



**Water- en Energiebedrijf
Aruba (W.E.B.) N.V.**

**Abbreviated
Financial statements 2019**



Table of contents

Abbreviated statement of financial position as at December 31, 2019	3
Abbreviated statement of comprehensive income for the year ended December 31, 2019	5
Abbreviated statement of cash flow for the year ended December 31, 2019	6
Notes to the abbreviated financial statements as of December 31, 2019	8
Independent auditors report on the abbreviated financial statements	10

Abbreviated statement of financial position as at December 31, 2019

ASSETS

(in Aruban florin)

	<u>2019</u>	<u>2018</u>
Non current assets		
Intangible assets	3,230,473	1,791,111
Tangible fixed assets	479,442,768	439,516,525
Deferred Income tax assets	-	1,212,792
TOTAL NON CURRENT ASSETS	<u>482,673,241</u>	<u>442,520,428</u>
Current assets		
Financial assets - derivatives designated as hedges	-	3,420,955
Inventories	23,943,330	26,768,751
Trade and other receivables	83,029,749	78,581,685
Cash and cash equivalents	33,472,163	22,083,037
Restricted Cash	28,037,831	-
TOTAL CURRENT ASSETS	<u>168,483,073</u>	<u>130,854,428</u>
TOTAL ASSETS	<u><u>651,156,314</u></u>	<u><u>573,374,856</u></u>

Abbreviated statement of financial position as at December 31, 2019

SHAREHOLDER'S EQUITY AND LIABILITIES

(in Aruban florin)	<u>2019</u>	<u>2018</u>
Shareholder's equity		
Issued and paid-in capital	139,496,675	139,496,675
Retained earnings	189,798,016	200,576,599
Undistributed result for the year	19,167,461	1,221,417
TOTAL EQUITY	<u>348,462,152</u>	<u>341,294,691</u>
Provisions		
Provision for employee benefits	8,031,554	8,349,161
Deferred income tax liability	30,047,219	27,253,086
Provision for claims	8,953,656	8,953,656
TOTAL PROVISIONS	<u>47,032,429</u>	<u>44,555,903</u>
Non current liabilities		
Loans	166,940,216	119,400,604
Deposits	6,097,634	6,000,183
TOTAL NON CURRENT LIABILITIES	<u>173,037,850</u>	<u>125,400,787</u>
Current liabilities		
Short term portion of loans	17,185,294	19,037,234
Short term portion of provisions	753,502	474,029
Trade payables	58,710,596	38,324,317
Profit tax	836,462	(422,790)
Other liabilities	5,138,029	4,710,685
TOTAL CURRENT LIABILITIES	<u>82,623,883</u>	<u>62,123,475</u>
TOTAL EQUITY AND LIABILITIES	<u>651,156,314</u>	<u>573,374,856</u>

Abbreviated statement of comprehensive income for the year ended December 31, 2019

(in Aruban Florin)	2019	2018
<i>Revenue from operations</i>		
Sale of electricity	320,809,965	301,026,757
Sale of water	111,094,241	106,888,393
Other revenues	7,391,622	4,339,916
Total operating revenue	439,295,828	412,255,066
Fuel expenses	177,992,433	173,681,876
Electricity expenses	27,714,509	29,356,299
Water expenses – purchase	14,933,926	14,695,294
Chemicals and gases expenses	7,301,287	7,808,467
Personnel expenses	55,347,730	55,994,366
Depreciation, amortization expenses and impairments	66,963,937	54,136,848
Maintenance expenses	26,554,192	45,825,505
Other operating expenses	25,375,039	20,370,299
Total operating expenses	402,183,053	401,868,954
OPERATING RESULTS	37,112,775	10,386,112
Financial expenses		
Net financing costs	8,367,285	7,744,388
Other financial expenses	4,311,852	1,551,735
	12,679,137	9,296,123
RESULTS BEFORE TAX	24,433,638	1,089,989
Income tax expenses	5,266,177	(131,428)
RESULT FOR THE YEAR	19,167,461	1,221,417

Abbreviated statement of cash flow for the year ended December 31, 2019

(in Aruban florin)	<u>2019</u>	<u>2018</u>
Cash flows from operating activities		
Net results	19,167,461	1,221,417
Adjustments for non-cash income and expenses:		
Depreciation & amortization expenses	66,963,937	54,136,848
Income tax expenses	5,266,177	(131,428)
Changes in operating assets and liabilities:		
(Increase)/ decrease in inventories	2,825,422	(10,097,344)
(Increase)/ decrease in trade and other receivables	(4,456,356)	(2,119,634)
(Increase)/ decrease in provisions	(38,134)	841,327
(Increase)/ decrease in deposits	97,452	133,331
(Increase)/ decrease in trade payables	10,516,331	1,030,847
(Increase)/ decrease in other liabilities	15,266,566	7,799,104
Increase/ (decrease) in financial derivatives designated as hedges	3,420,955	(2,120,923)
Cash generated from operations	<u>119,029,811</u>	<u>50,693,545</u>
Interest received	8,292	280,352
Interest paid, agency fee and commission fee	(14,839,222)	(9,531,289)
Payment of profit tax	-	(6,040,420)
Net cash generated from operating activities	<u>104,198,881</u>	<u>35,402,188</u>
Cash flows from investing activities		
Investments in property, plant and equipment	(99,617,095)	(47,363,356)
Investments in intangible assets	(994,296)	(344,518)
Net cash used in investing activities	<u>(100,611,391)</u>	<u>(47,707,874)</u>
Cash flow from financing activities		
Proceeds of long-term loans	215,891,651	-
Repayment of long-term loans	(168,052,184)	(19,002,966)
Payment of dividend	(12,000,000)	(10,000,000)
Net cash used in financing activities	<u>35,839,467</u>	<u>(29,002,966)</u>
Net increase in cash and cash equivalents	<u>39,426,957</u>	<u>(41,308,652)</u>

The movement in cash and cash equivalents can be broken down as follows:

At January 1	22,083,037	63,391,689
Movements during the year	39,426,957	(41,308,652)
At December 31	61,509,994	22,083,037

Breakdown of balance sheet items related to cash:

Cash and Cash equivalents	33,472,163	22,083,037
Restricted cash	28,037,831	-
Total cash at the end of the period	61,509,994	22,083,037

Notes to the abbreviated financial statements as per December 31, 2019

1 General notes

General information

These abbreviated financial statements of Water- en Energiebedrijf Aruba N.V. (hereinafter: W.E.B. N.V.) are derived from the statutory financial statements for the year ending December 31, 2019. The statutory financial statements were approved for issue by the Board of Directors on July 20, 2020. The abbreviated financial statements do not contain all the disclosures required by the accounting principles generally accepted in the Netherlands (“Dutch GAAP”) and should therefore be read in conjunction with the statutory 2019 financial statements, including the accounting policies and notes. The statutory 2019 financial statements of W.E.B. N.V. are available at the company.

Basis of preparation

The statutory financial statements, from which these abbreviated financial statements are derived are prepared in accordance with accounting principles generally accepted in the Netherlands (“Dutch GAAP”).

Reporting entity

W.E.B. N.V. was incorporated in Aruba on August 29, 1991. In conformity with the “independization” agreement dated November 13, 1992, through Utilities Aruba N.V., the former Water- en Energiebedrijf Aruba transferred assets, the right of use, and liabilities to W.E.B. N.V., a wholly owned subsidiary of Utilities Aruba N.V. whose ultimate parent is Land Aruba. W.E.B. N.V. started as a water and electricity company on January 1, 1992.

The main activities of W.E.B. N.V. are the production of potable and industrial water and of electricity and the distribution of the water. The distribution of electricity is solely conducted by N.V. Elmar, a subsidiary of Utilities Aruba N.V. The registered and actual address of W.E.B. N.V. is Balashi 76, Aruba and is registered at the chamber of commerce under number 12126.0.

2 Changes in accounting policy

Up to 2018 the cost of periodic major maintenance were directly accounted for in the income statement in the year in which the major maintenance occurred. As of 1 January 2019, this is no longer allowed according to generally accepted accounting principles in the Netherlands. As of this year, the costs of major maintenance is recognized in the carrying value of the asset using the separate component method (capitalized and depreciated) when incurred and if the recognition criteria are met. The carrying amount of the components to be replaced will be regarded as a disposal and recognized directly in the income statement.

This change in accounting principle is recognized prospectively as the conditions to do so are met. The conditions are that up to 2018 major maintenance were accounted for directly in the income statement and that major maintenance recognized in 2019 relates to existing assets on 1 January 2019.

3 Accounting policies for the balance sheet

Tangible fixed assets

Items of tangible fixed assets are valued at cost or manufacturing cost minus straight-line depreciation based on the estimated useful lives. Cost includes expenditure that is directly attributable to the acquisition of the asset. The costs of self-constructed assets include the costs of materials, direct labor, and an appropriate proportion of overhead. Depreciation is calculated using the straight-line method over the estimated remaining useful lives of the related assets taking into account any residual values.

Trade and other receivables

Trade and other receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables (allowance for bad debts) is established when there is objective evidence that W.E.B. N.V. will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is recognized in the statement of income within other operating expenses.

Loans

Loans are initially recognized at fair value, net of transaction costs incurred. Loans are subsequently stated at amortized cost, being the amount received taking account of any premium or discount, less transaction costs. The difference between stated book value and the mature redemption value is accounted for as interest cost in the income statement on the basis of the effective interest rate during the estimated term of the long-term debts.

4 Accounting policies for the income statement

Profit or loss is determined as the difference between the realizable value of the goods delivered and services rendered, and the costs and other charges for the year. Revenues on transactions are recognized in the year in which they are realized.

5 Accounting policies for the cash flow statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement comprise cash at banks and in hand except for deposits with a maturity longer than three months. Cash flows in foreign currencies have been translated at average estimated exchange rates. Interest paid and received, and income taxes are included in cash from operating activities. Dividends paid are recognized as cash used in financing activities.

6. Notes to the financial statements as of December 31, 2019

Subsequent events

In March 2020, the World Health Organization officially declared the coronavirus outbreak (also referred to as COVID-19) a pandemic. Around the same time the first cases of COVID-19 were confirmed in Aruba. As a response to the pandemic, the government of Aruba announced various measures, including ‘shelter-in place’ orders and an almost complete economic lockdown as well as guidance in response to the pandemic and the need to contain it. As a result of this measure, the main economic pillar of Aruba being Tourism, was significantly impacted resulting in a downward spiral of the economy of Aruba in its entirety.

Being considered a ‘vital’ organization that provides first life necessities, the Corporation had to continue operations. Financial impact analyses are periodically prepared in order to monitor the financial impact of the pandemic on the Corporation. The analyses include projections based on reduced sales of water and electricity, deteriorating customers’ payment behavior resulting in less cash inflow, offset by a robust cost and cash outflow reduction plan. The latter included various activities to reduce cost as well as postponement of various planned capital expenditures.

Due to various uncertainties surrounding the duration of any business disruption, the related financial impact of the pandemic cannot be reasonably estimated at this time. The extent to which COVID-19 may impact our operating results, financial condition, and cash flows will depend on future developments, which are highly uncertain and cannot be predicted as of the time of this financial statement, including new information that may emerge concerning the severity of the coronavirus and steps taken to contain it, among others.

Besides the above, there are no other noteworthy subsequent events.

Independent auditors report on the abbreviated financial statements

To: Management and board of supervisory directors of Water- en Energiebedrijf Aruba N.V.

Opinion

The abbreviated financial statements, which comprise the abbreviated statement of financial position as at December 31, 2019, the abbreviated statement of comprehensive income for the year ended December 31, 2019, the abbreviated statement of cashflow for the year ended December 31, 2019, and related notes, are derived from the audited financial statements of Water- en Energiebedrijf Aruba N.V. (the Company) for the year ended December 31, 2019.

In our opinion, the accompanying abbreviated financial statements are consistent, in all material respects, with the audited financial statements, in accordance with the basis described in note 1 "Notes to the abbreviated financial statements as of December 31, 2019 - basis of preparation".

Abbreviated financial statements

The abbreviated financial statements do not contain all the disclosures required by accounting principles generally accepted in the Netherlands. Reading the abbreviated financial statements and our report thereon, therefore, is not a substitute for reading the audited financial statements of the Company and our auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements 2019 of the Company in our auditor's report dated 24 August 2020. That report also includes an Emphasis of matter paragraph that draws attention to note 42 in the audited financial statements, which describes the economic and social consequences the Company is facing as a result of the consequences of the COVID-19.

The abbreviated financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our auditor's report on the audited financial statements.

Responsibilities of management and the supervisory board for the abbreviated financial statements

Management is responsible for the preparation of the abbreviated financial statements in accordance with the basis described in note 1 "Notes to the abbreviated financial statements as of December 31, 2019 - Basis of preparation".

The supervisory board is responsible for overseeing the company's financial reporting process.

Auditor's responsibilities

Our responsibility is to express an opinion on whether the abbreviated financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Aruba, September 18, 2020
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for Ernst & Young Accountants



Garrick de Cuba, MSc, RA