



Caribbean Utilities Company, Ltd.
2024 Third Quarter Report
September 30, 2024





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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 September 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.

November 4, 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 128.0 MW was experienced on September 17, 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 has not approved 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 as 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 will be recovered within two years through a recovery rates of \$0.0019 per kWh from the effective date of January 1, 2023. During the first nine months of 2024, \$1.1 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$2.5 million as at September 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 September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 | Change | % Change |
|---|---|---|--|--|--------|----------|
| Electricity Sales Revenues | 34,129 | 32,068 | 92,446 | 85,456 | 6,990 | 8% |
| Fuel Factor | 44,847 | 39,738 | 122,921 | 122,103 | 818 | 1% |
| Renewables | 1,700 | 1,768 | 4,785 | 4,963 | -178 | -4% |
| Total Operating Revenues | 80,676 | 73,574 | 220,152 | 212,522 | 7,630 | 4% |
| Power Generation ¹ | 47,849 | 42,651 | 131,579 | 130,455 | 1,124 | 1% |
| Other Expenses | 19,009 | 17,065 | 59,216 | 53,066 | 6,150 | 12% |
| Total Operating Expenses | 66,858 | 59,716 | 190,795 | 183,521 | 7,274 | 4% |
| Net Earnings for the Period | 14,446 | 13,936 | 30,714 | 29,136 | 1,578 | 5% |
| Cash Flow related to Operating Activities | 26,471 | 30,271 | 71,110 | 65,634 | 5,476 | 8% |
| <i>Per Class A Ordinary Share:</i> | | | | | | |
| Earnings Per Share (EPS) | 0.38 | 0.36 | 0.80 | 0.76 | 0.04 | 5% |
| Dividends Paid | 0.185 | 0.180 | 0.550 | 0.535 | 0.015 | 3% |
| Total Customers | 34,028 | 33,503 | 34,028 | 33,503 | 525 | 2% |
| Total Full-Time Employees | 277 | 257 | 277 | 257 | 20 | 8% |
| Customers per Employee (#) | 123 | 130 | 123 | 130 | -7 | -5% |
| System Availability (%) | 99.97 | 99.97 | 99.97 | 99.97 | 0 | - |
| Peak Load Gross (MW) | 128.0 | 124.1 | 128.0 | 124.1 | 3.9 | 3% |
| <i>Millions of kWh:</i> | | | | | | |
| Net Generation | 211.1 | 203.9 | 578.5 | 550.8 | 27.7 | 5% |
| Renewable Energy Generation | 5.7 | 6.1 | 17.6 | 18.0 | -0.4 | -2% |
| Total Energy Supplied | 215.6 | 210.3 | 592.4 | 567.6 | 24.8 | 4% |
| Kilowatt-Hour Sales | 208.0 | 203.2 | 570.9 | 547.3 | 23.6 | 4% |
| Sales per Employee | 0.75 | 0.79 | 2.06 | 2.13 | -0.07 | -3% |

Shares Performance

In May 2024, the Board of Directors approved a 3% 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 \$14.49 per share during the three months ended September 30, 2024.

| Market Data | |
|-----------------------------|-------|
| | CUC |
| Price at September 30, 2024 | 13.99 |
| Dividend Yield | 5.3% |

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 September 30, 2024.



¹ 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 September 30, 2024 (“Third Quarter 2024” or “Q3 2024”) were 208.0 million kWh, an increase of 4.8 million kWh or 2% compared to 203.2 million kWh for the three months ended September 30, 2023 (“Third Quarter 2023” or “Q3 2023”). Sales in kWh for the nine months ended September 30, 2024 totalled 570.9 million, an increase of 23.6 million or 4% when compared to 547.3 million for the nine months ended September 30, 2023. These increases were driven by the 2% growth in overall customer numbers and the increase in the average kWh consumption of residential customers.

Customers



| | Q3 2024 | Q3 2023 | % Change |
|--------------------|---------|---------|----------|
| Residential | 29,247 | 28,794 | 2% |
| General Commercial | 4,667 | 4,602 | 1% |
| Large Commercial | 114 | 107 | 7% |

Total customers as at September 30, 2024 were 34,028, an increase of 525 or 2% compared to 33,503 customers as at September 30, 2023. About 45% of the total kWh sales relates to commercial customers.

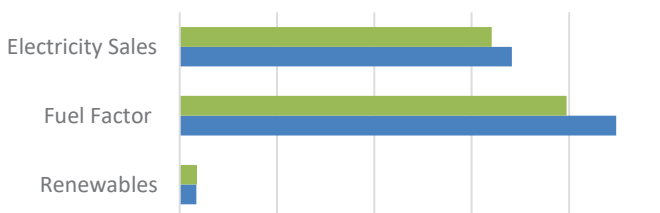
Average Monthly Consumption per Customer

(in kwh)

| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | % Change | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 | % Change |
|--------------------|---------------------------------------|---------------------------------------|----------|--------------------------------------|--------------------------------------|----------|
| Residential | 1,336 | 1,330 | - | 1,193 | 1,163 | 3% |
| General Commercial | 2,912 | 3,019 | -4% | 2,792 | 2,785 | - |
| Large Commercial | 146,156 | 145,084 | 1% | 140,047 | 140,102 | - |

The average monthly temperature for Q3 2024 was 87.0 degrees Fahrenheit (F) compared to 87.2F in Q3 2023. For the nine months ended September 30, 2024, the average temperature was 84.2 compared to 84.1 for the same period in 2023. The average rainfall for Q3 2024 was 8.0 inches compared to 7.9 inches in Q3 2023. For the nine months ended September 30, 2024, the average rainfall was 5.6 inches compared to 4.4 inches for same period in 2023.

(in thousands)



| | Renewables | Fuel Factor | Electricity Sales |
|---------|------------|-------------|-------------------|
| Q3 2023 | 1,768 | 39,738 | 32,068 |
| Q3 2024 | 1,700 | 44,847 | 34,129 |

Operating revenues for Q3 2024 totalled \$80.7 million, an increase of \$7.1 million from \$73.6 million for Q3 2023. Operating revenues for the nine months ended September 30, 2024 were \$220.2 million, an increase of \$7.7 million from \$212.5 million for the nine months ended September 30, 2023. These increases in operating revenues were mainly due to higher electricity sales and fuel factor revenues.

Electricity sales revenues increased by \$2.0 million for Q3 2024 to \$34.1 million when compared to electricity sales revenues of \$32.1 million for Q3 2023. Electricity sales revenues for the nine months ended September 30, 2024 were \$92.4 million compared to \$85.5 million for the nine months ended September 30, 2023. The increases in

electricity sales revenues were primarily driven by the 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 \$5.1 million or 13% for Q3 2024 when compared to Q3 2023. This increase was driven by the 10% increase in the average Fuel Cost Charge rate and the 2% increase in kWh sales for Q3 2024. The average Fuel Cost Charge rate charged to consumers for Q3 2024 was \$0.23 per kWh, compared to the Fuel Cost Charge rate of \$0.21 per kWh for Q3 2023. The average fuel price per imperial gallon (“IG”) used to determine the fuel cost charge rate to consumers for Q3 2024 was \$3.86 compared to \$3.59 for Q3 2023.

Fuel Factor increased by \$0.8 million or 1% for the nine months ended September 30, 2024 compared to the nine months ended September 30, 2023. This was driven by the 4% increase in kWh sales. The average Fuel Cost Charge rate charged to consumers for the nine months ended September 30, 2024 was \$0.23 per kWh, comparable to the Fuel Cost Charge rate of \$0.23 per kWh for the nine months ended September 30, 2023. The average fuel price per imperial gallon (“IG”) used to determine the fuel cost charge rate to consumers for the nine months ended September 30, 2024 was \$3.97 compared to \$4.12 for the nine months ended September 30, 2023.

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 Q3 2024 were \$66.9 million, an increase of \$7.2 million or 12% compared to \$59.7 million for Q3 2023. Operating expenses for the nine months ended September 30, 2024 increased by \$7.3 million or 4% to \$190.8 million when compared to \$183.5 million for the nine months ended September 30, 2023. These increases were due to the higher power generation cost, depreciation, and customer service.

| Significant Changes in Operating Expenses | | | |
|--|---------------------------------------|--------------------------------------|--|
| (\$ in thousands) | | | |
| Item | Three-Months Ended September 30, 2024 | Nine Months Ended September 30, 2024 | Explanation |
| Power Generation | 5,198 | 1,124 | Increase of 12% for Q3 2024 compared to Q3 2023 was due to the 2% increase in kwh sales partially offset by the 1% decrease in the average fuel cost. Increase of 1% for the nine months ended September 30, 2024 compared to same period in 2023 was due to the 4% increase in kWh sales partially offset by the 4% decrease in average fuel cost. |
| Depreciation of Property, Plant and Equipment (“PP&E”) | 804 | 2,361 | Increases due to completed capital projects during the period partially offset by the 25-year life extension relating to life cycle upgrades to two generators completed during the period. |
| Consumer Services | 371 | 694 | Increase mainly due to higher card commission and credit losses from Datalink. |
| Transmission and Distribution | 302 | 947 | Increase mainly due to higher compensation, pension costs, and materials costs. |
| Maintenance | 152 | 1,328 | Increases due to higher generation materials costs and lower labor recharges. |

Other Income and Expenses

Net other income for Q3 2024 was \$0.6 million, an increase of \$0.5 million compared to \$0.1 million for Q3 2023. This increase was driven by lower finance charges due to the increase in AFUDC and higher income from pipeline operation.

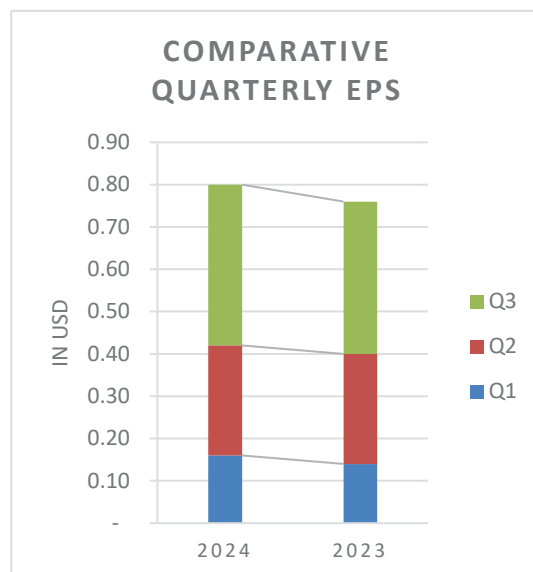
Net other income for nine months ended September 30, 2024 was \$1.4 million, an increase of \$1.3 million compared to net other income of \$0.1 million for the for the nine months ended September 30, 2023. This increase was primarily attributable to income from recovery of billing in arrears related to CCTV pole attachments, higher income from pipeline operation and lower finance charges.



Earnings

Operating income for the Third Quarter 2024 totalled \$13.8 million compared to operating income of \$13.9 million for the Third Quarter of 2023. The operating income for the nine months ended September 30, 2024 was \$29.4 million, an increase of \$0.4 million or 1% compared to operating income of \$29.0 million for the for the nine months ended September 30, 2023. This increase is primarily attributable to the 4% increase in kWh sales and the 3.7% and 3.2% base rate increase effective June 1, 2023 and June 1, 2024, respectively, partially offset by higher depreciation, customer service expenses, maintenance cost, and transmission and distribution cost.

Net earnings for Q3 2024 were \$14.4 million, a \$0.5 million or 4% increase from net earnings of \$13.9 million for Q3 2023. This increase is primarily attributable to higher other income and lower finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q3 2024 were \$14.3 million, or \$0.38 per Class A Ordinary Share, as compared to \$13.8 million, or \$0.36 per Class A Ordinary Share for Q3 2023.



Net earnings for nine months ended September 30, 2024 were \$30.7 million, a \$1.6 million increase from net earnings of \$29.1 million for Q3 2023. This increase is primarily attributable to higher other income and lower finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q3 2024 were \$30.4 million, or \$0.80 per Class A Ordinary Share, as compared to \$28.8 million, or \$0.76 per Class A Ordinary Share, for Q3 2023.

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 38,160,606 and 37,820,812 for Q3 2024 and Q3 2023, respectively. The weighted average number of Class A Ordinary Shares outstanding were 38,119,461 and 37,779,724 for the nine months ended September 30, 2024 and September 30, 2023, respectively.

Quarterly Results

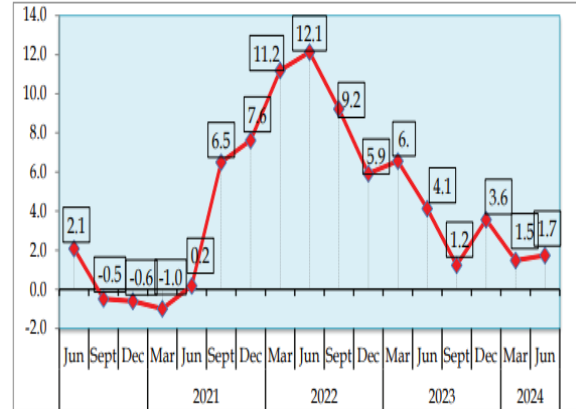
The following table summarises unaudited quarterly information for each of the eight quarters ended December 31, 2022 through September 30, 2024. This information has been obtained from CUC's unaudited interim financial statements, which management of the Company prepared in accordance with US GAAP. 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 |
| September 30, 2024 | 80,676 | 14,446 | 14,334 | 0.38 | 0.38 |
| 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 |

The Economy

In July 2024, the Cayman Islands Economics and Statistics Office published the Cayman Islands’ Consumer Price Index (“CPI”) Report for Second Quarter of 2024. The average CPI in the Second Quarter 2024 was 132.7, higher by 1.7% in comparison to Second Quarter 2023. This represents a net increase in the overall index, driven mainly by higher prices of communication (10.3% and education (9.4%) partially offset by the decline in Clothing & Footwear (-3%) and Transport sector (-3%). When compared to the previous quarter ended March 2024, the Second Quarter 2024 CPI increased by 0.1%.

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:



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

| Indicators for the Financial Services Industry | | |
|--|-----------------------------|----------------------------|
| | As at September 30, 2024 | As at December 31, 2023 |
| Bank Licenses | 87 | 87 |
| Mutual Funds | 12,968 | 12,802 |
| Private Funds | 70 | 74 |
| Registered Companies | 121,404 | 118,443 |
| Captive Insurance Companies | 720 | 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 September 30, 2024:

| Tourist Arrivals to the Cayman Islands | | | | | |
|--|-----------------------------|------------------|----------------|--------------|----------------|
| <i>(for the years ended December 31)</i> | | | | | |
| | As at September 30, 2024 | 2023 | 2022 | 2021 | 2020 |
| By Air | 330,514 | 429,284 | 180,624 | 2,212 | 121,819 |
| By Sea | 792,880 | 1,270,981 | 426,293 | - | 538,140 |
| Total | 1,123,394 | 1,700,265 | 606,917 | 2,212 | 659,959 |

*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, www.eso.ky, www.cimoney.com.ky, 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:

| Cash Flows | | | | | | |
|------------------------------|--|--|---|---|----------------|-----------------|
| (\$ thousands) | | | | | | |
| | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 | Change | % Change |
| Beginning Cash | 5,032 | 9,564 | 3,987 | 7,948 | (3,961) | (50%) |
| Cash Provided By/ (Used In): | | | | | | |
| Operating Activities | 26,471 | 30,271 | 71,110 | 65,634 | 5,476 | 8% |
| Investing Activities | (29,292) | (27,519) | (73,035) | (79,138) | 6,103 | (8%) |
| Financing Activities | 2,002 | (5,867) | 2,151 | 12,005 | (9,854) | (82%) |
| Ending Cash | 4,213 | 6,449 | 4,213 | 6,449 | (2,236) | (35%) |

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Q3 2024 was \$26.5 million, a decrease of \$3.8 million from \$30.3 million for Q3 2023. This decrease was primarily due to the movement in the working capital balances, particularly in accounts receivable, prepayment and accounts payable and inventory.

Cash flow provided by operations for the nine months ended September 30, 2024 totalled \$71.1 million, an increase of \$5.5 million compared to the \$65.6 million for the nine months ended September 30, 2023. This increase was primarily due to the movement in the working capital balances, particularly in accounts payable and accrued expenses.

Investing Activities:

Cash used in investing activities for Q3 2024 totalled \$29.3 million, an increase of \$1.8 million from \$27.5 million for Q3 2023. This increase was primarily due to the increase in capital expenditures during Q3 2024 when compared to Q3 2023.

Cash used in investing activities for the nine months ended September 30, 2024 totalled \$73.0 million, a decrease of \$6.1 million compared to \$79.1 million for the nine months ended September 30, 2023. This decrease was primarily due to lower capital expenditures during 2024 when compared to 2023.

Financing Activities:

Cash provided by financing activities totalled \$2.0 million for Q3 2024, an increase of \$7.9 million from \$5.9 million of cash used in financing activities for Q3 2023. This increase was mainly due to the short-term debt drawdown of \$5 million during Q3 2024.

Cash provided by financing activities for the nine months ended September 30, 2024 totalled \$2.2 million, a decrease of \$9.9 million compared to \$12.0 million for the nine months ended September 30, 2023. This decrease was due to net effect of the repayment of short-term and long-term debt and payment of dividends partially offset by the proceeds from long-term debt financing.

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 September 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 | 409,351 | 19,221 | 37,727 | 41,712 | 310,691 |
| Long-Term Debt Interest | 244,031 | 19,550 | 36,944 | 34,084 | 153,453 |
| Total | 653,382 | 38,771 | 74,671 | 75,796 | 464,144 |

Financial Position

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

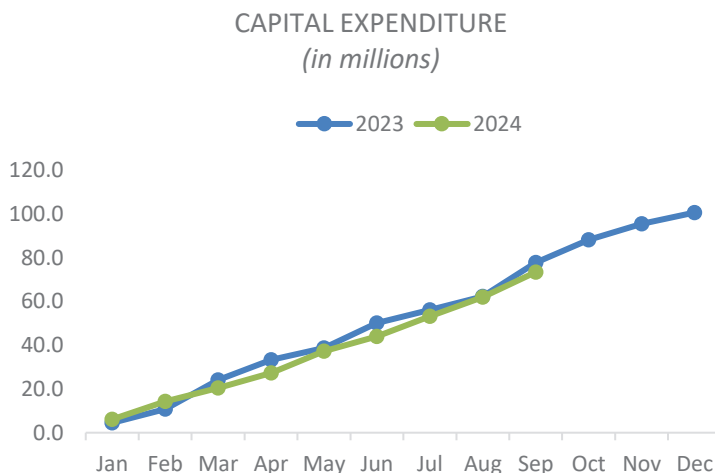
| Significant Changes in Balance Sheet (from December 31, 2023 to September 30, 2024) | | |
|---|----------------------|---|
| (\$ thousands) | | |
| Balance Sheet Account | Increase/ (Decrease) | Explanation |
| Cash and Cash Equivalents | 226 | Net increase due to cash provided by operating activities of \$71.1 million and cash provided by financing activities of \$2.2 million offset by cash used in investing activities of \$73.0 million. |
| Accounts Receivable, net | 2,722 | Increase due to the kwh sales growth and the base rate increase of 3.2% effective June 1, 2024. |
| Prepayments | 1,466 | Increase due to the renewal of property insurance during Q3 2024 |
| Property, Plant and Equipment | 39,266 | Increase due to capital expenditures for the period, partially offset by increase in accumulated depreciation. |
| Regulatory Assets and Liabilities, net | (3,085) | Decrease due to lower fuel tracker which is passed through to customers without mark-up partially offset by the increase in temporary generation lease and changes in licence and regulatory fees |
| Short-Term Debt | (46,000) | Decrease due to repayment of short-term debt of \$51.0 million partially offset by the drawdown on short term credit facility of \$5.0 million in Q3 2024. |
| Bank Overdraft | 2,186 | Increase due to utilization of the overdraft facility to support short-term cash needs. |
| Accounts Payable and Accrued Expenses | 5,823 | Increase attributable to increases in fuel cost payable. |
| Current Portion of Long-Term Debt | (5,714) | Decrease due to principal payment the matured Senior Unsecured Notes. |
| Long-term Debt | 70,233 | 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 | 9,429 | Increase due to net earnings of \$30.7 million, partially offset by dividend payments on Class A Ordinary Shares of \$20.9 million and Class B Preference Shares of \$0.3 million. |
| Share Premium | 2,968 | Increase due to the issuance of 217,788 Class A Ordinary Shares through the share purchase plans. |



Capital Expenditures

Capital expenditures for the nine months ended September 30, 2024, were \$72.8 million, a decrease of \$5.6 million, or 7% in comparison to the \$78.4 million in capital expenditures for the nine months ended September 30, 2023. The capital expenditures for the nine months ended September 30, 2024, primarily relate to:

- Distribution System Extension and Upgrades - \$17.0 million
- Lifecycle Upgrade - \$15.1 million
- Generation Replacement - \$9.4 million
- Battery Energy Storage System - \$5.8 million
- Frank Sound Substation upgrade - \$4.7 million



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. As of September 30, 2024, two out of five generating units have completed the life cycle upgrade. All units are expected to be completed by the fourth quarter of 2025.

120.0

100.0

80.0

60.0

40.0

20.0

0.0

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

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 debt-to-equity ratio is managed through various methods such as the Company's share purchase plans.

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

| Capital Structure | | | | |
|----------------------|--------------------------------------|------------|--------------------------------------|------------|
| | September 30, 2024 (\$ thousands) | % | September 30, 2023 (\$ thousands) | % |
| Total Debt | 407,664 | 55 | 387,401 | 55 |
| Shareholder's Equity | 337,151 | 45 | 320,162 | 45 |
| Total | 744,815 | 100 | 707,563 | 100 |

In September 2024, the Company announced the commencement of a rights offering ("the Offering") for holders of Class A Ordinary Shares which was completed on October 31, 2024. The Company raised gross proceeds of approximately US\$51.3 million from the Offering through the issue of 3,822,298 Class A Ordinary Shares at a price of US\$13.41 per Class A Ordinary Share. The Company intends to use the net proceeds of the Offering to finance alternative energy projects, ongoing additions and upgrades to CUC's generation, transmission, and distribution systems, and for general corporate purposes.

In connection with the Offering, the Company entered into a stand-by purchase agreement (the "Stand-By Agreement") with Fortis Energy Caribbean Inc. ("FECI"), (the "Stand-By Purchaser"), the Company's controlling shareholder. FECI is a wholly-owned subsidiary of Fortis Inc. The Stand-By Purchaser agreed, subject to certain terms and conditions, to purchase from the Company, at the Subscription Price, all of the Class A Ordinary Shares that are not otherwise subscribed for and purchased under the Offering by holders of the rights so that the maximum number of Class A Ordinary Shares that may be issued in connection with the Offering were issued. FECI purchased an aggregate of 3,147,201 Class A Ordinary Shares through the Offering, under their basic subscription privilege and the Stand-By Agreement with the Company. Following the completion of the Offering, FECI



owns approximately 60% of the issued and outstanding Class A Ordinary Shares on a non-diluted basis, which percentage holding increased by approximately 2% as a result of the Offering.

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 September 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 September 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 September 30, 2024.

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

Outlook

In September 2024, the Company commissioned its first energy storage facility which will allow for increased renewable energy capacity on Grand Cayman. The Company signed an Agreement with the technology group Wärtsilä in 2022 for the supply of two 10-megawatt Battery Energy Storage System (“BESS”) to CUC. With the completion of the 20-megawatt BESS at Hydesville and Prospect substations, it is anticipated to lower fuel costs and improve fuel efficiency by 5% to 6%, leading to a corresponding reduction in CO₂ emissions. Additionally, it will increase CUC’s reliability and power quality.

In June 2024, the Company submitted a Certificate of Need (“CON”) to OfReg, as specified 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 National Energy Policy (“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 being 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 increased the total temporary generation to 20MW in Q3 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 NEP 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 has been finalized and was issued in September 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.

In October 2024, the Company submitted its 2025-2029 Capital Investment Plan (“CIP”) in the amount of \$463 million to OfReg for approval. OfReg’s decision on the proposed CIP is expected in December 2024.



In September 2024, the Company announced the commencement of a Rights Offering and related stand-by agreement with Fortis Energy Caribbean Inc., the Company's controlling shareholder, a wholly-owned subsidiary of Fortis Inc. Under the Offering, each shareholder received one right per Class A Ordinary Share as at September 27, 2024 and ten rights enabled shareholders to purchase one Class A Ordinary Share of the Company at a subscription price of \$13.41 per share. The Offering expired on October 31, 2024. FECl purchased an aggregate of 3,147,201 Class A Ordinary Shares through the Offering, under their basic subscription privilege and the Stand-By Agreement with the Company. Following completion of the Offering, FECl owns approximately 60% of the issued and outstanding Class A Ordinary Shares on a non-diluted basis, which percentage holding increased by approximately 2% as a result of the Offering. The Company raised a gross proceed of approximately \$51.3 million through the issue of 3,822,298 shares. The funds will be used to finance alternative energy projects, ongoing additions and upgrades to CUC's generation, transmission, and distribution systems, and for general corporate purposes.

Subsequent Events: Outstanding Share Data

At November 4, 2024, the Company had issued and outstanding 42,045,283 Class A Ordinary Shares and 249,021, 9% cumulative Participating Class B Preference Shares. Share issuance between September 30, 2024 and October 31, 2024 relate to the recently concluded rights offering.



Condensed Consolidated Interim Balance Sheets

(expressed in thousands of United States Dollars)

| | Note | As at September 30, 2024 | As at December 31, 2023 |
|---|------|-----------------------------|----------------------------|
| Assets | | | |
| <i>Current Assets</i> | | | |
| Cash | | 4,213 | 3,987 |
| Accounts Receivable (Net of Allowance for Credit Losses of \$2,254 and \$2,817) | 4 | 30,425 | 27,703 |
| Regulatory Assets | 5 | 34,128 | 34,562 |
| Inventories | | 5,549 | 5,690 |
| Prepayments | | 5,755 | 4,289 |
| Total Current Assets | | 80,070 | 76,231 |
| Property, Plant and Equipment, net | | 734,421 | 695,155 |
| Intangible Assets, net | | 4,522 | 4,556 |
| Other Assets | | 1,723 | 1,865 |
| Total Assets | | 820,736 | 777,807 |
| Liabilities and Shareholders' Equity | | | |
| <i>Current Liabilities</i> | | | |
| Accounts Payable and Accrued Expenses | | 43,388 | 37,565 |
| Regulatory Liabilities | 5 | 3,262 | 611 |
| Bank Overdraft | | 10,823 | 8,637 |
| Short Term Debt | 8 | 5,000 | 51,000 |
| Current Portion of Long-Term Debt | 6 | 14,221 | 19,935 |
| Consumers' Deposits and Advances for Construction | | 14,584 | 13,972 |
| Current Portion Lease Liability | | 2,201 | 1,944 |
| Total Current Liabilities | | 93,479 | 133,664 |
| Defined Benefit Pension Liability | | 446 | 472 |
| Long-Term Debt | 6, 9 | 388,443 | 318,210 |
| Other Long-Term Liabilities | 7 | 1,217 | 719 |
| Total Liabilities | | 483,585 | 453,065 |
| Shareholders' Equity | | | |
| Share Capital ² | | 2,524 | 2,512 |
| Share Premium | | 197,267 | 194,299 |
| Retained Earnings | | 137,684 | 128,255 |
| Accumulated Other Comprehensive Loss | | (324) | (324) |
| Total Shareholders' Equity | | 337,151 | 324,742 |
| Total Liabilities and Shareholders' Equity | | 820,736 | 777,807 |

See accompanying Notes to Condensed Consolidated Interim Financial Statements

² Consists of Class A Ordinary Shares of 38,222,984 and 38,008,196 issued and outstanding as at September 30, 2024 and December 31, 2023 and Class B Preference Shares of 249,021 and 249,500 issued and outstanding as at September 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 September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|------|--|--|---|---|
| Operating Revenues | | | | | |
| Electricity Sales | 3 | 34,129 | 32,068 | 92,446 | 85,456 |
| Fuel Factor | 3 | 44,847 | 39,738 | 122,921 | 122,103 |
| Renewables | 3 | 1,700 | 1,768 | 4,785 | 4,963 |
| <i>Total Operating Revenues</i> | | 80,676 | 73,574 | 220,152 | 212,522 |
| Operating Expenses | | | | | |
| Power Generation | | 47,849 | 42,651 | 131,579 | 130,455 |
| General and Administration | | 3,462 | 3,202 | 11,087 | 10,446 |
| Consumer Services | | 1,335 | 964 | 3,921 | 3,227 |
| Transmission and Distribution | | 1,776 | 1,474 | 5,305 | 4,358 |
| Depreciation | | 10,581 | 9,777 | 32,903 | 30,542 |
| Maintenance | | 1,575 | 1,423 | 5,159 | 3,831 |
| Amortisation of Intangible Assets | | 280 | 225 | 841 | 662 |
| <i>Total Operating Expenses</i> | | 66,858 | 59,716 | 190,795 | 183,521 |
| Operating Income | | 13,818 | 13,858 | 29,357 | 29,001 |
| Other Income (Expenses): | | | | | |
| Finance Charges | 10 | (1,335) | (1,656) | (4,794) | (4,839) |
| Foreign Exchange Gain | | 663 | 646 | 1,731 | 1,649 |
| Other Income | | 1,300 | 1,088 | 4,420 | 3,325 |
| <i>Total Net Other Income</i> | | 628 | 78 | 1,357 | 135 |
| Net Earnings for the Period | | 14,446 | 13,936 | 30,714 | 29,136 |
| <i>Preference Dividends Paid- Class B</i> | | (112) | (112) | (337) | (337) |
| Earnings on Class A Ordinary Shares | | 14,334 | 13,824 | 30,377 | 28,799 |
| Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands) | | | | | |
| | | 38,161 | 37,821 | 38,119 | 37,780 |
| Earnings per Class A Ordinary Share | | 0.38 | 0.36 | 0.80 | 0.76 |
| Diluted Earnings per Class A Ordinary Share | | 0.38 | 0.36 | 0.80 | 0.76 |
| Dividends Declared per Class A Ordinary Share | | 0.185 | 0.180 | 0.550 | 0.535 |

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 September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|------------------------------------|--|--|---|---|
| Net Earnings for the Period | 14,446 | 13,936 | 30,714 | 29,136 |
| Other Comprehensive Loss: | | | | |
| Amortisation of Net Actuarial Loss | - | 23 | - | 69 |
| Total Other Comprehensive Income | - | 23 | - | 69 |
| Comprehensive Income | 14,446 | 13,959 | 30,714 | 29,205 |

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 (\$) |
|---|---|---|---------------------------|--------------------------|--|------------------------------|----------------------|
| As at December 31, 2023 | 38,008 | 2,262 | 250 | 194,299 | (324) | 128,255 | 324,742 |
| Net earnings | - | - | - | - | - | 30,714 | 30,714 |
| Common share issuance and stock options plans & redemption | 215 | 13 | (1) | 2,968 | - | - | 2,980 |
| Defined benefit plans | - | - | - | - | - | - | - |
| Dividends on common shares | - | - | - | - | - | (20,948) | (20,948) |
| Dividends on preference shares | - | - | - | - | - | (337) | (337) |
| As at September 30, 2024 | 38,223 | 2,275 | 249 | 197,267 | (324) | 137,684 | 337,151 |
| As at December 31, 2022 | 37,665 | 2,241 | 250 | 190,023 | (1,857) | 117,577 | 308,234 |
| Net earnings | - | - | - | - | - | 29,136 | 29,136 |
| Common share issuance and stock options plans | 232 | 14 | - | 3,239 | - | - | 3,253 |
| Defined benefit plan | - | - | - | - | 69 | - | 69 |
| Dividends on common shares | - | - | - | - | - | (20,193) | (20,193) |
| Dividends on preference shares | - | - | - | - | - | (337) | (337) |
| As at September 30, 2023 | 37,897 | 2,255 | 250 | 193,262 | (1,788) | 126,183 | 320,162 |

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 September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 |
|---|--|--|---|---|
| <i>Operating Activities</i> | | | | |
| Net Earnings for the period | 14,446 | 13,936 | 30,714 | 29,136 |
| Items not affecting cash: | | | | |
| Depreciation | 10,581 | 9,777 | 32,903 | 30,542 |
| Amortisation of Intangible Assets | 280 | 225 | 841 | 662 |
| Amortisation of Deferred Financing Costs | 30 | 30 | 90 | 90 |
| | 25,337 | 23,968 | 64,548 | 60,430 |
| Net changes in working capital balances related to operations | 2,999 | 4,165 | 3,476 | (2,866) |
| Net Change in Regulatory Assets and Regulatory Liabilities | (1,865) | 2,138 | 3,086 | 8,070 |
| <i>Cash flow related to operating activities</i> | 26,471 | 30,271 | 71,110 | 65,634 |
| <i>Investing Activities</i> | | | | |
| Purchase of Property, Plant and Equipment | (28,898) | (27,215) | (72,813) | (78,352) |
| Costs related to Intangible Assets | (394) | (304) | (807) | (881) |
| Contribution in Aid of Construction | - | - | 26 | - |
| Proceeds on Disposed Asset | - | - | 559 | 95 |
| <i>Cash flow related to investing activities</i> | (29,292) | (27,519) | (73,035) | (79,138) |
| <i>Financing Activities</i> | | | | |
| Proceeds from Long-Term Borrowing | - | - | 80,000 | - |
| Repayment of Long-Term Debt | - | - | (15,195) | (15,195) |
| Proceeds from Short-Term Borrowing | 5,000 | - | 5,000 | 45,000 |
| Repayment of Short-Term Debt | - | - | (51,000) | - |
| Increase in Bank Overdraft | 3,175 | - | 2,186 | - |
| Dividends Paid | (6,445) | (6,195) | (19,664) | (18,860) |
| Net Proceeds from Share Issuance | 272 | 328 | 824 | 1,060 |
| <i>Cash flow related to financing activities</i> | 2,002 | (5,867) | 2,151 | 12,005 |
| Change in net cash | (819) | (3,115) | 226 | (1,499) |
| Cash, Beginning of the period | 5,032 | 9,564 | 3,987 | 7,948 |
| Cash, End of the period | 4,213 | 6,449 | 4,213 | 6,449 |
| Supplemental disclosure of cash flow information: | | | | |
| Interest paid during the period | 1,006 | 1,639 | 10,463 | 10,466 |

See accompanying Notes to Condensed Consolidated Interim Financial Statements



Notes to Condensed Consolidated Interim Financial Statements

Unaudited – September 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 nine months of 2024, \$1.1 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$2.5 million as at September 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 September 30, 2024 | Three Months Ended September 30, 2023 | Nine Months Ended September 30, 2024 | Nine Months Ended September 30, 2023 | Change % |
| Electricity Sales Revenues | | | | | |
| Residential | 18,955 | 17,938 | 49,940 | 46,282 | 8% |
| Commercial | 14,889 | 13,843 | 41,643 | 38,335 | 9% |
| Other (street lighting etc.) | 285 | 287 | 863 | 839 | 3% |
| Total Electricity Sales Revenues | 34,129 | 32,068 | 92,446 | 85,456 | 8% |
| Fuel Factor | 44,847 | 39,738 | 122,921 | 122,103 | 1% |
| Renewables | 1,700 | 1,768 | 4,785 | 4,963 | -4% |
| Total Operating Revenues | 80,676 | 73,574 | 220,152 | 212,522 | 4% |

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 recognized 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 September 30, 2024 | As at December 31, 2023 |
| Billings to Consumers | 31,536 | 28,250 |
| Other Receivables* | 1,143 | 2,270 |
| Allowance for Credit Losses | (2,254) | (2,817) |
| Total Accounts Receivable, net | 30,425 | 27,703 |

* Other Receivables relate to amounts due outside of the normal course of operations.

Allowance for Credit Losses

Accounts receivable are recorded net of an allowance for credit losses. The change in the allowance for credit losses balance are as follows:

| (\$ thousands) | Nine Months Ended September 30, 2024 | As at December 31, 2023 |
|----------------------------------|---|----------------------------|
| Beginning of Period | (2,817) | (2,241) |
| Credit Loss Expensed/Capitalised | (168) | (582) |
| Write-offs | 135 | 23 |
| Recoveries | 596 | (17) |
| End of Period | (2,254) | (2,817) |

5. Regulatory Assets and Liabilities

| Regulatory Assets and Liabilities | | | |
|---|---|-----------------------------|----------------------------|
| (\$ thousands) | | | |
| Asset/Liability | Description | As at September 30, 2024 | As at December 31, 2023 |
| Regulatory Assets | Fuel Tracker Account | 27,656 | 30,408 |
| Regulatory Assets | Miscellaneous Regulatory Assets | 36 | 56 |
| Regulatory Assets | Government & Regulatory Tracker Account | - | 35 |
| Regulatory Assets | Deferred 2022 Revenues | 293 | 1,382 |
| Regulatory Assets | Temporary Generation Lease 2022 | 2,293 | 1,515 |
| Regulatory Assets | Temporary Generation Lease 2023 | 2,352 | 1,166 |
| Regulatory Assets | Temporary Generation Lease 2024 | 1,498 | - |
| Total Regulatory Assets | | 34,128 | 34,562 |
| Regulatory Liabilities | Demand Rate Recoveries | (243) | (243) |
| Regulatory Liabilities | Deferred COVID-19 Costs | (57) | (269) |
| Regulatory Liabilities | Government & Regulatory Tracker Account | (2,863) | - |
| Regulatory Liabilities | Deferred Fuel Revenues | (99) | (99) |
| Total Regulatory Liabilities | | (3,262) | (611) |
| Net Regulatory Asset and Liabilities | | 30,866 | 33,951 |

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 September 30, 2024. The estimated fair value of the Company's financial instruments are as follows:

| Financial Instruments | | | | |
|---|--------------------------|------------|-------------------------|------------|
| (\$ thousands) | As at September 30, 2024 | | As at December 31, 2023 | |
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Long-Term Debt, including Current Portion | 402,664 | 357,317 | 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 September 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 September 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 nine months ended September 30, 2024, an expense of \$0.8 million (September 30, 2023: \$0.4 million) was recognised in earnings with respect to the PSU plan. As at September 30, 2024, the total liability related to outstanding PSUs is \$1.2 million (September 30, 2023: \$0.8 million) and is included in Other Long-Term Liabilities.

8. Short-Term Debt

In July 2024, the Company drew down \$5.0 million against its credit facilities with Scotia Bank and Trust (Cayman) Limited to assist with the short term operational and capital investment needs.



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:

| Finance Charges | | | | |
|--|---------------------------------------|---------------------------------------|--------------------------------------|--------------------------------------|
| (\$ thousands) | Three Months Ended September 30, 2024 | Three Months Ended September 30, 2023 | Nine months Ended September 30, 2024 | Nine months Ended September 30, 2023 |
| Interest Costs - Long-Term Debt | 4,873 | 3,901 | 13,191 | 12,046 |
| Other Interest Costs | 239 | 872 | 2,006 | 1,575 |
| Allowance for Funds Used During Construction | (3,777) | (3,117) | (10,403) | (8,782) |
| Finance Charges | 1,335 | 1,656 | 4,794 | 4,839 |

11. Foreign Exchange

The closing rate of exchange on September 30, 2024 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn\$1.3499 per US\$1.00 (September 30, 2023:Cdn\$1.3520). 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 September 30, 2024 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.6199 per CI\$1.00 (September 30, 2023: Cdn\$1.6224).

12. Commitments

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

| Commitments | | | | | |
|---------------------|--------------|--------------|--------------|-----------|-------------|
| (\$thousands) | Total | 2024 | 2025-2026 | 2027-2028 | 2029 Onward |
| Letter of Guarantee | 1,000 | 1,000 | - | - | - |
| Lease Liability | 2,714 | 1,568 | 1,146 | - | - |
| Commitments | 3,714 | 2,568 | 1,146 | - | - |



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.

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.

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Registrar and Transfer Agents

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(Acting as principal agent)

Caribbean Utilities Company, Ltd.

Company Secretary
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Website: 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

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Cover Photo: CUC's President & CEO Richard Hew (centre with jacket) with T&D line crews from CUC and the Jamaica Public Service (JPS) in St. Elizabeth, Jamaica following the passage of Hurricane Beryl in July. CUC assisted with restoration efforts in that area of Jamaica as part of CARILEC's hurricane restoration programme.

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We invest in people Gold



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