

**Empresa Generadora de
Electricidad Haina, S. A.
and Subsidiary**

**Report of Independent Auditors and
Consolidated Financial Statements
December 31, 2007 and 2006**

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
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December 31, 2007 and 2006

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Report of Independent Auditors

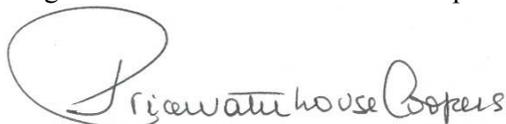
To the Board of Directors and
Shareholders of
Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

We have audited the accompanying consolidated balance sheets of Empresa Generadora de Electricidad Haina, S. A. and its subsidiary (collectively “the Company”) at December 31, 2007 and 2006, and the related consolidated statements of operations, changes in shareholders’ equity and cash flows for the years then ended, expressed in United States Dollars (U.S. Dollars). These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above, expressed in U.S. Dollars, present fairly, in all material respects, the financial position of Empresa Generadora de Electricidad Haina, S. A. and its subsidiary at December 31, 2007 and 2006, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The electricity sector in the Dominican Republic continues to be affected by the financial difficulties experienced by the local distribution companies and the increase in tariffs due to the increase in oil prices. Following the acquisition by the Dominican government of the controlling interest of two major energy distributors in 2003, as mentioned in Note 3, 98% of the Company's revenues correspond to generation sold to distribution companies associated with the Dominican government.



June 13, 2008

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Balance Sheets
December 31, 2007 and 2006

	2007	2006
Assets		
Current assets		
Cash and cash equivalents (Note 4)	US\$ 47,053,306	US\$ 7,423,255
Investment in certificate of deposit at annual interest rate of 5% maturing more than 90 days	20,000,000	-
Accounts receivable (Note 5)	110,757,535	71,360,840
Inventories (Note 6)	18,250,396	16,235,986
Prepaid expenses (Note 7)	4,105,925	1,944,356
Deferred income tax (Note 16)	5,176,585	2,781,470
Total current assets	<u>205,343,747</u>	<u>99,745,907</u>
Deposits in banks, restricted (Note 11)	8,312,500	11,944,824
Long-term receivables (Note 5)	44,380,129	41,901,033
Property, plant and equipment, net (Note 8)	261,358,962	273,219,801
Intangible assets, net (Note 9)	11,965,104	10,804,799
Other assets	134,202	296,702
Total assets	<u>US\$531,494,644</u>	<u>US\$437,913,066</u>
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt (Note 10)	US\$ 11,439,630	US\$ 13,905,062
Current portion of long-term debt (Note 11)	1,001,720	4,370,140
Accounts payable	12,618,243	17,489,203
Payable to related parties (Note 21)	17,629,608	20,406,409
Other liabilities (Note 12)	7,277,424	8,675,868
Total current liabilities	<u>49,966,625</u>	<u>64,846,682</u>
Long-term debt (Note 11)	175,000,000	88,712,645
Deferred income tax (Note 16)	6,273,112	7,861,016
Other non-current liabilities (Note 13)	341,222	14,551,056
	<u>231,580,959</u>	<u>175,971,399</u>
Shareholders' equity (Note 15)		
Common stock, RDS\$100 par value (US\$6.29)		
Class A – 22,975,500 shares authorized, issued and outstanding	144,500,000	144,500,000
Class B – 22,975,500 shares authorized, issued and outstanding	144,500,000	144,500,000
	<u>289,000,000</u>	<u>289,000,000</u>
Legal reserve	8,698,178	6,799,577
Retained earnings (accumulated deficit)	33,247,502	(2,825,915)
Accumulated other comprehensive loss	(31,031,995)	(31,031,995)
Total shareholders' equity	<u>299,913,685</u>	<u>261,941,667</u>
Total liabilities and shareholders' equity	<u>US\$ 531,494,644</u>	<u>US\$437,913,066</u>

The accompanying notes are an integral part of these consolidated financial statements.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Operations
Years Ended December 31, 2007 and 2006

	2007	2006
Revenues		
Energy (Note 17)	US\$310,338,588	US\$276,331,099
Capacity (Note 17)	<u>34,180,836</u>	<u>33,274,286</u>
	<u>344,519,424</u>	<u>309,605,385</u>
Operating costs		
Fuel (Note 18)	(128,107,726)	(128,374,270)
Transmission (Note 21)	(15,263,392)	(17,644,394)
Purchased power (Note 18)	(63,415,774)	(41,611,394)
Compensation for frequency regulation	(1,707,092)	(2,247,425)
Operating and maintenance (Note 19)	(30,765,676)	(30,002,754)
Administrative and general expenses (Note 20)	(30,823,224)	(28,612,250)
Depreciation and amortization	<u>(16,596,921)</u>	<u>(27,106,051)</u>
	<u>(286,679,805)</u>	<u>(275,598,538)</u>
Operating income	<u>57,839,619</u>	<u>34,006,847</u>
Financial expenses, net – including loss on early extinguishment of debt of US\$11.3 million	(19,613,005)	(7,656,988)
Foreign exchange gain (loss)	273,516	(391,409)
Other (expenses) income (Note 14)	<u>(4,511,131)</u>	<u>62,377</u>
Income before income tax	33,988,999	26,020,827
Income tax (Note 16):		
Deferred	<u>3,983,019</u>	<u>(5,079,546)</u>
Net income	<u>US\$ 37,972,018</u>	<u>US\$ 20,941,281</u>

The accompanying notes are an integral part of these consolidated financial statements.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2007 and 2006

	Common Stock US\$	Legal Reserve US\$	(Accumulated Deficit) Retained Earnings US\$	Accumulated Other Comprehensive Loss US\$	Total US\$
Balance at December 31, 2005	289,000,000	5,752,513	(22,720,132)	(31,031,995)	241,000,386
Net income	-	-	20,941,281	-	20,941,281
Transfer to legal reserve	-	1,047,064	(1,047,064)	-	-
Balance at December 31, 2006	289,000,000	6,799,577	(2,825,915)	(31,031,995)	261,941,667
Net income	-	-	37,972,018	-	37,972,018
Transfer to legal reserve	-	1,898,601	(1,898,601)	-	-
Balance at December 31, 2007	<u>289,000,000</u>	<u>8,698,178</u>	<u>33,247,502</u>	<u>(31,031,995)</u>	<u>299,913,685</u>

The accompanying notes are an integral part of these consolidated financial statements.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Cash flows from operating activities		
Net income	US\$37,972,018	US\$20,941,281
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain from settlement with a supplier	-	1,617,544
Gain on settlement on interest on tax assessment	(1,056,025)	(5,382,552)
Gain on sale of fixed asset	(325,000)	-
Deferred income tax	(3,983,019)	5,079,546
Depreciation and amortization	16,596,921	27,106,051
Financial expenses	9,466,335	-
Unrealized gain on interest rate swap	-	(748,715)
Change in assets and liabilities:		
Accounts receivable	(39,396,695)	(54,030,082)
Inventories	(2,014,410)	1,711,948
Prepaid expenses	(2,270,900)	6,199,669
Other assets	(2,316,596)	63,205
Accounts payable	(4,870,960)	23,364,720
Payable to related parties	(2,776,801)	-
Other liabilities	(3,565,491)	(13,943,293)
Other non-current liabilities	(237,160)	-
Net cash provided by operating activities	<u>1,222,217</u>	<u>11,979,322</u>
Cash flows from investing activities		
Net changes in deposits in banks – restricted	3,632,324	(537,087)
Sale of property, plant and equipment	325,000	-
Additions to property, plant and equipment	(3,329,374)	(996,747)
Short-term investments	(20,000,000)	-
Net cash used in investing activities	<u>(19,372,050)</u>	<u>(1,533,834)</u>
Cash flows from financing activities		
Net change in short-term debt	(2,465,432)	(3,581,139)
Repayment of long-term debt	(95,106,980)	(4,370,140)
Proceeds from long-term debt	175,000,000	-
Debt issuance costs paid	(5,675,030)	-
Repayment of related party debt	(13,972,674)	-
Net cash provided by (used in) financing activities	<u>57,779,884</u>	<u>(7,951,279)</u>
Net increase in cash and cash equivalents	<u>39,630,051</u>	<u>2,494,209</u>
Cash and cash equivalents at beginning of year	<u>7,423,255</u>	<u>4,929,046</u>
Cash and cash equivalents at end of year	<u>US\$47,053,306</u>	<u>US\$ 7,423,255</u>

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Consolidated Statements of Cash Flows
Years Ended December 31, 2007 and 2006

	2007	2006
Supplemental cash flow information		
Interest paid during the year	US\$12,485,191	US\$11,644,538
Prepayment penalty for early extinguishment of debt	5,129,474	-
Income tax paid	2,791,001	3,687,667
Non-cash activities		
Decrease in accounts receivable through the offset in accounts payable with CDEEE	US\$19,158,218	US\$40,380,606
Reclassification of accounts receivable from non-current to current	1,741,876	201,033

The accompanying notes are an integral part of these consolidated financial statements.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

1. Description of the Entity and Nature of Operations

Empresa Generadora de Electricidad Haina, S. A. ("EGE Haina") was established on August 17, 1999 and incorporated on October 28, 1999 pursuant to the laws of the Dominican Republic, as part of the capitalization process of the Dominican electricity sector undertaken in 1999. EGE Haina is the largest generator of electricity in the country, currently operating 11 electric power generator units at six plants, consisting of San Pedro, Sultana del Este – barge, Haina and Barahona in the southern part of the country, Puerto Plata in the northern and Pedernales in the western part of the country. EGE Haina has contracted approximately 98% of its power generation to the three Dominican Republic distributors ("the distribution companies") for 2007 and 2006.

In connection with the capitalization of EGE Haina, the shareholder Corporación Dominicana de Empresas Eléctricas Estatales (CDEEE), a state-owned company that maintains the country's transmission lines and hydro generation plants, transferred plant assets, inventory and certain liabilities to EGE Haina for its equity interest (49.994%), and the shareholder Haina Investment Co., Ltd. (HIC), a private company located in Cayman Islands, contributed cash of US\$144.5 million for its equity interest (50%). Other shareholders hold the remaining 0.006%.

These financial statements were approved for its issuance by the Company's management on June 13, 2008.

2. Basis of Presentation and Foreign Currency Financial Statements

The present consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These consolidated financial statements include the accounts of EGE Haina and as from 2007 those of its wholly owned subsidiary EGE Haina Finance Company (collectively the "Company"). This subsidiary was formed in 2007 under the laws of the Cayman Islands, for the purpose of issuing a fixed rate bond which is more disclosed in Note 11. Significant intercompany items have been eliminated in consolidation.

Foreign Currency Transactions and Translation

The Company's operations are conducted primarily in U.S. dollar which is therefore its functional currency. Foreign exchange gains and losses arising from transactions denominated in a currency other than the U.S. dollar are included in net income. Assets and liabilities denominated in currencies other than U.S. dollar are translated at year end exchange rates. At December 31, 2007 and 2006, exchange rates were RD\$34.42:US\$1.00 and RD\$33.80:US\$1.00, respectively.

3. Significant Accounting Policies

A summary of significant accounting policies followed by the Company in the preparation of these consolidated financial statements are as follows:

Use of Estimates

The preparation of consolidated financial statements and related disclosures requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the allowance for doubtful accounts, depreciation and impairment of long-lived assets, income taxes and contingencies. Actual results could differ from those estimates.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

Revenue Recognition and Concentration of Credit Risk

Revenues from energy sales, both contracted and spot, are recognized based on the energy produced during each calendar month. Each company in the Dominican Republic Interconnected System reports the end of month metering reading to the Organismo Coordinador (OC), the entity in charge of reporting the system transactions. The OC determines the amounts of energy sales made by contract and the amounts of energy sales made in the spot market. The energy sales made under contract are priced according to the respective contract and those sales made in the spot market are priced according to the price defined by OC.

The electricity sector in the Dominican Republic continues to be affected by the financial difficulties experienced by the local distribution companies and the increase in tariffs due to the increase in oil prices. Financial instruments which potentially expose the Company to concentrations of credit risk consist primarily of accounts receivable and deposits in banks. At December 31, 2007 three customers accounted for 89% (2006: 99%) of gross accounts receivable and 98% of total revenues for both years.

The Company has a long-term receivable from one of its major customers amounting to US\$40.2 million (2006: US\$41.9 million). EGE Haina believes this balance is fully collectible since this company is one of the three main distribution companies in the country and is partially owned by the Dominican Republic government. Deterioration in the economic situation of this company, however, could cause possible losses, which would affect operating results adversely.

Inventories

Inventories consist of bulk fuel and spare parts. Bulk fuel is recorded at cost that does not exceed market since fuel generally has a very short turnover period. Spare parts are recorded at historical cost and written down when it is determined that there are obsolete parts. These spare parts comprise a large number of individual items of small value each. Management believes book values do not exceed market.

Property, Plant and Equipment, Net

Property, plant and equipment from initial capitalization was accounted for as a business combination and recorded at estimated fair market value, less allocated excess of the fair market value of assets purchased and liabilities assumed over the purchase price. Subsequent additions are recorded at cost. Depreciation expense has been determined using the straight-line method over the estimated useful lives of the related assets as specified below:

Asset	Estimated Useful Life (Years)
Buildings	50
Generation plants	25
Transportation equipment	5
Furniture and office equipment	4-5
Other equipment	4-5
Leasehold improvements	5

The cost of routine maintenance, repairs and replacements is charged to expense as incurred. The cost of significant overhauls, renewals and improvements, that increase the plants' capacity and/or increase efficiency and/or extend their useful lives, are added to the carrying amount of the respective assets.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

When assets are withdrawn or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the results of the period.

Intangible Assets, Net

Intangible assets correspond to:

- (a) Costs in connection with the renegotiation of power contracts. These amounts are amortized on a straight-line basis over the term of the corresponding contracts.
- (b) Debt issuance costs are related to the issuance of senior fixed rate bonds described in Note 11. These deferred costs are amortized under the interest method over the term of the related financings.

Deferred Income Taxes

Deferred income taxes are accounted for under the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

A valuation allowance is recognized if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax asset will not be realized. The Company adjusts the valuation allowance when changes in circumstances cause a change in judgment about the future realization of the related deferred tax assets.

Provisions for Allowances and Contingencies

The Company establishes an allowance for doubtful accounts to provide for accounts receivable where, in management's judgment, it is not probable that such receivable will be fully collected. The level of the allowance for doubtful accounts is based on management's evaluation of various factors, including the credit risk of customers, historical trends, and other information. While management uses the information available to make evaluations, adjustments to the allowance may be necessary should future economic conditions differ substantially from the assumptions used in making the evaluations. At December 31, 2007 and 2006, the Company did not provide for any allowance for accounts receivable, as management considered them as recoverable.

Pension Information

The Company does not maintain any pension plans. Dominican laws provide for pension benefits to be paid to retired employees from government pension plans and/or privately managed funds plans to which employers and employees make contributions.

Dismissal Indemnity

Dismissal indemnity that only should be paid in certain circumstances as required by the Dominican labor code is charged to expense when employees are dismissed.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

Impairment of Long-Lived Assets

The Company evaluates the carrying value of its long-lived assets for impairment when events or circumstances indicate that the Company may not recover the carrying amounts of the assets. The carrying value of a long-lived asset, or group of assets, is considered impaired when the expected undiscounted cash flows from the use and eventual disposition of such asset, or group of assets is less than its carrying value. In that event, an impairment loss would be recognized generally based on the amount by which the carrying value of the asset or group of assets exceeds its fair market value. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved or based on independent appraisals.

Fair Value of Financial Instruments

Fair value of financial instruments, consisting mainly of cash, current accounts receivable, accounts payable and other short-term liabilities, approximates their carrying values due to their short maturity or short time until realization. See Note 17 for the estimated fair value of long-term accounts receivable and Note 11 for the estimated fair value of the Senior Notes.

Cash and Cash Equivalents

For cash flow purposes, the Company considers cash and cash at banks, as well as certificates of deposits and other highly liquid temporary investments with original maturities of three months or less, to be cash equivalents.

Deposits in Banks, Restricted

Correspond to deposits in an Interest Reserve Account (or letters of credit or certain temporary cash investments having an aggregate face amount) equal to the interest payable on the Notes described in the Note 11. These deposits are restricted and thus, classified as non-current assets.

Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires a full set of general purpose financial statements to be expanded to include the reporting of "comprehensive income". Comprehensive income is comprised of two components, net income and other comprehensive income. At December 31, 2007 and 2006, the balance in "Accumulated Other Comprehensive Loss" of US\$31,031,995 corresponds to accumulated foreign currency translation adjustments carried forward from when the Company's functional currency was the Dominican Republic Peso.

The Company occasionally enters into derivative financial instruments to manage its exposure to interest rate risk. The Company recognizes derivative financial instruments in the balance sheet at fair value. For the year ended December 31, 2006 the Company had one interest rate swap outstanding. This derivative did not qualify for hedge accounting and therefore, changes in the fair value of the derivative instrument were included in other income in the accompanying statement of operations. In 2007 the Company cancelled this swap contract and did not enter into any other interest rate swap agreement.

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary

Notes to Consolidated Financial Statements

December 31, 2007 and 2006

New Accounting Standards

FIN 48

In July 2006, the Financial Accounting Standards Board (“FASB”) issued FIN 48, “Accounting for uncertainty in income taxes”, which prescribes a comprehensive model for how a Company should recognize, measure, present and disclose in its financial statements uncertain tax positions that the Company has taken or expects to take on a tax return. The Company is currently evaluating the impact that the application of this new standard will have on its financial statements for the year ending December 31, 2008.

SFAS 157

In September 2006, the FASB issued SFAS 157, “Fair Value Measurement”, which clarifies and set up a framework for measuring fair value and expands disclosure about fair value measurement. The Company is currently evaluating the impact that the application of this new standard will have on its financial statements for the year ending December 31, 2008.

SFAS 159

In February 2007, the FASB issued SFAS 159 "The Fair Value Option for Financial Assets and Financial Liabilities" including an amendment of FASB Statement 115 "Accounting for Certain Investments in Debt and Equity Securities", which permits the Company to choose to measure many financial instruments and certain other items at fair value. The Company is currently evaluating the impact that the application of this new standard will have on its financial statements for the year ending December 31, 2008.

SFAS 141 R

In December 2007, the FASB issued SFAS 141R “Business Combinations (revised)” which replaces FASB Statement 141 “Commercial Combination.” This Statement retains the fundamental requirements in Statement 141 that the purchase method is used for all business combinations. This Statement applies to all business combinations for which the acquisition date is on or after the first annual reporting period starting as of or after December 15, 2008. The effective date of this Statement is the same as that of FASB Statement 160, “Noncontrolling Interests in Consolidated Financial Statements.” The potential impact of adoption is not yet determinable.

SFAS 160

In December 2007, the FASB issued SFAS 160, “Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB 51,” which states that a noncontrolling interest in a subsidiary is an ownership interest in the consolidated entity which shall be reported as equity in the consolidated financial statements. This Statement is effective for fiscal years beginning on or after December 15, 2008. Earlier adoption is prohibited. This Statement shall be applied prospectively as of the beginning of the fiscal year in which this Statement is initially applied, except for the presentation and disclosure requirements. The presentation and disclosure requirements shall be applied retrospectively for all periods presented.

**Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Notes to Consolidated Financial Statements
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SFAS 161

In March 2008, the FASB issued SFAS 161, "Disclosure about Derivative Instruments and Hedging Activities", which has the same scope as Statement 133. This Statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative agreements. This Statement shall be effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. This standard does not have impact on the Company's financial statements.

FSP AUG AIR-1, "Accounting for Planned Major Maintenance Activities"

The principal source of guidance on the accounting for planned major maintenance activities is the AICPA's Airline Guide. The Airline Guide allows for four alternative methods of accounting for planned major maintenance activities. These methods include: direct expense, built-in overhaul, deferral and accrual (accrue-in-advance). These methods are widely used by other industries, including those involved in the electricity generation. This FSP prohibits the use of the "accrue-in-advance method" of accounting for planned major maintenance activities. It further states that an entity shall apply the same method of accounting for planned major maintenance activities in annual and interim financial reporting periods. This FSP is effective for the first fiscal year beginning after December 15, 2006. Earlier application is permitted as of the beginning of an entity's fiscal year. The method used by the Company is "direct expense", which the maintenance expenditures of generation plants are recorded in the period that is incurred. The adoption of this standard did not have a significant impact on its financial statements.

4. Cash and Cash Equivalents

Cash and cash equivalents consist of:

	2007	2006
Cash and cash at banks	US\$11,994,394	US\$6,412,302
Cash equivalents:		
Certificates of deposit at 3.5% and 4.3% annual interest rates with maturities less than 90 days	35,058,912	1,010,953
	<u>US\$47,053,306</u>	<u>US\$7,423,255</u>

5. Accounts Receivable

Accounts receivable consist of:

	2007	2006
Trade, including current portion of long-term receivable to Edeeste of US\$1,745,964	US\$142,300,416	US\$112,159,210
Related parties (Note 21)	10,028,752	-
Other	2,808,496	1,102,663
	<u>US\$155,137,664</u>	<u>US\$113,261,873</u>

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Notes to Consolidated Financial Statements
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	2007	2006
Non-current receivables:		
- Trade (Edeeste) (Note 17)	(40,155,069)	(41,901,033)
- Related party – CEPM (Note 21)	<u>(4,225,060)</u>	
	<u>(44,380,129)</u>	<u>(41,901,033)</u>
Total current accounts receivable	<u>US\$110,757,535</u>	<u>US\$ 71,360,840</u>

6. Inventories

Inventories consist of:

	2007	2006
Fuel	US\$ 4,268,093	US\$ 6,143,926
Parts	13,909,399	8,087,547
Inventories in transit	<u>72,904</u>	<u>2,004,513</u>
	<u>US\$18,250,396</u>	<u>US\$16,235,986</u>

7. Prepaid Expenses

Prepaid expenses consist of:

	2007	2006
Insurance	US\$ 775,567	US\$ 743,959
Prepaid taxes and tax advances	3,321,599	1,131,114
Other	<u>8,759</u>	<u>69,283</u>
	<u>US\$ 4,105,925</u>	<u>US\$1,944,356</u>

8. Property, Plant and Equipment, Net

Property, plant and equipment, net consist of:

	2007	2006
Land	<u>US\$ 5,059,923</u>	<u>US\$ 4,855,036</u>
Buildings	1,008,716	1,008,716
Generation plants (a)	348,892,648	359,831,334
Transportation equipment	1,569,562	1,472,112
Furniture and office equipment	1,198,426	1,198,426
Other equipment	3,900,733	3,472,089
Leasehold improvements	<u>171,564</u>	<u>171,564</u>
	356,741,649	367,154,241
Less: Accumulated depreciation	<u>102,923,230</u>	<u>98,789,476</u>
	253,818,419	268,364,765
Construction in progress (b)	<u>2,480,620</u>	<u>-</u>
	<u>US\$261,358,962</u>	<u>US\$273,219,801</u>

Empresa Generadora de Electricidad Haina, S. A. and Subsidiary
Notes to Consolidated Financial Statements
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During 2007 and 2006, depreciation of property, plant and equipment was US\$15,190,213 and US\$23,676,998, respectively.

- (a) During the first quarter of 2006, the Company reviewed the estimated useful lives of two diesel-operated plants as a result of the decision of discontinuing their operation after 2006 for efficiency reasons. These plants were fully depreciated during 2006 and, as a result of this change, depreciation for the year 2006 increased US\$7.9 million and depreciation of future years will decrease in US\$0.4 million. These two plants were sold for a sales price of US\$325,000 to an unrelated party in June 2007.
- (b) In 2007 the Company signed a contract with Elecnor, S. A. (the constructor) for the construction of a transmission line that will interconnect the wind park to the interconnected electric system. This wind park is owned by Consorcio Energético Punta Cana-Macao, S. A., a related Dominican party, and which is under construction. At December 31, 2007, the Company paid an initial cash advance of US\$2.5 million to the constructor. Construction of the transmission line has not started at December 31, 2007. The total estimated cost of this project is approximately US\$17 million.

9. Intangible Assets, Net

Intangible assets consist of:

	2007	2006
Deferred costs (1)	US\$11,811,229	US\$11,811,229
Debt issuance costs (2)	<u>5,675,030</u>	<u>6,429,651</u>
	17,486,259	18,240,880
Less: Accumulated amortization	<u>5,521,155</u>	<u>7,436,081</u>
	<u>US\$11,965,104</u>	<u>US\$10,804,799</u>

- (1): During 2007 and 2006, the amortization charges of the deferred costs amounted to US\$814,476 in each year. The estimated future amortization is also US\$814,476 for each of the next five years.
- (2): At December 31, 2007, debt issuance costs are related to the US\$175 million fixed rate bond issued in April 2007 and to a term loan agreement as described in Note 11 a). In 2007 amortization costs amounted to US\$0.5 million. At December 31, 2006, debt issuance costs corresponded to the US\$104 million fixed rate bond issued in March 2003 that was repaid in April 2007 as described in Note 11 b). In 2007 these costs were charged to expense for US\$3.2 million and included in Financial Expenses, net- caption.

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The estimated future debt issuance costs amortization through the end of its useful life is expected to be:

Year	US\$
2008	720,703
2009	720,703
2010	720,703
2011 - 2017	3,126,325
	<u>5,288,434</u>

10. Short-Term Debt

Short-term debt consists of US\$11,439,630 and US\$13,905,062 at December 31, 2007 and 2006, respectively. This debt accrues interest at annual rates ranging between 8.5% and 10% for U.S. dollar borrowings at December 31, 2007 (2006: ranging between 9.25% and 12%). The weighted average interest rates were 8.76% in 2007 and 9.73% in 2006.

11. Long-Term Debt

Long-term debt consists of:

	2007	2006
US\$175 million of a 9.5% senior unsecured fixed rate bond maturing in April 2017. Interest is payable in 20 semi-annual installments of US\$8,312,500 each and one balloon payment of US\$175 million (a)	US\$175,000,000	US\$ -
US\$104 million of a 10% senior secured fixed rate bond maturing in March 2010. Interest is payable on a quarterly basis (b)	-	91,079,348
Kreditanstalt für Wiederaufbau, Frankfurt am Main ("KfW"), payable in 12 semi-annual installments of principal and interest, maturing November 30, 2008 (c)	<u>1,001,720</u>	<u>2,003,437</u>
	176,001,720	93,082,785
Less: Current portion	<u>1,001,720</u>	<u>4,370,140</u>
	<u>US\$175,000,000</u>	<u>US\$88,712,645</u>

The fair value of the Company's long-term debt is estimated based on current rates offered to the Company for debt of the same remaining maturities. The fair value of the senior unsecured fixed rate is approximately US\$168 million.

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- a. The US\$175 million fixed rate bond was issued by Haina Finance, the wholly owned subsidiary of EGE Haina and a tax-exempted Cayman company formed solely to issue this bond. Under the term of the issuance, Haina Finance must not engage in any business activity other than complying with its obligations under the bond. EGE Haina unconditionally and irrevocably guarantees the bond. Pursuant to a Participation Agreement between Haina Finance and Barclays Bank PLC, the gross proceeds from the bond were used by Haina Finance to purchase a participation in a loan made by Barclays Bank PLC to EGE Haina for US\$175 million under a term loan agreement entered by EGE Haina and Barclays Bank PLC. Pursuant to the loan agreement EGE Haina is required to make payments on the same terms and conditions and at the same rate of interest as the payments required to be made by Haina Finance under the bond. A portion of the proceeds of the bond was used to repay (i) the US\$104 million fixed rate bond issued in March 2003 described in point b. below. The principal amount repaid was US\$94,351,228, (ii) outstanding liability to HIC for management fee of US\$14 million and (iii) working capital.

The bond is secured by a first priority security interest on 100% of the outstanding capital of Haina Finance, all rights, title and interest in the Participation Agreement to be entered into by Haina Finance and Barclays Bank PLC. In addition there are restrictive covenants that include for EGE Haina limitations on: indebtedness, restricted payments, sale of assets, liens, affiliate transactions, mergers, dividends and other payment restrictions affecting subsidiaries, among others. According to the terms of the bond, Haina Finance established an Interest Reserve Account at Deutsche Bank Trust Company Americas, the bond's trustee, as a security for the bond. Haina Finance is required to maintain at all times an amount on deposit in this interest account (or letters of credit or certain temporary cash investments having an aggregate face amount) equal to the interest payable on the bond on the immediately following interest payment date for the bond. At December 31, 2007, this interest account balance amounted to US\$8.3 million.

- b. The US\$104 million fixed rate bond was collateralized by: (i) a first priority security interest in all existing fixed assets (excluding one diesel turbine pledged to a prior lender), including a first priority mortgage in all real properties and a ship mortgage on the Sultana del Este barge; (ii) a pledge of the capital stock of any proposed acquisition; (iii) amounts deposited in a reserve account at JPMorgan Chase Bank of US\$11.9 million at December 31, 2006, and (iv) an assignment of all relevant insurance policies, including business interruption.

This bond was issued at a discount of US\$7.8 million, based on an imputed discount rate of 7.55% below par value. The unamortized portion amounting to US\$3 million at December 31, 2006, is shown as a deduction of the principal amount at such date and was charged to expense in 2007, included in the Financial Expenses, net – caption in the Statement of Operations.

This debt was repaid in April 2007 with proceeds from the US\$175 million fixed rate bond described in point a. above. The unamortized portion of the discount obtained at the issuance of the US\$104 million bond was fully charged to expense in 2007 for US\$3 million. In addition, the Company had a cost for this repayment of US\$5.1 million that was also charged to expense in 2007. These expenses are included in the Financial Expenses, net - caption in the Statement of Operations.

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- c. The Company owes a loan obtained from KfW for partially financing the supply of an integrated package of parts, shop repairs and field services for the purpose of the major inspection of Haina TG unit, as per a contract signed between the Company and Siemens WestingHouse Service Company Ltd.

The loan has a guarantee of the Federal Republic of Germany by Euler Hermes Kreditversicherung AG for 95% of the outstanding interest and capital payment and a negative pledge clause for the disposition of the unit for the period of the loan. This loan bears interest at six month LIBOR plus a margin of 0.875% per annum that represented 5.475% at December 31, 2007 (2006: 6.25%).

12. Other Current Liabilities

Other current liabilities consist of:

	2007	2006
Income tax withholdings and other	US\$1,082,493	US\$4,694,842
Assets tax payable (Note 16)	1,407,966	1,440,345
Interests payable	3,223,072	425,263
Other	<u>1,563,893</u>	<u>2,115,418</u>
	<u>US\$7,277,424</u>	<u>US\$8,675,868</u>

13. Other Non-Current Liabilities

Other non-current liabilities consist of:

	2007	2006
Related party (Note 21.a)	US\$ -	US\$13,972,674
Interest rate swap (*)	-	201,189
Other	<u>341,222</u>	<u>377,193</u>
	<u>US\$ 341,222</u>	<u>US\$14,551,056</u>

- (*): The net payments from the interest rate swap in 2006 were approximately US\$0.2 million, and were recorded as part of financial expenses in the statement of operations. The value of the interest rate swap marked-to-market was US\$0.2 million at December 31, 2006. The interest rate swap was terminated in February 2007.

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14. Other (Expenses) Income

Other (expenses) income consists of:

	2007	2006
Settlement on interest on tax assessment	US\$ 571,478	US\$ 5,382,552
Gain from settlement with a supplier	-	1,617,544
Taxes on transfer to foreign suppliers	(5,834,021)	(5,268,600)
Adjustment to mark-to-market interest rate swap	70,362	523,715
Tax assessment other than income tax	377,271	(1,057,139)
Other income and expense, net	<u>303,779</u>	<u>(1,135,695)</u>
	<u>US\$(4,511,131)</u>	<u>US\$ 62,377</u>

15. Shareholders' Equity

Common Stock

At December 31, 2007 and 2006, the common stock consisted of 45,951,000 common shares issued and outstanding with par value of US\$6.29. The following is a detail of the Company's shares:

	<u>Common Stock</u>	
	Shares Issued	Par Value
<i>CDEEE</i>		
Shares issued for contribution in kind (less debt assumed by the Company)	22,975,397	US\$144,499,352
<i>HIC</i>		
Shares issued for cash	22,975,500	144,500,000
<i>Other shareholders</i>	<u>103</u>	<u>648</u>
Balance at December 31, 2007 and 2006	<u>45,951,000</u>	<u>US\$289,000,000</u>

Legal Reserve

The Dominican Commercial Code establishes that at least 5% of the annual net earnings be appropriated as a legal reserve of the Company until such appropriation equals 10% of the outstanding capital. This reserve may not be capitalized, returned to inappropriate retained earnings or used for payment of dividends.

Remittance of Profits

The Dominican Foreign Investment Law allows the repatriation of capital and remittance of profits in freely convertible currency. Dividends may be declared during each fiscal period up to the total amount of net profits, subject to a withholding tax of 25%, which can be offset with the income tax due by the Company.

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16. Income Tax

Dominican Republic Tax Law (the Tax Law) requires companies to file their corporate income tax returns denominated in Dominican pesos. Companies that use a functional currency other than the Dominican peso are required to keep their tax accounting records and official filing in Dominican pesos. In addition, Article 293 of the Tax Law establishes the deduction/recognition of foreign exchange difference expense/gain in the determination of taxable income. The Tax Law also establishes that the Tax Bureau will annually indicate the exchange rate to be used for taxation purposes.

Effective January 1, 2006, a new Tax Reform (Law No. 557-05) came in place. The most significant changes introduced by this Law to the Dominican Tax Code are:

- The corporate Income Tax rate increased from 25% to 30% as from January 1, 2006. This rate was scheduled to be reduced to 29% in 2007, 27% in 2008 and 25% for 2009, but was set at 25% in 2007. Law 172-05, dated July 17, 2007, reduced the corporate income tax rate to 25% starting in fiscal period 2007.
- The tax loss carryforward can be compensated with earnings generated until the 5th period subsequent to the period in which the loss was incurred, with a maximum annual amortization of 20% of this loss and with limits of 80% and 70% of the taxable net income, for the 4th and 5th period, respectively.
- As from 2006, the basis of the monthly tax advance payment depends on the effective tax rate. Legal entities with an effective tax rate lower than 1.5% of gross income of the previous fiscal year should pay tax advances of 1.5% of such income. Legal entities with an effective tax rate higher than 1.5% should pay their tax advances based on the income tax of the previous fiscal year.
- An annual tax is established on the assets of the legal entities (assets tax), with a rate of 1% based on the balance of assets net of depreciation, amortization and allowance for bad debt accounts. Stocks investments, revaluation of assets and prepaid taxes are excluded from the taxable basis. This tax is creditable to the income tax in case the current corporate income tax is higher. Otherwise, the entity should complete the tax payment on the assets in two future installments. In this case, the income tax amount can be credited against the assets tax. Power generation, transmission and distribution companies defined in the General Electric Law 125-01, dated July 26, 2001, should pay this tax on the basis of the total fixed assets, net of depreciation, as they are shown in the balance sheet at the year end. If the income tax does not exceed the 1% on total fixed assets, then this 1% becomes, in effect, a minimum tax.

For the purpose of determining the ordinary income tax, the reconciliation of the financial and taxable income of the Company for the years ended December 31, 2007 and 2006 is as follows:

	2007	2006
<u>Tax effect of:</u>		
Income before income tax	<u>US\$8,497,250</u>	<u>US\$7,806,248</u>
<u>Permanent differences</u>		
Release of provisions previously considered nondeductible	(94,471)	(1,673,197)

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	2007	2006
Inflation adjustment of nonmonetary assets	(3,186,036)	(3,888,093)
Taxes nondeductible	372,558	1,115,885
Other nontaxable income	(158,664)	(69,898)
Effects on changes in functional currency	2,118,833	4,294,362
	<u>(947,780)</u>	<u>(220,941)</u>
<u>Temporary differences</u>		
Depreciation	(720,598)	(44,540)
Exchange rate differences	(64,157)	203,087
Other	209,067	8,350
	<u>(575,688)</u>	<u>166,897</u>
Current tax expense before tax loss carry forward	6,973,782	7,752,204
Application of tax loss carry forward	<u>(6,873,307)</u>	<u>(7,495,392)</u>
	100,475	256,812
Application of asset tax credit carryforward	<u>(100,475)</u>	<u>(256,812)</u>
Current income tax	<u>US\$ -</u>	<u>US\$ -</u>

During 2007 and 2006 income tax on the Company's taxable income did not exceed the 1% tax on total fixed assets (assets tax); therefore, the Company's only commitment will be to pay 1% tax on total fixed assets amounting to approximately US\$1.4 million and US\$1.5 million at December 31, 2007 and 2006, respectively. These amounts are reflected within General and Administrative Expenses in the Statements of Operations.

The Company has income tax loss carry forwards of US\$79.8 million (adjusted by inflation) as of December 31, 2007, which can be used to offset future taxable income, subject to the limitations expressed below. These losses will expire as follows:

Period	Unadjusted Tax Loss Carry Forward	Inflation Adjustment	Exchange Difference	Total Adjusted Tax Loss Carry Forward
(Expressed in US\$ million)				
2007	25	2.1	(0.5)	26.6
2008	25	2.1	(0.5)	26.6
2009	25	2.1	(0.5)	26.6
2010	25	2.1	(0.5)	26.6
	<u>100</u>	<u>8.4</u>	<u>(2.0)</u>	<u>106.4</u>
Less:				
Utilized/expired in 2007	(25)	(2.1)	(0.5)	(26.6)
	<u>75</u>	<u>6.3</u>	<u>(1.5)</u>	<u>79.8</u>

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The components of the deferred income tax asset / liability consist of the following:

	Balance at December 31, 2006 US\$	Effect in Results for the Period US\$	Balance at December 31, 2007 US\$
Current deferred income tax			
Tax loss carry forward	4,460,182	1,729,777	6,189,959
Valuation allowance	(1,678,712)	665,338	(1,013,374)
	<u>2,781,470</u>	<u>2,395,115</u>	<u>5,176,585</u>
Noncurrent deferred income tax			
Tax loss carry forward	14,784,994	(2,405,076)	12,379,918
Fixed assets	(17,081,270)	454,988	(16,626,282)
	(2,296,276)	(1,950,088)	(4,246,364)
Valuation allowance	(5,564,740)	3,537,992	(2,026,748)
	(7,861,016)	1,587,904	(6,273,112)
Deferred income tax - net	<u>(5,079,546)</u>	<u>3,983,019</u>	<u>(1,096,527)</u>
	Balance at December 31, 2005 US\$	Effect in Results for the Period US\$	Balance at December 31, 2006 US\$
Current deferred income tax			
Tax loss carry forward	6,381,776	(1,921,594)	4,460,182
Exchange rate differences	(155,944)	155,944	-
	6,225,832	(1,765,650)	4,460,182
Valuation allowance	(4,046,791)	2,368,079	(1,678,712)
	<u>2,179,041</u>	<u>602,429</u>	<u>2,781,470</u>
Non current deferred income tax			
Tax loss carry forward	25,016,416	(10,231,422)	14,784,994
Fixed assets	(16,909,281)	(171,989)	(17,081,270)
	8,107,135	(10,403,411)	(2,296,276)
Valuation allowance	(10,286,176)	4,721,436	(5,564,740)
	(2,179,401)	(5,681,975)	(7,861,016)
Deferred income tax - net	<u>-</u>	<u>(5,079,546)</u>	<u>(5,079,546)</u>

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable earnings during the periods in which the temporary differences become deductible.

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The Company's deferred tax asset reflects the tax benefit of US\$18.6 million (2006: US\$19.2 million) in tax loss carry forward net of a valuation allowance of US\$3 million (2006: US\$7.2 million). The tax loss carry forwards expire between 2008 and 2010 and realization is dependent on generating sufficient taxable income prior to their expiration dates. Although realization is not assured, management believes it is more likely than not that US\$15.6 million (2006: US\$12 million) of benefits from the tax loss carry forward will be realized. The amounts of the deferred tax asset considered realizable, however, could vary in the near term if estimates of future taxable income during the carry forward period change.

Management considers projected future taxable income in making this assessment. At December 31, 2007 management reduced the valuation allowance by US\$4.2 million after updating their future taxable income projections based on the market conditions and performance of the entity in 2007, consistently with the deferred tax assets. During 2007, deferred tax assets were increased by US\$2.4 million due to an increase in the projected effective income tax rate.

17. Sale of Energy to Distribution Companies and Other Customers

- a. The Company invoices the distribution companies, Empresa Distribuidora del Norte, S. A. ("Edenorte"), Empresa Distribuidora del Sur, S. A. ("Edesur") and Empresa Distribuidora del Este, S. A. ("Edeeste"), for the service of energy, capacity and transmission toll, according to the existing agreements renegotiated in August 2001 ("the Power Supply Contract"). The terms and conditions for the sale of energy to distribution companies are as follows:

Edenorte	112mw
Edesur	138mw
Edeeste	100mw
Term of contracts	15 years
Indexation	30% per CPI -USA 70% for fuel

The prices are stated in U.S dollars but can be paid in Dominican Pesos. The exchange rate index utilized tracks the market rate for the U.S. dollar based on daily foreign exchange trading by commercial banks published by the Dominican Republic Central Bank.

- b. On August 3, 2006, the Company and Edeeste signed a financing agreement related to past-due accounts receivable. The main terms of this agreement stipulate for Edeeste the payment of the principal amount of US\$41.9 million over a six-year term, with interest payable at an annual rate of 12%. The agreement provides for a two-year grace period for the principal repayment, 10% repayment in the third year and 30% repayments in the fourth, fifth and sixth year. In addition, the agreement grants the Company the direct monthly collections from Edeeste's main customers and credit card receipts equal to a minimum amount of US\$5.5 million per month. The estimated fair value of this long term receivable approximates its carrying value. The outstanding balance of this account receivable at December 31, 2007 and 2006 was US\$41.9 million, from which US\$1.7 million is classified as current portion as of December 31, 2007.

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18. Fuel Oil, Coal and Power Supply

- During 2007 and 2006, the Company had no fuel oil supply agreement in force. During these years the Company purchased fuel oil on the spot market from diverse suppliers. During 2007 the Company purchased 2 million barrels at a cost of US\$113.9 million (2006: 2.3 million barrels at a cost of US\$113.8 million). In addition, during 2006 the Company used a credit facility provided by a vendor, equivalent to one fuel shipment up to US\$4 million.
- In the first quarter of 2006, EGE Haina entered into a new contract with the supplier Glencore International AG, in which Glencore International AG agreed to supply EGE Haina with coal sufficient to meet the Barahona plant's requirements for a period of two years, from March 1, 2006 through April 30, 2008. The contract price for coal under this agreement is US\$56.80 per metric ton indexed by qualities specifications (Btu), plus a delivery fee. Both parties agree to comply with a delivery of 294,000 metric tons within the period of the contract, except for extraordinary events or circumstances beyond the control of the parties that prevents one or both parties from fulfilling their obligations (force majeure).
- The Company participates in the Dominican power pool, as a seller or buyer. During 2007 the Company purchased the equivalent of US\$63.4 million (2006: US\$41.6 million). The Company purchased 509 GWH in 2007 (2006: 348 GWH).

19. Sultana Operation and Maintenance Contracts

In August 2001 the Company had signed a five-year operation and maintenance (O&M) contract with Wartsila North America, Inc., who acted as parts supplier while Wartsila Dominicana, C. por A. served as operator for the Sultana del Este plant ("La Sultana"). The contract established the payment of monthly service fees no less than EUR172,000, plus EUR1.55 per Mwh for operation, and EUR1.75 per Mwh for parts supply. Additionally, the Company was committed to pay an annual capacity bonus for every percentage point that the annual generation exceeded the guaranteed capacity factor of 85%. The total operation and maintenance costs under the contract were approximately US\$10.6 million in 2006. The contract expired in November 2006 and the Company decided not to renew the agreement and assumed full operational responsibilities for La Sultana. The debt was totally paid in January 2007.

On April 27, 2007 the Company signed a maintenance contract with ABB S. A. ("ABB"), by which this supplier will manage and execute the maintenance, including service and installation of delivered spare parts of all turbochargers, and the daily inspections at La Sultana.

In consideration for the management and execution of the maintenance agreement by ABB, the Company will pay to ABB a fixed hourly rate calculated on the basis of the agreed hours and number/type of turbochargers of CHF 8.80 (Swiss franc).

This contract came into force on November 11, 2006 and will end automatically after the last turbocharger has reached the agreed hours (total of 844,200 hours, distributed by 46,900 per 18 turbochargers), but not later than December 31, 2013. The Company has however the option to unilaterally extend the hours by another 50,000 running hours (from 50,000 to 100,000 running hours). This option can only be exercised together with the

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option of the respective operating performance package agreed for the delivery of spare parts between customer and ABB Turbo Systems Ltd, Switzerland.

The party, which terminates this operating performance package before the end of the contract term for other reasons than communication of failure, bankruptcy, force majeure and change in law, shall pay the following amounts to the other party:

	US\$
Within the first contractual year	1,000,000
Within the second contractual year	800,000
Within the third contractual year	600,000
Within the fourth contractual year	400,000
Within the fifth contractual year	200,000

20. Administrative and General Expenses

Administrative and general expenses consist of:

	2007	2006
Labor costs and office operation costs	US\$10,362,960	US\$ 9,354,978
Management fees (Note 21)	10,074,018	9,110,898
Technical advisory fees	4,119,303	4,040,399
Insurance	2,964,738	2,886,468
Regulatory payments	1,848,826	1,711,205
Asset tax	1,453,379	1,508,302
	<u>US\$30,823,224</u>	<u>US\$28,612,250</u>

21. Related Parties Transactions and Balances

The Company had transactions and maintained balances with unconsolidated related companies, as described below:

	2007	2006
Balances		
<u>Accounts receivable:</u>		
<u>Distributors:</u>		
Edesur	US\$ 40,428,108	US\$ 27,605,303
Edenorte	30,733,755	23,671,922
Edeeste - current and long-term	67,281,844	59,690,220
	<u>US\$138,443,707</u>	<u>US\$110,967,445</u>
<u>Other accounts receivable:</u>		
HIC	US\$ 87,262	US\$
Compañía de Electricidad de San Pedro de Macorís S. A (CESPM)	38,217	-

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	2007	2006
Consortio Energético Punta Cana-Macao, S. A. (CEPM)		
- Current	1,806,521	
- Long-term (f)	4,225,060	-
CEPM Energy, Ltd. - current	3,861,838	-
Pedregal Power Company S. de R.L. – current	5,085	-
Energía del Sur, S. A. - current	4,769	-
	US\$ 10,028,752	US\$ -

Accounts payable:

HIC	US\$ 1,013,754	US\$ 13,972,674
CDEEE	16,615,854	20,406,408
	US\$ 17,629,608	US\$ 34,379,082

	2007	2006
Transactions		
HIC – management fee and accrued interests (a)	US\$ 10,556,275	US\$ 9,971,278
CDEEE – Purchases of energy and interest charges and transmission toll (b)	47,819,233	51,170,673
Sales of energy and interest charges (c)	104,064,072	95,195,367
Edenorte		
Edesur	138,433,614	123,214,024
Edeeste	94,492,874	92,065,516
TCC Air Services, Inc. (d)	210,863	60,904
Hispaniola Management Corporation (e)	202,406	107,143
CEPM – Reimbursement of fuel, fees for storage of fuel and expenses paid by EGE		
Haina	3,496,822	700,965
CEPM – Line of credit (f)	4,286,198	-

a) Management Fee - HIC

As part of the capitalization process, the Company maintains an administration contract with HIC, expiring in 2020, to manage the day-to-day operations of the Company under the direction of the Company' Board of Directors. HIC charges the Company 2.95% of annual net sales that represented US\$10.1 million and US\$9.1 million for 2007 and 2006, respectively. At December 31, 2007 and 2006, the Company had accounts payable balances to HIC of approximately US\$1 million and US\$14 million, respectively. Through June 2007, and for the amounts owed as from 2006, annual interests accrue at 8%. In December 2006 the Company agreed to remit quarterly payments beginning March 31, 2008. In June 2007 the Company paid the outstanding balance of US\$13.7 million from the proceeds of the US\$175 million senior notes issuance.

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b) Transmission Toll / Capacity and Energy Transaction - CDEEE

CDEEE, a shareholder of EGE Haina, receives monthly connection toll rights paid by the Company for the utilization of the transmission facilities. The amounts accrued during 2007 and 2006, which are based on the capacity and energy made available on the system as determined by the OC, were approximately US\$16.4 million in 2007 (2006: US\$17.6 million). In addition, during 2007 and 2006 the Company purchased capacity and energy from CDEEE through spot market transactions for US\$31.4 million in 2007 and US\$33.5 million in 2006.

Compensation Agreements – CDEEE

Agreements dated January and September 2007

CDEEE and the Company agreed to offset the Company's accounts payable to CDEEE against the same amount of accounts receivable from Edenorte and Edesur for US\$15.4 million in January 2007 and US\$3.8 million in September 2007.

Agreements dated February and November 2006

In February 2006, the Company entered into agreements with CDEEE, Edenorte and Edesur and with CDEEE and Edeeste, for the reconciliation, recognition, transfer of accounts receivable and offsetting of the Company's accounts receivable, from Edenorte (US\$8.8 million), Edesur (US\$8.1 million) and Edeeste (US\$5.5 million), amounting to a total amount of US\$22.4 million. In the case of Edenorte and Edesur, this offset related to accounts receivable outstanding at December 31, 2005, including amounts that remained frozen as per the General Agreement of Electrical Industry signed in March 2005 and related accrued interest. In the case of Edeeste, these amounts partially offset the 2004 frozen accounts receivable outstanding at December 31, 2005. These agreements cleared all accounts payable to CDEEE related to transmission, purchase of energy and power and related interests and penalties up to December 31, 2005.

In November 2006, the Company and CDEEE agreed to offset US\$18 million of the Company's accounts payable to CDEEE as consideration for the reduction of the Company's accounts receivable from Edenorte and Edesur by US\$16.6 million and the assignment to CDEEE of US\$1.4 million of accounts receivable from Edeeste.

c) Sales Agreements with Distribution Companies

The distribution companies Edesur, Edenorte and Edeeste are related parties. Edesur and Edenorte are wholly-owned by CDEEE, while Edeeste is owned by CDEEE at 50% of its equity interest. Sales made by the Company to these distribution companies are based on existing agreements which are more detailed in Note 17.

d) TCC Air Services, Inc.

TCC Air Services, Inc. is a related party by its ownership/management by a Board Member, which offers service of air transportation.

e) Hispaniola Management Corporation

Hispaniola Management Corporation is a related party due to its affiliation to a member of the Board of EGE Haina.

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f) Consorcio Energético Punta Cana-Macao, S. A. (CEPM, Long-term)

This balance corresponds to a credit line that accrues interests at an annual rate of 8.5% and matures in June 2009.

Other Related Party Transactions

On January 15, 2007, the Company entered into an agreement in Term Sheet form with CEPM under which EGE Haina will supply a minimum of 50MW to CEPM beginning upon the completion of the 138KV transmission line that CEPM is constructing to connect its distribution system with one of EGE Haina's generation plant, Sultana del Este. The Term Sheet established a term of 15 years. The initial price for capacity set forth in the Term Sheet will be US\$14 per kWm adjusted monthly by the U.S. CPI and fluctuations in the exchange rate for dollars into euros. The price for electricity delivered under the Term Sheet will be equal to the cost of the fuel used by EGE Haina to generate the electricity plus a variable operating and maintenance fee of US\$0.0075 per kWh which will be adjusted monthly by the U.S. CPI and fluctuations in the exchange rate for dollars into euros. All amounts due under the Term Sheet will be payable in dollars. The Term Sheet has a term of 90 days or until the Purchase Power Agreement (PPA) is executed. At the date of the present consolidated financial statements, the PPA has not been signed.

22. Contingencies

The Company is involved in certain legal proceedings from time to time that are incidental to the normal conduct of its business, none of which is expected to have a material adverse effect on Company's results of operations, financial position and cash flow. Based on the legal counsel's advice the Company has not recorded any provision to cover possible losses because estimate.

23. Subsequent Events

In January 2008, CDEEE and the Company agreed to offset US\$10.9 million of the Company's accounts payable to CDEEE against the same amount of accounts receivable from Edenorte, Edesur and Edeeste.