ST LUCIA ELECTRICITY SERVICES LIMITED
INTERIM REPORT TO OUR SHAREHOLDERS FOR THE SIX MONTHS ENDED 30th JUNE, 2005

The Directors are pleased to present the un-audited results of the Company for the six months ended 30th June, 2005.

The final dividend for the year ended 31st December, 2004, of EC$1.16 per share, was paid in June, 2005.

Overall performance to date was very satisfactory, largely due to a combination of increasing sales units and adherence to budget provisions, resulting in a healthy half year position, and, barring any serious reversal, there is every confidence that financial and corporate targets for the year will be easily surpassed.

Net Income for the year to date was EC$16.3m, compared with EC$12.3m in the corresponding period in 2004, despite a 2% decrease in the basic tariff which was implemented earlier in the year. Sales units for the year to date have grown at 5.6% per annum compared with the same period last year. With the exception of the industrial sector which remained virtually unchanged, all other sectors showed growth with the commercial and hotel sectors the most buoyant at 7.3% and 6.1% respectively. Although not significant in terms of units, street lights increased by 39.7% and largely reflects previously unbilled charges and a more accurate recording of consumption. Sales have been boosted by the high profile and hugely popular visitor attractions of One Day International Cricket and St. Lucia Jazz. Overall hotel average occupancy for the six months was 72.5%, compared with 67.8% in the same period last year, and, although visitor arrivals declined from 455,015 to 438,154, largely due to a drop in the cruise sector, there was a significant 14% increase in stay-overs, from 150,593 to 171,669. For the first time in its history, in May 2005, sales units topped the 24m mark, and mirrors achievements in April and November 2004 when first time highs of 22m and 23m respectively were achieved.

Fuel prices continued to rise dramatically, at peak EC$6.2894 per imperial gallon in the first week of July, 2005, certainly the highest price ever, compared with an average of EC$3.8283 for June last year. A Fuel Surcharge Cost adjustment Factor of 29.6 cents/unit was applied in June, 2005, compared with 21.8 cents/unit last year, and in fact reached a high of 32.4 cents/unit in July, 2005. The Company has commenced discussions with one of its bankers on hedging strategies, but it is believed that no further progress could be made until legislation is amended to allow such costs to be factored into the tariff calculation.

Operational activities gathered momentum in the second quarter, as the Departments continued accelerating their work programmes, but there is still a need for some further emphasis to ensure that all schedules are brought in line to minimise the distortions between “Actual” and “Budgeted” figures. System reliability fluctuated during the period under review, with SAIDI ranging from 0.59 hours in February, to 1.51 hours in April, to 1.37 hours in June. The year to date figure of 6.54 as compared to 6.52 hours for the same period last year indicates that the Company has maintained its level of reliability. The Reliability Working Group is working assiduously to ensure that the target figure of 13.26 hours for the year remains in focus. The system maximum demand of 49.2MW recorded on 23rd May, 2005, was the highest ever, and was attributed to increased activity from stay-over visitors following back to back One Day Cricket Internationals. Fuel efficiency for the month of June was recorded as 19.45 kWh’s per gallon, and this is an excellent result following the servicing of the fuel side gauge on one of the bulk tanks and the full in service use of Unit G9. The year to date figure of 19.30 kWh's per gallon, although below the target of 19.37 for the year, looks promising.

Work associated with the Millennium Highway 11 kV Cable Project was proceeding reasonably well despite some delays attributed to the weather. It is hoped that, weather permitting, civil work should reach the Ciceron Junction by the end of July, 2005. It is estimated that, at present, the project is a few weeks behind schedule.

Pole and line maintenance activity continued on the primary and secondary distribution networks to ensure that all was in order for the hurricane season.

The Alternative Energy Group had encountered difficulties in acquiring suitable land for the "Wind Power Pilot Project" and the Company had solicited the assistance of Government in resolving this matter. It has now been confirmed that a 52 acre parcel of land at Pointe de Caille in Vieux Fort has been surveyed, and registration of the plan is in progress.

Debt Management continues to receive very close attention, and manageable debt (i.e. total debt less public and related sector) represents just about 1.2 weeks, which is considered a very good achievement. There is dialogue at a high level within Government on the resolution of the public and related sector debt.

This year the Company celebrated its 40th Anniversary and a series of events were held until July involving staff, external stakeholders, schools and the wider public. Activities commenced with a Eucharistic Mass and Brunch in January, and ended with a Customer Appreciation Week in July.