



Ag cuidiú leis an bhfís a bhaint amach

Tuarascáil Bhliantúil & Cuntais BSL 2003



www.esb.ie

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...of an Ireland with
continuing economic
growth, which is
competitive and where
ESB gives our customers
the highest quality of
service possible.

THE BOARD

Tadhg O'Donoghue
Chairman

Padraig McManus
Chief Executive

Tony Donnelly
Deputy Chief Executive

John Redmond
Company Secretary

Aidan O'Regan
Regulatory Affairs

Sean Wyse
Executive Director
Commercial Enterprises

John Campion
Executive Director
Human Resources and
Corporate Affairs

Michael McNicholas
Executive Director
Power Generation and Supply

John Shine
Executive Director
ESB Networks

Kieran O'Brien
Managing Director
ESB National Grid

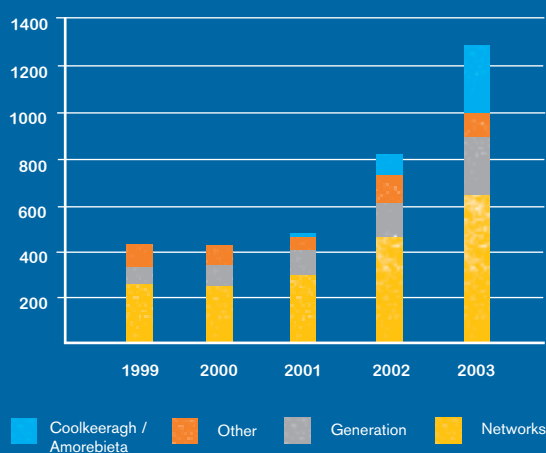
Bernard Byrne
Group Finance Director

KEY FINANCIAL INFORMATION	1999	2000	2001	2002	2003
	€'000	€'000	€'000	€'000	€'000
Turnover	1,720.3	1,894.4	2,040.2	2,150.8	2,341.8
Profit before interest & tax	391.8	210.5	199.2	250.4	354.0
Profit before tax	337.2	178.6	160.1	196.5	302.1
Dividends	-	-	-	39.7	67.1
Capital Expenditure	415.5	407.0	544.8	864.6	1,293.8
Net cash inflow from operating activities	521.5	519.0	350.7	563.3	530.7
Net Debt	735.7	535.9	632.6	902.4	1,602.8
EPS *	-	-	8.3	8.1	12.6
Return on capital employed (ROCE) **	12.7	8.8	4.6	5.5	6.8

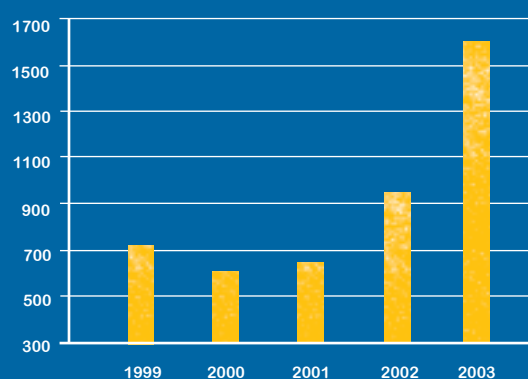
* Prior to 2001 ESB did not carry capital stock on its Balance Sheet. On the 30 December 2001, the capital and reserves of ESB were converted to capital stock and issued to the Department of Finance and ESB ESOP Trustee Limited.

** ROCE is calculated after deducting financing charges on provisions.

CAPITAL EXPENDITURE (€m)



NET DEBT (€m)





Tadhg O'Donoghue

Chairman's Review Ráiteas an Chathaoirigh

“We in ESB have long been committed to growing and sustaining our business while making a positive contribution to both society and the environment”

In accordance with the provisions of the Electricity (Supply) Act 1927 (as amended) the Board presents its Annual Report and Accounts for the year ended 31st December, 2003.

2003 Performance

Profitability

Group profit after tax increased by €89m to €249m, reflecting a number of factors, such as increased revenues, as well as the impact of reductions in staff numbers and other cost reduction initiatives, achieved to date under the Programme to Achieve Competitiveness and Transformation (PACT). To put this profit in context, the Return on Capital Employed was 6.8% compared to 5.5% in 2002. This

level of return is still considered inadequate, in terms of the enormous level of capital investment being made and the comparable returns of European electricity companies.

Despite the increase in profitability, cash flow from operations was only sufficient to finance 41% of the Capital Programme for the year, resulting in increased net borrowing of €701m. As part of these increased borrowings, in December 2003 over US\$1bn was successfully raised through a US Private Placement debt issue.

The Board is proposing a dividend for the year of 3.39 cents per share, or €67m, an increase of 1.38 cents per share, or €27m on 2002.

The Market

The market for electricity in Ireland grew by 3.3% in 2003, compared to 2.6% in 2002. This growth continues to put pressure on the systems capacity margin. The restrictions placed on ESB in relation to adding new generation capacity continue in place. To address the problem in the short-term, ESB has, in agreement with the Regulator, commissioned an additional 104MW of short term peaking capacity and entered into a contract to import 170MW of capacity from Northern Ireland. In the long term, we have also offered ten year off-take contracts to two new generators, Tynagh Energy and Aughinish Alumina, which should help address the capacity situation from 2006 onwards.

The Minister for Communications Marine and Natural Resources, Dermot Ahern TD is to be congratulated on his recent announcement of an electricity interconnector with Wales. This will facilitate the creation, in the future, of an all-islands market and ESB is fully supportive of this objective.

Market Opening

During 2003, 40% of the market, measured by electricity sales, was open to competition. Since 19th February 2004 this has increased to 56%. The market will fully open to competition in 2005, two years earlier than required under the EU Electricity Directive.

Broadband

We completed the national fibre optic network which now extends to 1,300kms, which makes a major contribution to the extension of broadband services nationwide.

Investing for the future

Capital expenditure in 2003 at €1,294m was again at record levels for ESB. A large part of this expenditure relates to investment in our networks where a record 77,121 new customers were connected in 2003.

It is disappointing that despite the urgent need for significant investment in our high-tension transmission network, expenditure in this area was lower than in the previous year due to planning and other delays.

ESB continues to invest in power generation plants in the Republic of Ireland, Northern Ireland and Spain.

Construction is well advanced on two new peat burning stations in Shannonbridge and Lanesboro which will eventually cost approximately €460m. Closure agreements were completed with staff in the peat stations at Rhode, Shannonbridge, Lanesboro, Cahirciveen and Bellacorrick, which will allow for their orderly decommissioning as the two new plants come into full production.

The decision on the future of Moneypoint which requires an investment of over €200m in emissions cleaning technology, to comply with our environmental obligations, will be made during 2004. This investment decision can only be made in the context of best practice agreements for the installation of the equipment and the ongoing operation and maintenance of the plant.

A 400MW plant will be commissioned in early 2005 in Coolkeeragh near Derry, in Northern Ireland. When commissioned this plant will supply a significant share of the Northern Ireland market. We are also building a 755MW plant in Amorebieta, near Bilbao, in northern Spain. This plant is due for commissioning in late 2005.

Environment

ESB is firmly committed to the development of generation from renewable resources. At present, the growth in energy from renewable sources is constrained by the availability of connections to the national electricity grid. In order for this source of energy to grow, it is imperative that all industry participants, including EirGrid, the statutory body responsible for connections to the grid, address this issue as a matter of urgency.

The peat slippage at Derrybrien, County Galway stopped work on a wind-farm for an ESB subsidiary, Hibernian Wind Power Limited. A number of technical reports into the incident have been issued. Hibernian Wind Power Limited is carefully studying these reports and is fully committed to implementing their recommendations.

ESB is firmly committed to the development of generation from renewable resources

Corporate Social Responsibility

We in ESB have long been committed to growing and sustaining our business while making a positive contribution to both society and the environment. ESB supports the concept of corporate responsibility through our role in 'Business in the Community' (BITC), an organisation that provides advice to companies and organisations that choose to pursue a policy of corporate responsibility. In this regard we have committed, along with other leading Irish companies, to publish a 'Corporate Responsibility' report. The publication of this report, which will issue in Quarter 3 2004, will ensure that we present to our stakeholders a fair and accurate account of our contribution to our customers, staff, environment and community, as a responsible corporate citizen, and that we play our part in the creation of a fairer and more sustainable society.

Staff

The deaths of two of our colleagues and the serious injury of another in a devastating accident in Tarbert Generating Station in July 2003 were traumatic for their families, their communities and the company. It was also deeply upsetting for both the staff in the station and throughout ESB. Two contractors working for ESB also lost their lives in accidents during the year. Our sincere condolences go to their families and friends on their tragic loss. These accidents bring home to us all the importance of ESB's drive towards a goal of zero injuries to staff, contractors and members of the public.

Board

There were no changes to the composition of the Board during 2003.

Stakeholders


I would like to thank the Minister and officials of the Department for Communications, Marine and Natural Resources, for their continued assistance during the year. I would also like to acknowledge the contributions of the Board and staff of ESB, during 2003.



Tadhg O'Donoghue

Chairman

23 March 2004



>> The market will fully open to competition in 2005, two years earlier than required under the EU Electricity Directive.

De réir fhorálacha an Achta Leictreachais (Soláthar) 1927 (leasú) cuireann an Bord a Thuarascáil Bhliantúil agus Cuntais i láthair don bhliain dár críoch 31ú Nollaig, 2003.

Feidhmíocht i 2003

Brabúsacht

Tháinig méadú de €89m go €249m ar bhrabús grúpa tar éis cánach, ar léiriú é ar roinnt fachtóirí ar nós mhéadú ar ioncaim chomh maith leis an tionchar a bhí ag an laghdú ar líon na foirne agus ag tionscnaimh eile chun costais a laghdú, a baineadh amach go dtí seo faoin gclár 'Programme to Achieve Competitiveness and Transformation' (PACT). Chun an brabús sin a chur i gcomhthéacs ba é an tAiscur ar Chaipiteal a húsáideadh ná 6.8% i gcomparáid le 5.5% i 2002. Fós féachtar ar an leibhéal aischair sin mar leibhéal neamhleordhóthanach i gcomparáid leis an leibhéal ollmhór infheistíochta caipitil atáthar a dhéanamh agus i gcomparáid le haischair cuideachtaí eile san Eoraip.

In ainneoin an mhéadaithe sin ar bhrabúsacht ní raibh an sreabhadh airgid thirim ó oibriúcháin dóthanach ach le maoiniú a dhéanamh ar 41% de Chlár Caipitil na bliana, rud a d'fhág gur tháinig méadú ar iasachtaí glan go €701m. Mar chuid de na hiasachtaí ardaithe sin, i Nollaig 2003, bailíodh os cionn SA\$1bn trí eisiúint fhiach Láithriú Príobháideach sna SA.

Tá an bord ag moladh dibhinn de €67m don bhliain, ardú de €27m ar 2002.

An Margadh

Tháinig ardú 3.3% ar an margadh leictreachais in Éirinn i 2003 i gcomparáid le 2.6% i 2002. Leanann an t-ardú sin ag cur brú ar chorrach toillte córais. Tá na srianta atá ar BSL maidir le toilleadh ginte nua fós i bhfeidhm. Chun tabhairt faoin bhfadhb sin sa gheartearma tá buaicthoilleadh de 104WW breise coimisiúnaithe ag an

BSL, i gcomhaontú leis an Rialtóir, agus tá sé i mbun conartha chun 170MW toillte a thabhairt isteach as Tuaisceart Éireann. San fhadtearma, tá conarthaí 'tionscnamhacha' deich mbliana tairgthe againn do dhá ghineadóir nua, Tynagh Energy agus Auginish Alumina agus ba chóir go gcuideodh sé sin chun aghaidh a thabhairt ar an bhfadhb toillte ó 2006 ar aghaidh.

Tá moladh mór ag dul don Aire Cumarsáide, Mara agus Acmhainní Daonna, Dermot Ahern T.D., de bharr an fhógra a rinne sé le deireanaí maidir le hidirnascaire leictreachais leis an mBreatain Bheag. Éascóidh sé sin, amach anseo, margadh uile-oileáin agus tacaíonn BSL go hiomlán leis an gcuspóir sin.

Oscailt an Mhargaidh

Le linn 2003, bhí 40% den mhargadh, tomhaiste de réir díolachán leictreachais, oscailte do chomórtas. Ón 19ú Feabhra 2004 tháinig ardú go 56% air sin. Beidh an margadh oscailte go hiomlán do chomórtas i 2005, dhá bhliain níos luaithe ná mar is gá faoi Threoir Leictreachais AE.

Leathanbhanda

Chuireamar críoch le líonra snáthoptaice a shíníonn anois 1300km agus a chuireann go go mór le síneadh seirbhísí leathanbhanda ar fud na tíre.

Infheistíocht sa Todhcaí

Bhí caiteachas caipitil BSL i 2003 ag leibhéal nach facthas riamh roimhe seo ag €1,294m. Bhain cuid mhór den chaiteachas sin le hinfheistíocht inár líonraí inár ceanglaíodh an líon is mó custaiméirí nua riamh, 77,121 i 2003.

In ainneoin an riachtanais práinne a bhí ann d'infheistíocht shuntasach in ár líonra tarchuir ardteannais ba chúis díomá a bhí ann go raibh an caiteachas a rinneadh anseo níos ísle ná an bhliain roimhe sin de bharr cúrsaí pleanála agus nithe eile a chuir moill ar chúrsaí.

Leanann BSL ag infheistiú i monarchana ginte cumhachta i bPoblacht na hÉireann, i dTuaisceart Éireann agus sa Spáinn. Tá tógáil á déanamh ar dhá stáisiún dóite móna i nDroichead na Sionainne agus i mBéal Átha Liag a chosnóidh timpeall €460m nuair a bheidh siad críochnaithe. Tugadh comhaontuithe dúnta chun críche le foireann i stáisiún mhóna i Ród, i nDroichead na Sionainne, i mBéal Átha Liag, i gCathair Saidhbhín agus i mBéal Átha Chomhraic agus éascóidh na comhaontuithe sin díchoimisiúnú a dhéanamh orthu de réir a chéile nó go mbeidh an dá mhonarcha nua ag feidhmiú go hiomlán.

Déanfar cinneadh maidir le todhchaí Giniuna Ghob na Muine, a dteastaíonn infheistiócht de os cionn €200m do theicneolaíocht glanta astaíochta le go gcomhlíonfaidh sé ár n-oibleagáidí comhshaoil, le linn 2004. Ní féidir an cinneadh infheistióchta sin a dhéanamh ach i gcomhthéacs comhaontuithe deachleachtas do shuiteáil trealaimh agus oibríocht agus cothabháil leanúnach na monarchan. Déanfar coimisiúnú ar mhonarcha 400MW go luath i 2005 i gCúil Chaorach gar do Dhoire i dTuaisceart Éireann. Nuair a bheidh sé coimisiúnaithe soláthróidh an mhonarcha sin sciar shuntasach do mhargadh Thuaisceart Éireann. Táimid freisin ag tógáil monarcha 755 MW i Amorebieta, gar do Bilbao i dtuaisceart na Spáinne. Táthar ag tnúth go mbeidh an monarcha sin réidh le coimisiúnú ag deireadh 2005.

Comhshaoil

Tá BSL tiomanta gineadh ó acmhainní inathnuaite a fhorbairt. Faoi láthair tá teorainn curtha le fás an fhuinimh ó acmhainní inathnuaite de bharr an laghad fáil atá ar naisc chuig an griolla náisiúnta leictreachais. Chun go mbeidh ar

chumas an fhoinsé fuinnimh sin fás tá sé ríthábhachtach go dtabharfadh EirGrid, an comhlacht reachtúil le freagracht as naisc chuig an ngriolla, aghaidh ar an tsaincheist sin láithreach.

Chuir an sciorradh talún i nDoire Bhriain, Co. na Gaillimhe stop le hobair ar fheirm ghaoithe fhochuideachta de chuid BSL, Hibernian Wind Power Teoranta. Tá roinnt tuarascálacha teicniúla maidir leis an eachtra eisithe. Tá Hibernian Wind Power Teoranta ag déanamh staidéir go cúramach ar na tuarascálacha sin agus tá sé tiomanta go hiomlán na moltaí atá iontu a fheidhmiú.

Freagracht Shóisialta Chorporáideach

Táimidne i mBSL tiomanta le fada d'fhás agus d'imharthanacht ár ngnó agus ag an am céanna cur go dearfach leis an tsochaí agus leis an timpeallacht. Tacaíonn BSL leis an gcoincheap a bhaineann le freagracht chorporáideach tríd ár ról i 'Gnó sa Phobal', eagraíocht a sholáthraíonn comhairle do chuideachtaí agus d'eagraíochtaí a roghnaíonn leas a bhaint as polasaí maidir le freagracht chorporáideach. Ar an mbealach sin táimid tiomanta, chomh maith le cuideachtaí móra eile in Éirinn, tuarascáil 'Freagracht Chorporáideach' a fhoilsiú. Cinnteoidh foilseachán na tuarascála sin, a eiseofar sa 3ú Ráithe in 2004, go gcuirfidhne cuntas cruinn agus cothrom i láthair dár bpáirtithe leasmhara ar conas mar a chuirfidh le saol ár gcustaiméirí, ár bhfoirne, leis an gcomhshaoil agus leis an bpobal mar shaoránach chorporáideach freagrach agus cinnteoidh sé freisin le himirt ár róil maidir le sochaí níos inmharthanaí agus níos cothroime a chruthú.

Táimidne i mBSL tiomanta le fada d'fhás agus d'imharthanacht ár ngnó agus ag an am céanna cur go dearfach leis an tsochaí agus leis an timpeallacht.

An Fhoireann

Ba mhéala mór dá muintir, dá bpobail agus don chuideachta ab ea bás beirt dár gcomhghleacaithe agus an dorchghortú a bhain do dhuine eile i dtimpiste thubaisteach i Stáisiún Ginte Tairbeart i mí Iúil 2003. Ghoill sé go mór ar fhoireann an stáisiúin agus ar gach duine i mBSL. Bhásaigh beirt chonraitheoirí a bhí ag obair do BSL de bharr timpistí le linn na bliana freisin. Déanaimid comhbhrón ó chroí lena muintir agus lena gcairde. Meabhraíonn na timpistí sin dúinn arís an tábhacht a bhaineann le sprioc BSL deireadh iomlán a chur le gortuithe i measc na foirne, conraitheoirí agus an phobail.

An Bord

Níor tháinig aon athrú ar chomhdhéanamh an Bhoird le linn 2003.

Páirtithe Leasmhara

Ba mhaith liom buíochas a ghlacadh leis an Aire agus le hoifigigh na Roinne Cumarsáide, Mara agus Acmhainní Nádurtha as an gcúnamh leanúnach a thug siad dúinn le linn na bliana. Ba mhian liom aitheantas a thabhairt freisin don obair mhór a rinne an Bord agus foireann BSL le linn 2003.



Tadhg O'Donoghue

An Cathaoirleach

23 Márta 2004



Padraig McManus

Chief Executive's Review

“ We have positioned ESB to be a high performance company, as an integral part of a competitive electricity market in Ireland, which will generate value for its stockholders and customers...”

Introduction

I am pleased to report on our results for 2003, which demonstrate significant progress towards achieving our ambitious corporate objectives, to the benefit of customers and stockholders.

2003 was a landmark year for ESB. We achieved a record level of capital investment in the national electricity infrastructure, managed significant improvements in the way in which we carry out our business and maintained continuity of supply to our customers, despite operating under very tight power availability constraints. To facilitate the opening up of the electricity market to competition, we completed two separate power purchase agreements with new external generating companies and also invested

heavily in IT systems required for full market opening. Importantly, we also delivered a creditable financial performance which will allow us to further invest in the business going forward.

Corporate Strategy

The current corporate strategy, which was launched in 2002, set the direction for group activities and provided the framework for the implementation of transforming plans across ESB. Arising from this strategy, during 2003 there was a focus on improving performance in existing businesses, significant investment in the Irish national infrastructure and targeted development of new business opportunities both at home and abroad.

The corporate strategy sets the strategic direction for ESB, as follows:

- focus is on the core electricity businesses,
- clear financial targets for the coming years,
- best practice leadership is to be achieved in health and safety issues and
- customers will be the focal point for the Group.

In order to realise this strategy, ESB must deliver on certain key business issues:

- renewal of the distribution and transmission networks,
- modernisation of the generation plant,
- development of a fully customer focused Customer Supply business,
- achievement of a successful international business,
- realisation of staff potential and
- empowerment of managers to deliver on this strategy.

In financial terms, these elements are aligned to ensure that all resources are focused on achieving an overall financial target of doubling the profitability of the Group in the period 2002 to 2007, which is imperative if we are to maintain a strong balance sheet, capable of funding the continued investment necessary in the businesses.

Our strategy clearly recognises that we must evolve with the process of liberalisation within the energy sector in Ireland. More importantly, we must actively promote the introduction of competition, while maintaining a core business of significant scale for stockholders. We have positioned ESB to be a high performance company in the competitive electricity market in Ireland, which will generate value for its stockholders and customers as the liberalisation process continues and as there is greater integration of energy markets across Europe.

Operational Review

In operational terms, ESB performed satisfactorily in 2003. This performance has been achieved through:

- Strong underlying operational performance in all areas, against key performance measures set for senior management under the five year corporate strategy.
- Continued record levels of capital investment (€1.3bn), particularly in the networks, which form a vital part of the national electricity infrastructure.
- Continuity of supply to our customers, despite very tight power availability conditions during the year and continued rising demand growth.
- Improved operating efficiency, combined with improvements in a wide range of business processes which gave rise to €95m in savings during 2003 under the PACT programme. This included a reduction of over 1,000 employees since 2001.
- Closure agreements in respect of five peat stations and the commencement of the construction of two new state of the art peat stations.
- Further development of new generation and supply business opportunities in Northern Ireland, Britain and the rest of Europe in recognition of the need to reduce market share in Ireland, while at the same time being positioned to operate with scale in an integrated European electricity market.
- Continuation of the partnership approach between management and employees within ESB.

It was disappointing that the SeTrans contract to operate a Transmission System in the US did not go ahead due to changes in their regulatory environment.

Additionally we have worked hard to promote competition in the market and delivered significant change in the year through:

- Obtaining approval from the Commission for Energy Regulation (CER), for the business separation arrangements. These will enable ESB Customer Supply and ESB Networks to operate as separate businesses in full compliance with regulatory requirements for confidentiality, non-discrimination and cost transparency.

- Developing major new information technology systems to support full market opening in 2005. These new systems will be required by all competitors in the new market, to enable customers to choose suppliers.
- Entry into purchase contracts equivalent to over 500MW of capacity with two new external entrants in the generation market, having facilitated an open competition for these contracts which was carried out independently by the CER.

The two key elements for competition in any electricity market are Generation and Supply. During 2003, the Generation market became 100% available for third party competition. On an all island basis, allowing for the new generation contracts in place, some 50% of the existing total production is owned by third party competitive generators. In supply, the market is now 56% open to competition and by 2005 when ESB will have completed an investment of over €100m in new systems on behalf of CER, the market will be 100% open. This will be a full two years ahead of the EU target of 2007.

Annual Price Adjustments

Approximately 80% of ESB's revenue is now regulated by the CER. Appendix 1 provides an overview of this regulatory process.

The requirement for electricity tariffs to be set in advance of the relevant year by the CER, based on a forecast of customer demand and relevant costs, almost invariably means that the actual out-turn for any year will result in either an under or over recovery of revenue by ESB. Any such

under or over recovery of allowed revenue is adjusted by the CER in subsequent years' price determinations.

These year-on-year adjustments can cause material variations in the annual profits earned by the regulated businesses. The current accounting practice in this area does not allow the "smoothing" of such adjustments between years. The year end segmental results of ESB therefore reflect both trading in the current year, as well as adjustments relating to prior years. In particular in 2003, this resulted in the ESB Customer Supply business reporting unusually high profits of €88m, reflecting the impact of €40m of prior year under recovery.

Investment Programme

ESB invested over €650 million in the development and renewal of the Network infrastructure in Ireland in 2003. As part of the Network Renewal Programme the ESB Networks business completed approximately 17,000km of distribution network in 2003. This was achieved by a mixture of internal and external resources, with a significant volume of work being completed by sub-contractors employed by international construction firms. This achievement exceeded the target for network investment set out in our corporate strategy and highlighted both our project management competence and also our ability to deliver major work programmes.

The renewal of ESB's generation portfolio is a key business objective. Implementation of this progressed during 2003, with agreements being reached on the closure of a number of older peat stations. The construction of two state of the art peat plants as replacements progressed well in 2003 and they are on



target to commence operation in the next twelve months. Full market opening in 2005 poses a significant challenge due to the scale of the process and the IT developments that are necessary to enable a competitive market to operate effectively for all customers. The systems to enable market opening are currently being put in place. Over 300 people (staff and consultants) are currently engaged in this project, which is the largest IT project ever undertaken by ESB.

ESB International successfully reached financial close on a major investment in a 755MW combined cycle power plant in Amorebieta in Spain. The plant will operate under trading arrangements with Shell and demonstrates ESB's ability to operate successfully in the international arena.

Safety

The safety of our staff, contractors and the public is of primary importance within ESB. Customer safety, as well as the safety of the public, employees and contractors is treated with the utmost seriousness by ESB. We continue to work towards increased public and staff awareness of this issue. The reduction of accidents and near misses is a key focus of management and the objective is to achieve a zero injuries environment.

Unfortunately, it is with deep regret that we report the death of two staff members in a single accident in Tarbert, Mike Healy and Pat McCrohan. The accident was investigated both by ESB and independently by the Health and Safety Authority and all recommendations arising from these investigations will be implemented in full. These accidents, in addition to the death during 2003 of two contractors working for ESB Networks, reinforce the need for continuous vigilance in our commitment to safety.

Customers

Our strong customer service ethos has served the country well since ESB was founded. Ireland is a small market in electricity terms. It has a small population spread over a wide geographical area. The competing needs of low price, security of supply and quality of service are more difficult to balance for us than many of our much larger European neighbours. The solution is to have a pragmatic mix of competition where possible and sensible regulation where lack of scale does not facilitate this.

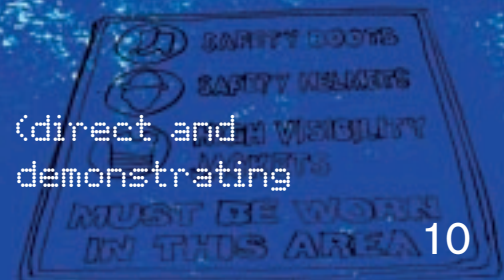
Prior to market opening, we had an effective monopoly on all aspects of the electricity industry. ESB recognised the significance that market opening would have on all our business lines and has reorganised accordingly. We have therefore been concerned to ensure that the changes in the electricity industry will ultimately bring benefits to customers and that customer service standards are maintained throughout the process of transition to full market opening. The individual business lines are discussed later in this report.

People

Our success to date is unquestionably due to the quality of our people and their dedication and commitment. We have high quality, well motivated and technically gifted staff, with a strong customer focus, who carry out their business to the highest professional and ethical standards. Our business has grown internationally and we have demonstrated time and again our ability to compete successfully abroad. It is encouraging that our expertise is now valued in so many countries overseas and in our home market.

HELPING TO REALISE THE VISION During 2003, ESB contributed approximately €2bn to the Irish economy, in the form of payroll, rates, energy purchases, interest charges, dividends and taxation.

» This is significant in terms of both employment (direct and indirect) and expenditure in local communities, demonstrating ESB's commitment to Ireland.



Our success to date is unquestionably due to the quality of our people and their dedication and commitment

We are now in a rapidly changing business environment and we will need to ensure that our organisational capabilities continue to match the challenges of our business environment. We are committed to continuing to implement an effective partnership model with the Trade Unions and their representatives at all levels, to meet this challenge.

Reflecting this commitment, in 2003 ESB launched a new Human Resources strategy which is focused on ensuring that we support our personnel in meeting the challenge facing us, as we seek to implement our corporate strategy.

Conclusion

Following a landmark year in 2003, ESB faces further challenges in 2004 as we continue to invest in our asset base.

Our target of 20,000 kms of Network Renewal for 2004 is the most demanding to date. The commissioning of two new peat power stations in Ireland, the significant development of two international stations for completion in 2005 and the completion of the market opening programme, will present substantial challenges for ESB during 2004.

ESB is an Irish company that has served the Irish consumer for over 75 years. We are determined to achieve our strategic objectives, but are alert to the fact that these objectives need to be kept under review, particularly given the pace of change in the industry, to the benefit of our customers, our staff and owners.



Padraig McManus

Chief Executive

23 March 2004

Group Financial Performance

Group Financial Review

Retained profits rose by €62m to €182m, while net borrowings increased by over €700m to €1.6bn.

The significant increase in net borrowings has been driven by the substantial capital investment programme. This investment programme has been necessary because of the age and condition of the existing assets, as well as the phenomenal growth rates in electricity demand that Ireland has experienced over the last decades.

Looking forward, ESB is conscious of the need to maintain the financial health of the company, while achieving the national infrastructure objectives, consistent with Government policy. Recent price increases granted to ESB by the CER reflect both the agreed investment programme, as well as the funding needed to complete that programme.

Significant levels of capital investment can only be sustained in the long term if we continue to improve our profitability and control expenditure.

Highlights of 2003

Key financial indicators for 2003 and 2002 are shown in the table below:

	2003	2002	Change
Turnover from continuing operations	€2,342m	€2,151m	€191m
Profit before interest and tax	€354m	€251m	€103m
Dividend	€67.1m	€39.7m	€27.4m
Dividend per unit of Stock	3.39c	2.01c	1.38c
Capital Expenditure	€1,294m	€864m	€430m
Cash flow from operating activities	€531m	€563m	(€32m)
Net Debt	€1,603m	€902m	€701

Turnover

Turnover for the year increased by €191m. This was due to an increase of €159m in electricity income and an increase of €32m in other income. The increase in electricity income is due to a combination of factors including overall market growth, tariff increases in electricity sales to final customers by Customer Supply, and increased competitive sales in Northern Ireland. The tariff increases to final customers by Customer Supply include an amount of €40m, as an allowed adjustment for the under recovery of annual income prior to 2003.

The increase in other income reflects higher engineering project work in areas such as wind-farm construction, as well as greater activity in the UK utility market.

Profit before Interest and Tax

Profits for the year have increased by €103m to €354m. This was due to a number of factors, including increased electricity sales, recovery of income from prior years, growth in other income and higher profits from joint ventures, largely due to a full year of operation by the Synergen generating plant. In addition, there was a reduction in energy costs, which reflected lower output from ESB stations as independent producers entered the generation market.

These favourable variances were offset in 2003 by higher payroll costs, increased depreciation and increases in other operating costs. In addition, there were two asset impairment adjustments, in relation to the Telecoms Fibre-Optic asset and certain Hydro generation assets.

Dividend

2002 was the first year in which ESB paid a dividend. This amounted to 2.01 cents per unit of stock, totalling €39.7m. Based on the results for 2003, the Board proposes to pay a dividend of 3.39 cents, or €67.1m in aggregate.

Capital Expenditure

Capital investment increased by €430m to €1,294m, a record for ESB and a significant indication of the commitment by ESB to providing Ireland with a world class electricity infrastructure. Capital expenditure is set to increase further in 2004.

The following table illustrates the spread of capital expenditure during 2003, compared with that for 2002:

	2003 €m	2002 €m	Change €m
New connections	164	144	20
Distribution networks	375	260	115
Transmission networks	111	136	(25)
New generation/renewable energy	256	117	139
Coolkeeragh power station in NI	80	68	12
Amorebieta power station in Spain	200	18	182
IT Expenditure	61	38	23
Other investment in premises, transport, etc.	47	83	(36)
	1,294	864	430

Some operational statistics may put these numbers into context. New connections in the Distribution business totalled over 77,000, up from 63,000 in 2002. As part of the programme to renew the existing Distribution network, approximately 17,000 kilometres were replaced in 2003, compared to approximately 6,000 in 2002. The equivalent target for 2004 is 20,000 kilometres.

The investment in new generation and renewable energy projects in 2003 primarily represents expenditure on the new peat stations in the Midlands, peaking capacity plant as well as a number of wind-farm projects in Ireland.

The Coolkeeragh power station in Northern Ireland is due to be commissioned and commence commercial production in early 2005 and will complement our existing competitive supply business in Northern Ireland. The station in Amorebieta in Northern Spain is due to commence production in the Summer of 2005.

Capital investment increased by €430m to €1,294m, a record for ESB and a significant indication of the commitment by ESB to providing Ireland with a world class electricity infrastructure.

ESB is committed to facilitating the opening up of the electricity market in Ireland. For this reason, and after full consultation with the CER, over €40m of capital was spent on new IT systems, required to enable other electricity suppliers to compete in the Irish market.

Continued capital investment, particularly in the national infrastructure, is a key driver of the price of electricity and impacts directly on ESB's requirement to increase borrowings at home and abroad. As indicated in the table below ESB is currently funding the majority of its capital programme from new debt.

Cash Flow and Net debt

The table below illustrates the relationship between retained profit and the increase in net debt.

Profit & Loss Account €m		Cash Flow Statement €m
326	Operating Profit	326
28	Profit/Dividends from Joint Ventures	15
	Depreciation & amortisation	297
(105)	Interest and tax	(77)
(67)	Dividends	(20)
	Provisions & working capital	(91)
	Capital expenditure	(1,151)
182	Retained Profit/Higher Net Debt	(701)

Net borrowings have increased by €701m since December 2002.

Consideration had been given to a credit rating for ESB in order to raise funds via the public bond markets. The growing attractiveness and competitiveness of the US Private Placement market provided an alternative source of funds and negated the need for a credit rating, which had been envisaged. In December 2003, ESB announced the successful negotiation of one of Ireland's largest private placement financing deals. The US\$1.034bn deal, which will fund major improvements in Ireland's power infrastructure, was finalised in the US on 15 December 2003.

In addition to the private placement, ESB also entered into a separate €500m revolving credit facility. The facility will be drawn on as and when necessary and was established to ensure liquidity is constantly available and assist the overall funding programme.

In early 2003, non-recourse project financing facilities of over €600m were finalised, for the Amorebieta project near Bilbao in Northern Spain. Where appropriate, non-recourse debt will be used to finance projects both at home and internationally in order to mitigate project risks, if funds can be raised at attractive rates.

ESB will continue to make substantial investment in infrastructure over the next five years. Accordingly net debt is expected to rise significantly in the short term, as the extent of the planned capital investment programme exceeds cash flows generated in the business. This will as a minimum necessitate further borrowing in 2004 and 2005.

Financial Risk Management

TREASURY MANAGEMENT

Framework for Treasury Operations

The Board has approved policies for the main areas of financial risk faced by the Group. These include market-related risks such as interest rates, liquidity and foreign exchange, and risks associated with the treasury control framework within the Group. Group Treasury is responsible for managing all treasury activities for the Group, in accordance with Board approved policy, including cash management, foreign exchange transactions, funding, debt and counterparty credit risk. Treasury activity is subject to regular review and monitoring by the Finance Committee, a sub-committee of the Board.

Derivative instruments are used to mitigate some financial risks, in compliance with the Specification of the Minister for Finance issued under the aegis of the Financial Transactions of Certain Companies and Other Bodies Act 1992. This Specification authorises semi-state companies to use certain specific derivative instruments and specifies the manner in which they should be transacted. The Group does not engage in speculative trading in derivative financial instruments.

Foreign Exchange Management and Interest Rate Management

The majority of the Group's business is transacted in Ireland or within Europe. Therefore, operating and investing cash flows are substantially denominated in Euro. Foreign currency exposure arises from payments for (i) fuel and other materials and services, (ii) foreign exchange payments and receivables where business is carried on outside the Euro zone, and (iii) foreign currency denominated debt.

The Group manages the majority of its fuel-related foreign exchange exposures against a fuel price recovery mechanism, based on indexation, which was agreed with the CER and approved by the Board in 2002. Other material foreign currency denominated payments and receivables are hedged as appropriate. The Group's policy is to borrow directly in Euro or to convert any foreign currency borrowing to Euro (through the use of derivative instruments), other than in specific instances where foreign currency denominated debt is matched by a foreign currency denominated asset or net revenue flow. At the end of 2003, 92% of ESB's debt was effectively denominated in Euro.

The Group's policy is to have a minimum of 50% of the debt portfolio at fixed rates of interest, subject to cost and market outlook. At the year-end, 92% of ESB's portfolio was at fixed interest rates, with an average coupon of 5% and average maturity of approximately 10 years.

Liquidity and Cash Management

The Group's policy is to hold cash levels as required to meet short-term business needs, other than in specific instances where favourable market conditions justify pre-funding, such as the private placement transaction completed in December, 2003. As a result of this transaction, the Group had cash balances amounting to €567m at the end of 2003.

The Group invests its excess cash in low risk investment accounts and spreads risk over a number of institutions.

Given the significant borrowing requirements of the Group over the next few years, substantial liquidity facilities have been put in place to bridge longer-term funding, such as public bond market or further private placement transactions. At the end of 2003, undrawn committed corporate facilities in excess of €1billion were in place.

Credit Risk related to Treasury Activities

The Group is exposed to credit risk from the counterparties with whom it holds its bank accounts and transacts cash investment, foreign exchange and derivative business. The Group's policy is to limit its exposure to each financial institution based on accepted credit rating. Exposures and related limits are subject to ongoing review and monitoring.

Dealing activities are controlled by putting in place robust dealing mandates with its counterparties. The Group has not experienced any losses due to failure of counterparties to deliver on their obligations.

Given the significant borrowing requirements of the Group over the next few years, substantial liquidity facilities have been put in place to bridge longer-term funding, such as public bond market or further private placement transactions.

Taxation

The taxation charge in 2003 represents current tax payable and deferred tax payable on profits earned for the financial year.

PACT Savings and Exits

The Programme to Achieve Competitiveness and Transformation (PACT) is an agreement between the Board of ESB and the ESB Group of Unions in 2001. The purpose of PACT is to increase cost efficiency, introduce new and more efficient work practices, reduce staff numbers and facilitate the employment of external contractors in core network and generation activities.

To date, PACT has delivered significant benefits to ESB. Internal resources have been complemented by external contractors, who have been used to carry out capital construction work in ESB Networks and station overhauls in Power Generation. Working practices have been rationalised and many administrative functions have been reorganised to facilitate best in class working practices and IT systems. Staff numbers, primarily in the core electricity businesses, have been reduced by over 1,000 since 2001.

Financial savings due to PACT reflect underlying payroll reductions of €48m and other savings, chiefly in the area of procurement and administrative costs, of €47m. ESB is committed to the full implementation of PACT and to the achievement of the financial savings and staff reductions planned.

Pension Scheme

The requirements of Financial Reporting Standard 17 have been included in the Notes to the Accounts, in accordance with the transitional rules for the adoption of this accounting standard. However, the long-term funding position of the Pension Scheme and required contributions are based on the formal triennial actuarial valuation. The Scheme actuary is currently carrying out such an actuarial valuation as at 31 December 2003.

Looking Ahead

Over the next number of years, ESB faces a number of operational and financial challenges. In financial terms, the following are key areas of attention for management:

- the rapidly increasing levels of debt, driven by the continuing capital investment programme,
- the control of costs,
- the full achievement of PACT targets and
- the managing of fuel volatility and environmental costs.

These will be key issues in future years, with serious implications for the price of energy in Ireland.

Power Generation Review

Financial Review

	2003 €m	2002 €m	Change €m
Turnover			
- Internal	883.6	856.3	27.3
- External	97.4	193.6	(96.2)
Profit before interest and tax	62.0	30.4	31.6
Capital expenditure	270.0	138.7	131.3

Turnover

In 2003, the main sources of income for Power Generation were sales to Customer Supply and Top Up sales to independent producers. Total turnover fell by €69m in 2003 reflecting Power Generation's decrease in market share from 85% in 2002 to 69% in 2003.

Profit before Interest and Tax

Power Generation, including Power Generation Holdings, achieved profits of €62m during 2003. This was considered a satisfactory performance in the context of a difficult year in terms of plant performance and is inclusive of costs which Power Generation should recover in future years under the prevailing regulatory regime.

Capital Expenditure

During 2003 Power Generation undertook a significant capital expenditure programme with the main investment taking place on the continued development of the new peat stations and the installation of peaking capacity plant. Looking ahead, this significant capital programme will continue for the next number of years with investment planned in the repowering of Aghada, upgrading plant to ensure environmental legislative compliance and further development of our wind programme.

This is a significant challenge for Power Generation, but we are confident that we have the expertise both technical and commercial to bring these plans to fruition and so deliver a competitive portfolio of efficient plant, for the benefit of our customers and the evolving energy market in which we participate.

Fuel

Fuel accounts for approximately 50% of Power Generation's operating costs and is one of the single biggest cost inputs into the price of electricity. Power Generation buys its fuel in the global fuel markets and is benchmarked independently by CER against published market price indices. As in 2002 Power Generation secured its fuel at or below published indices, thus contributing significantly to ensuring energy is delivered at least cost to the market and to our customers.

Fuel markets by their nature are volatile and with transparent cost reflective tariffs a feature of the new market, customers can expect this volatility to emerge as a factor impacting on electricity prices going forward.

Operational Review

ESB Power Generation includes all power generation assets owned and operated by ESB in the Republic of Ireland. At the end of 2003, these totalled 4,705MW of installed capacity, including ESB's 70% share of Synergen, a 400MW independent power plant located in Ringsend, Dublin.

Through the Power Generation Holdings Group, Synergen and a range of renewable energy projects operate separately from the rest of Power Generation under CER licences which require strict ringfencing of operations.

The following paragraphs outline progress against Power Generation's key strategic priorities during 2003.

Safety

Safety has always been a fundamental objective and our goal is to create and sustain a healthy and injury free environment. However, the event which overshadowed the year was the tragedy that occurred in our Tarbert plant on July 3rd which resulted in the death of two of our colleagues and the serious injury of another. This tragedy served to reinforce the importance of our fundamental objective of creating and sustaining an injury free environment in Power Generation. We have now completed a full investigation into the accident and appointed a project manager to ensure that all recommendations arising from the investigation will be fully implemented in all locations. Overall safety performance improved during 2003 with a continuation of the downward trend in lost time accidents.

Plant

From a capacity perspective, 2003 continued to be a very difficult year with a decrease in plant availability (due to work required to keep ageing plant operational), the continued rise in the peak demand for electricity, as well as slower than anticipated entry into the generation market by competitors.

To meet demand, following approval by the CER, Power Generation entered into a contract with Northern Ireland Electricity to import power from Northern Ireland and also installed 104MW of peaking capacity plant in Cork and Mayo. This resulted in an additional combined total of 274MW of electricity generation being available by year end. Following several years of high station utilisation (to cope with demand growth) Power Generation had the opportunity to deliver its largest plant overhaul programme in five years during 2003. This significantly improved plant availability during the last quarter of the year, helping to meet overall system capacity requirements.

Power Generation also advanced its significant capital expenditure programme aimed at restructuring its plant portfolio. The construction of two new state of the art peat plants, operated and staffed to best international practice, is on target to come into operation in late 2004 and early 2005. Significant progress was made during 2003 in the planned closure of the old peat stations - Rhode, Cahirciveen and one unit in Lanesboro.

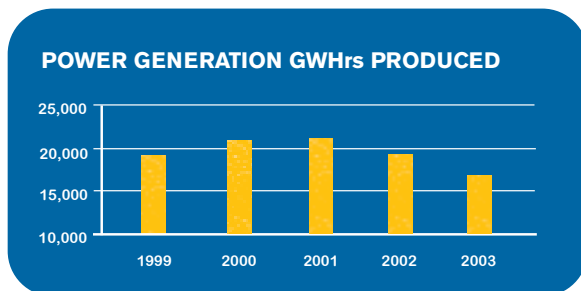
We continued to develop our renewable energy business and are currently progressing the construction of a number of wind farms. The recently introduced moratorium on new grid connections is likely to cause delay to other projects in the pipeline. Construction of a 60MW wind farm at Derrybrien suffered a set back in October when a peat slide occurred in the vicinity of the site. Power Generation through its subsidiary Hibernian Wind Power Limited is fully committed to implementing the recommendations of the various technical reports into the incident to ensure the site is safe into the future.



HELPING TO REALISE THE VISION ...the construction of two new state of the art peat plants, operated and staffed to best international practice, is on target...

Customers and the Energy Market

At year end, Power Generation's market share had reduced to 69% and with the planned entry of two new competitive power generators to the market we are on target to reduce our market share to 60% in the coming years. The following table illustrates the reduction in Power Generation output, primarily reflecting the entry of the Synergen and Huntstown stations into the market.



During 2003 Power Generation auctioned 400MW of discounted wholesale generation to independent suppliers, in order to support the continued development of a competitive electricity market in Ireland. Power Generation also provided additional power to competitors as required, at regulated prices. Electricity production by the competitive generation companies, in excess of their needs for their own customers, was also bought by ESB at a regulated price. These ESB purchase and sale arrangements are available to market participants, to facilitate their balancing of output and demand and to manage risk in the developing market.

During the year, Power Generation consolidated its newly developed capability in trading and risk management in the fuel markets, to minimise the overall cost of fuel and to deliver wholesale energy at least cost to our customers. Finally, 2003 was an active year in terms of contributing to the various industry fora on the development of the new wholesale market arrangements beyond 2005. Power Generation's objective is to help define arrangements which are fair to all market participants while ensuring best value for customers.

Environment

All Power Generation thermal power plants operate under a system of IPC licensing. All thermal power plants, other than Bellacorick and Lanesboro, have Environmental Management Systems (EMS) accredited to ISO 14001. Bellacorick has a non-accredited EMS in place. Output of NOx and SO2 for 2003 is in accordance with emission limits agreed with Government. A significant amount of progress was made during the year evaluating the technical and financial implications of various EU environmental directives on Power Generation and also inputting to the national debate on these issues. A particular focus has been on agreeing the technical options for Moneypoint as key decisions will be required to be made regarding the future of this plant during 2004.

Looking Ahead

Power Generation is operating in a new environment, which continues to change at pace. In this context, 2004 will be another challenging year for the business.

Looking forward, key challenges facing the business include the following :

- Creating and sustaining a healthy and injury free environment,
- The completion of a large plant overhaul programme and advancement of the significant capital expenditure programme aimed at improving plant availability and restructuring the plant portfolio, so as to deliver a competitive portfolio of efficient plant that fully complies with environmental legislation.
- To put in place the systems, structures and competencies to deal with the new wholesale market, and;
- An ongoing drive to deliver improved financial performance and efficiencies.

Power Generation's objective is to help define arrangements which are fair to all market participants while ensuring best value for customers.

Customer Supply Review

Financial Review

	2003 €m	2002 €m	Change €m
Turnover			
- Internal	28.0	17.7	10.3
- External	1,632.4	1,487.7	144.7
Profit before interest and tax	88.7	(12.1)	100.8
Capital expenditure	2.8	2.0	0.8

Turnover

Electricity sales have increased by €145m in 2003 to €1,632m. The improvement reflects higher customer tariffs in 2003 offset by a 2% reduction in overall market share to 69%.

Profit before Interest and Tax

The financial performance of ESB Customer Supply improved from a loss of €12.1m in 2002 to a profit of €88.7m in 2003. The outturn reflects the impact of €40m of revenue deferred in prior years, the price increase and a smaller reduction in market share than that assumed when the electricity tariffs were set. This over-recovery of tariffs in 2003 due to higher market share will be returned to customers as part of the electricity price review process in 2004 and 2005.

The volatility in profits in Customer Supply year on year reflects the timing variations between costs and revenues that are encapsulated in the Regulatory formulae which govern tariff setting. The true underlying profitability of the business can only be seen over a 3 year period. The results for 2001-2003 indicate an underlying average annual profit on electricity sales of about €20m which corresponds to an allowed regulated margin of just over 1% on turnover.

Operational Review

Customer Supply provides electricity to all customers based on published tariffs which are approved by the CER. The published tariffs provide a market price against which Independent Suppliers may discount to secure market share from Customer Supply. During 2003 customer numbers grew by around 57,000, again demonstrating the high level of activity in new house building and the economy in general. Overall market share at 69% was slightly down on 2002 reflecting slower than anticipated entry of new market participants and a low level of uptake by Independent Suppliers of the discounted generation production made available by Power Generation during 2003. The overall Supply market opened to 40% in 2003 providing the opportunity to choose supplier to a further 1,200 eligible customers.

HELPING TO REALISE THE VISION ESB Customer Supply. The key strategic focus of the business is to deliver ongoing improvements in the range and quality of services provided to customers

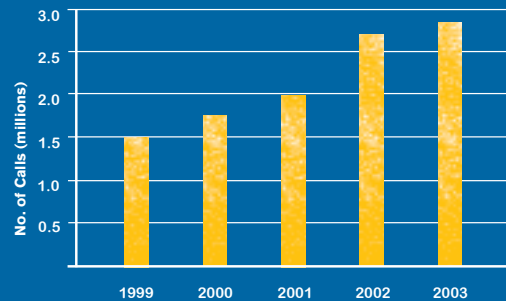
>> Customers now have access to over 1600 new payment outlets

Customers

ESB Customer Supply provided a wide range of energy and related services to its 1.78m customers during 2003. The key strategic focus of the business is to deliver ongoing improvements in the range and quality of services provided to customers while reducing the 'cost to serve'. Further progress was made during 2003 against this objective as outlined below:

- ESB Customer Supply issued 11 million bills and collected €1.6bn in income on behalf of ESB Group during 2003. At the same time, the level of customer complaints as measured by ELCOM, the independent complaints commissioner, was considered "very small when related to the scale of commercial activities". Notwithstanding this a new Customer Complaints System was put in place during 2003. The focus is not just on capturing breakdowns in service that resulted in formal customer complaints, but capturing all issues that are resolved at the front line to ensure that systems and processes are changed to better meet customers' needs and expectations.
- During the year the provision of bill payment facilities was further expanded. Now, in addition to ESB shops, bills can be paid at Post Offices and Paypoint locations throughout the country. Customers now have access to over 1,600 new payment outlets. This expansion was a key element in allowing the business to close 27 service shops during 2003, contributing to reducing the overall costs while improving the level of service provided to customers.
- The National Customer Contact Centre (NCCC) has become the primary point of contact with customers. During 2003, the NCCC handled 2.85 million customer calls while continuing to deliver strong service performance. ESB Customer Supply is particularly proud to record that one of the NCCC agents, Joy Clifford, won the Irish Contact Centre Agent of the Year Award in November.

NCCC CALL VOLUMES



- ESB Customer Supply provides a wide range of energy awareness and efficiency advice to customers to ensure they get maximum value for money from the product. Each year actual energy savings are delivered for each customer group, against targets set by CER. In 2003 these targets for energy savings set by CER, were exceeded, helping customers to achieve over €3m in annual energy savings.

Looking Ahead

The 2004 tariff review, approved by the CER in September, resulted in an average increase of approximately 5% in ESB Customer Supply retail electricity prices. The new tariffs apply from January 2004.

In 2004 a key element of business strategy will be to continue to invest in technology and process change. This investment will leverage both the experience and commitment of staff, so that the business can continue to deliver the quality of service that meets customer expectations and the challenge of full market opening in 2005.

The implementation of a new billing system, required to support the development of the competitive market, is a key challenge in 2004. Delivering this major project will involve a significant resource commitment of experienced teams across the ESB Customer Supply business throughout the year.

ESB Networks Review

Financial Review

	2003 €m	2002 €m	Change €m
Turnover			
- Internal	689.9	620.4	69.5
- External	159.3	114.7	44.6
Profit before interest and tax	216.1	211.8	4.3
Capital expenditure	671.7	574.4	97.3

Turnover

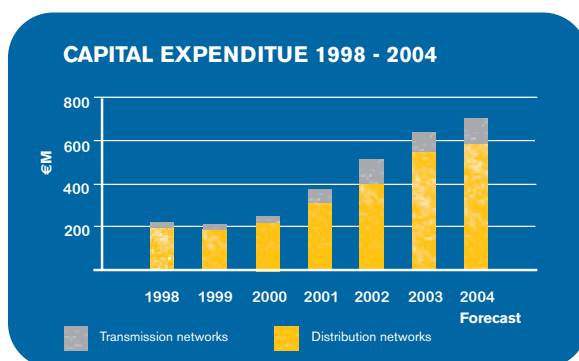
Turnover consists primarily of Distribution and Transmission use of system income, both of which are determined by the CER. Turnover increased by €114m in 2003, €43m of which is due to the pass through of the PSO levy in 2003. The balance of the increase is mainly due to inflation and increased investment in the networks.

Profit before Interest and Tax

The level of profits in the networks businesses reflects the capital intensive nature of the business and the current high investment levels. Under the regulatory income formula, the return earned by Networks is the minimum required, in order to finance the capital investment in the Distribution and Transmission networks. This return is considered modest, when compared to non-regulated investment yardsticks.

Capital Expenditure

ESB Networks is currently undertaking a significant investment programme to upgrade, develop and renew the distribution and transmission networks. Total spend in 2003 was €672m, the highest ever achieved in a year for the business. The drivers of this spend are set out in the operational review below.



Operational Review

ESB Networks comprises the transmission and distribution network infrastructure businesses in the Republic of Ireland. Activities include planning, construction, maintenance and operation of the networks. All electricity customers, as users of the distribution and transmission network, are customers of ESB Networks, regardless of their supplier. ESB Networks is regulated by the CER.

ESB Networks is also responsible for providing market services to all market participants to enable the functioning of the competitive electricity market. These services include the roles of meter operator, data collection (meter reading) and Meter Registration System Operator (MRSO). The supply market will be fully opened for all customers by February 2005. ESB Networks is now engaged in delivering a major IT investment program and wide-ranging business process change critical to the effective functioning of a fully open market.

As part of the market opening process and in compliance with European directives and national legislation, the operation of the transmission system will be conducted independently of ESB. The licence for Transmission System Operator (TSO) was issued in 2001, to EirGrid plc, an independent company. However, pending the coming into effect of the full TSO license, the TSO role continues to be performed by ESB National Grid on a ring fenced basis.

Safety

The safety of customers, staff and contractors is a core value for ESB Networks. While overall safety performance has improved significantly over the last number of years, 2003 was marked by the tragic deaths of two contractors in accidents. There is still a significant challenge to achieve the vision of having no one injured while working on or coming into contact with the networks.

The safety of the public is a key driver of all work programmes and the business will continue to work towards increased public awareness of the dangers of accidental contact with the networks.

Environment

During 2003, a dedicated Environment Manager was appointed in Networks to proactively manage Environmental and Waste Management obligations and to ensure the business has appropriate systems in place that comply with existing and emerging legislation.

Customers

ESB Networks is dedicated to delivering service excellence to all electricity customers, regardless of their supplier. The quality and continuity of electricity supply are key drivers of the network investments programme. A number

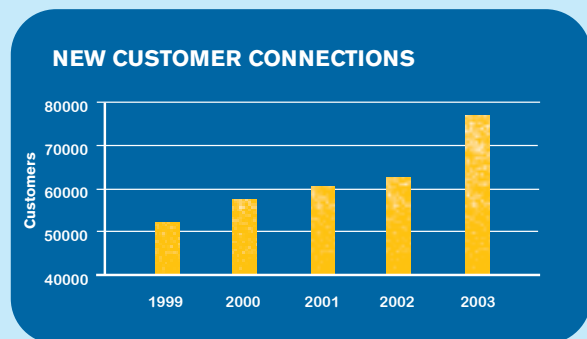
of specific initiatives were introduced during 2003 to improve customer service including reduced average connection times, a centralised bureau to streamline the handling of new connections and a 24 hours a day, 7 days a week query handling service for our largest customers.

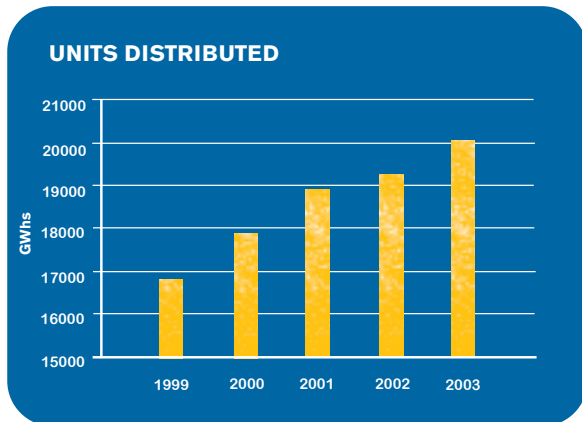
Infrastructure Investment

ESB Networks is expecting to invest approximately €3bn over the next five years on the distribution and transmission networks. ESB has shown through the growth in capital expenditure over the last few years that it has the capability to deliver major infrastructure projects to time and cost targets. This has been achieved through the combined efforts of Networks' staff complemented by increased use of external contractors.

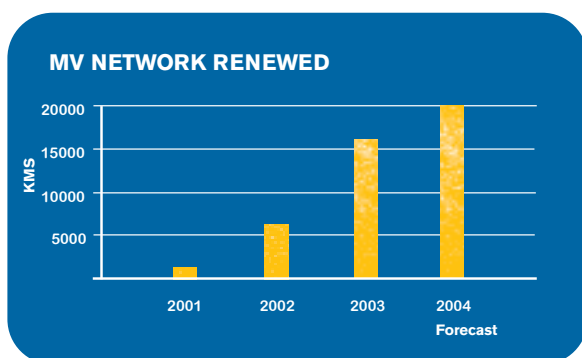
The key drivers of this investment are:

- ➔ To meet the continuing growth in new connections. The table below illustrates the trend in new connections over the last few years showing the record level of over 77,000 in 2003.





→ To cater for growth in demand. The growth in demand for electricity continues to be high, illustrated by the increases in units distributed in the graph above. A number of major high voltage distribution and transmission projects across Ireland have been completed and more are planned to support economic development throughout the country and to support the governments' spatial strategy. This includes building the infrastructure to connect new generation capacity including wind-farms to the networks. During the year, a further 150kms of transmission lines and a number of new high voltage stations were constructed to increase the capacity of the transmission networks.



→ To improve the quality of supply, reliability, safety and resilience. One of the biggest programmes currently underway to achieve this is the rebuilding of all medium voltage (MV) rural networks some of which are up to 70 years old. The total 75,000 kms of MV network will be renewed by the end of 2005. In 2003, 16,600 kms of this was achieved, which was a major step change on anything achieved in a single year before. It is intended to commence renewal of the low voltage networks in 2006. The table to the left illustrates the investment in the MV rural network renewal.

Looking Ahead

2004 will be another challenging year in terms of delivering further significant capital investment, to meet growth and deliver a quality service to customers.

Looking forward, other key challenges include:

- continuing to drive safety performance as an integral part of ESB Networks.
- enhanced customer service in terms of quality and reliability of supplies and improving response times to customer needs.
- delivery of the full range of market opening systems and services to ensure the successful introduction of full retail competition in February 2005, and
- ongoing drive for improved efficiencies and cost performance to ensure continued value for money for all customers and supply companies using ESB's networks.

HELPING TO REALISE THE VISION ESB Networks is committed to providing service excellence to all electricity customers regardless of their supplier...

>> The safety of customers, staff and contractors is a core value for ESB Networks.

Commercial Enterprises Review

Financial Review

	2003 €m	2002 €m	Change €m
Turnover			
- Internal	186.8	195.7	(8.9)
- External	473.2	449.9	23.3
Profit before interest and tax	13.9	27.1	(13.2)
Capital expenditure	308.3	153.4	154.9

Turnover

External turnover at €473.2 million has increased on the previous year by €23.3 million (5%). This change is primarily attributable to increased activity in ESB International.

Profit before Interest and Tax

The reported profit for the business decreased to €13.9m. However, the underlying performance of the business has improved significantly on the results for 2002, with profits increasing by €19.2 million, after excluding the exceptional write down in relation to the Fibre-Optic Network (see Note 8 in the Accounts). This improved result reflects increased turnover and continued investment in the business.

Capital Expenditure

Construction proceeded on gas fired generating plants at Coolkeeragh in Northern Ireland and Amorebieta in the Basque region of Spain. These plants, which involve a capital investment of over €800 million, will both begin commercial operation in 2005. In addition, the market opening project, which will provide the required IT infrastructure to support full electricity market

opening, was mobilised during 2003 and is on track to be operational by 2005.

The ITS & Telecoms business area completed the construction of the 1,300km national broadband fibre telecoms network in 2003. This was achieved at lower cost than conventional means by wrapping 24 pairs of optical fibre on the ESB electricity transmission network.

Operational review

Commercial Enterprises is responsible for the non-regulated businesses in the Group. It has five main business areas:

- ESB International (ESBI) owns and manages the construction of the Coolkeeragh and Amorebieta stations and is also engaged in consultancy engineering, construction and investment activities in over 40 countries.
- ITS & Telecoms provides IT and communications services for ESB and external customers.
- Retail/FinancElectric operates a nationwide chain of electrical retail shops and provides credit financing for its customers.
- ESB Independent Energy (ESBIE) operates as a licensed supplier in the competitive electricity markets in Northern Ireland and the Republic of Ireland.
- Shared Services provides property, facilities management, training, human resources, payroll and other services to ESB Group.

HELPING TO REALISE THE VISION Construction of over 1,300 kms of national broadband fibre network was completed in the Telecoms business in 2003.

» ESBI continued to develop a successful international business

Commercial Enterprises' objective is to grow profitability in each individual business area, thereby providing a contribution to profit growth within ESB Group.

ESBI continued to develop a successful international business and in particular:

- was appointed as engineer for the construction of 2,000 MW of coal fired plant in Vietnam and Indonesia in association with partners ESKOM (South Africa),
- constructed 40 MW of wind generation as turnkey contractor in Ireland, and
- assumed responsibility for the operation and dispatch of the transmission grid in Georgia (former USSR). This five year contract is sponsored by the World Bank and includes management of the Georgian State Electro System which comprises 4,500 employees.

Customers

2003 was a year of significant achievements for the business. ESBIE's customers in the Republic of Ireland account for 8% of the total electricity market there, or 21% of the eligible market. ESBIE also provides a range of tailored value-added services to its large industrial customers. The most popular value-added services include Energy Management packages, Energy Efficiency advice and associated consulting services.

In preparation for the commissioning of Coolkeeragh in early 2005, ESBIE grew its Northern Ireland business by over 40% during 2003 and established a Belfast office. ESBIE now supplies electricity to most of the largest sites in Northern Ireland with its customers accounting for 14% of the total electricity market in Northern Ireland and 39% of the eligible market.

Safety

Commercial Enterprises apply best ESB safe business management standards and practices across all its businesses, both in Ireland and abroad.

The completion of safety audits and safety inspections was monitored throughout 2003. The emphasis on monitoring contributed significantly to the identification of areas for improvement, visibly demonstrating management commitment to working safely. In addition, there was steady progress on a number of safety actions and initiatives in 2003, with a significant amount of safety related training also delivered.

Commercial Enterprises is committed to achieving injury-free workplaces and worksites at home and abroad. Building on the safety lessons learned in 2003, a number of safety themes have been developed for inclusion in all 2004 local safety improvement plans. These themes include identification of root causes of injuries, more staff involvement, improved communications and getting more value from safety audits.

Looking Ahead

We expect that the current year will bring steady growth in Commercial Enterprises in terms of both turnover and profitability. The retail appliance sales business is currently undergoing a high level business review, which will be completed in the current year. ESBI will continue to focus on completing the Coolkeeragh and Amorebieta power plant projects on time and within budget. Other investment opportunities are currently being developed in the EU market.

In 2004, the electricity market in Northern Ireland will open further on a phased basis such that, by the end of 2004, it is expected that all business customers in Northern Ireland will be able to choose their electricity supplier. ESBIE is now positioning itself to meet the needs of customers in this market segment.

ESBIE is well positioned to grow its existing customer base in the Republic of Ireland, during 2004, due to the opportunities that will be provided by further market opening.

Transmission System Operator Review

Operational Review

National Grid is currently the Transmission System Operator and Market Operator for Ireland. The role of the Market Operator is to settle the balancing market for electricity, both constraints and imbalances. While 40% of the electricity market has been open to competition since 2002, independent demand settled under the trading and settlement codes has increased from 26% in 2002 to approximately 31% in 2003.

Non Transmission Capital Expenditure

Towards the end of the year National Grid commenced work on certain aspects of a new electricity settlement market in accordance with SI 304 of 2003, resulting from a review of the existing market performed by the CER. This project is scheduled to take in excess of three years to complete.

In addition a project to install and commission a new national energy management system and a business continuity centre for National Grid is progressing on schedule. Completion is expected in mid 2004.

System Operations

The continuing high growth in demand coupled with the pressure on system capacity margin has resulted in some operating difficulties during 2003. However, despite these difficulties a secure and reliable supply was maintained during the year. The highest ever gross system peak of 4,415MW was supplied on the evening of Tuesday 7th January 2003.

There were no major incidents on the transmission system during the period. Interconnection with Northern Ireland continues to play an important role in maintaining the security of both the Northern Ireland and Republic of Ireland systems. While transfer capacity from the Republic of Ireland to Northern Ireland is very limited there is significant capacity available from Northern Ireland to the Republic of Ireland which is being used for trading and generation capacity support for the Irish system.

Corporate Social Responsibility

In our Annual Report for 2002, we set out our intention to establish a Corporate Social Responsibility (CSR) framework to enable us to measure our social contribution as a company. The concepts that underpin CSR - integrating social, environmental, and ethical concerns into business processes and interaction with stakeholders - are not new to ESB. These concerns have always informed our policies and practices. What we are doing differently is developing mechanisms for measuring, reporting on, and improving the impact of our activities.

In developing our CSR framework, we are supported by our involvement with Business in the Community, Ireland (BITC). ESB is a founder member of BITC and in October 2003 signed the Corporate Social Responsibility Charter, formally committing to open and transparent dialogue with customers, employees, suppliers, business partners, Government and the community.

Managing in a responsible and ethical way assumes added importance as the complexity of our business grows and the demands on people, resources and the environment increase. We regard CSR as a source of significant benefits to the company and a means of building on our reputation. We have appointed a CSR Co-ordinator and have engaged in a review of the core values which underlie our behaviour. Outlined below are some of the actions currently being taken in the areas of Environment, Staff, Customers and Community.

Environment

One of our key objectives is to conduct our activities in an environmentally responsible manner. Our corporate concerns in this area transcend the legal obligations imposed upon us and our policy commits us to continuously improve our environmental performance. The following activities are central to the implementation of this policy:

- reduction of the levels and impact of "greenhouse gas" emissions through long-term restructuring of our portfolio of fossil fuel generating plant, development of wind and other renewable energy plant and promotion of energy efficiency,
- making the investment necessary to facilitate national compliance with the emission limits set by EU Directives on acid gasses - sulphur dioxide (SO₂) and nitrogen oxides (NO_x),
- development and maintenance of ISO accredited environmental management systems at power plants and in our networks business,
- development of a comprehensive waste management system, in line with EU and national policy and frameworks, and
- monitoring, applying and communicating the findings of the most up-to-date scientific research in relation to electric and magnetic fields, at all stages of design and operation of our systems.

» One of our key objectives is to conduct our activities in an environmentally responsible manner.

HELPING TO REALISE THE VISION We regard Corporate Social Responsibility as a source of significant benefits to the company and a means of building on our reputation.

In line with our commitment to Corporate Social Responsibility, we ensure that all our major sites have procedures for handling both enquiries and complaints. Every effort is made to prevent environmental incidents, but when they do occur, they are reported and thoroughly investigated through the environmental management system. One such incident, a landslide in Derrybrien Co. Galway, has been investigated by independent consultants and the report has been made public.

Staff

We have long valued our position as an employer of first choice in Ireland. Our intention has been, and will continue to be, to provide a working environment where safety is a priority and where staff are motivated to excellent performance and continuous learning.

Some key elements of our human resource management activities are as follows:

- provision of an extensive range of employee benefits, many of which exceed the statutory minimum,
- fostering mature, trusting and progressive relationships with trade unions in order to implement an effective partnership culture,
- provision of working arrangements and facilities to assist staff who face challenges in managing their working lives due to family responsibilities, illness, or personal stress,
- implementation of equality measures to ensure that all staff have an opportunity to progress, regardless of gender, marital status, age, or disability,
- providing training programmes focused on building the capability and competencies required to ensure personal and organisational success,
- provision of educational opportunities for staff to achieve third level qualifications,
- provision of a programme of advice, support and training for staff who avail of voluntary redundancy or relocate within the company, and
- encouragement of retired staff to maintain contact with their former colleagues through company-supported events and provision of access for them to health care and employee assistance programmes.

In relation to safety, we are committed to a goal of zero injuries to staff, contractors and members of the public. During 2003 the Executive Team launched a series of initiatives targeted to deliver further significant reductions in the number of lost time injuries in the company and for the first time last year all of the executive team and their senior managers personally conducted safety audits.

Sadly, following a trend of reducing injuries in recent years, as already described, there were a number of deaths resulting from ESB Group activities in 2003. This was devastating for their families, communities and colleagues. Our initial concern was to offer support to the bereaved and then to carry out detailed investigations of the causes of the tragedies, with the intention that similar circumstances would never arise again. The rate of injury resulting in lost time has reduced each year since 1998 and is now at a historically low level.

Customers

With approximately 1.8 million customers, ESB is one of the largest service providers in Ireland. The Irish electricity market is one of the fastest growing in the developed world and has expanded by 40 per cent over the past 10 years. We are committed to providing electricity at competitive prices, while maintaining the long-term profitability necessary to underpin future investment and growth. A substantial investment programme is currently underway, designed to provide a quality electricity infrastructure for all users and to increase the reliability of the network.

We operate in a changing market which will be fully open to competition in 2005. A key element of our strategy is serving all our customers, ensuring that we respond appropriately to their needs, be they small domestic users or large commercial concerns. The initiatives in place in the area of customer service include the following:

- Customer Charters for both the Networks and Customer Supply businesses, specifying the level of service customers can expect and providing guarantees of payment in compensation for any failure by ESB to meet the specified standards,

- Customer complaint procedures with provision for complaints not resolved within the company to be referred to ELCOM, an independent and impartial arbitration service responsible for resolving complaints from customers of ESB,
- award winning National Customer Contact Centres providing service six days per week and a 24-hour emergency breakdown telephone service,
- energy awareness programmes, targeted at enabling both residential and business customers to make savings to their bills and benefit the environment through more efficient use of electricity,
- bill payment methods which maximise convenience for customers and, if appropriate, allow those having financial difficulties a certain flexibility,
- improved website design to facilitate access for people with disabilities, and provision of information booklets and audio tapes designed for customers with special needs,
- programmes designed to alleviate the problems faced by those at risk of hypothermia through old age or limited mobility, and
- an improved Application for Supply form which won the Crystal Mark Award for Plain English.

In our relations with suppliers, we operate in accordance with Government Guidelines, EU Directives, and the ESB Employee Code of Business Ethics which requires the highest standards of integrity, legality and confidentiality in all transactions.

Community

Since the foundation of the company, ESB has been a significant source of employment in local communities and has been well served by those communities. In recent years, station closures were necessary as an inevitable consequence of technological change. In implementing these business decisions we have always partnered with local communities in a process of fostering local enterprise, and job creation. We recently approved packages for community support in Rhode, and in Ferbane, Co. Offaly, where we had closed power stations. These funds are delivered to the community through an agreed process.

We are associated with a range of other community initiatives including the following:

- support for organisations and events involved in cultural and sporting life, locally and nationally,
- support for charities, both home and abroad, through "ElectricAid" a joint staff/ESB initiative which has raised over €2 million,
- building community links in international projects through information provision, sponsorship and employment of locally-based contractors and suppliers who meet certain set criteria including health and safety.

Since the foundation of the company, ESB has been a significant source of employment in local communities and has been well served by those communities.



HELPING TO REALISE THE VISION The seventh year of the ESB Environmental Photography Awards attracted a record number of entrants both Irish and International.



www.esb.ie

The Board

There were 14 Board Meetings (11 General Board Meetings and 3 Special Board meetings) during the year ended 31 December 2003. The number in brackets below opposite each name represents the attendance by each Board member at General and Special Board meetings respectively, during the year.

BOARD MEMBER	GENERAL / SPECIAL
Tadhg O'Donoghue, Chairman	(11,3)
Joe LaCumbre, Deputy Chairman	(10,3)
Bernard Byrne	(7,3)
Eamonn Connolly	(11,3)
Eoin Fahy	(10,2)
Georgina Kenny	(11,2)
John McGinley	(11,3)
Will McKee	(10,1)
Padraig McManus	(11,3)
Derry O'Donovan	(11,3)
Pat Smith	(11,3)
Anne Taylor	(10,2)

This report was approved by the Board at its meeting on 24 February 2004, for submission to the Minister for Communications, Marine and Natural Resources.



Tadhg O'Donoghue
Chairman



Padraig McManus
Chief Executive



John Redmond
Company Secretary

23 MARCH 2004

Board Committees

AUDIT COMMITTEE

The purpose of the Audit Committee is to oversee the financial reporting process and internal control system of ESB.

During 2003 the Audit Committee reviewed the annual and the interim financial statements, the system of internal controls, the reports of the internal and external auditors, the appointment of the company auditors, risk management and treasury policies and procedures.

Members: Bernard Byrne, Chairman
Derry O'Donovan
Eamonn Connolly

BUSINESS DEVELOPMENT AND INTERNATIONAL COMMITTEE

The purpose of the Business Development and International Committee is to review investment proposals aimed at ensuring the positioning of ESB for future success consistent with the strategy approved by the Board.

The Business Development and International Committee reviewed major contracts relating to the network renewal programme, investments in the power generation portfolio, peaking capacity and international investments.

Members: Georgina Kenny, Chairman
Eoin Fahy
Joe LaCumbre
Will McKee
Padraig McManus

BUSINESS STRATEGY COMMITTEE

The purpose of this Committee is to monitor the delivery of performance and the achievement of targets in the corporate strategy approved by the Board.

During the course of 2003 the Business Strategy Committee reviewed performance against the strategic targets approved by the Board.

Members: Joe LaCumbre, Chairman
Derry O'Donovan
Pat Smith

HEALTH, SAFETY AND ENVIRONMENT COMMITTEE

The purpose of the Health, Safety and Environment Committee is to advise the Board on health, safety and environmental matters.

During 2003 the Committee considered reports on accidents, including fatalities, involving staff, contractors and members of the public and ESB's compliance with health, safety and environmental legislation.

Members: Pat Smith, Chairman
Padraig McManus
Anne Taylor

FINANCE COMMITTEE

The purpose of the Finance Committee is to oversee strategy and policy on financial matters and to advise the Board as appropriate.

During 2003 the Finance Committee considered ESB's funding requirements in the context of its major capital investment programmes.

Members: Tadhg O'Donoghue, Chairman
Bernard Byrne
John McGinley

INDEPENDENT TRANSMISSION SYSTEM OPERATOR COMMITTEE

The ITSO Committee facilitates the independent management of the Transmission System Operator functions undertaken by the National Grid business within ESB on a strictly ring-fenced basis, pending the transfer of those functions to EirGrid as an independent legal entity.

Members: Eoin Fahy, Chairman
Derry O'Donovan

REGULATION COMMITTEE

The purpose of this Committee is to oversee the development and implementation of the corporate strategy on evolving legislation and regulatory matters and to oversee compliance with regulatory requirements.

The Regulation Committee, during the course of 2003, considered regulatory developments at EU and national level.

Members: John McGinley, Chairman
Eamonn Connolly
Georgina Kenny
Anne Taylor

REMUNERATION AND MANAGEMENT DEVELOPMENT COMMITTEE

The purpose of the Remuneration and Management Development Committee is to advise the Board on all aspects of the remuneration of the Chief Executive, set the remuneration of the executive management group following consultation with the Chief Executive and to monitor the development of current and future leaders of ESB.

During 2003 the Committee considered the remuneration and targets of the Chief Executive and the senior executives and the developmental needs of the Company's senior managers.

Members: Tadhg O'Donoghue, Chairman
Eoin Fahy
Will McKee

Board Members

Tadhg O'Donoghue



Tadhg O'Donoghue joined the Board of ESB in September 2000 and was appointed Chairman in January 2001. Mr O'Donoghue was previously a Senior International Partner with PricewaterhouseCoopers. He is a former Chairman of Board Iascaigh Mhara and a former President of the American Chamber of Commerce in Ireland. Mr O'Donoghue is Chairman of the Remuneration and Management Development Committee and Chairman of the Finance Committee.

Padraig McManus



Padraig McManus was appointed Chief Executive and Member of the Board in July 2002. He joined ESB in 1973 and spent fifteen years on the Company's international businesses and later became Managing Director ESB International and Commercial Director, ESB. He is a Board Member of the Irish Management Institute, Business in the Community, the Association of Edison Illuminating Companies and the Advisory Board of Ireland Aid. Mr McManus is a member of the Health, Safety & Environment and the Business Development & International Committees of the Board.

Eamonn Connolly



Eamonn Connolly was appointed to the Board in January 2003 under the Worker Participation (State Enterprises) Act, 1977. He is an electrical engineer working in ESB Networks in Dublin. He joined ESB in 1986 as a graduate engineer and worked in various locations throughout the company, including a number of years as a consultant with ESB International. He is a Fellow of the Institution of Engineers of Ireland and holds a Degree in Electrical Engineering from Kevin St, and a Master's Degree in Project Management from the University of Limerick. He is currently a Trustee of the ESB Superannuation fund. He is a member of the Audit Committee and of the Regulation Committee of the Board.

Georgina Kenny



Georgina Kenny was appointed to the Board in April 2000. A Solicitor, Ms. Kenny is Managing Director of Shannon Dry Cleaners. She has been a member of the Board of Athlone Community Task Force since 1994. Ms Kenny is Chairman of the Business Development and International Committee and a member of the Regulation Committee.

Anne Taylor



Anne Taylor is currently serving a second term on the Board, having been re-appointed in May, 2002. Ms Taylor is the Senior Independent Director on the Board. She is a member of the Health Safety and Environment Committee and a member of the Regulation committee. She is Chairperson, Clonmel Community Resource Centre, and Chairperson, Clonmel Area Committee, Rehab Foundation. She is a former Chairperson of the National Womens Council of Ireland and President of the European Women's Lobby, Brussels. Ms Taylor is a Consultant working in the areas of Equality, Diversity and Coaching.

Joe LaCumbre



Joe LaCumbre was appointed Deputy Chairman of the Board in September 2000. He is now serving his sixth term on the Board, having first been appointed in January 1984 under the Worker Participation (State Enterprises) Act, 1977. Mr LaCumbre is a member of the TEEU Executive Committee and is staff representative on both the ESB Superannuation Fund Administration Committee and the ESB Medical Provident Fund. He is Chairman of the Business Strategy Committee and member of the Business Development and International Committee. He is Deputy Chairman of the Athlone Institute of Technology and is a member of the Athlone Community Task Force.

John McGinley



John McGinley was first appointed to the Board in January 1995 under the Worker Participation (State Enterprises) Act, 1977 and was re-elected in 1998 and 2002. A technologist in Networks, he is a member of Kildare County Council and the Mid-East Regional Authority. Mr McGinley is Chairman of the Regulation Committee and a member of the Finance Committee.

Derry O'Donovan



Derry O'Donovan was appointed to the Board in May 2002. He is Senior Business Adviser with AIB Bank. He is a Director of St Luke's Hospital and First Step. Mr O'Donovan is a former Chairman of the Irish Red Cross Society and a former President of the Agricultural Science Association. He is a member of the Audit, ITSO, and Business Strategy Committees of the Board.

Will McKee



Will McKee was appointed to the Board in May 2002. He is Chairman of Amtec Medical and serves on the boards of companies involved in the hosiery, brewing and management consultancy industries. Mr McKee is a member of the Business Development and International Committee and the Remuneration and Management Development Committee.

Pat Smith



Pat Smith was appointed to the Board in January 1999 under the Worker Participation (State Enterprises) Act, 1977 and was re-elected in 2002. He joined ESB in 1981 and has been working as a Network Technician out of Wilton in Cork. Mr Smith has served as Secretary of the Cork Branch, A.T.G.W.U. and National Secretary of the Network Technicians Category. He is Chairman of the Health, Safety & Environment Committee and is a member of the Business Strategy Committee.

Eoin Fahy



Eoin Fahy was appointed to the Board in January 2001. He is Chief Economist with KBC Asset Management Ltd. Dublin and is an established media commentator on economic issues. Mr Fahy is a member of the Remuneration and Management Development Committee, the Business Development and International Committee and Chairman of the ITSO Committee.

Executive Team

Tony Donnelly



Tony Donnelly joined ESB in 1963. He was appointed Group Finance Director in December 1997. Prior to this appointment he worked in a number of senior financial management roles across the company, including Group Financial Controller. He is a trustee of the ESB Superannuation Fund and a member of the Board of Governors of Froebel College. He was appointed Deputy Chief Executive of ESB in November 2003.

John Redmond



John Redmond was appointed Company Secretary in 2002. He was previously Company Secretary of GPA Group Plc. He worked in the Irish Diplomatic Service from 1980 to 1988.

John Campion



John Campion was appointed Executive Director, Human Resources & Corporate Affairs in 2002. He joined ESB in 1978 and worked in various roles connected with industrial relations and personnel management, including Manager Human Resources in Power Generation. He also worked as a regional manager in both Sligo and Dublin. Prior to his appointment as Executive Director, he was Head of Network Projects.

Aidan O'Regan



Aidan O'Regan joined ESB in 1965. He was appointed Head of Regulatory Affairs in January 1997. He was Manager, Corporate Change during the Cost and Competitiveness Review. He has previously held senior management positions in the human resources, financial and project management areas and has managed international consultancy assignments.

Kieran O'Brien



Kieran O'Brien, who is the Chief Executive Designate of EirGrid plc, has served as Managing Director of ESB National Grid since 1993. He joined ESB in 1971 and worked on a number of ESB's construction projects during the 1970s including Turlough Hill and Moneypoint. He held the position of ESB's resident manager in Saudi Arabia and subsequently became Manager, Civil Works Department. Mr O'Brien also served as Director Strategic Planning and Development.

Michael McNicholas



Michael McNicholas was appointed Executive Director, Power Generation & Supply in July 2002 having served as General Manager Power Generation since 1999. Prior to this he held senior positions in the company in Networks, Marketing and Power Generation, having joined ESB in 1982. He is also a Director of ESB ESOP Trustee Ltd.

Sean Wyse



Sean Wyse joined ESB in 1970. He was appointed Executive Director, Commercial Enterprises in July, 2002. He was Managing Director, Engineering and Commercial Businesses from 2000, having served as Managing Director, Customer Services since 1997. He held a number of senior management positions in the Distribution business throughout the country, prior to his appointment as Group Manager, Power Generation, in 1994.

John Shine



John Shine was appointed Executive Director Networks in November 2002. 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. He is a Trustee of the ESB Superannuation Fund.

Bernard Byrne



Bernard Byrne was appointed to the Board in July 2001. A Chartered Accountant, he previously held the position of Deputy Chief Executive and Group Finance Director of IWP International Plc. He was appointed Group Finance Director in January 2004, having resigned from the Board.

