

AQUALECTRA

FINANCIAL HIGHLIGHTS

2007

DIRECTOR'S REPORT

Financial Performance

As in 2006 the year 2007 was a challenging year for Aquallectra. In the 2007 financial statements a net result after tax of ANG 27.1 million (2006: ANG 16.5 million) and earnings before taxes of ANG 34.5 million (2006: ANG 29.4 million) were recorded. In 2007 realized sales of water and electricity were higher than the year before (4% and 2% respectively). This increase in quantity sold was mainly due to better economic development of the island compared to 2006 and was also the result of a more effective water and electricity revenue protection program performed by the Company.

The average tariff for electricity and water realized in 2007 were ANG 0.5047/KWh (2006: ANG 0.4849 /KWh) and ANG 12.6000/m³ (2006: ANG 12.5870/m³). The 2007 budgeted average tariff for electricity and water were ANG 0.5315/KWh and ANG 13.9719/m³. The differences between the realized and the budgeted average electricity and water tariffs were mainly attributable to the delayed tariff increase approvals by the Island Executive Council.

Development regulatory account:

After the reimbursement of the under coverage of the fuel costs and other direct costs over the period January - March 2006, the Energy Fund was depleted. For the period April 2006 onwards the under coverage of fuel costs and other direct costs has not been compensated to Aquallectra. During the year 2007, the under coverage of the years 2003/2004 (ANG 11.8 million), 2005 (ANG 1.6 million) and partially of the year 2006 (ANG 1.6 million) were recovered through the tariffs. The total of the remaining under coverage of the fuel costs and other direct costs of the year 2006 and for the year 2007 to be charged to customers amounts to ANG 29.3 million.

Development operating expenses:

The total operating expenses for 2007 (ANG 228.3 million) declined by ANG 24.1 million compared to 2006 (ANG 252.4 million). This decrease is mainly attributable to the following factors: Personnel expenses totaled ANG 79.6 million in 2007: an increase by ANG 4.0 million from the recorded ANG 75.6 million in 2006. This increase is mainly attributable to additional contribution to the provision for medical expenses of retired personnel based on actuarial calculations. Furthermore, no exceptional increase of direct personnel expenses was recorded in the year under report. Operational and maintenance expenses include the cost items material usage, repair and maintenance and hired services.

This total cost item amounted to ANG 53.9 million in the year under report (2006: ANG 57.5 million). This ANG 3.6 million decrease is mainly a consequence of less repair & maintenance of the production assets and also of less hired services with regard to the investments in the distribution assets due to the pre-financing of direct costs.

General expenses amount to ANG 33.5 million, an increase of ANG 5.9 million compared to 2006 (ANG 27.6 million). Notable is the fact that in 2006 there were incidental recordings related to insurance benefits received and clean up actions of prior year's settlement accounts; these recordings contributed to a decrease of approximately ANG 5.0 million. Elimination of these incidental benefits from the 2006 figures, would result in an increase of ANG 0.9 million.

Depreciation expenses amount to ANG 48.9 million (2006: ANG 45.4 million) in the year under report. This is an increase of ANG 3.5 million compared to 2006. This increase is mainly attributable to more depreciation costs expensed as a consequence of the realized investments in the year before.

Provision bad debt expenses amount to ANG 12.3 million (2006: ANG 46.2 million) in the year under report. This is a decrease of ANG 33.9 million compared to the year before. The 2006 provision for bad debt costs consisted of a total amount of ANG 33.8 million that was provided for because of the depletion of the Energy Fund and an amount of ANG 12.4 million that was provided for bad debt of several clients and other receivables.

The 2007 provision bad debts costs of ANG 12.3 million consist of: ANG 14.5 million which is entirely intended for bad debt of several clients; compared to 2006 a higher amount of the outstanding debt became inactive contributing to this additional provision for bad debts. Furthermore, in 2007 ANG 2.2 million was received from the Energy fund; in the 2007 figures this amount has been recorded as a release from the provision which was formed in 2006.

Corporate Governance

Good governance in corporate settings includes transparency, accountability, compliance and adherence to legal principles and procedures. Of course, the citizen will ultimately judge the Company by its performance in terms of price, reliability of the supply and service quality. Nevertheless, governance issues are also critical and considerations of good governance apply to the Company very much as they do to the society as a whole. Throughout the year 2007 Aquallectra has gone through different processes of monitoring, reporting and compliance. We are pleased to inform that all reviews and audits have been performed satisfactorily.

Future prospects

Fuel oil price volatility and the coverage of all fuel and other direct costs continue to be a major risk for the Company. Aquallectra will monitor these variables closely and will take

proper and prompt actions when required. Ultimately, a proper balance between price, profit and quality should be pursued. This can be achieved by developing an energy policy through which decisions within the energy sector can be made and perceived by the society as credible, legitimate and fair. Aquallectra has extended its commitment to be a major valuable contributor in shaping the Curaçao Energy Policy. In 2008 and the years to come, Aquallectra and the society we serve, will be exposed to the everlasting increase of fuel expenses. Assessment of these developments and evaluation of the associated risks are key factors to enable Aquallectra to continue to render her services to the community. Considering this, plan 2020 will be updated in 2008.

We once again, thank our many stakeholders, partners, shareholders, lenders, management and staff, suppliers and contractors, customers and the government authorities for their cooperation, support and understanding during the year and look forward to their continued support as the Company continues to try to deliver on its mandate to provide safe, reliable, and efficiently produced power and water supply for all those who want it.

Willemstad, September 22, 2008

Mr. A.C. Caspersen MBA
Act. President of the Board of Managing Directors



CONDENSED CONSOLIDATED BALANCE SHEET 2007

	December 31, 2007 ANG x 1,000	December 31, 2006 ANG x 1,000
Assets		
Non current assets		
Tangible fixed assets	563,304	574,353
Financial fixed assets	84,042	80,314
Deferred tax assets	46,510	48,385
	693,856	703,052
Current assets		
Inventories	26,547	25,650
Accounts receivables	85,853	98,276
Cash & cash equivalents	47,768	32,954
	160,168	156,880
	854,024	859,932
Equity & liabilities		
Total shareholders equity	334,537	319,890
Non current liabilities		
Loans and other long term liabilities	227,040	279,573
Provisions	136,547	113,482
	363,587	393,055
Current liabilities		
Trade accounts payable	55,573	45,241
Bank overdrafts	6,694	10,790
other	93,633	90,956
	155,900	146,987
	854,024	859,932

GENERAL ACCOUNTING POLICIES

These Consolidated Financial Statements are prepared in accordance with the International Financial Reporting Standards (IFRS). The Consolidated Financial Statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although the estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

International Financial Reporting Standards

Management has concluded that the Consolidated Financial Statements fairly represent the enterprise's financial position, financial performance and cash flows. The Consolidated Financial Statements comply in all material respects with the applicable International Financial Reporting Standards.

Reporting currency

The Consolidated Financial Statements

are stated in thousands of Netherlands Antillean Guilders (ANG). Transactions in foreign currency are translated against the exchange rate at transaction moment and all monetary assets and liabilities denominated in foreign currency are translated against the exchange rate at balance sheet date.

Related party transactions

Subsidiary undertakings, which are those entities in which the Aquallectra-group has an interest of more than one half (50%) of the voting rights or otherwise has power to exercise control over the operations, are consolidated.

AUDITORS' REPORT

We have audited the consolidated financial statements of Integrated Utility Holding N.V. d.b.a. Aquallectra ("The Company") for the year ended December 31, 2007, from which these condensed consolidated financial highlights, consisting of the balance sheet as of December 31, 2007, the income statement and the explanatory notes for the year then ended, were derived, in accordance with the International Standards on Auditing.

In our Auditors' report dated July 29, 2008, we expressed an unqualified opinion on those consolidated financial statements.

These condensed consolidated financial highlights are the responsi-

CONDENSED CONSOLIDATED INCOME STATEMENT 2007

	December 31, 2007 ANG x 1,000	December 31, 2006 ANG x 1,000
Operating revenues		
Sales water and electricity	446,072	464,498
Direct cost production	(159,850)	(148,117)
Other direct cost of sales	(17,377)	(24,228)
Other revenues	16,156	16,168
	285,001	308,321
Operating expenses		
Personnel costs	79,643	75,629
Other operating expenses	99,719	131,315
Depreciations	48,954	45,406
	228,316	252,350
Operating profit	56,685	55,971
Interest expenses	(28,108)	(29,241)
Income from associates	5,919	2,664
Net result before taxes	34,496	29,394
Profit tax (expense)/income	(7,434)	(12,913)
Net profit/(loss)	27,062	16,481

Subsidiaries are consolidated from the date on which control is transferred to the Aquallectra-group and are no longer consolidated from the date that control ceases. All Intercompany transactions, balances and unrealized results on transactions between group companies are eliminated. Where necessary, accounting policies for subsidiaries have been changed to ensure consistency with the policies adopted by the Aquallectra-group. Aquallectra Holding has the following subsidiaries:

- Aquallectra Production (KAE N.V.) (100% subsidiary of Integrated Utility Holding N.V.)
- Aquallectra Distribution (KODELA N.V.) (100% subsidiary of Integrated Utility Holding N.V.)
- Aquallectra Multi Utility Company N.V. (AMU) (100% subsidiary of Integrated Utility Holding N.V.)

- General Engineering & Utility Services N.V. (GEUS) (100% subsidiary of Aquallectra Distribution (KODELA N.V.))
- KUMEPE N.V. (100% subsidiary of Integrated Utility Holding N.V.)
- Aquallectra Bottling Co. N.V. (100% subsidiary of Aquallectra Multi Utility Company N.V. (AMU)).

Aquallectra Production, Aquallectra Distribution (which has been consolidated with GEUS) and Aquallectra Multi Utility Company N.V. (which has been consolidated with Aquallectra Bottling Co. N.V.) have been consolidated into the financial figures. Aquallectra is responsible for the management of the abovementioned companies (with exception of KUMEPE N.V.). During the year 2007 KUMEPE N.V. did not employ activities.

financial statements from which they have been derived and our auditors' report thereon.

Curaçao, Netherlands Antilles, September 22, 2008

PricewaterhouseCoopers N.A.

Drs. Noraida Peterson RA