

## DIRECTORS REPORT TO THE SHAREHOLDERS FOR THE PERIOD ENDED MARCH 31, 2011

The Directors are pleased to report on the unaudited results for the Company for the quarter ended March 31, 2011.

Low sales trends have continued from Q4 of 2010, but are gradually moving in an upward direction. We attribute the low sales trend to the lower demand for electricity following the passage of Hurricane Tomas and the relatively cool temperatures during the first quarter compared to same period last year, thereby reducing the requirement for cooling equipment.

### Results of Operations

Total revenues were EC\$72.7M an increase of 10.4% compared to the first quarter of 2010 (EC\$65.8M). This was attributable to the increase in the fuel component in the base tariff.

Electricity Sales of 79.3 MWh for the quarter were lower by 1.9% when compared to the 80.8 MWh sold in the same period last year. Declines were recorded in the Domestic, Hotel and Industrial sectors of 3.2%, 3.3% and 5.8%, respectively. Increases of 0.49% and 2.8% were recorded in the small Commercial and Street Lighting sectors, respectively.

As a direct result of the decreased sales, Gross profit of EC\$15.2M was lower by 18.9% over last year's achievement of EC\$18.7M. Profit before tax was EC\$7.1M, a decline of 29.8% over the corresponding period last year (EC\$10.1M).

Profit after tax was EC\$5.1M, a decline of 27.8% over the previous year's achievement of EC\$7.1M.

Earnings per share for the quarter as a result was EC\$0.44 per share a reduction of 26.7% over the previous year's achievement of EC\$0.60 per share.

### Technical Operations

System reliability performance of 2.86 hours is below expectations compared to the same period in 2010 (1.18 hours) and the target of 1.47 hours for the quarter.

Year to date fuel efficiency was 4.31 kWh per litre, which was less favorable than the 4.33 kWh per litre achieved in the same period last year. This is due to the unavailability of one of the more efficient plants for the entire period under review. However, this performance was favorable when compared to the Company's target of 4.29 kWh per litre.

System losses of 9.76% at the end of the period, compared adversely to 9.58% recorded in the same period last year and the target of 9.00% for the year. This continues to be monitored.

### Generation Expansion and Alternative Energy

During the first quarter of 2011, the Board approved strategies for the short, medium and long term for meeting statutory obligations with respect to generating capacity.

Approval was given for the purchase of two small High Speed Units to meet short term requirements and the purchase of a new 10MW generating set for medium term requirements.

Additional studies and works are being undertaken with respect to the long term solution for electricity generation, which the Company estimates will be required by 2015. The issue is a complex one and the Company is exploring all available options in order to establish the optimal solution.

Efforts continued towards secur-

ing long leases of properties on the island's North-East coast for conducting tests for the possible development of a wind farm. The Company is also exploring options for securing funding at concessionary rates which are available for undertakings of this nature.

### Strategic Initiatives

As a result of its fuel price hedging programme the Company, for most part of the quarter under review, was able to achieve its strategic objective of reduced fuel price volatility; this against a backdrop of increasing price uncertainty in the global arena. Full hedging contracts were concluded in respect of the maximum allowed volumes for the second and third quarters and partial placements for the fourth quarter of this year.

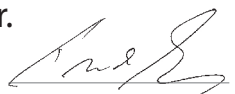
Deployment of electronic meters continued during the first quarter of the year as part of the Company's ongoing strategic plans for delivery of leading technology to customers, cost reductions and operational efficiencies.

Work on a new Customer Information System (CIS) commenced in January 2011 following vendor selection, finalisation of project plans and the execution of all relevant contracts. This is being undertaken by a dedicated project team comprising staff and contracted external resources. The project duration is expected to be 18 months.

## Outlook

The Board continues to monitor industry, financial, economic and other activities that will impact on the Company's current and future operations. Strategic initiatives and operational plans will be tailored accordingly, so as to ensure that the Company meets its corporate targets and delivers value to its stakeholders.

Despite the challenging conditions faced in the first quarter, the Company expects that it will meet its major objectives set for the year.



Dr. Trevor A. Byer  
CHAIRMAN

### ST LUCIA ELECTRICITY SERVICES LIMITED STATEMENT OF CASH FLOWS FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Unaudited Mar 31, 2011 EC\$ 000s	Unaudited Mar 31, 2010 EC\$ 000s	Audited Dec 31, 2010 EC\$ 000s
Net Cash from Operating Activities	6,001	7,605	48,942
Net Cash used in Investing Activities	(6,251)	(6,618)	(13,554)
Net Cash used in Financing Activities	(571)	(28)	(28,950)
Increase in Cash & Cash Equivalents	(821)	959	6,438
Cash and Cash Equivalents, Beginning of Period	19,881	13,444	13,444
Cash and Cash Equivalents, End of Period	19,060	14,403	19,881

### STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED MARCH 31, 2011

	Unaudited Mar 31, 2011 EC\$ 000s	Unaudited Mar 31, 2010 EC\$ 000s	Audited Dec 31, 2010 EC\$ 000s
Revenue	72,683	65,826	276,270
Operating Expenses	57,478	47,079	202,102
Gross Income	15,205	18,747	74,168
Administrative Expenses	6,192	6,598	26,488
Operating Profit	9,013	12,149	47,680
Finance Costs	1,933	2,141	7,618
Other Gains	4	80	296
Profit Before Taxation	7,084	10,088	40,358
Taxation	1,983	3,027	11,138
Net Profit for the Period from continuing operations	5,101	7,061	29,220
Other comprehensive income:			
Actuarial (losses)/gains on defined benefit plans	0	0	(178)
Other comprehensive income for the year	0	0	(178)
Total comprehensive income for the year	5,101	7,061	29,042
Earnings Per Share	\$ 0.44	\$ 0.60	\$ 2.49

### STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011

	Unaudited Mar 31, 2011 EC\$ 000s	Unaudited Mar 31, 2010 EC\$ 000s	Audited Dec 31, 2010 EC\$ 000s
<b>Assets</b>			
Non-Current	296,620	317,554	299,058
Current	102,501	90,195	99,650
<b>TOTAL ASSETS</b>	<b>399,121</b>	<b>407,749</b>	<b>398,708</b>
<b>Equity and liabilities</b>			
<b>Shareholders' equity</b>			
Stated capital	80,163	80,163	80,163
Retained earnings	82,070	79,678	76,970
Total equity attributable to equity holders	162,233	159,841	157,133
Retirement benefit reserve	9,017	8,828	9,017
Total shareholders' equity	171,250	168,669	166,150
<b>Liabilities</b>			
Non-Current	164,039	178,782	163,762
Current	63,832	60,298	68,796
Total liabilities	227,871	239,080	232,558
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>399,121</b>	<b>407,749</b>	<b>398,708</b>



Director



Director