



Appropriation

Frequently Asked Questions

Q. What is the ESOP

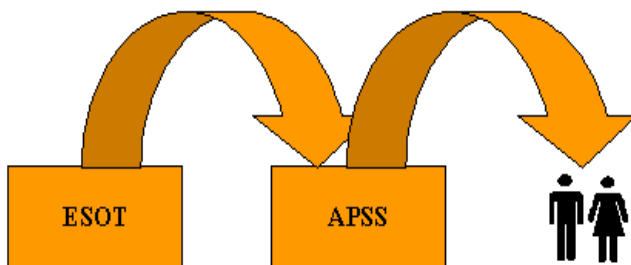
A. The ESOP – Employee Share Ownership Plan - is a tax efficient mechanism designed to allow employees of a company to acquire shares in that company.

The ESB ESOP is made up of two Revenue Commissioner approved Trusts:

- ESOT – Employee Share Ownership Trust
- APSS – Approved Profit Sharing Scheme

Q. What is appropriation?

A. Appropriation is the term for the formal transfer, or passing out, of shares to individual Participants. Appropriation is achieved by transferring shares from the Employee Share Ownership Trust (the ESOT) to the Approved Profit Sharing Scheme (the APSS) and then appropriating them to individual participants.



Although shares may remain registered in the name of the APSS Trustee within the APSS after Appropriation, the beneficial ownership and entitlement has transferred to the individual Participant.

Q. What does appropriation mean to me?

A. When shares are appropriated to you, you become the beneficial owner of those shares. This means you will be entitled to receive any dividends that may be paid on those shares and you will be able to offer those shares for sale provided they have been held for an aggregate of 3 years between the ESOT and the APSS.

Q. What is the APSS?

A. Approved Profit Sharing Scheme – a trust established under tax legislation which will receive the shares from the ESOT and will appropriate and release the shares to individual Participants in the most tax efficient way.

Q. When is appropriation going to happen?

A. The Appropriation Date has been set as 1 June 2012. You will be notified of the number of shares available to be appropriated to you and asked to sign and return the accompanying Letter of Request to confirm you wish to have those shares appropriated to you. Your Letter of Request must be returned by 29 May 2012.

Q. What do I have to do?

A. Appropriation is not automatic. You must sign and date the Letter of Request that will be issued to you and return it by 29 May 2012.

Q. What happens if I do not return the form (Letter of Request)?

A. If you do not sign, date and return the Letter of Request, the available shares will not be appropriated to you. This will mean the following:

Your shares will continue to be held in the ESOT.

You will not be the beneficial owner of those shares – this means you will have no automatic entitlement to receive any dividends that may be paid on those shares and you will not be able to offer those shares for sale.

However, the initial market value of the shares and base cost for capital gains tax purposes will have been set.

Q. What is the closing date for return of Letters of Request?

A. Letters of Request must be returned by 29 May 2012.

Q. Will all my shares be appropriated?

A. Up to 50% of your shares will be appropriated now and the remainder will be appropriated as soon as practically possible and no later than December 2016.

Q. Is there a limit to the value of shares that can be appropriated?

A. Under the Taxes Act there is a limit to the value of Shares that can be appropriated tax free to an individual in any tax year. This is currently €12,700.

Q. Do I have to pay tax on my appropriated shares?

A. No, assuming you are Irish resident for tax purposes.

Q. Is the appropriation value the same as the price I will receive when I sell my shares?

A. No. The price you receive when you sell your shares will be determined by the internal market at the time you sell. The appropriation value does, however, become the locked-in base cost for capital gains tax (CGT) purposes, with potential CGT based on any difference between the appropriation value and the sale price.

Q. When will I be able to sell my shares?

A. You may only sell shares that have been appropriated to you. When shares have been appropriated, the Trustee will begin holding annual internal markets and you will be able to put appropriated shares forward for sale at each market. The 1st internal market is expected to take place no later than November 2012 and, in any event, on a date that will give you sufficient time to consider the most recent published accounts of ESB.

Q. Will I receive a dividend this year?

A. In previous years, a cash distribution has been made to participants in late September. No decision has yet been taken on whether a cash distribution will be paid this year. In the future, you will automatically receive any dividends paid on shares appropriated to you.

Q. How do I contact the ESOP?

A. You can contact the ESOP Office in any of the following ways:

Telephone: (01) 702 7970

E-mail: esop@esb.ie

Website: www.esbesop.ie

Post: ESB ESOP Office, 43 Merrion Square, Dublin 2