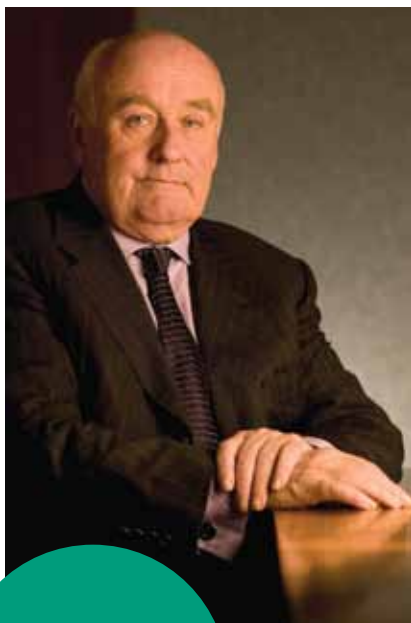


## Chairman's Review



Lochlann Quinn  
Chairman

There is a misconception that ESB determines the price of electricity

In spite of extremely difficult economic conditions at home and abroad ESB delivered a strong performance in 2008. Revenue was €3.5 billion which was in line with 2007. Profit attributable to stockholders was €273 million. The Board is recommending a final dividend of 4.14 cent per unit of stock, or €82 million in aggregate which is 30% of distributable profits for the year. Capital investment was €1.1 billion for the year while total borrowings were an acceptable €2.2 billion at the end of the year.

A competitive Irish electricity market, which ESB has done so much to facilitate, is now fully operational. As a result, ESB's regulated generation and supply businesses have only approximately 30% and 40% respectively of the market on an all-island basis. Other utilities now operating in the market include Scottish & Southern, Bord Gáis and Viridian. They have recently been joined by Endesa, the Spanish utility.

The emergence of Bord Gáis and Airtricity as active competitors in the residential sector is strongly welcomed by ESB and should finally dispel any lingering perception of ESB as a monopoly. The price which ESB can charge its domestic customers is determined by the Commission for Energy Regulation (CER) and ESB is not permitted to discount from this price. As competitors take this opportunity to grow market share it is to be hoped that the regulatory restrictions on ESB will be lifted to allow ESB to compete on an equal footing.

In these difficult economic times the main focus for ESB and for our customers is on the price of electricity. For this reason, for the period 1 January to 30 September 2009, ESB is contributing over €400 million through the regulatory process to achieve a significant price saving for all electricity customers, irrespective of whether they are supplied by ESB or by competitors of ESB. This extraordinary support from ESB is by definition a temporary measure and it will be necessary to address the situation after 30 September 2009.

Electricity prices for Irish domestic customers are in line with the eurozone average. Prices for small and medium enterprises prices are below the eurozone average. However prices for Large Energy Users (LEUs) are above the eurozone average. The Regulator has pointed out that in Ireland "fossil fuel dependence is the chief reason for high relative energy prices, accounting for approximately 70% of the higher average cost of electricity" here. 90% of consumption in the LEU sector is supplied by six independent suppliers with ESB Customer Supply's market share at 10%.

Notwithstanding the difficult environment for business, ESB remains fully committed to implementing our ambitious Strategic Framework to 2020 announced in March 2008 to make ESB the leading renewables company in Ireland. There is a compelling economic as well as environmental case for this strategy.

2008 was a year of real achievement for ESB and for its staff under the leadership of Pdraig McManus. I am delighted that, following Ministerial approval, Pdraig has agreed to serve as Chief Executive for a further three years until 2012.

In 2009 ESB's Board, management and staff will continue to serve our customers to pursue the strategy agreed with Government and to support the Irish economy.

In accordance with the provisions of the Electricity (Supply) Acts 1927 to 2004 the Board presents the annual report and accounts for the year ended 31 December 2008.



Lochlann Quinn  
Chairman