



May 3, 2023

Grand Cayman, Cayman Islands

Caribbean Utilities Company, Ltd. (CUC) Announces Unaudited First Quarter Results

Caribbean Utilities Company, Ltd. is listed for trading in United States dollars on the Toronto Stock Exchange under the trading symbol "CUP.U".

Grand Cayman, Cayman Islands – Caribbean Utilities Company, Ltd. ("CUC or "the Company") announced its unaudited results for the first three months of 2023, ending March 31, 2023 (all figures are in United States Dollars).

CUC continues to implement its Capital Investment Plan (2023-2027) which was approved by the Utility Regulation and Competition Office ("OfReg") in January 2023. Grand Cayman has continued to benefit from the capital investments that have been made and will continue to be made over the next 5 years.

In 2022, the Company submitted its Capital Investment Plan ("CIP") for 2023-2027 to OfReg for approval. The plan included an investment amount of \$403.4 million and will include a \$60 million investment in alternative energy and resiliency projects. Both the Company and OfReg announced the initiation of two independent studies, which would be followed by an update to the public regarding the plans for upcoming distributed renewable energy solar generation programmes in early 2023. The Company's study was undertaken to analyse the impact of additional renewable energy on fuel efficiency of the current existing generating units of CUC. Based on findings, an additional 3 megawatts ("MW") capacity was released and allocated to the Consumer Owned Renewable Energy ("CORE") and Distributed Energy Resources ("DER") Programmes. The study indicated additional renewable energy was within appropriate limitations and this will cause no significant impact to fuel efficiency.

The Company also received regulatory approval for lifecycle upgrades to 5 MAN generating units totaling 68MW of capacity. This upgrade will substantially prepare the engines to be converted to run on liquid



natural gas or diesel while also improving their fuel efficiency. This project supports the Cayman Islands National Energy Policy (NEP) by embracing energy efficiency, reducing emissions and diversifying the generation portfolio with the capability to generate energy from gas or diesel from the Engine Room 5 (ER5). This project is slated to begin in 2023.

Net earnings for the three months ended March 31, 2023 (“First Quarter 2023” or “Q1 2023”) were \$5.2 million, a \$0.3 million decrease from net earnings of \$5.5 million for the three months ended March 31, 2022 (“Q1 2022”). This decrease is primarily attributable to higher finance charges, depreciation and general and administration costs that were partially offset by higher other income. Electricity sales revenues increased by \$2.5 million for Q1 2023. In 2023, electricity sales revenues for Q1 totaled \$24.6 million, Q1 2022 sales totaled \$22.1 million. This increase is primarily driven by 6% kWh sales growth. This growth can be attributed to the 3% customer growth and recovery in hotels and restaurants as tourism rebounded.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A shares for Q1 2023 were \$5.1 million, or \$0.14 per Class A ordinary share, as compared to \$5.4 million, or \$0.14 Class A ordinary share for Q1 2022.

President and CEO, Mr. Richard Hew, stated, “The continued growth and recovery of tourism in the Cayman Islands contributed positively to the Company’s Q1 results. Consumption of electricity by large commercial entities and the overall economic growth on Grand Cayman were big contributors to the success of the Company in the first quarter. Our Company is moving ahead with the plans for increased alternative energy and resiliency projects.”

With increased capacity approved for the CORE and DER programmes, there is now a total of 18 MW of capacity for customer interconnection, this capacity is complemented by the 5 MW solar farm in Bodden Town. It is expected that additional renewable energy allocation will occur prior to the commercial operation date of the 20 MW Battery Energy Storage System (“BESS”). The CORE and DER programmes



take into consideration the long-term goals of the National Energy Policy and the Integrated Resource Plan.

CUC's First Quarter 2023 results and related Management's Discussion and Analysis ("MD&A") for the three months period ended March 31, 2023 are incorporated by reference. The MD&A section of this report contains a discussion of CUC's unaudited 2023 First Quarter results, the Cayman Islands economy, liquidity and capital resources, capital expenditures and the business risks facing the Company. The release and First Quarter 2023 MD&A can be accessed at www.cuc-cayman.com (Investor Relations/Press Releases) and at www.sedar.com.

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 Transmission & Distribution ("T&D") Licence and a 25-year non-exclusive Generation Licence (the "Generation Licence" and together with the T&D 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. Further information is available at www.cuc-cayman.com.

Certain statements in the 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 and 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", "plan", "believes", "estimates", "intends", "targets", "projects", "forecasts", "schedule", 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 section labeled "Business Risks" 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 materialize 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.

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Caribbean Utilities Company, Ltd.
2023 First Quarter Report
March 31, 2023



INVESTORS IN PEOPLE™
We invest in people Gold





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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 March 31, 2023

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, 2022 ("Fiscal 2022"). 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 2022 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.

May 3, 2023



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 113.6 MW was experienced on September 11, 2022. CUC is committed to providing a safe and reliable supply of electricity to over 33,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman’s development for over the past 56 years.

About the Cayman Islands

The Cayman Islands, a British Overseas Territory with a population of approximately 80,000, 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 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.

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 Licences 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 2022 was 7% (2021: 7%). CUC’s RORB for 2023 is targeted in the 7.50% to 9.5% range (2022: 6.25% to 8.25%).

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.



The OfReg assesses CUC's performance against the performance standard expectations set out in the ERA (Standard of Performance) Rules 2012. 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.

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 and approval. The required rate increase as 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 United States ("US") and 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 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 three months of 2023, \$0.3 million was recovered from customers related to the base rate increase deferral.

In October 2022, OfReg approved the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme capped the amount of the fuel factor paid by customers at \$0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. During the period of the Programme, CUC recorded the excess fuel factor as a Regulatory Asset for a 12-month recovery rate at \$0.0089 per kWh. The amount recorded as a regulatory asset for the year ended December 31, 2022 was \$6.3 million and will be recovered within one year through future rates from the effective date of January 1, 2023. During the first three months of 2023, \$1.4 million was recovered from customers related to deferred fuel cost.

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 Basic Earnings, Dividends Paid and where otherwise indicated)

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
Electricity Sales Revenues	24,640	22,096	2,544	12%
Fuel Factor	45,078	28,349	16,729	59%
Renewables	1,363	1,203	160	13%
Total Operating Revenues	71,081	51,648	19,433	38%
Power Generation ¹	47,549	30,894	16,655	54%
Other Expenses	18,239	15,516	2,723	18%
Total Operating Expenses	65,788	46,410	19,378	42%
Net Earnings for the Period	5,213	5,485	(272)	(5%)
Cash Flow related to Operating Activities	12,601	19,690	(7,089)	(36%)
<i>Per Class A Ordinary Share:</i>				
Basic Earnings	0.14	0.14	-	-
Dividends Paid	0.175	0.175	-	-
Total Customers	33,214	32,365	849	3%
Total Full-Time Employees	255	237	18	8%
Customers per Employee (#)	130	137	(7)	(5%)
System Availability (%)	99.97	99.97	-	-
Peak Load Gross (MW)	104.3	100.9	3.4	3%
<i>Millions of kWh:</i>				
Net Generation	159.3	150.3	9.0	6%
Renewable Energy Generation	5.5	5.2	0.3	6%
Total Energy Supplied	163.8	154.4	9.4	6%
Kilowatt-Hour Sales	158.8	149.3	9.5	6%
Sales per Employee	0.63	0.63	-	-

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

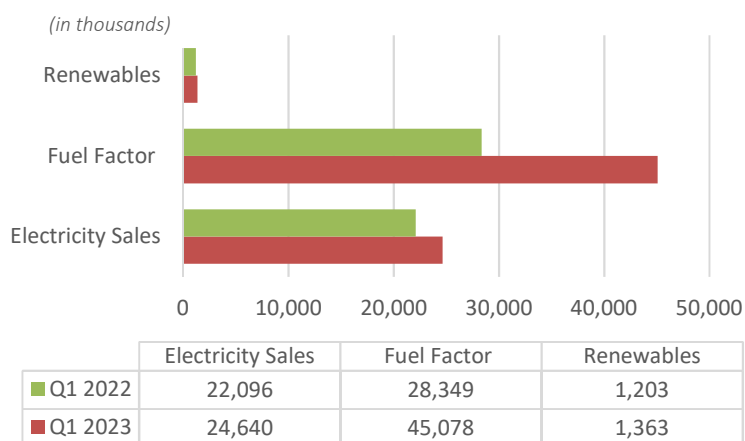
Sales in kilowatt-hours (“kWh”) for the three months ended March 31, 2023 (“First Quarter 2023” or “Q1 2023”) were 158.8 million kWh, an increase of 9.5 million kWh or 6% compared to 149.3 million kWh for the three months ended March 31, 2022 (“First Quarter 2022” or “Q1 2022”). The increase was driven by the 3% growth in overall customer numbers and the 3% increase in the average kWh consumption of commercial customers. The average monthly temperature for Q1 2023 was 80.6 degrees Fahrenheit compared to 79.6 degrees Fahrenheit in Q1 2022. The average rainfall for Q1 2023 was 1.8 inches compared to 2.3 inches in Q1 2022.

Total customers as at March 31, 2023 were 33,214, an increase of 849 or 3% compared to 32,365 customers as at March 31, 2022. During Q1 2023, 86% of the customers are residential customers, consuming about 52% of the total kWh sales.

Sales and Customer Highlights

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change %
Customers (<i>fully stated, not in thousands</i>)			
Residential	28,525	27,739	3%
General Commercial	4,588	4,531	1%
Large Commercial	101	95	6%
Total Customers	33,214	32,365	3%
Sales (<i>in thousands kWh</i>)			
Residential	82,573	78,572	5%
General Commercial	34,736	32,549	6%
Large Commercial	40,299	36,984	9%
Streetlights	1,223	1,234	-1%
Total Sales	158,831	149,339	6%
Average Monthly Consumption Per Customer (kWh)			
Residential	962	947	2%
General Commercial	2,495	2,395	4%
Large Commercial	132,590	128,873	3%

Operating revenues for Q1 2023 totalled \$71.1 million, an increase of \$19.5 million from \$51.6 million for Q1 2022. This increase in operating revenues was due to higher fuel factor revenues and higher electricity sales revenues.



Renewables and Fuel Factor are a pass through cost to consumers on a two-month lag basis with no mark-up.

Electricity sales revenues increased by \$2.5 million for Q1 2023 to \$24.6 million when compared to electricity sales revenues of \$22.1 million for Q1 2022. This increase is attributable to higher electricity sales revenues primarily driven by 6% kWh sales growth and the 5.4% base rate increase effective June 1, 2022.

Fuel factor revenues for Q1 2023 totalled \$45.1 million, a \$16.8 million increase from the \$28.3 million in fuel factor revenues for Q1 2022. Fuel factor revenues for Q1 2023 increased when compared to Q1 2022 due to an increase in the kWh sales and price of fuel. The average Fuel Cost Charge rate charged to consumers for Q1 2023 was \$0.24 per kWh, compared to the Fuel Cost Charge rate of \$0.19 per kWh for Q1 2022.

The renewables revenues are a combination of charges from the Customer Owned Renewable Energy (“CORE”) programme, Distributed Energy Resources (“DER”) and Bodden Town Solar 1, Ltd. The Company has a Power Purchase Agreement (“PPA”) with Bodden Town Solar 1, Ltd. for a 25-year term.

Operating Expenses

Operating expenses for Q1 2023 were \$65.8 million, an increase of \$19.4 million or 42% compared to \$46.4 million for Q1 2022. This is due to the increase in fuel prices, general & administration expenses, and depreciation cost.

Significant Changes in Operating Expenses					
(\$ in thousands)					
Item	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change	Explanation
Power Generation	47,549	30,894	16,655	54%	Increase primarily due to the 28% increase in average fuel price and 6% kWh sales growth.
Depreciation of Property, Plant and Equipment ("PP&E")	10,430	8,810	1,620	18%	Increase due to the completion of the Seven Mile Beach and Prospect substations in May 2022 and other capital projects completed during the period.
General and Administration ("G&A")	3,755	2,775	980	35%	Increase due to higher compensation cost and 8% increase in full-time employees, higher insurance premiums and legal fees. These items were partially offset by higher General Expenses Capitalized.

The average fuel price per kWh for 2022 increased in comparison to the prior year driven by inflation. The Company's average price per imperial gallon ("IG") of fuel for the three months ended March 31, 2023 increased by 28% to \$4.51 in comparison to \$3.52 for the three months ended March 31, 2022. When compared to the prior quarter for the three months ended December 31, 2022, the average price per IG decreased by 11%. The Company's average price per IG of lubricating oil for the three months ended March 31, 2023, increased by 64% to \$16.59 when compared to \$10.10 for the three months ended March 31, 2022.

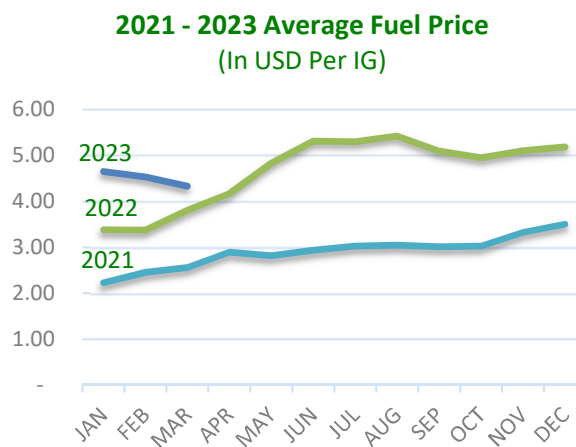
The fuel, lubricating oil, and renewables costs are deferred for a period of two months. The deferrals are recorded in the Fuel Tracker Account and will be recovered from consumers.

Earnings

Operating income for the First Quarter 2023 totalled \$5.3 million, an increase of \$0.1 million compared to operating income of \$5.2 million for the First Quarter of 2022. This increase is primarily attributable to the 6% increase in kWh sales and a 5.4% base rate increase effective June 1, 2022 offset by higher depreciation and general and administration cost.

Net earnings for Q1 2023 were \$5.2 million, a \$0.3 million decrease from net earnings of \$5.5 million for Q1 2022. This decrease is primarily attributable to higher finance charges partially offset by higher other income.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q1 2023 were \$5.1 million, or \$0.14 per Class A Ordinary Share, as compared to \$5.4 million, or \$0.14 per Class A Ordinary Share, for Q1 2022. 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 37,664,724 and 37,370,145 for the years ended March 31, 2023 and March 31, 2022, respectively.



Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended June 30, 2021 through March 31, 2023. 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					
<i>(\$ thousands, except Earnings per Class A Ordinary Share and Diluted Earnings per Class A Ordinary Share)</i>					
	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
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
June 30, 2022	58,167	8,310	8,197	0.22	0.22
March 31, 2022	51,648	5,485	5,372	0.14	0.14
December 31, 2021	55,276	8,330	7,697	0.21	0.21
September 30, 2021	56,102	10,098	9,985	0.26	0.26
June 30, 2021	48,257	8,562	8,449	0.23	0.23

The Economy

The Cayman Islands Economics and Statistics Office (“ESO”) published the 2022 First Quarter Economic Report in September 2022. The report indicated that the Gross Domestic Product (“GDP”) expanded by an estimated annualized rate of 3.8% in the first three months of 2022. The economic expansion was driven largely by the recovery in tourism and transportation-related sectors. Hotels and restaurants had an estimated growth of 27.8% for the period, while transportation and communication expanded by 14.3%. The financial services sector, the largest contributor to GDP, had estimated growth of 2.5%, while business activities and administrative services rose by 2.1%.



In March 2023, ESO published the Cayman Islands’ Costumer Price Index (“CPI”) Annual Report. The average CPI in 2022 was 126.1, an increase of 9.5% over the average CPI in 2021. This represents an increase in the overall index, driven mainly by higher prices of housing and utilities (14.4%), transport (11.3%), clothing and footwear (10.2%), food and non-alcoholic beverages (9.2%).

Quarterly Cayman Islands Inflation Rates, December 2018 – December 2022 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 March 31, 2023	As at December, 2022
Bank Licenses	96	94
Mutual Funds	12,963	12,995
Mutual Fund Administrators	73	74
Registered Companies**	119,128	119,128
Captive Insurance Companies**	686	686

**Data as at December 31, 2022

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 year ending December 31:

Tourist Arrivals to the Cayman Islands					
<i>(for the years ended December 31)</i>					
	As at March 31, 2023	2022	2021	2020	2019
By Air	74,570*	180,624	2,212	121,819	502,739
By Sea	311,498*	426,293	-	538,140	1,831,011
Total	386,068*	606,917	2,212	659,959	2,333,750

*Year to date data as of March 31, 2023

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 cash flow for Q1 2023 compared to Q1 2022:

Cash Flows				
<i>(\$ thousands)</i>				
	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	Change	% Change
Beginning Cash	7,948	7,360	588	8%
Cash Provided By/(Used In):				
Operating Activities	12,601	19,690	(7,089)	-36%
Investing Activities	(25,392)	(19,716)	(5,676)	29%
Financing Activities	8,936	(5,940)	14,876	250%
Ending Cash	4,093	1,394	2,699	194%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Q1 2023, was \$12.6 million, a decrease of \$7.1 million from \$19.7 million for Q1 2022. This decrease was primarily due to the movement in the working capital balances particularly in accounts payable and partially offset by a decrease in accounts receivable and recoveries of deferred revenue.

Investing Activities:

Cash used in investing activities for Q1 2023 totalled \$25.4 million, an increase of \$5.7 million from \$19.7 million for Q1 2022. This increase was primarily due to higher capital expenditures during Q1 2023.

Financing Activities:

Cash provided by financing activities totalled \$8.9 million for Q1 2023, an increase of \$14.8 million when compared to \$5.9 million of cash used financing activities for Q1 2022. This net increase is mainly due to additional short term debt financing amounting to \$15 million in Q1 2023, partially offset by higher dividend payments in 2023.

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 2023 capital expenditure programme.

Contractual Obligations

As at March 31, 2023, 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	374,026	34,481	39,870	37,727	261,948
Long-Term Debt Interest	204,870	16,285	29,283	26,171	133,401
Total	578,896	50,766	69,153	63,898	395,349

Financial Position

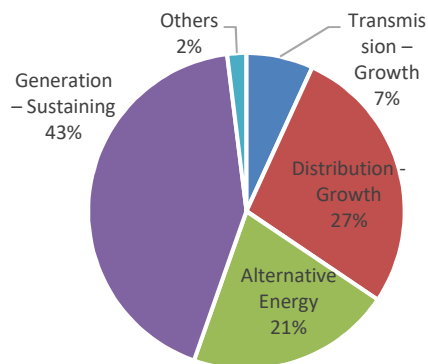
The following table is a summary of significant changes to the Company's balance sheet, when comparing December 31, 2022 to March 31, 2023.

Significant Changes in Balance Sheet (from December 31, 2022 to March 31, 2023)		
(\$ thousands)		
Balance Sheet Account	Increase/ (Decrease)	Explanation
Cash and Cash Equivalents	(3,855)	Net decrease due to cash provided by operating activities of \$12.6 million and cash provided by financing activities of \$8.9 million offset by cash used in investing activities of \$25.4 million.
Accounts Receivable	1,965	Increase due to higher kWh electricity sales
Property, Plant and Equipment	13,392	Increase due to capital expenditures for the period offset by increase in depreciation expense.
Accounts Payable and Accrued Expenses	(6,544)	Net decrease due to decrease in fuel costs and fuel creditor payable and accounts payable, capital expenditure accruals partially offset by increase in accrued interest and amounts due to customers
Short-Term Debt	15,000	Drawdown on credit facility to meet obligations
Share Premium	1,155	Increase due to the issuance of 71,857 Class A Ordinary Shares through the share purchase plans.
Retained Earnings	(1,492)	Decrease due to net earnings for the period of \$5.2 million, offset by dividend payments on the Class A Ordinary Shares of \$6.6 million, and dividend payments on the Class B Preference Shares of \$0.1 million.

Capital Expenditures

Capital expenditures for the three months ended March 31, 2023, were \$22.8 million, an increase of \$3.5 million, or 18% in comparison to the \$19.3 million in capital expenditures for the three months ended March 31, 2022. AFUDC of \$2.7 million was capitalised in Q1 2023. The capital expenditures for the three months ended March 31, 2023, primarily relate to:

- Distribution system extension and upgrades - \$7.1 million
- Generation Replacement - \$5.5 million
- Alternate Energy Technologies - \$4.6 million
- Additional Employee Workplace - \$1.5 million
- Facility and Auxiliary Asset Replacement Cost – \$1.2 million.



Capital expenditure by category during the three months ending March 31, 2023

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 Offering and the Company's share purchase plans.

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

Capital Structure				
	March 31, 2023 (\$ thousands)	%	March 31, 2022 (\$ thousands)	%
Total Debt	372,541	55	293,320	50
Shareholder's Equity	307,925	45	297,955	50
Total	680,466	100	591,275	100

The change in the Company's capital structure between March 31, 2023 and March 31, 2022 was a net effect of \$80 million long term debt acquired in Q4 2022, the \$15 million short term debt in Q1 2023 and long term debt principal repayments.

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 March 31, 2023, 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+/ Stable

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 2023, 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 strong credit metrics for the first 12 months ended September 30, 2022 and expected to remain stable in the medium term; (2) stable business profile; (3) its solid resilience in coping with inflation and higher interest rates; and increase in electricity demand benefitting from economic recovery following a period of COVID-19 pandemic restrictions. The ratings also incorporate the CUC's exposure to, and its ability to cope with, hurricane risks and the relatively small size of its operations and customer base.

In May 2022, S&P revised its outlook of the Company to stable from negative due to consistent financial performance. Despite the pandemic which negatively affected Cayman's tourism industry, CUC's financial measures have consistently remained above S&P's downgrade threshold.



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 2022 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 March 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 March 31, 2023.

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 March 31, 2023.

There have been no changes in the Company's ICFR that occurred during the three months ended March 31, 2023 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

In October 2022, the Company submitted its 2023-2027 Capital Investment Plan (“CIP”) in the amount of \$403.4 million to OfReg for approval, which included \$60 million in alternative energy and resiliency projects. OfReg approved the 2023-2027 CIP in January 2023.

In November 2022, the Company and OfReg announced the initiation of two independent studies which would be followed by an update to the public regarding the plans for upcoming distributed renewable energy solar generation programmes in early 2023. The study undertaken by CUC analyzed the impact of additional renewable energy on fuel efficiency of the Company’s existing generating units. The study undertaken by OfReg analyzed the value of solar.

Based on the study, an additional 3MW capacity was released effective March 1, 2023 and allocated to the Consumer Owned Renewable Energy (“CORE”) and Distributed Energy Resources (“DER”) Programme as the finding indicate additional renewable energy within appropriate limitations will cause no negative impact to fuel efficiency, at the current price of oil.

In addition to the 3 MW capacity release for the CORE and DER Programmes as at March 1, 2023, CUC and OfReg anticipate further general capacity allocation and new distributed renewable generation programme development to fill another 6 MW of capacity. It is expected that the additional allocation will occur prior to the commercial operation date of the 20 MW Battery Energy Storage System (BESS) expected to be commission between Quarters 1 and 2 of 2024. The Company signed an Agreement with the technology group Wärtsilä for the supply and installation of BESS, a two 10-megawatt energy storage systems at the Hydesville and Prospect substations.

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 (“DPV”) 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 the RFP.

The Company received the regulatory approval for lifecycle upgrades to all Engine Room 5 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 conversion to run on natural gas. The Company has contracted MAN Energy Solutions SE during Quarter 4 2022 and expected completion in Quarter 4 2024.

The Company signed an agreement with Hitachi Energy for the installation of GIS indoor switchgear at Frank Sound Substation, in place of the aging existing arrangement. This will enhance the reliability of the eastern loop 69kV transmission loop and facilitate accelerating load growth and future integration of renewable energy sources in East End of Grand Cayman. The base design has been completed in 2022 and expected to be completed in Quarter 3 2024.

Subsequent Events: Outstanding Share Data

At May 3, 2023, the Company had issued and outstanding 37,736,581 Class A Ordinary Shares and 249,500, 9% cumulative Participating Class B Preference Shares.

Condensed Consolidated Interim Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at March 31, 2023	As at December 31, 2022
Assets			
<i>Current Assets</i>			
Cash		4,093	7,948
Accounts Receivable (Net of Allowance for Credit Losses of \$2,302 and \$2,241)	4	23,600	21,635
Regulatory Assets	5	40,952	41,910
Inventories		6,591	7,951
Prepayments		3,441	4,003
Total Current Assets		78,677	83,447
Property, Plant and Equipment, net		650,344	636,952
Intangible Assets, net		4,156	4,180
Other Assets		1,682	1,960
Total Assets		734,859	726,539
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Accounts Payable and Accrued Expenses		36,148	42,692
Regulatory Liabilities	5	782	913
Short Term Debt	8	15,000	-
Current Portion of Long-Term Debt	7	19,481	19,481
Consumers' Deposits and Advances for Construction		13,364	12,838
Current Portion Lease Liability		1,105	1,092
Total Current Liabilities		85,880	77,016
Defined Benefit Pension Liability		1,863	1,848
Long-Term Debt	7	338,060	338,030
Other Long-Term Liabilities		1,131	1,411
Total Liabilities		426,934	418,305
Shareholders' Equity			
Share Capital ²		2,496	2,491
Share Premium		191,178	190,023
Retained Earnings		116,085	117,577
Accumulated Other Comprehensive Loss		(1,834)	(1,857)
Total Shareholders' Equity		307,925	308,234
Total Liabilities and Shareholders' Equity		734,859	726,539

See accompanying Notes to Condensed Consolidated Interim Financial Statements

² Consists of Class A Ordinary Shares of 37,736,581 and 37,664,724 issued and outstanding as at March 31, 2023 and December 31, 2022 and Class B Preference Shares of 249,500 and 249,500 issued and outstanding as at March 31, 2023 and December 31, 2022, 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 March 31, 2023	Three Months Ended March 31, 2022
Operating Revenues			
Electricity Sales	3	24,640	22,096
Fuel Factor	3	45,078	28,349
Renewables	3	1,363	1,203
<i>Total Operating Revenues</i>		71,081	51,648
Operating Expenses			
Power Generation		47,549	30,894
General and Administration		3,755	2,775
Consumer Services		1,057	914
Transmission and Distribution		1,405	1,351
Depreciation		10,430	8,810
Maintenance		1,374	1,436
Amortisation of Intangible Assets		218	230
<i>Total Operating Expenses</i>		65,788	46,410
Operating Income		5,293	5,238
Other (Expenses)/Income:			
Finance Charges	9	(1,605)	(927)
Foreign Exchange Gain		450	380
Other Income		1,075	794
<i>Total Net Other Income</i>		(80)	247
Net Earnings for the Period		5,213	5,485
Preference Dividends Paid- Class B		(113)	(113)
Earnings on Class A Ordinary Shares		5,100	5,372
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)		37,665	37,370
Earnings per Class A Ordinary Share		0.14	0.14
Diluted Earnings per Class A Ordinary Share		0.14	0.14
Dividends Declared per Class A Ordinary Share		0.175	0.175

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 March 31, 2023	Three Months Ended March 31, 2022
Net Earnings for the Period	5,213	5,485
Other Comprehensive Loss:		
Net Actuarial (loss) /gain		
Amortisation of Net Actuarial Loss	23	18
Total Other Comprehensive Income	23	18
Comprehensive Income	5,236	5,503

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, 2022	37,665	2,241	250	190,023	(1,857)	117,577	308,234
Net earnings	-	-	-	-	-	5,213	5,213
Common share issuance and stock options plans & redemption	72	5	-	1,155	-	-	1,160
Defined benefit plans	-	-	-	-	23	-	23
Dividends on common shares	-	-	-	-	-	(6,592)	(6,592)
Dividends on preference shares	-	-	-	-	-	(113)	(113)
As at March 31, 2023	37,737	2,246	250	191,178	(1,834)	116,085	307,925
As at December 31, 2021	37,369	2,224	250	185,687	(1,885)	111,602	297,878
Net earnings	-	-	-	-	-	5,485	5,485
Common share issuance and stock options plans & redemption	75	4	-	1,226	-	-	1,230
Defined benefit plans	-	-	-	-	18	-	18
Dividends on common shares	-	-	-	-	-	(6,543)	(6,543)
Dividends on preference shares	-	-	-	-	-	(113)	(113)
As at March 31, 2022	37,444	2,228	250	186,913	(1,867)	110,431	297,955

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 March 31, 2023	Three Months Ended March 31, 2022
<i>Operating Activities</i>		
Net Earnings for the period	5,213	5,485
Items not affecting cash:		
Depreciation	10,430	8,810
Amortisation of Intangible Assets	218	230
Amortisation of Deferred Financing Costs	30	29
	15,891	14,554
Net changes in working capital balances related to operations	(4,117)	7,412
Net Change in Regulatory Assets and Regulatory Liabilities	827	(2,276)
<i>Cash flow related to operating activities</i>	12,601	19,690
<i>Investing Activities</i>		
Purchase of Property, Plant and Equipment	(25,293)	(19,287)
Costs related to Intangible Assets	(194)	(462)
Proceeds on Disposed Asset	95	33
<i>Cash flow related to investing activities</i>	(25,392)	(19,716)
<i>Financing Activities</i>		
Proceeds from Debt Financing	15,000	-
Dividends Paid	(6,490)	(6,484)
Net Proceeds from Share Issuance	426	544
<i>Cash flow related to financing activities</i>	8,936	(5,940)
Decrease in net cash	(3,855)	(5,966)
Cash, Beginning of the period	7,948	7,360
Cash, End of the period	4,093	1,394
Supplemental disclosure of cash flow information:		
Interest paid during the period	915	815

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Notes to Condensed Consolidated Interim Financial Statements

Unaudited – March 31, 2023 (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 and approval. The required rate increase as 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 United States (“US”) and 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 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 three months of 2023, \$0.3 million was recovered from customers related to the base rate increase deferral.

In October 2022, OfReg approved the proposed CUC Fuel Relief Programme applicable to all customers to reduce the fuel cost spike. The Programme capped the amount of the fuel factor paid by customers at \$0.24/kWh for consumption effective October 1, 2022 through December 31, 2022. During the period of the Programme, CUC recorded the excess fuel factor as a Regulatory Asset for a 12-month recovery rate at \$0.0089 per kWh. The amount recorded as a regulatory asset for the year ended December 31, 2022 was \$6.3 million and will be recovered within one year through future rates from the effective date of January 1, 2023. During the first three months of 2023, \$1.4 million was recovered from customers related to deferred fuel.

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, 2022.

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 March 31, 2023	Three Months Ended March 31, 2022	Change %
Electricity Sales Revenues			
Residential	12,632	11,429	11%
Commercial	11,726	10,449	12%
Other (street lighting etc.)	282	218	29%
Total Electricity Sales Revenues	24,640	22,096	12%
Fuel Factor	45,078	28,349	59%
Renewables	1,363	1,203	13%
Total Operating Revenues	71,081	51,648	38%

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 March 31, 2023	As at December 31, 2022
Billings to Consumers*	25,317	23,156
Other Receivables	585	720
Allowance for Credit Losses	(2,302)	(2,241)
Total Accounts Receivable, net	23,600	21,635

*Includes billings to DataLink customers.

Other Receivables

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 from March 31, 2022 to March 31, 2023 is listed in the following table.

Allowance for Credit Losses		
(\$ thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Beginning of Period	(2,241)	(1,976)
Credit Loss Expensed	23	(70)
Recoveries	(84)	(3)
End of Period	(2,302)	(2,049)

5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
(\$ thousands)			
Asset/Liability	Description	As at March 31, 2023	As at December 31, 2022
Regulatory Assets	Fuel Tracker Account	30,902	31,040
Regulatory Assets	Derivative contract	54	61
Regulatory Assets	Miscellaneous Regulatory Assets	77	83
Regulatory Assets	Government & Regulatory Tracker Account	1,756	1,211
Regulatory Assets	Deferred 2022 Revenues	2,467	2,770
Regulatory Assets	Temporary Generation Lease	762	403
Regulatory Assets	Deferred Fuel Revenues	4,934	6,342
Total Regulatory Assets		40,952	41,910
Regulatory Liabilities	Demand Rate Recoveries	(301)	(373)
Regulatory Liabilities	Deferred COVID-19 Costs	(481)	(540)
Total Regulatory Liabilities		(782)	(913)

6. 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 S&P/TSX Utilities Index. PSUs outstanding as at March 31, 2023 relate to grants in 2021 in the amount of 31,304, 2022 in the amount of 34,154 and 2023 in the amount of 66,775. 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 three months ended March 31, 2023, an expense of \$0.2 million (March 31, 2022: \$0.01 million) was recognised in earnings with respect to the PSU plan. As at March 31, 2023, the total liability related to outstanding PSUs is \$0.6 million (March 31, 2022: \$0.5 million) and is included in Other Long Term Liabilities.

7. 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 March 31, 2023. The estimated fair value of the Company's financial instruments are as follows:

Financial Instruments				
(\$ thousands)	As at March 31, 2023		As at December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion	357,541	347,432	357,511	341,125
Fuel Option Contracts	(58)	(58)	(130)	(130)

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 March 31, 2023.

8. Short-Term Debt

In March 2023, the Company drew down \$15.0 million against its credit facilities with Scotia Bank and Trust (Cayman) Limited to assist with the short term operational and capital investment needs.

9. Finance Charges

The composition of finance charges was as follows:

Finance Charges		
(\$ thousands)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Interest Costs - Long-Term Debt	4,107	3,161
Other Interest Costs	154	47
AFUDC	(2,656)	(2,281)
Finance Charges	1,605	927

10. Foreign Exchange

The closing rate of exchange on March 31, 2023 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn\$1.3533 per US\$1.00 (March 31, 2022: Cdn\$1.2496). 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 March 31, 2023 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.640 per CI\$1.00 (March 31, 2022: Cdn\$1.4995).

11. Commitments

As at March 31, 2023, the Company's consolidated commitments in each of the next five years and for periods thereafter are as follows:

Commitments					
(\$thousands)	Total	2023	2024-2025	2026-2027	2028 Onward
Letter of Guarantee	1,000	1,000	-	-	-
Lease Liability	1,732	891	841	-	-
Commitments	2,732	1,891	841	-	-

Shareholder and Corporate Information

Annual General Meeting

Shareholders are invited to attend the Annual General Meeting of the Company to be held on May 12, 2023 at 11 am. If you are unable to attend, please complete and return the form of proxy in accordance with the instructions set out in the accompanying meeting material.

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.

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

Duplicate Annual Reports

While every effort is made to avoid duplications, some shareholders may receive extra reports as a result of multiple share registrations. Shareholders wishing to consolidate these accounts should contact the Registrar and Transfer Agents.

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
Website: 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
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

Caribbean Utilities Company, Ltd.
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