



Caribbean Utilities Company, Ltd.  
**2024** Second Quarter Report  
June 30, 2024





## Table of Contents

Interim Management's Discussion and Analysis	1
Condensed Consolidated Interim Financial Statements:	
Condensed Consolidated Interim Balance Sheets	15
Condensed Consolidated Interim Statements of Earnings	16
Condensed Consolidated Interim Statements of Comprehensive Income	17
Condensed Consolidated Interim Statements of Shareholders' Equity	18
Condensed Consolidated Interim Statements of Cash Flows	19
Notes to Condensed Consolidated Interim Financial Statements	20
Shareholder Information	25

All dollar amounts in this Quarterly Report are stated in United States dollars unless otherwise indicated.

Readers should review the note in the Management Discussion and Analysis section, concerning the use of forward-looking statements, which applies to the entirety of this Quarterly Report.



## Interim Management's Discussion and Analysis

### For the Quarter Ended June 30, 2024

The following Management's Discussion and Analysis ("MD&A") should be read in conjunction with the Caribbean Utilities Company, Ltd. ("CUC" or "the Company") consolidated financial statements for the twelve months ended December 31, 2023 ("Fiscal 2023"). The material has been prepared in accordance with National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") relating to Management's Discussion and Analysis.

Additional information in this MD&A has been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"), including certain accounting practices unique to rate-regulated entities. These accounting practices, which are disclosed in the notes to the Company's 2023 annual financial statements, result in regulatory assets and liabilities which would not occur in the absence of rate regulation. In the absence of rate regulation, the amount and timing of recovery or refund by the Company of costs of providing services, including a fair return on rate base assets, from customers through appropriate billing rates would not be subject to regulatory approval.

### Forward-Looking Statements

Certain statements in this MD&A, other than statements of historical fact, are forward-looking statements concerning anticipated future events, results, circumstances, performance, or expectations with respect to the Company and its operations, including its strategy, financial performance, and condition. Forward-looking statements include statements that are predictive in nature, depend upon future events or conditions, or include words such as "expects", "anticipates", "plans", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedules", or negative versions thereof and other similar expressions, or future or conditional verbs such as "may", "will", "should", "would" and "could". Forward-looking statements are based on underlying assumptions and management's beliefs, estimates and opinions, and are subject to inherent risks and uncertainties surrounding future expectations generally that may cause actual results to vary from plans, targets, and estimates. Some of the important risks and uncertainties that could affect forward-looking statements are described in the MD&A in the sections labelled "Business Risks", "Capital Resources" and "Corporate and Regulatory Overview" and include but are not limited to operational, general economic, market and business conditions, regulatory developments, and weather. CUC cautions readers that actual results may vary significantly from those expected should certain risks or uncertainties materialise, or should underlying assumptions prove incorrect. Forward-looking statements are provided for the purpose of providing information about management's current expectations and plans relating to the future. Readers are cautioned that such information may not be appropriate for other purposes. The Company disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise except as required by law.

On May 31, 2022, the Ontario Securities Commission issued a relief order which permits the Company to continue to prepare its financial statements in accordance with U.S. GAAP. The relief extends until the earliest of: (i) January 1, 2027; (ii) the first day of the financial year that commences after the Company ceases to have rate-regulated activities; or (iii) the first day of the Company's financial year that commences on or following the later of (a) the effective date prescribed by the International Accounting Standards Board (the "IASB") for the mandatory application of a standard within IFRS specific to entities with activities subject to rate regulation (the "Mandatory Rate-regulated Standard") and (b) two years after the IASB publishes a final version of the Mandatory Rate-regulated Standard. The Company is currently reviewing the implications of this order and analyzing alternate options to continue to report under US GAAP.

Financial information is presented in United States dollars unless otherwise specified. The condensed consolidated financial statements and MD&A in this interim report were approved by the Audit Committee.

July 31, 2024



## About the Company

Caribbean Utilities Company, Ltd., (“CUC” or the “Company”), commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 166 megawatts (“MW”). The record peak load of 127.9 MW was experienced on May 27, 2024. CUC is committed to providing a safe and reliable supply of electricity to over 34,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman’s development for over the past 58 years.

## About the Cayman Islands

The Cayman Islands, a British Overseas Territory with a population of approximately 84,000, are comprised of three islands: Grand Cayman, Cayman Brac, and Little Cayman. Located approximately 150 miles south of Cuba, 460 miles south of Miami and 167 miles northwest of Jamaica, the largest island is Grand Cayman with an area of 76 square miles.

A Governor, presently Her Excellency Mrs. Jane Owen, is appointed by His Majesty the King. A democratic society, the Cayman Islands have a House of Parliament comprised of representatives elected from 19 electoral districts. In June 2023, Moody’s affirmed the Cayman Islands Government’s Aa3 bond issuer rating, Aaa country ceiling rating, and stable economic outlook.

## Corporate and Regulatory Overview

The principal activity of the Company is to generate, transmit, and distribute electricity in its licence area of Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Transmission & Distribution (“T&D”) Licence and a 25-year non-exclusive Generation Licence (the “Licences”) granted by the Cayman Islands Government (the “Government”, “CIG”). The T&D Licence, which expires in April 2028, contains provisions for an automatic 20-year renewal and the Company has reasonable expectation of renewal until April 2048. The Generation Licence expires in November 2039.

The Company is regulated by the Cayman Islands Utility Regulation and Competition Office (“OfReg”), which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands. The OfReg assesses CUC’s performance against the performance standard expectations in accordance with the Utility Regulation and Competition Office Act (2021). Performance standards provide a balanced framework of potential penalties or rewards compared to historical performance in the areas of planning, reliability, operating and overall performance. Standards include “zones of acceptability” where no penalties or rewards would apply.

A license fee of \$2.9 million per annum and a regulatory fee of \$1.4 million per annum are payable to the Government in quarterly installments. Both fees apply only to customer billings with consumption over 1,000 kWh per month as a pass-through charge rate.

### Customer Rates

The Licenses contain the provision for a rate cap and adjustment mechanism (“RCAM”) based on published consumer price indices. CUC’s return on rate base (“RORB”) for 2023 was 7.76% (2022: 7.00%). CUC’s RORB for 2024 is targeted in the 8.25% to 10.25% range (2023: 7.50% to 9.50%).

CUC’s base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour (“kWh”) electricity charges and fixed facilities charges. Fuel, lube, and renewables cost charges and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the RCAM.

In the event of a natural disaster, as defined in the T&D Licence, the actual increase in base rates will be capped for the year at 60% of the change in the Price Level Index and the difference between the calculated rate increase and the actual increase expressed as a percentage, shall be carried over and applied in addition to the normal RCAM adjustment in either of the two following years if the Company’s RORB is below the target range. In the event of a disaster, the Company would also write-off destroyed assets over the remaining life of the asset that existed at the time of destruction. Z Factor rate changes will be



required for insurance deductibles and other extraordinary expenses. The Z Factor is the amount, expressed in cents per kWh, approved by the OfReg to recover the costs of items deemed to be outside of the constraints of the RCAM.

Following review by OfReg, the Company increased base rates by 3.2%, with an effective date of June 1, 2024. This increase is a result of the applicable RORB and the combined changes in the United States of America (“US”) and the Cayman Islands consumer price indices, adjusted to exclude food and fuel.

In addition to the RORB requirements of the T&D Licence, CUC may periodically, but at least every five years, propose rebalanced and restructured rates. These proposals will consider the results of any cost of service study (“COSS”) completed prior to the proposed rate adjustment. Any such adjustments must be revenue-neutral to the base rate adjustment as determined by the RCAM. An independent, comprehensive, allocated COSS was completed and submitted to the regulator for review in November 2023, with the last COSS conducted by an independent consultant completed in 2018. An allocated COSS assigns cost responsibility between rate classes based on various relative characteristics, such as the number of customers, energy sales, impact on peak demands, and revenues. For demand allocation factors, extensive analysis of customer load data was performed using interval usage readings collected from the company’s advanced metering infrastructure meters. The total of all allocated revenue requirements represents the allocated cost of service, or the net revenue requirement for the base rates of each rate class. OfReg did not approve the proposed rate rebalancing recommended by the COSS.

All fuel, lubricating oil, and renewables costs are passed through to customers without mark-up as a per kWh charge.

### **Deferral Mechanism**

In April 2022, the Company submitted its annual rate adjustment to OfReg for review. The required rate increase confirmed by OfReg was 5.4% with an effective date of June 1, 2022. Due to economic conditions and rising fuel prices, OfReg approved the Company’s proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company tracked the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as a regulatory asset for the year ended December 31, 2022 was \$2.8 million and is being recovered over a two-year period at a rate of \$0.0019 per kWh from January 1, 2023. During the first six months of 2024, \$0.7 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$2.1 million as at June 30, 2024.

### **DataLink, Ltd.**

CUC’s wholly-owned subsidiary, DataLink, Ltd. (“DataLink”), was incorporated under the Companies Act of the Cayman Islands and commenced operations with the granting of its licence to provide fibre optic infrastructure and other information and communication technology (“ICT”) services to the ICT industry by the former ICTA, whose regulatory authority was assumed by the OfReg, on March 28, 2012. DataLink is subject to regulation by the OfReg in accordance with the terms and conditions of its licence, which has a term of 15 years, expiring on March 27, 2027. CUC and DataLink have entered into three regulator-approved agreements:

1. The Management and Maintenance agreement;
2. The Pole Attachment agreement; and
3. The Fibre Optic agreement.

## Financial and Operational Highlights

(\$ thousands, except Earnings Per Share, Dividends Paid and where otherwise indicated)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Year-to-Date Change	Year-to-Date Change %
Electricity Sales Revenues	31,298	28,749	58,316	53,389	4,927	9%
Fuel Factor	37,668	37,287	78,074	82,365	(4,291)	-5%
Renewables	1,797	1,832	3,085	3,195	(110)	-3%
Total Operating Revenues	70,763	67,868	139,475	138,949	526	-
Power Generation <sup>1</sup>	40,746	40,255	83,730	87,804	(4,144)	-5%
Other Expenses	20,060	17,762	40,211	36,002	4,209	12%
Total Operating Expenses	60,806	58,017	123,941	123,806	135	-
Net Earnings for the Period	10,113	9,988	16,266	15,200	1,066	7%
Cash Flow related to Operating Activities	18,210	22,764	44,642	35,363	9,279	26%
<i>Per Class A Ordinary Share:</i>						
Earnings Per Share (EPS)	0.26	0.26	0.42	0.40	0.02	5%
Dividends Paid	0.185	0.180	0.365	0.355	0.010	3%
Total Customers	33,949	33,356	33,949	33,356	593	2%
Total Full-Time Employees	269	254	269	254	15	6%
Customers per Employee (#)	126	131	126	131	(5)	-4%
System Availability (%)	99.97	99.97	99.97	99.97	-	-
Peak Load Gross (MW)	127.9	121.9	127.9	121.9	6.0	5%
<i>Millions of kWh:</i>						
Net Generation	198.1	187.7	367.2	346.9	20.3	6%
Renewable Energy Generation	6.4	6.4	11.9	11.9	-	-
Total Energy Supplied	201.7	193.5	375.4	357.3	18.1	5%
Kilowatt-Hour Sales	194.8	185.2	362.9	344.1	18.8	5%
Sales per Employee	0.72	0.73	1.35	1.35	-	-

### Shares Performance

In May 2024, the Board of Directors approved a 3.0% increase in the quarterly dividend from \$0.18 to \$0.185 per Class A Ordinary Share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange reached a peak price of \$14.24 per share during the three months ended June 30, 2024.

Market Data	
	CUC
Price at June 30, 2024	13.91
Dividend Yield	5.2%

The graph depicts the Company's performance chart (in pink) in comparison to the TSX Utilities Capped Index ("TTUT", in blue) for the period January 1, 2024 to June 30, 2024.



<sup>1</sup> All amounts from Fuel Factor and Renewables revenues are included within the Power Generation expense as they are passed through to customers without mark-up as a per kWh charge.



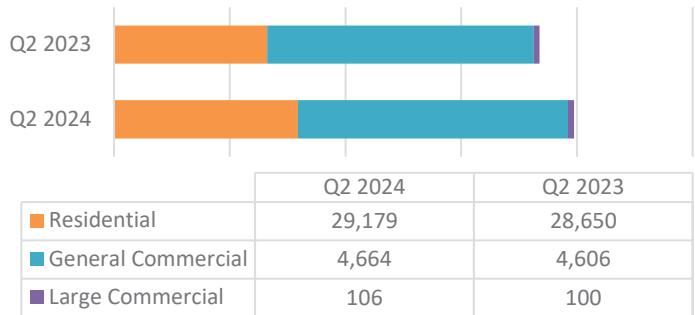
## Results of Operations

### Operating Revenues

Sales in kilowatt-hours (“kWh”) for the three months ended June 30, 2024 (“Second Quarter 2024” or “Q2 2024”) were 194.8 million kWh, an increase of 9.6 million kWh or 5% compared to 185.2 million kWh for the three months ended June 30, 2023 (“Second Quarter 2023” or “Q2 2023”). Sales in kWh for the six months ended June 30, 2024 totalled 362.9 million kWh, an increase of 18.8 million kWh or 5% when compared to 344.1 million kWh for the six months ended June 30, 2023.

The increase was driven by the 2% growth in overall customer numbers and the increase in the average kWh consumption of residential and commercial customers. About 45% of the total kWh sales relates to commercial customers.

### Customers



Total customers as at June 30, 2024 were 33,949, an increase of 593 or 2% compared to 33,356 customers as at June 30, 2023.

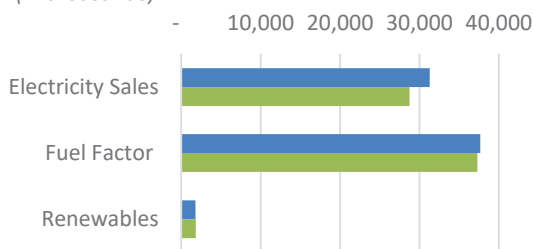
### Average Monthly Consumption per Customer

(in kwh)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	% Change	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	% Change
Residential	1,228	1,193	3%	1,122	1,080	4%
General Commercial	2,909	2,808	4%	2,732	2,667	2%
Large Commercial	143,253	142,631	0%	136,993	136,405	0%

The average monthly temperature for Q2 2024 was 84.7 degrees Fahrenheit (F) compared to 84.5F in Q2 2023. For the six months ended June 30, 2024, the average temperature was 82.8F compared to 82.6F for same period in 2023. The average rainfall for Q2 2024 was 8.1 inches compared to 3.1 inches in Q2 2023. For the six months ended June 30, 2024, the average rainfall is 4.4 inches compared to 2.6 inches for same period in 2023.

(in thousands)



Operating revenues for Q2 2024 totalled \$70.8 million, an increase of \$2.9 million from \$67.9 million for Q2 2023. This increase in operating revenues was mainly due to higher electricity sales revenues and slightly higher fuel factor revenues. Operating revenues for the six months ended June 30, 2023 were \$139.5 million, an increase of \$0.6 million from \$138.9 million for the six months ended June 30, 2023.

Electricity sales revenues increased by \$2.6 million for Q2 2024 to \$31.3 million when compared to electricity sales revenues of \$28.7 million for Q2 2023. Electricity sales revenues for the six months ended June 30, 2024 were \$58.3 million, an increase of \$4.9 million when compared to \$53.4 million for the six months ended June 30, 2023. The increases in electricity sales are primarily driven by the 5% kWh sales growth and the base rate increases of 3.7% and 3.2% effective June 1, 2023 and June 1, 2024, respectively.

Fuel Factor increased by \$0.4 million or 1% for Q2 2024 when compared to Q2 2023. The increase is driven by the increase in kWh sales partially offset by decrease in the average Fuel Cost Charge rate. The average Fuel Cost Charge rate charged to



consumers for Q2 2024 was \$0.23 per kWh, compared to the Fuel Cost Charge rate of \$0.24 per kWh for Q2 2023. Fuel cost charge constitutes about 58% of the customer bill for Q2 2024.

Fuel Factor decreased by \$4.3 million or 5% for the six months ended June 30, 2024 compared to the six months ended June 30, 2023. The decrease was driven by the 4% decrease in average Fuel Cost Charge rate charged to consumers partially offset by the 5% increase in kWh sales. Fuel Factor revenues consist of charges from diesel fuel and lubricating oil costs, which are passed through to consumers on a two-month lag basis with no mark-up.

## Operating Expenses

Operating expenses for Q2 2024 were \$60.8 million, an increase of \$2.8 million or 5% compared to \$58.0 million for Q2 2023. The increase is mainly due to higher depreciation, maintenance and general and administration expenses in Q2 2024.

Operating expenses for the six months ended June 30, 2024 increased by \$0.1 million to \$123.9 million when compared to \$123.8 million for the six months ended June 30, 2023. The increase is due to higher depreciation, maintenance and general and administration partially offset by lower power generation expenses.

### Significant Changes in Operating Expenses

(\$ in thousands)

Item	Three Months Ended June 30, 2024	Six Months Ended June 30, 2024	Explanation
Power Generation	491	(4,074)	Increase in three months ended June 30, 2024 was due to the 5% sales growth and the 7% increase in fuel cost. Decrease in six months ended June 30, 2024 was primary due to 5% decrease in average fuel cost partially offset by increase in fuel consumption from 5% sales growth.
Depreciation of Property, Plant and Equipment ("PP&E")	773	1,558	Increases due to completed capital projects during the period.
Maintenance	769	1,178	Increases due to higher generation material cost and lower labor recharges
General & Administration	442	380	Increases due to higher compensation cost, insurance premiums and legal fees partially offset by higher general expenses capitalized.

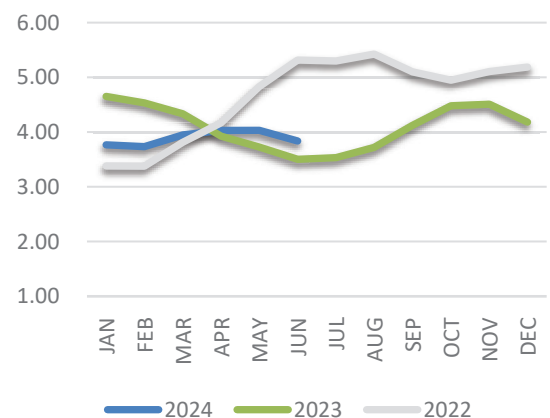
The Company's average price per imperial gallon ("IG") of fuel for the quarter ended June 30, 2024 increased by 7% to \$3.96 in comparison to \$3.71 for the quarter ended June 30, 2023. The Company's average price per IG of fuel for the six months ended June 30, 2024 decreased by 5% to \$3.89 in comparison to \$4.11 for the six months ended June 30, 2023.

The fuel, lubricating oil, and renewables costs are deferred for a period of two months. The deferrals are recorded in Fuel Tracker Account and are recovered from consumers.

## Earnings

Operating income for the Second Quarter 2024 totalled \$10.0 million, an increase of \$0.1 million compared to operating income of \$9.9 million for the Second Quarter of 2023. This increase is primarily attributable to the 5% increase in kWh sales and the 3.7% and 3.2% base rate increases effective June 1, 2023 and June 1, 2024, respectively, partially offset by higher depreciation, maintenance and general and administration costs.

2022 - 2024 Average Fuel Price (In USD Per IG)







Operating income for the six months ended June 30, 2024 was \$15.5 million, an increase of \$0.4 million or 3% compared to operating income of \$15.1 million for the six months ended June 30, 2023. This increase is primarily attributable to the 5% increase in kWh sales and the 3.7% and 3.2% base rate increases effective June 1, 2023 and June 1, 2024, respectively, partially offset by higher depreciation, maintenance and general and administration costs.

Net earnings for Q2 2024 were \$10.1 million, a \$0.1 million or 1% increase from net earnings of \$10.0 million for Q2 2023. This increase is primarily attributable to higher operating income partially offset by higher finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q2 2024 were \$10.0 million, or \$0.26 per Class A Ordinary Share, as compared to \$9.9 million, or \$0.26 per Class A Ordinary Share for Q2 2023.

Net earnings for six months ended June 30, 2024 were \$16.3 million, a \$1.1 million increase from net earnings of \$15.2 million for six months ended June 30, 2023. This increase is primarily attributable to higher operating income and other income from recovery of billing in arrears related to CCTV pole attachments partially offset by higher finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares were \$16.0 million, or \$0.42 per Class A Ordinary Share, as compared to \$15.0 million, or \$0.40 per Class A Ordinary Share for the six months ended June 30, 2024 and June 30, 2023, respectively.

The Company calculates earnings per share on the weighted average number of Class A Ordinary Shares outstanding. The weighted average number of Class A Ordinary Shares outstanding were 38,086,056 and 37,736,581 for the six months ended June 30, 2024 and June 30, 2023, respectively.

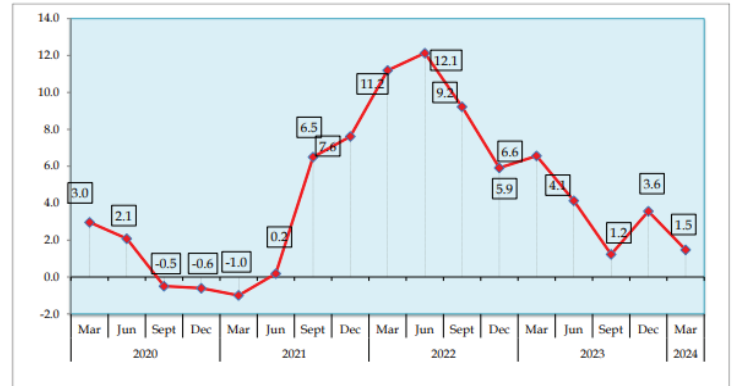
## Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended September 30, 2022 through June 30, 2024. This information has been obtained from CUC's unaudited interim financial statements, which management of the Company prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly Results					
(\$ thousands, except Earnings per Class A Ordinary Share and Diluted Earnings per Class A Ordinary Share)					
	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
June 30, 2024	70,763	10,113	10,001	0.26	0.26
March 31, 2024	68,712	6,158	6,046	0.16	0.16
December 31, 2023	74,702	9,523	8,890	0.24	0.24
September 30, 2023	73,574	13,936	13,824	0.36	0.36
June 30, 2023	67,868	9,988	9,876	0.26	0.26
March 31, 2023	71,081	5,213	5,100	0.14	0.14
December 31, 2022	78,491	8,961	8,329	0.22	0.22
September 30, 2022	79,031	10,420	10,308	0.28	0.28

## The Economy

In May 2024, the Cayman Islands Economics and Statistics Office published the Cayman Islands' Consumer Price Index ("CPI") Report for First Quarter 2024. The average CPI in the First Quarter 2024 was 132.5, higher by 1.5% in comparison to First Quarter 2023. The increase was driven mainly by higher prices on education (7.9%), communication (7.4%), and housing and utilities (3.5%) partially offset by decrease in transport (2.7%) and restaurants and hotels (1.9%). The First Quarter 2024 CPI increased by 0.03% when compared to Fourth Quarter 2023.



Quarterly Cayman Islands Inflation Rates, March 2020 – March 2024  
(Source: <https://www.eso.ky/>)

Financial Services is one of the two main industries of the Cayman Islands. The table below itemises trends in some of the key financial sectors:

Indicators for the Financial Services Industry		
	As at June 30, 2024	As at December 31, 2023
Bank Licenses	86	87
Mutual Funds	12,893	12,802
Mutual Fund Administrators	70	74
Registered Companies	119,380	118,443
Captive Insurance Companies	715	708

The tourism sector is the second main pillar of the Cayman Islands economy. The following table presents statistics for tourist arrivals in the Cayman Islands for the period ended June 30, 2024:

Tourist Arrivals to the Cayman Islands					
<i>(for the years ended December 31)</i>					
	2024*	2023	2022	2021	2020
By Air	209,135	429,284	180,624	2,212	121,819
By Sea	538,481	1,270,981	426,293	-	538,140
<b>Total</b>	<b>792,616</b>	<b>1,700,265</b>	<b>606,917</b>	<b>2,212</b>	<b>659,959</b>

\*Year- to- date data as of May 31, 2024.

All data is sourced from the Cayman Islands Government, Cayman Islands Economics & Statistics Office, Cayman Islands Monetary Authority and Cayman Islands Department of Tourism ([www.gov.ky](http://www.gov.ky), [www.eso.ky](http://www.eso.ky), [www.cimoney.com.ky](http://www.cimoney.com.ky), [www.caymanislands.ky](http://www.caymanislands.ky)).

## Liquidity and Capital Resources

The primary sources of liquidity and capital resources are net funds generated from operations, debt markets, equity issuance, and bank credit facilities. These sources are used primarily to satisfy capital and intangible asset expenditures, service and repay debt, and pay dividends.



The following table outlines the summary of the Company's cash flow:

<b>Cash Flows</b>						
(\$ thousands)						
	<b>Three Months Ended June 30, 2024</b>	<b>Three Months Ended June 30, 2023</b>	<b>Six Months Ended June 30, 2024</b>	<b>Six Months Ended June 30, 2023</b>	<b>Change</b>	<b>% Change</b>
Beginning Cash	2,802	4,093	3,987	7,948	(3,961)	-50%
Cash Provided By/ (Used In):						
Operating Activities	18,210	22,764	44,642	35,363	9,279	26%
Investing Activities	(20,668)	(26,227)	(43,742)	(51,619)	7,877	-15%
Financing Activities	4,688	8,934	145	17,872	(17,727)	-99%
<b>Ending Cash</b>	<b>5,032</b>	<b>9,564</b>	<b>5,032</b>	<b>9,564</b>	<b>(4,532)</b>	<b>-47%</b>

*Operating Activities:*

Cash flow provided by operations, after working capital adjustments, for Q2 2024 was \$18.2 million, a decrease of \$4.6 million from \$22.8 million for Q2 2023. This decrease was primarily due to the movement in the working capital balances particularly in prepayments, accounts receivable, accounts payables and regulatory deferrals.

Cash flow provided by operations, after working capital adjustments, for the six months ending June 30, 2024 was \$44.6 million, an increase of \$9.2 million from \$35.4 million for the six months ending June 30, 2023. This increase was due to the movement in working capital balances particularly decrease in inventory, prepayments and regulatory deferral offset by an increase in accounts receivable.

*Investing Activities:*

Cash used in investing activities for Q2 2024 totalled \$20.7 million, a decrease of \$5.5 million from \$26.2 million for Q2 2023. Cash used in investing activities for the six months ending June 30, 2024 totalled \$43.7 million, a decrease of \$7.9 million compared to \$51.6 million used in investing activities for the six months ending June 30, 2023. These decreases were primarily due to lower capital expenditures during 2024 when compared to 2023.

*Financing Activities:*

Cash provided by financing activities totalled \$4.7 million for Q2 2024, compared to \$8.9 million provided by financing activities for Q2 2023. Cash provided by financing activities totalled \$0.2 million for the six months ending June 30, 2024, a decrease of \$17.7 million when compared to the \$17.9 million provided for the six months ending June 30, 2023. These decreases were due to the net effect of the proceeds from long term debt financing during May 2024, repayment of short term and long-term debt and payment of dividends.

*Cash Flow Requirements:*

The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures and dividend payments. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash flows required to complete planned capital expenditures are expected to be financed through a combination of proceeds from operating cash, debt, and equity transactions. The Company expects to be able to source the cash required to fund its 2024 capital expenditure programme.



## Contractual Obligations

As at June 30, 2024, the contractual obligations of the Company over the next five years and periods thereafter are outlined in the following table:

Contractual Obligations					
(\$ thousands)					
	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Total Debt	404,351	14,221	37,727	38,941	313,462
Long-Term Debt Interest	244,828	19,550	36,944	34,084	154,250
<b>Total</b>	<b>649,179</b>	<b>33,771</b>	<b>74,671</b>	<b>73,025</b>	<b>467,712</b>

## Financial Position

The following table is a summary of significant changes to the Company's balance sheet, when comparing December 31, 2023 to June 30, 2024.

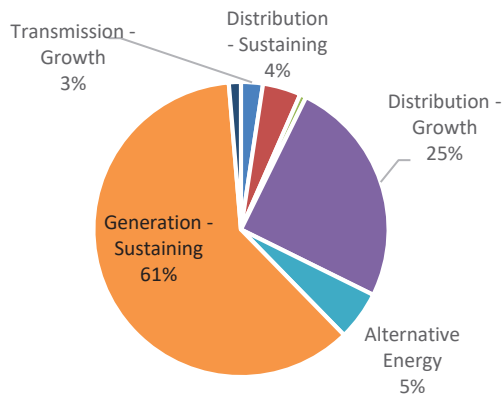
Significant Changes in Balance Sheet (from December 31, 2023 to June 30, 2024)		
(\$ thousands)		
Balance Sheet Account	Increase/ (Decrease)	Explanation
Cash and Cash Equivalents	1,045	Net increase due to cash provided by operating activities of \$45.0 million and offset by cash used in investing activities of \$43.8 million and financing activities of \$0.2 million.
Accounts Receivable (net)	1,713	Increase due to the kwh sales growth and the base rate increase of 3.2% effective June 1, 2024.
Prepayments	(2,591)	Decrease relates to amortization of insurance premiums.
Property, Plant and Equipment	20,711	Increase due to capital expenditures for the period offset by increase in depreciation expense.
Accounts Payable and Accrued Expenses	2,280	Increase attributable to increases in fuel costs payable
Short-Term Debt	(51,000)	Repayment of short-term debt.
Current Portion of Long-term Debt	(5,714)	Decrease due to principal payment of Senior Unsecured Notes maturing in May 2024.
Long-term Debt	70,219	Increase due to the \$80.0 million long-term debt acquired in May 2024 partially offset by principal payments made on the Company's Senior Unsecured Notes.
Retained Earnings	2,157	Increase due to net earnings for the year of \$16.3 million, offset by dividend payments on the Class A Ordinary Shares of \$13.9 million and Class B Preference Shares of \$0.2 million.
Share Premium	1,972	Increase due to the issuance of 152,410 Class A Ordinary Shares through the share purchase plans.



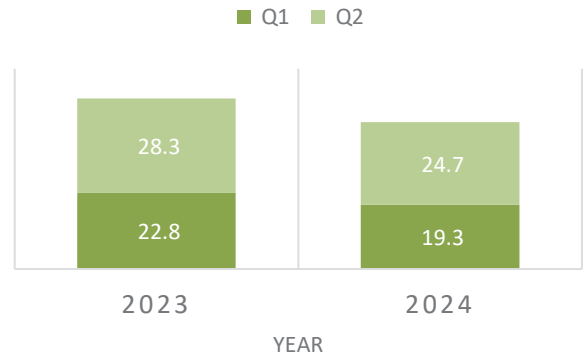
## Capital Expenditures

Capital expenditures for the six months ended June 30, 2024, were \$44.0 million, a decrease of \$7.1 million, or 14% in comparison to the \$51.1 million in capital expenditures for the six months ended June 30, 2023. The capital expenditures for the six months ended June 30, 2024, primarily relate to:

- Distribution System Extension and Upgrades - \$10.4 million
- Lifecycle Upgrade - \$9.0 million
- Generation Replacement - \$6.5 million
- Battery Energy Storage System - \$4.0 million
- Resiliency Project - \$1.3 million
- Facility and Auxiliary Asset Replacement Cost – \$1.3 million



## CAPITAL EXPENDITURES (MILLIONS)



The Company received the regulatory approval for lifecycle upgrades to five MAN generating units totalling 68MW of capacity. These upgrades will bring the engines up to the most current specification and facilitate a further 25 years of service after the upgrade. It will also prepare the engines for dual-fuel conversion which will allow the engines to run on natural gas and diesel. The Company has contracted MAN Energy Solutions SE during Quarter 4 2022 and expected completion in Quarter 4 2025. The procurement strategy for the gas solicitation process has been completed and presented to external stakeholders and the Company is now progressing in developing the RFQ which is the first step in the solicitation process.

## Capital Resources

To ensure access to capital, the Company targets a long-term capital structure of approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk.

The Company's capital structure is presented in the following table:

Capital Structure				
	June 30, 2024 (\$ thousands)	%	June 30, 2023 (\$ thousands)	%
Total Debt	402,650	55	387,377	55
Shareholder's Equity	328,874	45	312,066	45
<b>Total</b>	<b>731,524</b>	<b>100</b>	<b>699,443</b>	<b>100</b>

Certain of the Company's long-term debt obligations have covenants restricting the issuance of additional debt such that consolidated debt cannot exceed 65% of the Company's consolidated capital structure, as defined by short-term and long-term debt agreements. As at June 30, 2024, the Company was in compliance with all debt covenants.

The Company's credit ratings under Standard & Poor's ("S&P") and the DBRS Morningstar ("DBRS") are as follows:

DBRS A (low)/ Stable  
S&P BBB+/ Negative



The S&P rating is in relation to long-term corporate credit and senior unsecured debt while the DBRS rating relates to senior unsecured debt.

In February 2024, DBRS Morningstar affirmed the Company's "A" credit rating while maintaining the categorization of low with a stable trend. The current ratings reflect (1) CUC's key credit metrics for 2022 and the first nine months of 2023 were strong within the current rating category; (2) cash flow stability that continues to benefit from CUC having no exposure to fuel price risk and only reasonable regulatory lag associated with the recovery of non-fuel and non-regulatory costs as well as capital spending; and (3) the Company's liquidity that remains solid, reflecting sizable credit facilities, and minimal long-term debt due in the near term.

In June 2024, reflecting the outlook for Fortis Inc., S&P affirmed its negative rating due to physical risks for a relatively small, island-based utility that is vulnerable to natural disasters following its risk assessment in the wake of the Hawaiian wildfires. S&P has assessed the elevated exposure to physical events, including storms, hurricanes and flooding as an effect of climate change.

### Off Balance-Sheet Arrangements

The Company has no off-balance sheet arrangements such as transactions, agreements, or contractual arrangements with unconsolidated entities, structured finance entities, special purpose entities, or variable interest entities that are reasonably likely to materially affect liquidity of or the availability of, or requirements for capital resources.

### Accounting Policies

These Condensed Consolidated Interim Financial Statements have been prepared following the same accounting policies and methods as those used to prepare the Company's 2023 annual audited consolidated financial statements.

### Future Accounting Policies

The Company considers the applicability and impact of all Accounting Standards Updates issued by the Financial Accounting Standards Board ("FASB"). ASUs were assessed and determined to be either not applicable to the Company or are not expected to have a material impact on CUC's consolidated financial statements and related disclosures.

### Disclosure Controls and Procedures

The President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), together with management of the Company, have established and maintained the Company's disclosure controls and procedures ("DC&P"), to provide reasonable assurance that material information relating to the Company is made known to them by others, including during the year ending December 31, 2023; and information required to be disclosed by the issuer in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation. Based on the evaluation performed of DC&P, it was concluded that the DC&P of CUC is adequately designed and operating effectively as of June 30, 2024.

### Internal Controls over Financial Reporting ("ICFR")

The CEO and CFO of the Company, together with management of the Company, have established and maintained the Company's ICFR, as defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The design of CUC's internal controls over financial reporting has been established and evaluated using the criteria set forth in the 2013 Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway



Commission. Based on the assessment, it was concluded that CUC's internal controls over financial reporting are adequately designed and operating effectively as of June 30, 2024.

There have been no changes in the Company's ICFR that occurred during the six months ended June 30, 2024, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Outlook

In April 2024, the National Energy Policy ("NEP") 2024-2045 was approved by the Cabinet of the Cayman Islands Government. The Cayman Islands' Ministry of Sustainability & Climate Resiliency and the Energy Policy Council led a five-year review of the NEP and Implementation Plan in July 2023. The NEP seeks to establish a framework with which all stakeholders can identify, which sets the stage for the achievement of the territory's energy goals and considers the imperative need to reduce greenhouse gas emissions, thereby lowering the carbon footprint of the Cayman Islands in alignment with global efforts to combat climate change. The revised NEP focuses on renewable energy, energy conservation methods and the promotion of energy efficiency.

In April 2024, the Company established its Green Financing Framework (the "Framework") which was assessed by second-party opinion provider, Sustainable Fitch, as "Excellent" on a scale of *Not Aligned, Aligned, Good and Excellent*. This endorsement underscores the Framework's robustness and the Company's dedication to transparency and accountability in its environmental initiatives. Proceeds from transactions under the Framework can be allocated to four categories: renewable energy, energy efficiency, climate change adaptation, and clean transportation.

In May 2024, the Company had an inaugural issuance of Senior Unsecured Notes under the Green Financing Framework. The Company allocated \$50.0 million out of the \$80.0 million net proceeds of these Notes to fund or refinance new and existing qualifying green initiatives, adhering to the standards outlined in the Green Financing Framework.

In June 2024, the Company submitted to OfReg a Certificate of Need ("CON") as outlined in the Company's Transmission and Distribution Licence (2008). In recognition of the evolving and increasing energy demand on Grand Cayman, the submitted CON proposes the addition of 36.1 MW of firm capacity and 100 MW of solar plus storage to be connected by June 1, 2027. Should the Company's CON be accepted, the procurement will reduce costs to consumers and meet or exceed, the incremental NEP 2027 targets allowing for 39% of renewable energy penetration to be achieved by 2027 and a reduction in CO2 emissions by 28% in comparison to 2019. The CON is currently under review by OfReg.

In March 2024, the Company contracted to lease an additional 10MW of Temporary Generation ("Block Three") to meet the projected increasing energy demand for 2024. The lease period is for a minimum of 12 calendar months with option to renew commencing on the day the equipment was received by the Company in Q2 2024. Block Three will bring the total temporary generation to 20MW in Q3 2024 and scheduled to be operational by July 2024. The regulatory treatment of Block Three is pending OfReg's approval.

In September 2023, in its continuous effort to reduce the cost of energy production and carbon emissions, the Company sought qualification submissions from prospective natural gas suppliers. In line with the Cayman Islands National Energy Policy and the Company's Integrated Resource Plan, CUC is committed to increase the use of cleaner energy and reduce greenhouse gas emissions over the long term. The Request for Proposal will be finalized and issued to market in Q3 2024.

In October 2021, following a consultation process, OfReg announced the adoption of a new Renewable Energy Auction Scheme ("REAS") to solicit additional solar and wind power over the next decade. In April 2022, OfReg issued a Request for Qualification ("RFQ") for the REAS Competition Round 1. The REAS Round 1 is intended to select a party, or parties, to operate and maintain Solar Photovoltaic Plants and Energy Storage up to 100MW with 60MW Battery Energy Storage System Facility. OfReg also issued an RFQ for a 23MW Dispatchable Photovoltaic generation plant paired with energy storage facility. CUC prequalified for both opportunities and is preparing to participate in these bid invitations. The Company has been working with OfReg to provide all information required for issuing RFP. The upcoming RFP might offer the necessary capacity as outlined in CUC's CON submission in June 2024.



## Subsequent Events: Outstanding Share Data

At July 31, 2024, the Company had issued and outstanding 38,160,606 Class A Ordinary Shares and 249,140, 9% cumulative Participating Class B Preference Shares.





## Condensed Consolidated Interim Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at June 30, 2024	As at December 31, 2023
<b>Assets</b>			
<i>Current Assets</i>			
Cash		5,032	3,987
Accounts Receivable (Net of Allowance for Credit Losses of \$2,198 and \$2,817)	4	29,416	27,703
Regulatory Assets	5	35,980	34,562
Inventories		5,115	5,690
Prepayments		1,698	4,289
<b>Total Current Assets</b>		<b>77,241</b>	<b>76,231</b>
Property, Plant and Equipment, net		715,866	695,155
Intangible Assets, net		4,413	4,556
Other Assets		680	1,865
<b>Total Assets</b>		<b>798,200</b>	<b>777,807</b>
<b>Liabilities and Shareholders' Equity</b>			
<i>Current Liabilities</i>			
Accounts Payable and Accrued Expenses		39,845	37,565
Regulatory Liabilities	5	2,114	611
Bank Overdraft		7,648	8,637
Short-Term Debt	8	-	51,000
Current Portion of Long-Term Debt	6	14,221	19,935
Consumers' Deposits and Advances for Construction		14,465	13,972
Current Portion Lease Liability		1,009	1,944
<b>Total Current Liabilities</b>		<b>79,302</b>	<b>133,664</b>
Defined Benefit Pension Liability		455	472
Long-Term Debt	6,9	388,429	318,210
Other Long-Term Liabilities		1,140	719
<b>Total Liabilities</b>		<b>469,326</b>	<b>453,065</b>
<b>Shareholders' Equity</b>			
Share Capital <sup>2</sup>		2,520	2,512
Share Premium		196,266	194,299
Retained Earnings		130,412	128,255
Accumulated Other Comprehensive Loss		(324)	(324)
<b>Total Shareholders' Equity</b>		<b>328,874</b>	<b>324,742</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>798,200</b>	<b>777,807</b>

See accompanying Notes to Condensed Consolidated Interim Financial Statements

<sup>2</sup> Consists of Class A Ordinary Shares of 38,160,606 and 37,820,812 issued and outstanding as at June 30, 2024 and December 31, 2023 and Class B Preference Shares of 249,390 and 249,500 issued and outstanding as at June 30, 2024 and December 31, 2023, respectively.

## Condensed Consolidated Interim Statements of Earnings

(expressed in thousands of United States Dollars, except basic and diluted earnings per ordinary share)

	Note	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
<b>Operating Revenues</b>					
Electricity Sales	3	31,298	28,749	58,316	53,389
Fuel Factor	3	37,668	37,287	78,074	82,365
Renewables	3	1,797	1,832	3,085	3,195
<i>Total Operating Revenues</i>		<b>70,763</b>	67,868	<b>139,475</b>	138,949
<b>Operating Expenses</b>					
Power Generation		40,746	40,255	83,730	87,804
General and Administration		3,930	3,488	7,624	7,244
Consumer Services		1,252	1,206	2,586	2,263
Transmission and Distribution		1,684	1,481	3,529	2,885
Depreciation		11,108	10,335	22,323	20,765
Maintenance		1,803	1,034	3,586	2,408
Amortisation of Intangible Assets		283	218	563	437
<i>Total Operating Expenses</i>		<b>60,806</b>	58,017	<b>123,941</b>	123,806
<b>Operating Income</b>		<b>9,957</b>	9,851	<b>15,534</b>	15,143
<b>Other (Expenses)/Income:</b>					
Finance Charges	9	(1,666)	(1,578)	(3,459)	(3,183)
Foreign Exchange Gain		514	554	1,069	1,003
Other Income		1,308	1,161	3,122	2,237
<i>Total Net Other Income</i>		<b>156</b>	137	<b>732</b>	57
<b>Net Earnings for the Period</b>		<b>10,113</b>	9,988	<b>16,266</b>	15,200
<b>Preference Dividends Paid- Class B</b>		<b>(112)</b>	(112)	<b>(225)</b>	(225)
<b>Earnings on Class A Ordinary Shares</b>		<b>10,001</b>	9,876	<b>16,041</b>	14,975
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)		<b>38,086</b>	37,737	<b>38,104</b>	37,761
<b>Earnings per Class A Ordinary Share</b>		<b>0.26</b>	0.26	<b>0.42</b>	0.40
Diluted Earnings per Class A Ordinary Share		<b>0.26</b>	0.26	<b>0.42</b>	0.40
Dividends Declared per Class A Ordinary Share		<b>0.185</b>	0.180	<b>0.365</b>	0.355

See accompanying Notes to Condensed Consolidated Interim Financial Statements



## Condensed Consolidated Interim Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
<b>Net Earnings for the Period</b>	<b>10,113</b>	<b>9,988</b>	<b>16,266</b>	15,200
Other Comprehensive Loss:				
Amortisation of Net Actuarial Loss	-	23	-	46
<b>Total Other Comprehensive Income</b>	<b>-</b>	<b>23</b>	<b>-</b>	46
<b>Comprehensive Income</b>	<b>10,113</b>	<b>10,011</b>	<b>16,266</b>	15,246

*See accompanying Notes to Condensed Consolidated Interim Financial Statements*



## Condensed Consolidated Interim Statements of Shareholders' Equity

(expressed in thousands of United States Dollars except Common Shares)

	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value (\$)	Preference Shares (\$)	Share Premium (\$)	Accumulated Other Comprehensive Loss (\$)	Retained Earnings (\$)	Total Equity (\$)
<b>As at December 31, 2023</b>	<b>38,008</b>	<b>2,262</b>	<b>250</b>	<b>194,299</b>	<b>(324)</b>	<b>128,255</b>	<b>324,742</b>
Net earnings	-	-	-	-	-	16,266	16,266
Common share issuance and stock options plans & redemption	153	9	(1)	1,967	-	-	1,975
Defined benefit plans	-	-	-	-	-	-	-
Dividends on common shares	-	-	-	-	-	(13,884)	(13,884)
Dividends on preference shares	-	-	-	-	-	(225)	(225)
<b>As at June 30, 2024</b>	<b>38,161</b>	<b>2,271</b>	<b>249</b>	<b>196,266</b>	<b>(324)</b>	<b>130,412</b>	<b>328,874</b>
<b>As at December 31, 2022</b>	<b>37,665</b>	<b>2,241</b>	<b>250</b>	<b>190,023</b>	<b>(1,857)</b>	<b>117,577</b>	<b>308,234</b>
Net earnings	-	-	-	-	-	15,200	15,200
Common share issuance and stock options plans & redemption	156	10	-	2,184	-	-	2,194
Defined benefit plans	-	-	-	-	46	-	46
Dividends on common shares	-	-	-	-	-	(13,383)	(13,383)
Dividends on preference shares	-	-	-	-	-	(225)	(225)
<b>As at June 30, 2023</b>	<b>37,821</b>	<b>2,251</b>	<b>250</b>	<b>192,207</b>	<b>(1,811)</b>	<b>119,169</b>	<b>312,066</b>

See accompanying Notes to Condensed Consolidated Interim Financial Statements

## Condensed Consolidated Interim Statements of Cash Flows

(expressed in thousands of United States Dollars)

	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
<i>Operating Activities</i>				
Net Earnings for the period	10,113	9,988	16,266	15,200
Items not affecting cash:				
Depreciation	11,108	10,335	22,323	20,765
Amortisation of Intangible Assets	283	218	563	437
Amortisation of Deferred Financing Costs	30	30	60	60
	<b>21,534</b>	20,571	<b>39,212</b>	36,462
Net changes in working capital balances related to operations	(1,271)	(2,913)	5,345	(7,031)
Net Change in Regulatory Assets and Regulatory Liabilities	(2,053)	5,106	85	5,932
<i>Cash flow related to operating activities</i>	<b>18,210</b>	22,764	<b>44,642</b>	35,363
<i>Investing Activities</i>				
Purchase of Property, Plant and Equipment	(20,892)	(25,845)	(43,915)	(51,137)
Costs related to Intangible Assets	(231)	(382)	(412)	(577)
Proceeds on Disposed Asset	445	-	559	95
Contribution in Aid of Construction	10	-	26	-
<i>Cash flow related to investing activities</i>	<b>(20,668)</b>	(26,227)	<b>(43,742)</b>	(51,619)
<i>Financing Activities</i>				
Decrease in Bank Overdraft	(2,858)	-	(989)	-
Proceeds from Short Term Debt Financing	-	30,000	-	45,000
Proceeds from Long Term Debt Financing	80,000	-	80,000	-
Repayment of Short Term Debt	(51,000)	-	(51,000)	-
Repayment of Long Term Debt	(15,195)	(15,195)	(15,195)	(15,195)
Dividends Paid	(6,452)	(6,176)	(13,219)	(12,665)
Net Proceeds from Share Issuance	193	305	548	732
<i>Cash flow related to financing activities</i>	<b>4,688</b>	8,934	<b>145</b>	17,872
Change in net cash	<b>2,230</b>	5,471	<b>1,045</b>	1,616
Cash, Beginning of the period	<b>2,802</b>	4,093	<b>3,987</b>	7,948
Cash, End of the period	<b>5,032</b>	9,564	<b>5,032</b>	9,564
Supplemental disclosure of cash flow information:				
Interest paid during the period	<b>7,599</b>	7,912	<b>9,456</b>	8,827

See accompanying Notes to Condensed Consolidated Interim Financial Statements



# Notes to Condensed Consolidated Interim Financial Statements

Unaudited – June 30, 2024 (expressed in thousands of United States dollars unless otherwise stated)

## 1. Nature of Operations and Consolidated Financial Statement Presentation

These consolidated financial statements include the regulated operations of Caribbean Utilities Company, Ltd. (“CUC” or the “Company”) and the accounts of its wholly-owned subsidiary company DataLink, Ltd. (“DataLink”), and reflect the decisions of the Cayman Islands Utility Regulation and Competition Office (the “OfReg”). These decisions affect the timing of the recognition of certain transactions resulting in the recognition of regulatory assets and liabilities, which the Company considers it is probable to recover or settle subsequently through the rate-setting process.

The principal activity of the Company is to generate, transmit, and distribute electricity in its licence area of Grand Cayman, Cayman Islands pursuant to a 20-year exclusive Transmission & Distribution (“T&D”) Licence and a 25-year non-exclusive Generation Licence (the “Licences”) granted by the Cayman Islands Government (the “Government”, “CIG”). The T&D Licence, which expires in April 2028, contains provisions for an automatic 20-year renewal and the Company has reasonable expectation of renewal until April 2048. The Generation Licence expires in November 2039.

The Company is regulated by the OfReg which has the overall responsibility of regulating the electricity, information and communications technology, and the petroleum industries in the Cayman Islands in accordance with the Utility Regulation and Competition Office Law (2016).

CUC’s wholly-owned subsidiary company, DataLink was granted a licence in 2012 to provide fibre optic infrastructure and other information and communication technology (“ICT”) services to the ICT industry. DataLink is subject to regulation by the OfReg in accordance with the terms and conditions of its Licence which currently extends to March 27, 2027.

All intercompany balances and transactions have been eliminated on consolidation.

### **Rate Regulated Operations**

CUC’s base rates are designed to recover all non-fuel and non-regulatory costs and include per kilowatt-hour (“kWh”) electricity charges and fixed facilities charges. Fuel cost charges, renewables costs and regulatory fees are billed as separate line items. Base rates are subject to an annual review and adjustment each June through the Rate Cap and Adjustment Mechanism (“RCAM”).

In April 2022, the Company submitted its annual rate adjustment to OfReg for review. The required rate increase confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. This required increase was a result of the applicable RORB and the combined changes in the United States of America (“US”) and the Cayman Islands consumer price indices, adjusted to exclude food and fuel.

Due to the economic condition and rising fuel prices, OfReg approved the Company’s proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company tracked the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as a regulatory asset for the year ended December 31, 2022 was \$2.8 million and is being recovered over a two-year period at a rate of \$0.0019 per kWh from January 1, 2023. During the first six months of 2024, \$0.7 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$2.1 million as at June 30, 2024.

Following review by OfReg, the Company increased base rates by 3.2%, with an effective date of June 1, 2024. This increase is a result of the applicable RORB and United States (“US”) and Cayman Islands consumer price indices, adjusted to exclude food and fuel.



In addition to the RORB requirements of the T&D Licence, CUC may periodically, but at least every five years, propose rebalanced and restructured rates. These proposals will consider the results of any cost of service study (“COSS”) completed prior to the proposed rate adjustment. Any such adjustments must be revenue-neutral to the base rate adjustment as determined by the RCAM. An independent, comprehensive, allocated COSS was completed and submitted to the regulator for review in November 2023, with the last COSS conducted by an independent consultant completed in 2018. An allocated COSS assigns cost responsibility between rate classes based on various relative characteristics, such as the number of customers, energy sales, impact on peak demands, and revenues. For demand allocation factors, extensive analysis of customer load data was performed using interval usage readings collected from the company’s advanced metering infrastructure meters. The total of all allocated revenue requirements represents the allocated cost of service, or the net revenue requirement for the base rates of each rate class. OfReg did not approve the proposed rate rebalancing recommended by the COSS.

All fuel, lubricating oil, and renewable costs are passed through to customers without mark-up as a per kWh charge.

## 2. Summary of Significant Accounting Policies

These Condensed Consolidated Interim Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“US GAAP”) for interim financial information. Accordingly, they do not include all information and notes required by US GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements and Notes for the year ended December 31, 2023.

The preparation of financial statements in conformity with US GAAP 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## 3. Operating Revenues

Operating Revenues					
(\$ thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023	Change %
<b>Electricity Sales Revenues</b>					
Residential	17,016	15,712	30,987	28,343	9%
Commercial	13,994	12,764	26,755	24,492	9%
Other (street lighting etc.)	288	273	574	554	4%
<b>Total Electricity Sales Revenues</b>	<b>31,298</b>	28,749	<b>58,316</b>	53,389	9%
<b>Fuel Factor</b>	<b>37,668</b>	37,287	<b>78,074</b>	82,365	-5%
<b>Renewables</b>	<b>1,797</b>	1,832	<b>3,085</b>	3,195	-3%
<b>Total Operating Revenues</b>	<b>70,763</b>	67,868	<b>139,475</b>	138,949	0%

### *Electricity Sales revenue*

The Company generates, transmits, and distributes electricity to residential and commercial customers and for street lighting service. Electricity is metered upon delivery to customers and recognised as revenue using OfReg approved rates when consumed. Meters are read on the last day of each month, and bills are subsequently issued to customers based on these readings. As a result, the revenue accruals for each period are based on actual bills-rendered for the reporting period.

### *Fuel Factor*

Fuel Factor revenues consist of charges from diesel fuel and lubricating oil costs, which are passed through to consumers on a two-month lag basis with no mark-up.

### *Renewables*

Renewables revenues are a combination of charges from the Customer Owned Renewable Energy (“CORE”) and Distributed Energy Resources (“DER”) programmes and Bodden Town Solar 1, Ltd., which are passed through to consumers on a two-month lag basis with no mark-up.



#### 4. Accounts Receivable, Net

Accounts Receivable		
(\$ thousands)	As at June 30, 2024	As at December 31, 2023
Billings to Consumers	30,017	28,250
Other Receivables*	1,597	2,270
Allowance for Credit Losses	(2,198)	(2,817)
<b>Total Accounts Receivable, net</b>	<b>29,416</b>	<b>27,703</b>

\* Other Receivables relate to amounts owed that fall outside of the usual business activities.

#### *Allowance for Credit Losses*

Accounts receivable are recorded net of an allowance for credit losses. The change in the allowance for credit losses balance from December 31, 2023 to June 30, 2024 is listed in the following table.

Allowance for Credit Losses		
(\$ thousands)	As at June 30, 2024	As at December 31, 2023
<b>Beginning of Period</b>	<b>(2,817)</b>	<b>(2,241)</b>
Credit Loss Expensed	(111)	(582)
Recoveries and Write-off	730	6
<b>End of Period</b>	<b>(2,198)</b>	<b>(2,817)</b>

#### 5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
(\$ thousands)			
Asset/Liability	Description	As at June 30, 2024	As at December 31, 2023
Regulatory Assets	Fuel Tracker Account	31,175	30,408
Regulatory Assets	Temporary Generation Lease 2022	2,111	1,515
Regulatory Assets	Temporary Generation Lease 2023	1,962	1,166
Regulatory Assets	Deferred 2022 Revenues	689	1,382
Regulatory Assets	Miscellaneous Regulatory Assets	43	56
Regulatory Assets	Government & Regulatory Tracker Account	-	35
<b>Total Regulatory Assets</b>		<b>35,980</b>	<b>34,562</b>
Regulatory Assets	Government & Regulatory Tracker Account	(1,638)	-
Regulatory Liabilities	Demand Rate Recoveries	(243)	(243)
Regulatory Liabilities	Deferred COVID-19 Costs	(134)	(269)
Regulatory Assets	Deferred Fuel Revenues	(99)	(99)
<b>Total Regulatory Liabilities</b>		<b>(2,114)</b>	<b>(611)</b>

#### 6. Fair Value Measurement

Fair value of long-term debt and fuel options are determined in accordance with level 2 of the fair value hierarchy. Fair value is the price at which a market participant could sell an asset or transfer a liability to an unrelated party. A fair value measurement is required to reflect the assumptions that market participants would use in pricing an asset or liability based on the best available information. These assumptions include the risks inherent in a particular valuation technique, such as a pricing model,





and the risks inherent in the inputs to the model. A fair value hierarchy exists that prioritises the inputs used to measure fair value.

The Company is required to determine the fair value of all derivative instruments in accordance with the following hierarchy.

- Level 1: Fair value determined using unadjusted quoted prices in active markets.
- Level 2: Fair value determined using pricing inputs that are observable.
- Level 3: Fair value determined using unobservable inputs only when relevant observable inputs are not available.

The fair values of the Company's financial instruments, including derivatives, reflect a point-in-time estimate based on current and relevant market information about the instruments as at the balance sheet dates. The estimates cannot be determined with precision as they involve uncertainties and matters of judgment and, therefore, may not be relevant in predicting the Company's future earnings or cash flows.

There have been no changes in the methodologies used as at June 30, 2024. The estimated fair value of the Company's financial instruments are as follows:

Financial Instruments				
(\$ thousands)	As at June 30, 2024		As at December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion	402,650	354,889	338,145	298,988

The Company's long-term debt and fuel derivative contracts, based on the three levels that distinguish the level of pricing observability utilized in measuring fair value, have been classified as Level 2. There were no transfers between levels for the period ended June 30, 2024.

## 7. Performance Share Unit ("PSU") Plan

In September 2013, the Board approved a PSU plan under which officers and certain employees would receive PSUs. Each PSU represents a unit with an underlying value which is based on the value of one common share relative to the TSX Utilities Capped Index (TTUT). PSUs outstanding as at June 30, 2024 relate to the 2022 grant totalling 33,784 units, 2023 grants totalling 58,921 units and 2024 grant totalling 83,162 units. The vesting period of the grant is three years, at which time a cash payment may be made to plan participants after evaluation by the Board of Directors of the achievement of certain payment criteria.

For the six months ended June 30, 2024, an expense of \$0.7 million (June 30, 2023: \$0.2 million) was recognised in earnings with respect to the PSU plan. As at June 30, 2024, the total liability related to outstanding PSUs is \$1.1 million (June 30, 2023: \$0.6 million) and is included in Other Long Term Liabilities.

## 8. Short-Term Debt

The Company has unsecured credit financing facilities with the Scotiabank & Trust (Cayman) Limited ("Scotia") and Royal Bank of Canada ("RBC"). The total available amount was \$74.4 million at June 30, 2024 (\$22.4 million at December 31, 2023).

In March 2023, the Company drew down \$30.0 million against its credit facilities with Scotia to assist with the short term operational and capital investment needs until the Company's long term financing plan was in place. An additional \$15.0 million was drawn in July 2023 and \$6.0 million in December 2023. The total of \$51.0 million short term debt was repaid in May 2024.

## 9. Long-Term Debt

In May 2024, the Company issued unsecured notes with total proceeds amounting to \$80.0 million. This amount includes:

- \$40.0 million in 6.17% Senior Unsecured Loan Notes due in 2039
- \$40.0 million in 6.37% Senior Unsecured Loan Notes due in 2049



The Company allocated \$50.0 million from the net proceeds of these Notes to fund or refinance new and existing qualifying green initiatives, adhering to the standards outlined in its inaugural Green Financing Framework.

## 10. Finance Charges

The composition of finance charges was as follows:

<b>Finance Charges</b>				
(\$ thousands)	Three Months Ended June 30, 2024	Three Months Ended June 30, 2023	Six Months Ended June 30, 2024	Six Months Ended June 30, 2023
Interest Costs - Long-Term Debt	4,455	4,038	8,317	8,145
Other Interest Costs	675	549	1,767	703
AFUDC	(3,464)	(3,009)	(6,625)	(5,665)
<b>Finance Charges</b>	<b>1,666</b>	<b>1,578</b>	<b>3,459</b>	<b>3,183</b>

## 11. Foreign Exchange

The closing rate of exchange on June 30, 2024 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn\$1.3687 per US\$1.00 (June 30, 2023: Cdn\$1.3240). The official exchange rate for the conversion of Cayman Islands dollars into US dollars as determined by the Cayman Islands Monetary Authority is fixed at CI\$1.00 per US\$1.20. Thus, the rate of exchange as of June 30, 2024 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.6424 per CI\$1.00 (June 30, 2023: Cdn\$1.5888).

## 12. Commitments

As at June 30, 2024, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

<b>Commitments</b>					
(\$thousands)	Total	2024	2025-2026	2027-2028	2029 Onward
Letter of Guarantee	1,000	1,000	-	-	-
Lease Liability	1,092	1,092	-	-	-
<b>Commitments</b>	<b>2,092</b>	<b>2,092</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 13. Other Matter

On July 11, 2017 OfReg issued ICT 2017-1 Determination Pole Attachment Reservation Fees. OfReg's decision was that DataLink's charge of reservation fees in the manner provided for in the current contracts was, in its view, contrary to the Information and Communication Technology Authority Law (2011 Revision). Under the determination, DataLink was required to remove references to reservation fees in its contracts with other telecomm providers and negotiate a refund to the telecoms of fees charged, including fees charged prior to 2017. DataLink was ordered to amend the contracts within 30 days of the determination and negotiate the amounts to be refunded within 60 days of the determination.

As a result of a legal review and assessment of the directives contained in ICT 2017 -1, DataLink sought a stay of the decision and permission to apply for judicial review from the Cayman Islands Grand Court. Both the stay and permission to apply for Judicial Review were granted on August 11, 2017. The judgement, issued in July 2019, ruled that the decision of the regulator was ultra vires and was therefore quashed as the Determination was not issued as a draft in accordance with the Utility Regulation and Competition Law 2016.

On February 11, 2024, OfReg issued a draft ICT 2024-1 Determination of ICT Consultation 2016-2 Part B and Part C. In the draft Determination, OfReg proposed alterations to the pole attachment rate and charging principles. DataLink proceeded with filing an application for leave to apply for judicial review. The Court granted the application, halting the decision-making process under ICT 2024 – 1. The preparation for the judicial review process is currently underway.



## Shareholder and Corporate Information

### Dividends

#### *Class A Ordinary Shares:*

Quarterly dividends are customarily paid in March, June, September and December. Record dates are normally three weeks prior to payable dates.

#### *Class B Preference Shares:*

Quarterly dividends are paid on the last day of January, April, July and October. Record dates are normally three weeks prior to payable dates.

### Dividend Reinvestment Plan

The Company offers a Dividend Reinvestment Plan to Class A Ordinary and Class B Preference shareholders. Dividends may be reinvested in additional Class A Ordinary Shares. A copy of the plan and enrolment form may be obtained by writing or calling either of the Company's Registrar and Transfer Agents (addresses and telephone numbers in right column) or through the Company's website at [www.cuc-cayman.com](http://www.cuc-cayman.com).

### Customer Share Purchase Plan

The Customer Share Purchase Plan ("CSPP") was launched in January 1995 and provides an opportunity for customers resident in Grand Cayman to acquire Class A Ordinary Shares without paying brokerage commissions or transaction fees. Customers may make cash payments of not less than \$30 (CI\$25) per purchase and up to a total of \$14,400 (CI\$12,000) per calendar year for the purchase of Class A Ordinary Shares. Quarterly cash dividends paid on the shares are reinvested in additional Class A Ordinary Shares under the CSPP. Full details of the CSPP may be obtained from CUC's Customer Service Department or through the Company's website at [www.cuc-cayman.com](http://www.cuc-cayman.com).

### Solicitors

Appleby  
P.O. Box 190  
Grand Cayman KY1-1104  
CAYMAN ISLANDS

### Auditors

Deloitte, LLP  
5 Springdale Street  
Suite 1000  
St John's, NL A1E 0E4  
Canada

### Principal Bankers

Scotiabank & Trust (Cayman) Ltd.  
P.O. Box 689  
Grand Cayman KY1-1107  
CAYMAN ISLANDS

### Registrar and Transfer Agents

#### **TSX Trust Company**

P.O. Box 4229, Station A  
Toronto, ON, Canada M5W 0G1  
North America (toll free): 1-800-387-0825  
Direct: (416) 682-3860  
Fax: (888) 249-6189  
E-mail: [shareholderinquiries@tmx.com](mailto:shareholderinquiries@tmx.com)  
Website : [www.tsxtrust.com](http://www.tsxtrust.com)  
(Acting as principal agent)

### Caribbean Utilities Company, Ltd.

Company Secretary  
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS  
Telephone: (345) 949-5200  
Fax: (345) 949-4621  
E-mail: [investor@cuc.ky](mailto:investor@cuc.ky)  
Website: [www.cuc-cayman.com](http://www.cuc-cayman.com)  
(Acting as principal agent)

### Toronto Stock Exchange Listing

The Class A Ordinary Shares are listed for trading in United States funds on the Toronto Stock Exchange. The stock symbol is "CUP.U". There is no income or withholding tax applicable to holders of Class A Ordinary or Class B Preference Shares under the existing laws of the Cayman Islands.

### Registered Office

Caribbean Utilities Company, Ltd.  
457 North Sound Road  
P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS  
Telephone: (345) 949-5200  
Fax: (345) 949-4621  
E-mail: [investor@cuc.ky](mailto:investor@cuc.ky)  
Website: [www.cuc-cayman.com](http://www.cuc-cayman.com)

**INVESTORS IN PEOPLE™**  
We invest in people Gold



**Caribbean Utilities Company, Ltd.**  
457 North Sound Road, P.O. Box 38, Grand Cayman KY1-1101, CAYMAN ISLANDS  
Tel: (345) 949-5200 ▲ Fax: (345) 949-4621  
E-mail: [investor@cuc.ky](mailto:investor@cuc.ky) ▲ Website: [www.cuc-cayman.com](http://www.cuc-cayman.com)