31 December 2010.

Northern Ireland Electricity

On 21 December 2010, ESB acquired Northern Ireland Electricity Limited (**NIE**), the regulated Northern Ireland electricity networks business, from the Arcapita Bank-owned Viridian Group Ltd. for approximately GBP1.3 billion. NIE is the sole owner and operator of the distribution network in Northern Ireland and the sole owner of the electricity transmission network in Northern Ireland (SONI Limited operates the Northern Ireland transmission system). NIE operates as a ring-fenced business within the Group. As at 31 December 2010, NIE accounted for 18% of the Group's overall assets.

NIE Regulated Returns

Under the terms of the licence granted to it by NIAUR, NIE is subject to a price control mechanism which limits the revenue it may earn and the prices it may charge.

If the amount of revenue recovered by NIE in any one year exceeds or falls short of the amount allowed by the applicable price control formula, a correction factor operates in the following year to give back any surplus with interest, or to recover any deficit with interest, as appropriate.

The transmission and distribution price control was reset with effect from 1 April 2007. This is the fourth five year regulatory period since privatisation of NIE and it is referred to as Regulatory Period 4 (RP4). The next price control period (RP5) will commence on 1 October 2012.

NIAUR issued an RP5 strategy paper in July 2010 and a strategy update paper in May 2011. NIAUR is expected to publish initial proposals for RP5 in December 2011 with a four month consultation period. Final proposals are expected to be published in August 2012.

As at 31 December 2010, NIE had a RAB value of GBP1.1 billion. For the year ended 31 March 2011, NIE made pro-forma profits (operating profit adjusted for K factor under or over recovery) of GBP98 million, revenue for the same period totalled GBP258 million and EBITDA GBP138 million. As the acquisition of NIE was completed by ESB on 21 December 2010, NIE's profits had an immaterial impact on the Group's profits for the financial year ended 31 December 2010.

ESB Energy International

ESB has recently combined its three generation-related businesses together (ESB Power Generation (ESBPG), ESB International and ESB Renewables) into one single business unit, named ESB Energy International (ESBEI). This division now comprises ESB's generation and engineering services businesses.

The generation business invests in, manages and operates ESB's power generation portfolio. ESBEI currently has 5.6 GW of generation spread over a diverse range of fuels and technologies. 4.44GW of this portfolio is in the Single Electricity Market (SEM) (for further details in relation to the SEM see the section of this Offering Circular entitled "Overview of the Electricity Markets in Ireland and Northern Ireland").

ESBEI also has (through its own assets and joint venture interests) a portfolio of 1.2 GW of generation capacity in Great Britain and a 755 MW CCGT plant in Amorebieta, Bilbao, Spain, which was Spain's first independent power plant.

ESB International Engineering Solutions, ESBEI's engineering services arm, provides engineering, consulting and asset management services to ESB Group and other customers, both in Ireland and internationally.

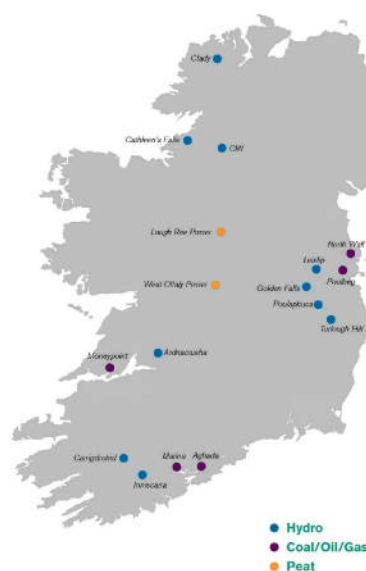
Generation - SEM

ESB is the SEM's largest generator with an approximate 43% SEM market share by capacity and 47% by volume in 2010. It targets a SEM market share of approximately 40% (on a volume basis) to facilitate full liberalisation of the industry.

Details of ESB's generation plants in operation as at 31 December 2010 are shown in the table below:

ESBEI's Generation Capacity Breakdown – SEM

At 31 December 2010	MW
<i>Regulated Portfolio</i>	
Aghada (1998)	528
Aghada (2010)	432
Lough Ree Power	91
Marina	85
Moneypoint	855
North Wall	272
Poolbeg	463
West Offaly Power	135
Ardnacrusha Hydro	86
Erne Hydro Plants (Clady/Cathleen's Falls/Cliff)	65
Lee Hydro Plants (Carrigdrohid / Inniscarra)	27
Liffey Hydro Plants (Lexlip/Golden Falls/Poulaphuca)	38
Turlough Hill	292
Total Regulated Portfolio	3,369
<i>Unregulated Portfolio</i>	
Synergen	400
Coolkeeragh	458
Wind Portfolio	214
Total Unregulated Portfolio	1,072
	80



Total SEM Portfolio

4,441

Source: ESB

Since 2007 ESBEI's generation plant has operated in the SEM.

Output from power generation assets is sold into the market at the prevailing market price. The CER continues to direct the sale of a portion of the regulated portfolio's output to mitigate market power (see below). However, the volume of these contracts has reduced from c. 3,000GWh to below 2,000 GWh in recent years and the price applied to these sales is not considered penal.

Most of the output from the unregulated portfolio's assets is sold to end-users through ESB Electric Ireland, ESB's unregulated electricity supply division (see below), with the remainder being sold into the SEM pool.

International Activities

The table below outlines details of the international portfolio of assets as at 31 December 2010:

ESB Independent Generation Assets Operating Outside SEM				
Location	Type / Capacity	Operational Since	JV Partner	ESBI Ownership
Corby, England	Gas-Fired, 350 MW	1992	-	100%
Amorebieta, Spain	Gas-Fired, 755 MW	2005	Osaka Gas	50%
Marchwood, England	Gas-Fired, 840 MW	2009	SSE	50%
Wind Assets	Wind, 24 MW	2009	--	100%

The Amorebieta and Marchwood plants are fully contracted under long -term tolling agreements to Shell Espana and SSE respectively.

In May 2011 ESBEI purchased the remaining 50% of Corby Power Limited previously owned by EON UK and is now trading this plant in the UK market.

Trading

Regulated Activities

As part of the regulatory regime, and in order to mitigate ESB's market power, the CER mandates ESBEI to sell directed volumes of contracts for differences at directed prices (**Directed CfDs**) annually to other participants in the SEM (amounting to c. 2 TWh in the 2010/2011 trading year).

In separate auctions, ESBEI offers further contracts for differences at non-directed prices in the form of **Non-Directed CfDs**. In the first three years of operation of the SEM, the total volume of contracts for differences (**CfDs** - Directed and Non-Directed) entered into by ESBEI has had the effect of auctioning approximately 80% of the regulated portfolio's output on an annual basis, with the balance sold at the SEM pool price. See further the section of this Offering Circular entitled "*Overview of the Electricity Markets in Ireland and Northern Ireland*" for a description of the SEM.

When ESBEI enters fixed price hedges in the power market, it fixes a high proportion of its fuel costs at the same time in order to lock in gross margin. It achieves this via a combination of commodity price CfDs, existing long term gas contracts and forward fixed price commodity purchases.

Unregulated Activities

ESBEI manages power and fuel risk on behalf of the Group's unregulated generation stations and the Group's unregulated supply company, ESB Independent Energy. ESBIG buys fuel and carbon allowances and sells power into the SEM. In addition, ESBEI manages bilateral agreements between, respectively, the Synergen and Coolkeeragh power plants (owned by the Group) and ESB Independent Energy, which have the effect of hedging fuel and power price risk in connection with those power plants.

Development Activities

As part of its commitment to delivering a low-carbon balanced generation portfolio, ESBEI has been investing significantly in renewable technologies for a number of years. In 2010 90MW of new operating wind capacity was added to ESBEI's generation portfolio, with the commissioning of Garvagh Glebe (26MW), Tullynahaw

(22MW), Crockagarron (15MW) and Hunters Hill (20MW), and the acquisition of the 7MW Mount Eagle windfarm. ESBEI now has an operational wind portfolio of 237MW.

A further 96MW of capacity was under construction as at 31 December 2010. ESBEI also acquired the rights to the Betws development project in Carmarthenshire, South Wales (44MW) and continues to progress a number of early-stage projects.

International Activities

ESBEI's international activities consist of a number of businesses, including the development and construction of thermal power plants and wind farms on behalf of internal and external clients, and the provision of engineering and facility management services and strategic consultancy services, both in Ireland and internationally.

ESBEI has been actively developing investment projects in the international power sector since the early 1990s. Its first large scale development was Corby Power Limited, the first Independent Power Plant project in the UK. Other notable developments include a 455 MW CCGT facility in Coolkeeragh, Derry, Northern Ireland, and development of a 755 MW CCGT plant in Amorebieta, Bilbao, Spain, which was Spain's first independent power plant. In 2005 ESB sold 50% of Bizkaia Energia to Japanese energy company Osaka Gas.

ESBEI's most recently completed project (a joint venture project with Scottish and Southern Energy plc) was the construction of an 840 MW CCGT facility in Marchwood, Southampton, United Kingdom, which reached commercial operation on 10 December 2009.

As noted above, in May 2011 ESBEI purchased the remaining 50% of Corby Power Limited previously owned by EON UK and is now trading this plant in the UK market.

ESBEI is progressing the development of an 860 MW power plant at Carrington in the United Kingdom, which is currently planned to commence operation in 2014.

ESBEI also reached agreement in 2010 to enter into a joint venture arrangement with Energa, a Polish state utility, to develop an 860MW CCGT plant in Poland. The project is in the early stages of development.

ESBEI Carbon Solutions made its first equity investment in 2010 on successful conclusion of negotiations to develop an 11.5MW hydro project in Malaysia. ESBEI will be entitled to a proportion of the Certified Emission Reductions (CERs) that are generated by the project once operational.

ESBI Engineering Solutions offers a full range of engineering consultancy and operations and maintenance services to ESB Group and to utility customers around the world. ESBI Engineering Solutions currently operates and maintains over 5,700 MW of power generation plant worldwide. Approximately 80% of ESBI Engineering Solutions' revenues are generated from Group companies, with the remainder sourced from external clients.

ESB Electric Ireland

In 2010, ESB rebranded its two previously separate energy supply businesses, the regulated ESB Customer Supply (**ESBCS**) and the unregulated ESB Independent Energy (**ESBIe**), as ESB Electric Ireland. The rebranding was a regulatory requirement to facilitate the deregulation of ESBCS and the uniting of the two businesses into a single supply entity. Ring-fencing restrictions between ESBIe and ESBCS were lifted by the CER following full business market deregulation on 1 October 2010. From April 2011, ESB Electric Ireland is free to offer competitive, unregulated tariffs to all electricity and gas users in Ireland and all business users in Ireland and Northern Ireland.

As at 31 December 2010, ESB Electric Ireland provided an electricity supply service to approximately 1.4 million customers in Ireland's retail market and at the end of 2010 had an All-Island market share of approximately 42%.

The combined ESB Electric Ireland business incurred an operating loss of EUR43 million in 2010, a reduction of EUR15 million on the 2009 loss. These losses in the last two years were largely caused by the significant reduction in market share from early 2009.

ESB Electric Ireland currently operates on a standalone basis from other businesses within the Group. It purchases electricity from the SEM in order to supply the electricity needs of its customers. ESB Electric Ireland hedges a significant part of its purchasing requirements through contracts for differences (**CfDs**). ESB is working towards an integrated generation, trading and supply (GTS) model.

As the Public Electricity Supplier (**PES**), ESB Electric Ireland is required to offer a supply of electricity to all customers in the Irish market with a demand level of less than 30kVA. The CER has recently consulted on the role of ESB Electric Ireland as Supplier of Last Resort (**SoLR**) and has decided a new approach in relation to the role which is currently carried out by the PES. The CER has decided that the role of the SoLR should be offered to the market in a competitive process and that the costs of a SoLR event should be socialized. It is intended that all supply licenses will contain an obligation to serve as the SoLR, where directed by the CER.

ESB Electric Ireland's total annual electricity demand in 2010 was approximately 14.0TWh for both residential and business markets. To facilitate end user price stability ESB Electric Ireland has a strategy of hedging, on a fixed price basis, a high proportion of demand, excluding Large Energy Users, through power CfDs.

Gas Market Entry

ESB Electric Ireland entered the retail mass market for gas supply in April 2011.

There are approximately 620,000 residential gas customers in Ireland. A significant proportion of these have switched electricity supplier already. They are, therefore, a critical customer grouping. The margins to be earned from the gas retail market are relatively low. However, entry into the retail gas market will protect electricity margins by retaining and winning back customers. A dual fuel offering is considered essential to enhance product offerings and win back and retain electricity market position.

ESB Electric Ireland is targeting a 20% market share over 5 years with approximately 70% of these being dual fuel.

Other Business Activities

The Group's other activities include Novus Modus Limited, an investment fund established by the Group to provide capital, support and knowledge to companies, projects and management teams in the clean energy and energy efficiency sectors, and ESB 1927 Properties Limited, a subsidiary whose business is to manage and develop Group real property assets, such as the ESB Head Office complex in Dublin. The Group has also commenced a project aimed at the installation and operation of electric vehicle charging infrastructure in Ireland to meet the Irish Government's stated target of widespread electric vehicle penetration by 2020.

Board of ESB

The Board of ESB currently comprises a non-executive Chairman, the Chief Executive and 10 other members. Seven members of the Board of ESB have been appointed by the Government of Ireland for terms of up to five years and the Chief Executive has been appointed a Board Member for a period not exceeding his term as Chief Executive. Four employees of ESB have been appointed to the Board by the Minister for Communications, Energy and Natural Resources of Ireland for a four year term under the Worker Participation (State Enterprises) Act 1977.

The current Board members and their principal outside activities are:

Name	Title	Principal Activities outside ESB
Lochlann Quinn	Non-Executive Chairman	Member of the Board of Smurfit Graduate School at University College Dublin, Chairman, Merrion Hotel, Dublin.
Padraig McManus	Chief Executive (Due to retire)	Member of the Board of the Irish Management Institute, Trustee of the Conference Board of the United States.
Brendan Byrne	Non-Executive Member of the Board	Managing Partner of ClearVision Consulting, providing consulting services to the global aviation industry. Finance Director of Worldwide Flight Services (Ireland) Limited. Director of AWG Holdings Ltd, an investment holding company in the water industry. Executive Chairman of Air Cargo Software Ltd.
Seán Conlan	Non-Executive Member of the Board	Lecturer at the Sligo Institute of Technology.
Ellvena Graham	Non-Executive Member of the Board	Executive Director of Business Services in Ulster Bank, Member of the Advisory Board of Womens' Executive Network in Ireland.
Garry Keegan	Non-Executive Member of the Board	Director of Acumen Limited, Member of Expert Group of Future Skills Needs appointed by the Minister of Enterprise, Trade and Employment of Ireland.
Noreen Wright	Non-Executive Member of the Board	Member of the Industrial and Fair Employment Tribunals, lay magistrate, member of the Northern Ireland Valuation Tribunal, director of Springvale Training, director of Cooperation Ireland and trustee of Garfield Weston Trust, University of Ulster.
Seamus Mallon	Non-Executive Member of the Board	Retired public representative in Ireland and Northern Ireland.
John Coleman	Worker Member of the Board	ESB employee.
Tony Merriman	Worker Member of the Board	ESB employee.
Sean Kelly	Worker Member of the Board	ESB employee.
Dave Byrne	Worker Member of the Board	ESB employee.

The business address of each member of the Board is 27 Lower Fitzwilliam Street, Dublin 2, Ireland.

Members of the Board of ESB may from time to time hold directorships of, or may otherwise be involved with or have interests in, third parties who may, or whose affiliates may, from time to time, in the ordinary course of business, enter into arm's length commercial arrangements with ESB or another Group company. Disclosure is provided to ESB as required under applicable corporate governance rules and procedures of any such interests. Save as disclosed above, there are no potential conflicts of interest between the duties of the members of the Board of ESB in such capacity and their private or other professional interests.

Senior Management of ESB

The executive management team at ESB is comprised of:

Name	Title	Biography
Padraig McManus	Chief Executive	<p>Padraig McManus was appointed Chief Executive and member of the Board in July 2002 for a seven year period, which was extended for a further three years until 2012. He is a Board member of the Irish Management Institute and a Trustee of the Conference Board of the United States.</p> <p>Mr McManus has announced his decision to retire this year. Mr Pat O'Doherty (see below biography) has been appointed as Chief Executive Designate and it is expected that this appointment will take effect before the end of 2011.</p>
John Shine	Deputy Chief Executive	<p>John Shine was appointed Deputy Chief Executive in November 2009. He joined ESB in 1978 and held a number of senior positions in the Networks, Marketing and Business Development areas of ESB. He spent some years outside ESB developing a successful international services business before rejoining in 2002.</p>
Pat O'Doherty	Executive Director, ESB Energy International Chief Executive Designate	<p>Pat O'Doherty was appointed Executive Director, ESB Energy International in February 2010. Prior to this appointment he held the position of Managing Director, ESB Networks Limited and prior to this the position of Executive Director, Power Generation. He joined ESB in 1981 and has worked in various customer service, project management and general management roles. Pat O'Doherty has been appointed as Chief Executive Designate and will take over this role on the retirement of Padraig McManus before the end of 2011. There will be a process to recruit a replacement for Pat O'Doherty as Executive Director, ESB Energy International.</p>
John Redmond	Company Secretary	<p>John Redmond was appointed Company Secretary in 2002. He was previously Company Secretary and Senior Vice President Corporate Affairs of GPA Group plc. and worked in the Department of Foreign Affairs.</p>
Donal Flynn	Group Finance Director	<p>Donal Flynn was appointed Group Finance Director in August 2010. Prior to joining ESB he worked in Airtricity for seven years and was its Chief Financial Officer from February 2008. He worked in a number of finance roles with General Electric from 1998 to 2003. He qualified as a chartered accountant with Arthur Andersen.</p>

John Campion	Executive Director, Human Resources & Sustainability	John Campion was appointed Executive Director, Sustainability in March 2008. He joined ESB in 1978 and prior to his most recent appointment held the role of Executive Director, Human Resources and Corporate Affairs since 2002. In March 2001, he was appointed Executive Director, Human Resources.
Brid Horan	Executive Director, ESB Electric Ireland	Brid Horan was appointed Executive Director, Services and ESB Electric Ireland in 2010, having previously held the position of Executive Director ESB, Energy Solutions since November 2009 and Executive Director, ESB Customer Supply and Group Services since December 2006. She was a Commissioner of the National Pensions Reserve Fund from its establishment in 2001 to 2009 and was a Board member of IDA Ireland from 1996 to 2006. Before joining ESB she headed KPMG Pension & Actuarial Consulting.
Jerry O'Sullivan	Managing Director, ESB Networks	Jerry O'Sullivan was appointed Managing Director, ESB Networks in 2010. He joined ESB in 1981 and held a number of positions in Power Station Construction, Marketing, Customer Service, Distribution and Transmission. He was appointed Head of Network Services in 2002 and Head of Sustainability and Network systems in 2008.

Auditors

The auditors to ESB are KPMG Chartered Accountants and Registered Auditors whose office is at 1 Stokes Place, St Stephen's Green, Dublin 2, Ireland.

TAXATION

Irish Taxation

The following summary of the anticipated tax treatment in Ireland in relation to the payments on Notes is based on Irish tax law and the practices of the Revenue Commissioners of Ireland (the Irish tax authorities) as in force at the date of this Offering Circular. It does not constitute tax or legal advice and it does not purport to be, and is not, a complete description of all of the tax considerations that may be relevant to a decision to subscribe for, buy, hold, sell, redeem or dispose of Notes. The summary relates only to the position of persons who are the absolute beneficial owners of Notes and the interest payable on them (**Noteholders**). Prospective investors should consult their own professional advisers on the implications of subscribing for, buying, holding, selling, redeeming or disposing of Notes and the receipt of interest on Notes under the laws of the jurisdictions in which they may be liable to tax.

1. Withholding Taxes

Unless otherwise exempt, withholding tax at the standard rate of income tax (currently 20 per cent.) must be deducted from payments of yearly interest that are within the charge to Irish tax, which would include payments of interest on Notes. Yearly interest is interest that is capable of arising for a period of one year.

1.1 Discount

No withholding for or on account of income tax will be required to be made from payments of discount on Notes, as such amounts do not represent yearly interest.

1.2 Notes having a maturity of less than one year

No withholding for or on account of income tax will be required to be made from payments of interest on Notes having a maturity of less than one year, as such amounts do not represent yearly interest.

1.3 Notes issued by ESB

A confirmation has been received from the Department of Finance that, in accordance with the provisions of Section 36 of the Taxes Consolidation Act 1997 of Ireland, as amended, (the **Taxes Act**), the Minister of Finance directs that interest paid on Notes issued by ESB may be paid without a deduction on account of tax.

1.4 Quoted Eurobond exemption

Section 64 of the Taxes Act provides for the payment of interest in respect of Quoted Eurobonds without deduction of tax in certain circumstances. A **Quoted Eurobond** is defined in section 64 of the Taxes Act as a security which:

- (a) is issued by a company;
- (b) is quoted on a recognised stock exchange (the Irish Stock Exchange is a recognised stock exchange for this purpose); and
- (c) carries a right to interest.

There is no obligation to withhold tax from payments of interest on Quoted Eurobonds (**Exempted Quoted Eurobonds**) where:

- (a) the person by or through whom the payment is made is not in Ireland; or
- (b) the payment is made by or through a person in Ireland; and
 - (i) the Quoted Eurobond is held in a recognised clearing system (Euroclear and Clearstream, Luxembourg are recognised clearing systems for this purpose); or
 - (ii) the person who is the beneficial owner of the Quoted Eurobond and who is beneficially entitled to the interest is not resident in Ireland and has made an appropriate declaration to this effect.

1.5 Wholesale Debt Instrument exemption

Section 246A of the Taxes Act provides for the payment of interest on certain Wholesale Debt Instruments without deduction of tax in certain circumstances. Notes are **Wholesale Debt Instruments** for this purpose if they:

- (a) recognise an obligation to pay a stated amount;
- (b) carry a right to interest or are issued at a discount or at a premium;
- (c) mature within two years; and
- (d) are issued with a minimum denomination of €500,000 if denominated in euro, US\$500,000 if denominated in US dollars or, in the case of Notes which are denominated in a currency other than euro or US dollars, the equivalent in that other currency of €500,000 (such amount to be determined by reference to the relevant rate of exchange at the date of the first publication of this program).

There is no obligation to withhold tax from payments of interest on Wholesale Debt Instruments (**Exempted Wholesale Debt Instruments**) in certain circumstances. These circumstances are where:

- (a) the Wholesale Debt Instrument is held in a recognised clearing system (Euroclear and Clearstream, Luxembourg are recognised clearing systems for this purpose); or
- (b) the person by whom the payment is made or the person through whom the payment is made is resident in Ireland or the payment is made by or through a branch or agency through which a company not resident in Ireland carries on a trade or business in Ireland; and

either:

- (i) the person who is beneficially entitled to the interest is a resident of Ireland who has provided their tax reference number to the payer; or
- (ii) the person who is the beneficial owner of the Wholesale Debt Instrument and who is beneficially entitled to the interest is not resident in Ireland and has made a declaration in the prescribed form.

1.6 Section 246 of the Taxes Act (**Section 246**)

Section 246 provides certain exemptions from this general obligation to withhold tax including an exemption in respect of interest payments made by a company in the ordinary course of business carried on by it to a company resident for the purposes of tax in a relevant territory except where the interest is paid to the company in connection with a trade or business carried on in Ireland by that company through a branch or agency, provided that the relevant territory imposes a tax that generally applies to interest receivable in that relevant territory by companies from sources outside that relevant territory; or the interest payable is exempted from the charge to income tax under a double taxation agreement between Ireland and the country in which the recipient of the interest is resident for tax purposes or would be exempted from the charge to income tax under a double taxation agreement signed between Ireland and the country in which the recipient of the interest is resident for tax purposes if such double taxation agreement had the force of law. In addition, section 246 includes an exemption in respect of interest payments made by a qualifying company within the meaning of section 110 of the Taxes Act (it is intended that ESB Finance Limited will be such a qualifying company) to a person who is resident for the purposes of tax in a relevant territory, except, in a case where the person is a company, where the interest is paid to the company in connection with a trade or business carried on in Ireland through a branch or agency. A relevant territory for this purpose is an E.U. Member State, other than Ireland, or not being such a Member State, a territory with which Ireland has signed into a double tax agreement. As of the date of this Offering Circular, Ireland has signed a double tax agreement with each of Albania, Australia, Austria, Bahrain, Belarus, Belgium, Bosnia & Herzegovina, Bulgaria, Canada, China, Chile, Croatia, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Georgia, Greece, Hong Kong, Hungary, Iceland, Israel, India, Italy, Japan, Korea (Rep. of), Kuwait, Latvia, Lithuania, Luxembourg, Macedonia, Malaysia, Malta, Mexico, Moldova, Montenegro, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United Arab Emirates, United Kingdom, United States of America, Vietnam and Zambia.

1.7 Double tax agreements

In the event that none of the above exemptions apply a Noteholder may be exempt from income tax pursuant to the terms of an applicable double tax agreement that is in effect provided the required procedures are completed. Although Ireland has signed agreements with Albania, Bosnia & Herzegovina, Hong Kong, Kuwait, Montenegro, Morocco, and the United Arab Emirates, they are not as yet in effect.

2. Liability of Noteholders to income tax

Persons resident in Ireland for the purposes of tax are subject to corporation tax or income tax on their worldwide income, which would include interest payable and discounts realised on Notes.

Persons not resident in Ireland for the purposes of tax are subject to tax on the interest payable and discounts realised on Notes unless they qualify for one of the exemptions listed below.

2.1 Section 198 of the Taxes Act

- (a) A company which is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest paid (in the ordinary course of business of the relevant Issuers) or discounts realised on Notes, if the company is resident in a Member State of the European Union or in a jurisdiction with which Ireland has signed a double tax agreement, and, either:
 - (i) such EU Member State or double taxation treaty territory imposes a tax that applies generally to interest receivable from sources outside that EU Member State or double taxation treaty territory, or
 - (ii) the interest paid would be exempted from the charge to Irish income tax under a double taxation treaty that is in effect, or if not yet in effect, that has been signed between Ireland and the territory in which the company is resident for tax purposes.
- (b) A person (whether or not a company) who is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest received or discounts realised on Notes if the person is resident in a Member State of the European Union or in a jurisdiction with which Ireland has signed a double tax agreement and, in the case of interest only, the interest is paid on:
 - (i) an Exempted Quoted Eurobond; and
 - (ii) an Exempted Wholesale Debt Instrument.
- (c) A person (whether or not a company) who is not resident in Ireland for the purposes of tax will not be chargeable to income tax in respect of interest received or discounts realised on Notes if the person is resident in a Member State of the European Union or in a jurisdiction with which Ireland has signed a double tax agreement and the interest is paid by a qualifying company within the meaning of section 110 of the Taxes Act out of the assets of the qualifying company.

2.2 Double tax agreements

Ireland's double tax agreements, that are in effect, may exempt interest from Irish tax when received by a resident of the other territory provided certain procedural formalities are completed.

Interest and discounts realised on Notes that do not fall within the above exemptions are within the charge to income tax to the extent that a double tax agreement that is in effect does not exempt the interest or discount as the case may be.

However, it is understood that the Revenue Commissioners have, in the past, operated a practice (as a consequence of the absence of a collection mechanism rather than adopted policy) whereby no action will be taken to pursue any liability to such tax in respect of persons who are regarded as not being resident in Ireland for the purposes of tax except where such persons:

- (a) are chargeable in the name of a person (including a trustee) or in the name of an agent or branch in Ireland having the management or control of the interest; or
- (b) seek to claim relief and/or repayment of tax deducted at source in respect of taxed income from Irish sources; or
- (c) are chargeable to corporation tax on the income of an Irish branch or agency or to income tax on the profits of a trade carried on in Ireland to which the interest is attributable.

There can be no assurance that the Revenue Commissioners will apply this practice in the case of the holders of Notes and, as mentioned above, there is a statutory obligation to account for Irish tax on a self-assessment basis and there is no requirement for the Revenue Commissioners to issue or raise an assessment.

3. Encashment tax

Interest on any Note which is an Exempted Quoted Eurobond realised or collected by an agent in Ireland on behalf of a holder will generally be subject to a withholding at the standard rate of income tax (currently 20 per cent.). This is unless the beneficial owner of the Note that is entitled to the interest is not resident in Ireland and makes a declaration in the required form. This is provided that such interest is not for the purposes of tax deemed, under the provisions of tax legislation, to be the income of another person that is resident in Ireland.

4. Stamp Duty

No stamp duty is payable on the issue or the transfer by delivery of Notes.

Section 86 of the Stamp Duties Consolidation Act provides that no stamp duty will be chargeable on any instrument transferring Notes that are issued by ESB.

In the event of written transfer of Notes issued by ESB Finance, no stamp duty is chargeable provided that ESB Finance is a qualifying company within the meaning of section 110 of the Taxes Act, and the money raised by the Notes is used in the course of its business.

Where the above exemptions or another exemption does not apply, the instrument of transfer is liable to stamp duty at the rate of one percent of the consideration paid in respect of the transfer (or if greater, the market value thereof) which must be paid in Euro by the transferee (assuming an arm's length transfer) within 30 days of the date on which the transfer instrument is executed, after which interest and penalties will apply.

5. Capital Gains Tax

Section 607 of the Taxes Act provides that Notes issued by ESB are not chargeable assets for the purposes of Irish tax.

Separately, provided Notes are listed on a stock exchange, a holder will not be subject to tax on capital gains in respect of those Notes unless that holder is either resident or ordinarily resident for tax purposes in Ireland or that holder has an enterprise or an interest in an enterprise, which carries on business in Ireland through a branch or agency, or a permanent establishment, to which or to whom Notes are attributable.

If Notes issued by ESB Finance are at any time not listed on a stock exchange, then an exemption from tax on capital gains tax in respect of such Notes will continue to apply to the holders who are exempted in the circumstances referred to in the paragraph immediately above, insofar as Notes do not derive their value, or the greater part of their value, from Irish land or certain Irish mineral rights.

6. Capital Acquisitions Tax

If Notes are comprised in a gift or inheritance taken from a person resident or ordinarily resident for tax purposes in Ireland or if the disponent's successor is resident or ordinarily resident for tax purposes in Ireland, or if any of Notes are regarded as property situate in Ireland, the disponent's successor (primarily), or the disponent, may be liable to capital acquisitions tax. The Notes may be regarded as property situate in Ireland.

If Notes are comprised in a gift or inheritance taken from a person resident or ordinarily resident in Ireland for the purposes of tax or if the disponent's successor is resident or ordinarily resident in Ireland for the purposes of tax, the disponent's successor (primarily), or the disponent may be liable to capital acquisitions tax.

For the purposes of capital acquisitions tax, under current legislation a non-Irish domiciled person will not be treated as resident or ordinarily resident in Ireland for the purposes of the applicable legislation except where that person has been resident in Ireland for the purposes of tax for the 5 consecutive years of assessment immediately preceding the year of assessment in which the date of the gift or inheritance falls.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated programme agreement (the **Programme Agreement**) dated 4 November 2011, agreed with ESB and ESB Finance a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “*Form of the Notes*” and “*Terms and Conditions of the Notes*”. In the Programme Agreement, ESB and ESB Finance have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations thereunder.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of its distribution at any time or (b) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells any Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Each issuance of Index Linked Notes or Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the Issuer and the relevant Dealer may agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or the Guarantor (where the relevant Issuer is ESB Finance); and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No.25 of 1948, as amended; the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Ireland

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

- (a) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the provisions of the Irish Companies Acts 1963 to 2009 and the European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) including, without limitation, Regulations 7 and 152 thereof and any codes of conduct used in connection therewith and the provisions of the Investor Compensation Act 1998;
- (b) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the Central Bank Acts 1942 to 1999 (as amended) of Ireland and any codes of conduct made under Section 117(1) thereof;
- (c) it will not offer, sell, underwrite, place or do anything in Ireland in respect of any Notes otherwise than in compliance with the Market Abuse (Directive 2003/6/EC) Regulations 2005 of Ireland and any rules made by the Central Bank pursuant thereto; and
- (d) it will not offer, sell, underwrite, place, or do anything in Ireland in respect of any Notes otherwise than in compliance with the Prospectus (Directive 2003/71/EC) Regulations 2005 of Ireland and any rules issued under Section 51 of the Investment Funds, Companies and Miscellaneous Provisions Act 2005 of Ireland.

General

Each Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuers, the Guarantor, the Trustee and the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with such other restrictions as the Issuer and the relevant Dealer shall agree and as shall be set out in the applicable Final Terms.

GENERAL INFORMATION

Authorisation

The update of the Programme by ESB Finance has been duly authorised by a resolution of the Board of Directors of ESB Finance dated 25 October 2011. The update of the Programme by ESB and the giving of the guarantee in respect of the Notes issued by ESB Finance have been duly authorised by a resolution of the Board of ESB dated 28 September 2011.

Listing of Notes

Application has been made to the Irish Stock Exchange for Notes issued under the Programme to be admitted to the Official List of the Irish Stock Exchange and to trading on its regulated market. The Irish Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Documents Available

From the date of this Offering Circular and for as long as the Programme remains in effect or any Notes issued thereunder remain outstanding, copies of the following documents will, when published, be available for inspection (by physical and/or electronic means) from the registered office of the relevant Issuer and from the specified offices of the Paying Agents for the time being in London:

- (a) the Electricity (Supply) Acts, 1927 to 2004 of Ireland establishing ESB as a body corporate in Ireland;
- (b) the constitutional documents of ESB Finance;
- (c) the consolidated audited financial statements of ESB in respect of the financial years ended 31 December 2010 and 31 December 2009, together with the audit reports prepared in connection therewith. ESB currently prepares audited consolidated accounts on an annual basis;
- (d) the consolidated audited financial statements of ESB Finance in respect of the financial year ended 31 December 2010, together with the audit report prepared in connection therewith. ESB Finance currently prepares audited consolidated accounts on an annual basis;
- (e) the Programme Agreement, the Trust Deed, the Agency Agreement, and the forms of the Global Notes, the Notes in definitive form, the Receipts, the Coupons and the Talons;
- (f) a copy of this Offering Circular;
- (g) any future offering circulars, prospectuses, information memoranda and supplements including Final Terms (save that a Final Terms relating to a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (h) in the case of each issue of Notes admitted to trading on the Irish Stock Exchange's regulated market subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, a copy of this Offering Circular is available on the Central Bank's website at www.centralbank.ie.

Clearing Systems

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Euroclear and Clearstream, Luxembourg will be specified in the applicable Final Terms. If the Notes are to clear through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

Conditions for determining price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

Significant or Material Change

There has been no significant change in the financial or trading position of ESB or ESB Finance since 31 December 2010 and there has been no material adverse change in the prospects of ESB or ESB Finance since 31 December 2010.

Litigation

Neither ESB nor ESB Finance nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which ESB or ESB Finance are aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of ESB, ESB Finance or the Group.

Auditors

The auditors of ESB are KPMG, Chartered Accountants and members of the Institute of Chartered Accountants in Ireland, who have audited ESB's accounts, without qualification, in accordance with generally accepted auditing practice in Ireland for each of the two financial years ended on 31 December 2010 and 31 December 2009. The auditors of ESB have no material interest in ESB.

The auditors of ESB Finance are KPMG, Chartered Accountants and members of the Institute of Chartered Accountants in Ireland, who have audited ESB Finance's accounts, without qualification, in accordance with generally accepted auditing practice in Ireland for the financial year ended on 31 December 2010. The auditors of ESB Finance have no material interest in ESB Finance.

Post-issuance information

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

Dealers transacting with ESB and ESB Finance

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to ESB and ESB Finance and their affiliates in the ordinary course of business.

Websites

No website referred to in this Offering Circular forms part of this document for the purposes of the listing of any Notes on the Irish Stock Exchange.

ISSUERS

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Dublin 2
Ireland

GUARANTOR

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United Kingdom

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