ST. LUCIA ELECTRICITY SERVICES LIMITED

INTERIM REPORT TO OUR SHAREHOLDERS FOR THE HALF YEAR ENDED 30TH JUNE, 2006

The Directors are pleased to present the unaudited results of the Company for the six months ended 30th June, 2006.

Trading conditions were challenging during the first half of the year as the sector continued to be affected by the high price of fuel. Recent events in the Middle East will no doubt, at a minimum ensure that the existing situation remains with very little prospect for any downward movement in the near or medium term.. As a result the average fuel price increased by 28% over the same period last year.

In recognition of this reality, customers have been encouraged and are taking steps to contain their energy costs mainly through conservation measures.

High energy costs also continue to challenge the Company's continuous efforts to achieve increasing levels of customer satisfaction and operational efficiencies.

NEW TARIFF REGIME

The new tariff regime provided for in Amendments Nos. 12 and 13 of 2006 of the Electricity Supply Act (ESA) No. 10 of 1994 took effect from April, 2006. It provides for a base rate which more accurately reflects current conditions in the industry and some flexibility to amend those rates as situations change from year to year.

FINANCIAL AND OPERATIONAL RESULTS

Unit sales at 139.3 mWh's reflected a marginal increase of 0.9% over the same period last year. There was growth in the Domestic sector of 2% but this was offset by decreases in the Commercial, Hotel and Industrial sectors.

Gross revenue of $113.8M is 17.4% over last year but mainly reflects the effects of the adjustment to the base rate to include a greater component of fuel costs.

The increase in Diesel generation costs reflects the higher cost of fuel during the period.

Gross income of $33.6M decreased by 1% compared to the previous year largely from increased activity in the Transmission & Distribution area of the business.

Profit before tax was $20.4M, a decline of $0.4M mainly due to increased finance charges which were previously included in the cost of the new generation plant last year.

Profit after tax was $12.2M which translates into annualised Earnings Per Share of $2.08 compared to $2.78 for the year ended 31st December, 2005. The current year performance was affected by lower than expected capital expenditure resulting in an increase in deferred taxes. As programmes continue in the second half of the year the effective tax rate will be reduced. The annualised return on equity for the half year was 16.4%.

The customer base was 53,884 an increase of 2.9% over the same period last year with growth in all the sectors.

2006 TARGETS

System losses to date at 10.16% were in line with the achievement at the end of the previous financial year but lower than the full year target of 9.9%. Concentrated effort and vigilance continues to be focused in this area including an extensive meter inspection, testing and replacement exercise, so that the end of year target of 9.9% can be achieved.

System Average Interruption Duration Index (SAIDI), a measure of reliability, was recorded as 4.01 hours for the year to date, trending better than the target so far. This was a significant improvement over the last year's achievement of 6.54 hours for the same period.

Specific fuel consumption of 19.50 kWh's per gallon is slightly better than the target of 19.43 kWh per gallon despite the use of less efficient machines during June as a result of an overhaul and troubleshooting on two machines.

DISTRIBUTION OF EXCESS RETURN

In accordance with the Electricity Supply Act (ESA) No. 10 of 1994 as amended by Act Nos. 12 and 13 of 2006, an amount of EC$4.1M was certified as the distributable amount to customers. In accordance with the ESA, Hotel, Industrial and designated Domestic consumers as deemed by the Minister are benefiting from the distributable amount. This is being credited to customers' accounts on a monthly basis.

CAPITAL PROGRAMMES

Works on the new generation plant at Cul de Sac will escalate in the second half of the year as all the necessary contractual details should be concluded.

CONTINGENT LIABILITY

Discussions are continuing with the Government in respect of the withholding taxes assessed on insurance premiums for 2000 to 2005 with an intent to conclude this matter by the end of the financial year.

PAYMENT OF FINAL DIVIDENDS

The payment of the final dividends as approved by the shareholders was made during June, 2006.

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Mr. Marius St. Rose

Chairman