

Company Name: ESB Finance Limited

Headline: ESB Investor Update

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ESB Investor Update

Interim Financial Statements

Electricity Supply Board (ESB) (the guarantor of notes issued by ESB Finance Limited under its €3,000,000,000 Euro Medium Term Note Programme) has today published its interim financial statements for the six months ended 30 June 2013.

These financial statements have been filed with the Irish Stock Exchange and can be viewed on ESB's website at www.esb.ie

Dividend Policy

In July 2013, the ESB Board was requested by the Minister for Communications, Energy and Natural Resources to propose a dividend policy to enable appropriate financial decisions to be made by the business and provide clarity and certainty to financial markets. The Minister also requested the Board to consider payment of an additional dividend of €65m in 2013.

At its meeting today (23rd October 2013), the ESB Board approved a revised dividend policy, which has been agreed with the Government and is intended to cover the period to at least the end of this decade. The key parameters of this policy are:

- ESB will target a dividend pay-out ratio of 40% of normalised Profits after Tax in the medium term.
- The target dividend pay-out ratio will remain at 30% for 2013 and 2014, in addition to the targeted Special Dividends from the disposal of non-strategic generation capacity in 2013-14 previously announced.
- From 2015, the target pay-out ratio will be increased gradually so that by 2017, the revised target ratio of 40% of normalised profits after tax will be achieved.
- ESB will aim to pay an interim dividend within each financial year, with the balance to be paid as a final dividend post year-end. Any interim dividend for 2013 will address the Government's request for an additional €65m dividend in the current year.
- ESB has agreed with the Government that sustaining a minimum BBB+ credit rating is a key policy objective for the Company, and that this should be a priority consideration when considering dividend payments under the policy outlined above.

Sales of Non-Strategic Generation Capacity

In October 2012 the Irish Government requested ESB to develop proposals for the sale of some non-strategic generation capacity, with the specific objective of delivering special dividends to the Government of up to €400M by the end of 2014.

In February 2013, ESB commenced a process to sell its 50% shareholdings in two international tolling plants, Marchwood Power Limited (UK) and Bizkaia Energia SL (Spain).

Following its Board meeting today (23rd October 2013), ESB is announcing that a major European insurance company has been selected as preferred bidder for ESB's shareholding in Marchwood Power Limited and the sale is in the process of being finalised. The process of selling ESB's shareholding in Bizkaia Energia SL is ongoing and is expected to be completed next year.

In line with the program to dispose of non-strategic assets, ESB is also announcing today its intention to sell two additional generation facilities, Lough Ree Power (91MW) and West Offaly Power (135MW). Both facilities are peat-fired plants located in the Irish midlands which have been operational since 2004 and 2005 respectively. It is expected that advisors will be appointed in the coming weeks and that this sales process will conclude in mid-2014.

ESB Pension Scheme

The majority of ESB employees are members of a contributory pension scheme called the ESB General Employees Superannuation Scheme ('the Scheme'). In recent months a dispute has arisen with the ESB Group of Unions in relation to the nature of this scheme, the nature of ESB's obligations towards it and the manner in which it is accounted for in the Company's financial statements.

The ESB Unions plan to conduct a ballot of their members for industrial action, up to and including strike action, unless the company meets certain demands related to the pension scheme. Separately, High Court proceedings have been initiated by four staff members in relation to these issues. On the basis of advices obtained to date, ESB believes that the plaintiffs' claims will not succeed and intends to fully defend the proceedings. Accordingly, no provision has been made for such claims in the interim financial statements released today (23rd October 2013). ESB wishes to restate that it is fully satisfied that the accounting treatment for the Scheme in its financial statements is correct and fully in accordance with applicable laws and international accounting standards.

ESB

23rd October 2013

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