

ESB Annual General Meeting – Monday 25 May 2015

Statement by ESB ESOP Trustee Limited on behalf of the 10,800 participants in the ESB Employee Share Ownership Plan (ESOP)

Chairman, thank you for inviting me to address the meeting on behalf of the ESOP, representing the 10,800 participants who are both current and former staff.

A lot has happened in the past year. In particular, I would like to welcome and to thank you for filling the role of acting Chairman. You are filling substantial shoes. ESB has been fortunate over the years with its Chairmen and Lochlann Quinn, who served for the past seven years, was outstanding. On behalf of ESOP and its participants, I want to record our thanks for his significant contribution and in particular his support for the ESOP as a stockholder. On a personal level, I would also like to record my thanks for the consideration and accessibility he unfailingly showed to me whenever the ESOP had a stockholder issue.

During the past year we have also seen the retirement from the board of Brendan Byrne in September and John Coleman in December and thank them for their input and we welcome the election of “one of our own” – Peter O’Sullivan to the Board. Peter has served as an ESOP Trustee board member and alternate director for many years and I know that he will bring his clear insights to his new position.

At Executive level we welcome:

- The appointment of Jerry O’Sullivan as Deputy Chief Executive in October 2014 on the retirement of Brid Horan.
- The appointment of Paul Mulvaney in October 2014 as Head of Innovation on the retirement of John McSweeney
- The appointment of Marguerite Sayers as Managing Director ESB Networks in November 2014

- And the appointment of Nicholas Tarrant as Managing Director NIE on the retirement of Joe O'Mahony
- We thank Brid, John and Joe for their distinguished service with ESB.

ESB has a strong safety culture and it is with deep regret that we note the death of ESB Networks Technician Declan Molloy in September 2014.

Turning to the performance of the ESB Group:

- We note and acknowledge
 - the financial results – that is operating profit down (due to lower wholesale prices (gas) and repair/maintenance costs); capital expenditure up, in particular the costs of restoring power following storm damage early last year. Yet again our engineers and technicians were recognised for the heroes they are because of the manner and alacrity with which they rise to the occasion every time this happens. These more vigorous storms do remind us of the increasing energy in the ecosphere resulting from climate change and the importance of the ESB Group playing its part in carbon reduction.
 - Delivery of the cost savings programme
- We welcome
 - Competition clearance received for high-speed fibre broadband joint venture with Vodafone – a major watershed with a move by the ESB Group in to a highly competitive but seemingly ever expanding new market in partnership with a world brand
 - Construction of Carrington Power Station in UK as part of the strategy to be a “utility of scale” in the all-islands electricity market
- We understand that the ESB Group is operating both at home and abroad in a very challenging environment, requiring major investment in new plant, new business opportunities and in reducing the carbon footprint by embracing new technologies

- We note the payment of the Special Dividend and are pleased to see the conclusion of that particular exercise. While obviously benefitting on behalf of our participants and thus not wanting to look a gift horse in the mouth, we were and remain fundamentally opposed to the extraction of significant capital from the business in excess of a reasonable proportion of trading profit.

On ESOP matters, you will be aware from previous Annual General Meetings that we have been engaged for many years with the Company and the Group of Unions in seeking to address the woeful lack of liquidity in the internal or grey market for ESB stock. This is wholly driven by historical and structural reasons, not by any other lack of appetite amongst ESB staff for holding stock in their company.

This year, I can at last say that we can welcome progress made on addressing that liquidity problem. We recently balloted our participants seeking their approval to postpone this year's Internal Market until September to allow time to document proposals that have recently been agreed in principle between the Company and the two stock holding Ministers. The result of that ballot was positive and we hope to be returning to our participants seeking their approval of the overall package of measures to address this complex issue within a number of weeks.

I would especially like to acknowledge and thank the Chief Executive and the ESB team working with us on the matter for their hard work. I would also like to thank both Minister for Communications, Energy and Natural Resources, Mr Alex White TD and his predecessor Mr Pat Rabbitte TD, and Minister for Public Expenditure and Reform, Mr Brendan Howlin, TD and their respective officials as advised by NewERA, all of whom have been engaged on this matter for quite some time and whose respective contributions and support in addressing what I know is a difficult structural problem has been very significant. Thank you all and let us hope that long before the Trustee addresses this meeting again, the issue will have been concluded and at least one Internal Market held under the proposed new regime. Given the complexities and the severe time limits placed by the taxation rules, the timetable to

conclude these matters is extremely challenging. (I should remind you that the ESOP is a Revenue approved Scheme). I request and appreciate the continued active engagement of all our stakeholders - the Ministers, the Company and the Group of Unions - in order to conclude on the matter within the taxation timetable.

Finally, I would remind the meeting that as the Trustee votes certain stock at its own discretion and also represents at the meeting participants who have the right to decide how to vote their ESB stock, I will be voting in accordance with those directions as well as at the direction of the Board of the Trustee. This, as has happened before, will result in a mix of abstentions and votes both for and against the motions and resolutions put to the meeting.

Thank you.

David Beattie
ESOP Chairman
25 May 2015