



➤ Tadgh O'Donoghue

Chairman's Review

During 2004 ESB enhanced its ability to deliver a better service to all its customers

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 31 December, 2004.

Performance and Productivity

During 2004 ESB enhanced its ability to deliver a better service to all its customers.

On the generation side of the business, Lough Ree Power, one of the two new peat fired stations, entered commercial operation and the other station, at West Offaly, will do so shortly. At our biggest station – Moneypoint in County Clare – a major environmental upgrade (€368 million) is progressing to plan. In all three stations best practice arrangements are in place with staff. In 2004 we continued to refurbish and renew our existing generating capacity – some of it quite old - in order to ensure continuity and lower cost of supply. All of these investments are making ESB a more efficient producer to the benefit of our customers.

On the transmission and distribution side of the business ESB Networks is managing a five year €3 billion investment programme. Expenditure in 2004 was €700 million. This money is being spent connecting new customers (a record 90,600 in 2004), on renewing the medium voltage network and on upgrading the transmission and distribution systems to cope with the dramatically changing economic environment in Ireland.

As with rural electrification in the past, ESB is today investing in one of the biggest infrastructure projects in the history of the country.

In 2004 ESB Customer Supply issued 11.3 million bills to customers and three million enquiries were handled by our National Customer Contact Centre. We also now have a dedicated Service Centre for our business customers.

Competition

ESB was well prepared for the full opening of the market to competition on 19 February, 2005. The open market - where customers are free to choose their supplier - requires a powerful new IT infrastructure, which ESB has successfully put in place, to the benefit of all customers and independent suppliers.

On the generation side our share of the market has fallen to 65% and is likely to fall to 60% by the end of 2005. We have further supported this competition by entering into power purchase agreements with independent producers, such as independent wind farms and other independent producers who will come on stream over the coming years.

Strategic investment

The corollary of adjusting to competition at home is that we can benefit from competitive opportunities beyond our traditional market. We have made major investments in electricity generation in Northern Ireland and Spain and we are pursuing business development opportunities in other EU countries. These are crucial to our success in maintaining a strong ESB into the future.

2004 Performance

Profitability

Group profit after tax increased by €18 million to €267 million. This increase was due to a number of factors, including increased electricity revenues, offset by higher fuel commodity costs, increased rates and payroll costs, as well as significantly higher net interest charges, as a result of increased borrowings. No interim dividend was paid this year. The Board is proposing a final dividend for the year of 3.91 cents per unit of stock, or €77.4 million in aggregate, an increase of 0.52 cents per unit of stock, or €10.3 million in aggregate on total dividends paid in respect of 2003.

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Board and Stakeholders

Bernard Byrne resigned from the Board during the year on taking up the position of Group Finance Director of ESB. I would like to thank Bernard for his contribution as a non-executive Board member. Brendan Byrne joined the Board and I would like to welcome him.

Our esteemed Board Member, Anne Taylor, died in April 2005. Anne was appointed to the board in 1997 and was re-appointed in 2002. She served with distinction as a Board Member and on key Board Committees.

I would like to thank the Minister and his officials of the Department for Communications, Marine and Natural Resources, for their continued assistance during the year. I would also like to acknowledge the contribution of my Board colleagues during 2004. My congratulations to the management and staff. They have achieved a great deal during the year, delivering fully on very ambitious targets.



Tadhg O'Donoghue

Chairman
28 June 2005