

**Electricity Supply Board
Annual General Meeting – 12 July 2012**

Statement on behalf of ESB ESOP Trustee Limited

Chairman, thank you for this opportunity to address the meeting. This is one of the very few opportunities that arise where the ESOP Trustee can meet with its fellow stockholders in the presence of management and the other stakeholders in the ESOP.

In reviewing the year, I must mention the retirement of Pdraig McManus as CEO and acknowledge his contribution and influence throughout ESB that will be felt for many years. We wish to congratulate Pat O'Doherty on his appointment, which if the first 100 days or so is anything to go by, is looking very positive for the company and also to congratulate Paddy Hayes and Pat Naughton on their recent appointments. The ESOP would also like to acknowledge the significant contribution by John Campion and others who retire this year, to welcome Noreen Wright to the Board and to thank Eoin Fahy and Gary Keegan for their contributions.

The year in question has been one of consolidation and we welcome this. NIE seems to be bedding in well, although we were surprised at the increased cost of borrowings that have followed its acquisition. Agreement on cost-cutting has been reached, substantial debt was raised, operating profits are up, the leakage of domestic customers has been staunch and the ESB Group remains intact. All of these are positive milestones for which the Board, management and staff deserve congratulation.

At an operational level for the ESOP as a functioning minority stockholder, we welcome the level of on-going stockholder engagement with the Department of Communications, Energy and Natural Resources and the establishment of NewERA whose views on the company we can understand – even if we don't always agree with them!

Whilst welcoming the Minister's recent statement that ESB is to be retained as a VIU, we are frustrated by the frequent changes in the Government's position regarding the future of the Company. It must be incredibly difficult for the Board and management to plan strategically for the future of ESB given such uncertainty.

To be clear on this issue, the ESOP is against any asset sale, or indeed any steps that weaken or reduce the size and scale of the business or its ability to thrive:

- The all-islands market is coming. Recent meetings between the Minister for CENR and his British counterpart demonstrate this. The FUI (France, UK and Ireland) market will not be far behind. ESB as it stands today will be a relative minnow in those markets but it will be the only player with its roots and its heart in Ireland. There are enough examples of how our Irish market is seen as peripheral by the big international players in various sectors and treated as an afterthought unless it suits them to do otherwise. The experiences in telecoms and, most recently, in banking tell a story.
- ESOP and its beneficiaries are long-term investors in a strong VIU. The track record of ESB has always been to take a long-term investment strategy and to eschew short-term considerations. This is the only sensible policy in an industry with such long-lived assets and lead-in times. That long-term strategy has been to invest in key generation and infrastructure assets and it seems completely wrong to flog any of these off in a weak market for a short-term sticking plaster solution to meet short-term Government funding needs.

- ESB in its current form is a major source of income for the State, distributing over €1 billion in dividends in the last decade. While we welcome the assurances given by the Minister for Public Expenditure and Reform, if the wrong decisions are made this will change.
- ESB must retain the scale to compete in the expanding regional market.
- The sale proceeds of a small part of the Group, especially in the present market conditions, would, after transaction costs, have a very limited impact on the public finances and not represent value for money for Ireland Inc and its taxpayers.
- A disposal would potentially restrict borrowing capacity or, at least, increase ESB's cost of capital.

In other words, this proposition makes no sense at all!

On the 85th anniversary of the Ardnacrusha project it is timely to reflect what the founding fathers of this State would think of it. We find it ironic in the extreme that a Government lead by the party that had the vision, foresight and sheer nerve to commit a huge percentage of the National Budget to the construction of Ardnacrusha should be leading the charge to dismember the great corporation that it spawned. The conjunction of the present economic circumstances and the introduction of the FUI market do present challenges but they are much smaller than those that faced the fledgling State. However, the opportunities presented by the FUI market for Ireland are very considerable and should be grasped. Those challenges and opportunities do, however, require the same skills at managing risk and the same need for foresight, clear heads and steadiness as those so amply demonstrated in the late 1920's.

ESOP Activity:

So far as the ESOP is concerned, you will notice a change in how we approach voting at this meeting. This is because in April we finally received the long-awaited Revenue clearance to enable us to begin appropriating or passing ownership of the capital stock out to our participants. 93% of our 10,000 participants applied to take part in the appropriation process and on 1st June 2012, a total of 46,988,695 units of capital stock - or almost 2.5% of the capital of ESB - was duly appropriated.

Therefore I am attending this AGM in the capacity of proxy for both the ESOT and the stock now held directly on behalf of each individual participant in the ESB Approved Profit Sharing Scheme. This will be reflected in the votes I will shortly be casting on the resolutions to be put to this meeting.

Having appropriated stock, the way is now open for the holding of the first internal market in ESB stock. We intend to hold the first market later this year. The Trustee will shortly embark on a communication and education programme for participants on the operation of the internal market and how to take part in it.

Finally Chairman, thank you, the Board and the Company Secretary for your work, for your accessibility and for your support for the ESOP.

David Beattie
 ESOP Chairman
 12 July 2012