



May 1, 2024

## CARIBBEAN UTILITIES COMPANY, LTD. (CUC) ANNOUNCES QUARTER ONE (2024) RESULTS AND STRATEGIC MILESTONES

*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 consolidated unaudited results for the three months ended March 31, 2024 ("First Quarter 2024" or "Q1 2024") (all figures stated in United States Dollars).

Highlights for Q1 2024 were as follows:

### Financial Growth

- Net Earnings for Q1 2024 totaled \$6.2 million, 18% increase compared to Q1 2023.
- 6% increase in kilowatt-hour ("kWh") sales when compared to three months ended March 31, 2023 ("First Quarter 2023" or "Q1 2023").
- 2% increase in total customers when compared to Q1 2023.

### Capital Expenditures

- Investments in sustainability includes purchase of more electric vehicles to add to the fleet, the utility scale Battery Energy Storage System project ("BESS") and the public electric vehicle charging station programme.
- Total capital expenditures for the three months ended March 31, 2024, totaled \$19.3 million which included projects to improve grid resiliency, generation asset upgrades, and construction of infrastructure to transition to lower carbon energy.
- Two 10-megawatt ("MW") BESS located at Hydesville and Prospect sub-stations. Systems will be online in the first half of 2024 and the systems are anticipated to lower fuel costs and improve fuel efficiency by up to 5-6%.

### Carbon Reduction Initiatives

- Request for Qualification for the provision of Liquid Natural Gas as a transitional fuel was completed in 2023, this project is progressing with the Request for Proposal to be issued in 2024.
- Lifecycle upgrades for first generating unit were completed and work has commenced on the second of five units planned for upgrade. Upgrades will improve fuel efficiency and allow the engines to be easily converted to dual fuel when LNG is an option on Grand Cayman.
- 20 Electric Vehicle ("EV") charging stations installed with an anticipated further 20 charging stations by the end of 2024.

### Community Commitment and Recognition

- Continued commitment to community development showcased through partnerships and support programmes. Programmes assisted in Q1 2024 were Cayman Athletics through the

### **Caribbean Utilities Company, Ltd.**

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hosting of the CARIFTA trials and Cayman Swimming through the hosting of the CUC Sea Swim.

- Green Diamond Award recipient in 2023 for recycling excellence and recycling over 2.7 million pounds of scrap metal, cable, transformers and other recyclable material.

The Company continues to deliver reliable and safe electricity service to our customers. During the First Quarter, the Company continued to make progress on major projects that are aimed at reducing costs and carbon emissions.

### Net Earnings and Sales Revenues

Net earnings for Q1 2024 were \$6.2 million, a \$1.0 million increase when compared to net earnings of \$5.2 million for Q1 2023. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q1 2024 were \$6.0 million, or \$0.16 per share, as compared to \$5.1 million, or \$0.14 per share for Q1 2023.

Sales in kWh for Q1 2024 were 168.1 million kWh which is an increase of 9.3 million kWh or 6% compared to Q1 2023. The increase was due to the 7% sales growth in both residential and large commercial customers. For large commercial customers this increase was driven by economic growth and for residential customers this growth was mainly attributed to increased average consumption. The average temperature for Q1 2024 was 80.8 degrees Fahrenheit compared to the average temperature of 80.6 degrees Fahrenheit in Q1 2023. Rising temperatures contributed to the overall growth in consumption for customers.

Fuel factor and renewable energy costs are passed through to customers with no mark-up. Fuel Factor consists of charges from diesel fuel and lubricating oil costs, which are passed through to consumers on a two-month lag basis. The average Fuel Cost Charge rate charged to consumers for Q1 2024 was \$0.23 per kWh, compared to the Fuel Cost Charge rate of \$0.24 per kWh for Q1 2023.

“The Company continues to focus on our capital investment and infrastructure projects with an emphasis on sustainability. We continue to make investments that will allow CUC to increase fuel efficiency and reduce our reliance on diesel all while continuing to safely deliver reliable and least cost energy,” said Mr. Richard Hew, President and Chief Executive Officer.

### Key Updates

In Q1 2024 the Company continued to focus on its carbon reduction efforts through the EV charging station programme. The EV charging station programme was adopted as an action item resulting from the Company’s goal to abide by and embrace the current National Energy Policy which outlined the need to provide more options for electric vehicles throughout the island.

Two 10MW BESS have been placed separately at the Hydesville and Prospect sub-station locations and it is anticipated that these systems will be installed and in use by the end of May 2024. These storage systems will allow for further renewable energy, upon approval by the regulator, on the grid and allow for savings of up to \$5 million per year in fuel costs.

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## Capital Expenditures

Capital Expenditures for the three months ended March 31, 2024, were \$19.3 million, a decrease of \$3.5 million or 15% in comparison to the \$22.8 million in capital expenditures for the three months ended March 31, 2023. The expenditures for the three months ended March 31, 2024, were primarily related to:

- Distribution system extension and upgrades
- Generation replacements
- Lifecycle upgrades
- Alternate energy technologies
- Installation of BESS,
- Facility and auxiliary asset replacement costs, and other resiliency projects

The above capital projects will enhance the reliability and safe delivery of electricity service to the customers of Grand Cayman. The Company continues to be committed to carbon reduction targets of 60% by 2030 and projects that will allow for cost reduction savings for the customers of Grand Cayman.

CUC's First Quarter 2024 results and related Management's Discussion and Analysis ("MD&A") are attached to this release and incorporated by reference. The MD&A section of this report contains a discussion of CUC's unaudited First Quarter 2024 results, the Cayman Islands economy, liquidity and capital resources, capital expenditures and the business risks facing the Company. The release and the First Quarter 2024 MD&A can be accessed at [www.cuc-cayman.com](http://www.cuc-cayman.com) (Investor Relations/Press Releases) and at [www.sedarplus.ca](http://www.sedarplus.ca).

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 License" 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](http://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*

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*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.  
**2024** First Quarter Report  
March 31, 2024



**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, 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 US 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 1, 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 124.1 MW was experienced on July 18, 2023. 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 57 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.

### Rate of Exchange

The closing rate of exchange on March 31, 2024 as reported by the Bank of Canada for the conversion of United States dollars into Canadian dollars was Cdn\$1.3574 (March 31, 2023: Cdn\$1.3533) per US\$1.00. The official exchange rate for the conversion of Cayman Islands dollars into United States 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, 2024 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.6289 per CI\$1.00 (March 31, 2023: Cdn\$1.6289). All amounts are stated in United States dollars, unless otherwise noted.



## 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 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.

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 increases 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. For the three months of 2024, \$0.3 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$1.7 million as at March 31, 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 Basic Earnings, Dividends Paid and where otherwise indicated)

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change	% Change
Electricity Sales Revenues	27,018	24,640	2,378	10%
Fuel Factor	40,406	45,078	(4,672)	-10%
Renewables	1,288	1,363	(75)	-6%
Total Operating Revenues	68,712	71,081	(2,369)	-3%
Power Generation <sup>1</sup>	42,949	47,549	(4,600)	-10%
Other Expenses	20,180	18,239	1,941	11%
Total Operating Expenses	63,129	65,788	(2,659)	-4%
Net Earnings for the Period	6,158	5,213	945	18%
Cash Flow related to Operating Activities	26,439	12,601	13,838	110%
<i>Per Class A Ordinary Share:</i>				
Basic Earnings	0.16	0.14	0.02	14%
Dividends Paid	0.180	0.175	0.005	3%
Total Customers	33,777	33,214	563	2%
Total Full-Time Employees	269	255	14	5%
Customers per Employee (#)	126	130	(4)	-3%
System Availability (%)	99.97	99.97	-	-
Peak Load Gross (MW)	112.3	104.3	8	8%
<i>Millions of kWh:</i>				
Net Generation	169.4	159.3	10.1	6%
Renewable Energy Generation	5.4	5.5	(0.1)	-2%
Total Energy Supplied	173.7	163.8	9.9	6%
Kilowatt-Hour Sales	168.1	158.8	9.3	6%
Sales per Employee	0.62	0.63	(0.01)	-2%

### Shares Performance

The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange closing at \$14.00 per share with dividend yield of 5.14% at the end of the three months ended March 31, 2024 ("First Quarter 2024" or "Q1 2024").

The graph depicts the Company's performance chart in comparison to the TSX Utilities Capped Index ("TTUT", in red) for the period January 1, 2024 to March 31, 2024. During Q1 2024, CUP.U outperformed the utilities index and experienced a 28% growth in shares price while TTUT declined by 2%.



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



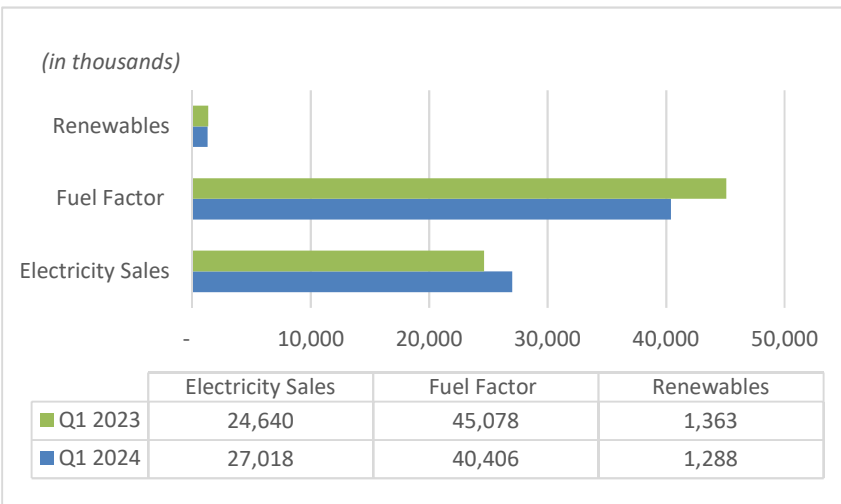
## Results of Operations

### Operating Revenues

Sales in kilowatt-hours (“kWh”) First Quarter 2024 were 168.1 million kWh, an increase of 9.3 million kWh or 6% compared to 158.8 million kWh for the three months ended March 31, 2023 (“First Quarter 2023” or “Q1 2023”). The increase was due to the 7% sales growth in both the residential and large commercial customers. Increase in kWh sales from large commercial customers was driven by economic growth while increase from residential customers was mainly driven by the 6% increase in average consumption. The average monthly temperature for Q1 2024 was 80.8 degrees Fahrenheit comparable to 80.6 degrees Fahrenheit for Q1 2023. The average rainfall for Q1 2024 was 0.7 inches compared to 1.8 inches in Q1 2023.

Total customers as at March 31, 2024 were 33,777, an increase of 563 or 2% compared to 33,214 customers as at March 31, 2023. During Q1 2024, 86% of the customers are residential customers, consuming about 53% of the total kWh sales.

Operating revenues for Q1 2024 totalled \$68.7 million, a decrease of \$2.4 million from \$71.1 million for Q1 2023. This decrease in operating revenues was due to lower fuel factor and renewables revenues partially offset by 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.

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.

### Sales and Customer Highlights

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change %
<b>Customers</b> (fully stated, not in thousands)			
Residential	29,032	28,525	2%
General Commercial	4,635	4,588	1%
Large Commercial	110	101	9%
<b>Total Customers</b>	<b>33,777</b>	<b>33,214</b>	<b>2%</b>
<b>Sales</b> (in thousands kWh)			
Residential	88,292	82,573	7%
General Commercial	35,564	34,736	2%
Large Commercial	43,142	40,299	7%
Streetlights	1,087	1,223	-11%
<b>Total Sales</b>	<b>168,085</b>	<b>158,831</b>	<b>6%</b>
<b>Average Monthly Consumption Per Customer (kWh)</b>			
Residential	1,016	962	6%
General Commercial	2,555	2,495	2%
Large Commercial	130,733	132,590	-1%

Electricity sales revenues increased by \$2.4 million for Q1 2024 to \$27.0 million when compared to electricity sales revenues of \$24.6 million for Q1 2023. This increase is driven by the 6% kWh sales growth and the 3.7% base rate increase effective June 1, 2023.

Fuel factor revenues for Q1 2024 totalled \$40.4 million, a \$4.7 million decrease from the \$45.1 million in fuel factor revenues for Q1 2023. The decrease was due to a decrease in the price of fuel partially offset by the increase in fuel consumption. The average Fuel Cost Charge rate charged to consumers for Q1 2024 was \$0.23 per kWh, compared to the Fuel Cost Charge rate of \$0.24 per kWh for Q1 2023. Fuel Factor

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.

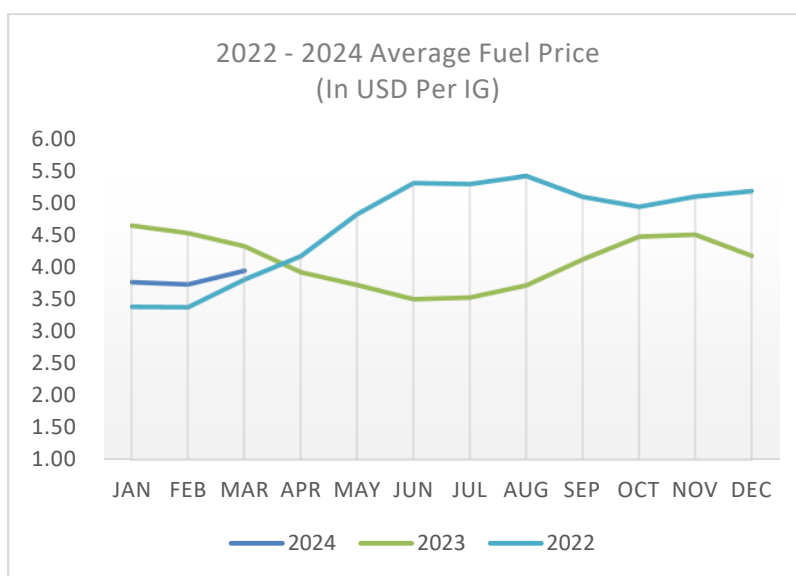
## Operating Expenses

Operating expenses for Q1 2024 were \$63.1 million, a decrease of \$2.7 million or 4% compared to \$65.8 million for Q1 2023. This is mainly due to the net impact of the changes listed below:

Significant Changes in Operating Expenses					
(\$ in thousands)					
Item	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change	% Change	Explanation
Power Generation	42,949	47,549	(4,600)	-10%	Decrease primarily due to the 15% decrease in average fuel cost partially offset by increase in fuel consumption from 6% sales growth and higher compensation cost.
Depreciation	11,215	10,430	785	8%	Increase due to the completed capital projects during prior periods.
Maintenance	1,709	1,374	335	24%	Increase due to higher compensation cost and generator maintenance partially offset by reclass of computer maintenance to general and administration.
Transmission & Distribution	1,697	1,405	292	21%	Increase due to higher compensation cost partially offset by decrease in materials used.

The average fuel price per kWh for 2024 decreased in comparison to the prior year because of the increased inventories related to increased refinery capacity. The Company’s average price per imperial gallon (“IG”) of fuel for the three months ended March 31, 2024 decreased by 15% to \$3.82 in comparison to \$4.51 for the three months ended March 31, 2023. The Company’s average price per IG of lubricating oil for the three months ended March 31, 2024, increased by 1% to \$16.76 when compared to \$16.59 for the three months ended March 31, 2023.

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 2024 totalled \$5.6 million, an increase of \$0.3 million compared to operating income of \$5.3 million for the First Quarter of 2023. This increase is primarily attributable to the 6% increase in kWh sales and a 3.7% base rate increase effective June 1, 2023 partially offset by higher depreciation, maintenance, transmission and distribution cost.

Net earnings for Q1 2024 were \$6.2 million, a \$1.0 million increase from net earnings of \$5.2 million for Q1 2023. This increase is primarily attributable to higher other income partially offset by increase in finance charges. During Q1 2024, the increase in



Other Income was due to the recovery of billing in arrears amounting to \$0.6 million for a six-year period related to CCTV pole attachments.

After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q1 2024 were \$6.0 million, or \$0.16 per Class A Ordinary Share, as compared to \$5.1 million, or \$0.14 per Class A Ordinary Share, for Q1 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 38,008,196 and 37,664,724 for the quarters ended March 31, 2024 and March 31, 2023, respectively.

## Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended June 30, 2022 through March 31, 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)*

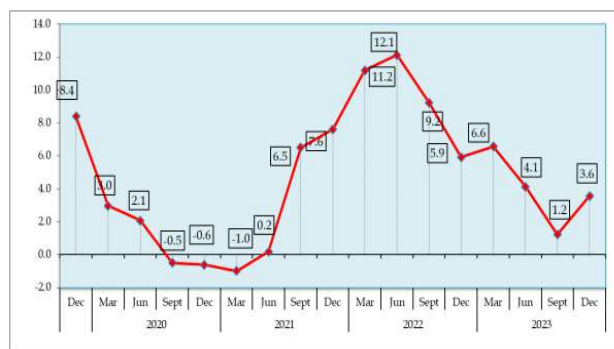
	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
<b>March 31, 2024</b>	68,712	6,158	6,046	0.16	0.16
<b>December 31, 2023</b>	74,702	9,523	8,890	0.24	0.24
<b>September 30, 2023</b>	73,574	13,936	13,824	0.36	0.36
<b>June 30, 2023</b>	67,868	9,988	9,876	0.26	0.26
March 31, 2023	71,081	5,213	5,100	0.14	0.14
December 31, 2022	78,491	8,961	8,329	0.22	0.22
September 30, 2022	79,031	10,420	10,308	0.28	0.28
June 30, 2022	58,167	8,310	8,197	0.22	0.22

## The Economy

The Cayman Islands Economics and Statistics Office (“ESO”) published the 2023 Cayman Islands’ Consumer Price Index (“CPI”) Annual Report in February 27, 2024. The average CPI in 2023 was 131.0, an increase of 3.8% over the average CPI in 2022. This represents an increase in the overall index, driven mainly by higher prices for household furnishings and equipment (10.4%), food and non-alcoholic beverages (5.7%), housing and utilities (4.6%), clothing and footwear (3.8%), alcoholic beverages and tobacco (3.7%) and restaurants and hotels (3.7%).

Due to global uncertainties such as fuel supply, geopolitical tensions and high interest rates, projections for Cayman Island’s economy decelerate to 2.2% in 2024 and average out at 2.5% between 2025 and 2027 according to the Cayman Islands Government.

In June 2023, credit rating agency Moody’s has affirmed the Cayman Islands’ AAA country ceiling rating and stable economic outlook. Moody’s has referenced the Cayman Islands’ stable political environment, strong policy continuity, sound financial management and economic growth following the COVID-19 pandemic.



Quarterly Cayman Islands Inflation Rates, December 2019 – December 2023 (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, 2024	As at December, 2023
Bank Licenses	86	87
Mutual Funds	12,805	12,802
Mutual Fund Administrators	71	74
Registered Companies	119,380	118,443
Captive Insurance Companies	715	708

The tourism sector is the second main pillar of the Cayman Islands economy. In 2023, the Cayman Islands showed steady growth towards full tourism recovery. Stayover and cruise arrivals to the Cayman Islands maintained an upward momentum with the destination seeing a 105% increase in total visitation compared to the same period in 2022.

The following table presents statistics for tourist arrivals in the Cayman Islands for the period ended March 31, 2024:

Tourist Arrivals to the Cayman Islands					
<i>(for the years ended December 31)</i>					
	As at March 31, 2024	2023	2022	2021	2020
By Air	137,094	429,284	180,624	2,212	121,819
By Sea	406,715	1,270,981	426,293	-	538,140
<b>Total</b>	<b>543,809</b>	<b>1,700,265</b>	<b>606,917</b>	<b>2,212</b>	<b>659,959</b>

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

## Liquidity and Capital Resources

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

The following table outlines the summary of cash flow for Q1 2024 compared to Q1 2023:

Cash Flows				
(\$ thousands)				
	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	Change	% Change
Beginning Cash	3,987	7,948	(3,961)	(50%)
Cash Provided By/(Used In):				
Operating Activities	26,439	12,601	13,838	110%
Investing Activities	(23,074)	(25,392)	2,318	9%
Financing Activities	(4,550)	8,936	(13,486)	(151%)
<b>Ending Cash</b>	<b>2,802</b>	<b>4,093</b>	<b>(1,291)</b>	<b>(32%)</b>

### Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Q1 2024, was \$26.4 million, an increase of \$13.8 million from \$12.6 million for Q1 2023. This increase was primarily due to the movement in the working capital balances and recoveries of deferred revenue.

#### Investing Activities:

Cash used in investing activities for Q1 2024 totalled \$23.1 million, a decrease of \$2.3 million from \$25.4 million for Q1 2023. This decrease was primarily due to lower capital expenditures during Q1 2024.

#### Financing Activities:

Cash used by financing activities totalled \$4.5 million for Q1 2024, a decrease of \$13.4 million when compared to \$8.9 million of cash provided by financing activities for Q1 2023. This net decrease is mainly due to decrease in short term debt financing amounting to \$15 million and higher dividend payments in 2024, partially offset by increase in bank overdraft.

#### 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 March 31, 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	390,544	70,935	39,870	35,584	244,155
Long-Term Debt Interest	188,856	15,034	27,705	24,741	121,376
<b>Total</b>	<b>579,400</b>	<b>85,969</b>	<b>67,575</b>	<b>60,325</b>	<b>365,531</b>

## Financial Position

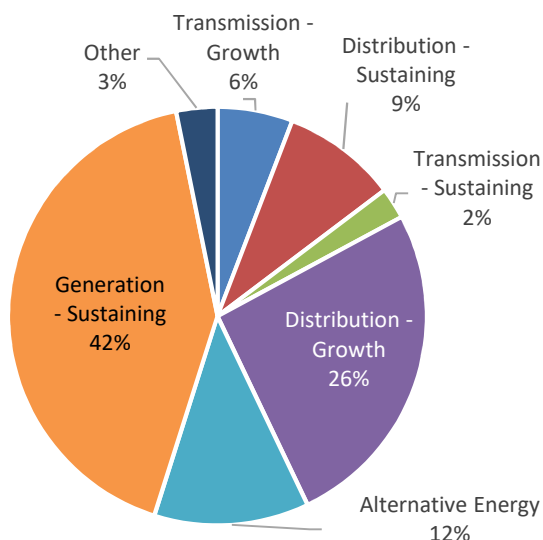
The following table is a summary of significant changes to the Company's balance sheet, when comparing December 31, 2023 to March 31, 2024.

Significant Changes in Balance Sheet (from December 31, 2023 to March 31, 2024)		
(\$ thousands)		
Balance Sheet Account	Increase/ (Decrease)	Explanation
Cash and Cash Equivalents	(1,185)	Net decrease due to cash provided by operating activities of \$26.4 million offset by cash used in financing activities of \$4.5 million and cash used in investing activities of \$23.1 million.
Accounts Receivable	(3,230)	Net decrease due to lower fuel factor partially offset by increase in kwh sales.
Bank Overdraft	1,869	Increase due to use of overdraft facility to assist short term cash needs.
Property, Plant and Equipment	8,971	Increase due to capital expenditures for the period offset by increase in depreciation expense.
Accounts Payable and Accrued Expenses	(2,745)	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.
Share Premium	1,062	Increase due to the issuance of 77,860 Class A Ordinary Shares through the share purchase plans.
Retained Earnings	(795)	Decrease due to net earnings for the period of \$6.2 million, offset by dividend payments on the Class A Ordinary Shares of \$6.8 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, 2024, were \$19.3 million, a decrease of \$3.5 million, or 15% in comparison to the \$22.8 million in capital expenditures for the three months ended March 31, 2023. AFUDC of \$3.2 million was capitalised in Q1 2024. The capital expenditures for the three months ended March 31, 2024, primarily relate to:

- Distribution System Extension and Upgrades - \$6.5 million
- Generation Replacement - \$3.2 million
- Lifecycle Upgrade - \$3.0 million
- Battery Energy Storage System - \$2.1 million
- Resiliency Project - \$1.0 million



In September 2022, the Company signed an Agreement with the technology group Wärtsilä for the supply of two 10-megawatt Battery Energy Storage System (“BESS”) to CUC. This project, which will be CUC’s first energy storage facility, will allow for increased renewable energy capacity on Grand Cayman. It is also anticipated that this project will lower fuel costs and improved fuel efficiency by up to 5% to 6% and a proportionate reduction of CO<sub>2</sub> emissions. It will also increase CUC’s level of reliability and its power quality. The 20-megawatt BESS is expected to be commissioned during the first half of 2024 at the Hydesville and Prospect substations.

In 2022, the Company initiated and received regulatory approval for an infrastructure project for dual-fuel conversion of five MAN generating units totalling 68MW of capacity. This Life Cycle Upgrade project aims to reliably meet base load and capacity needs while the Company continues its focus on integrating additional utility-scale renewable energy projects. 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 first unit upgrade was completed in Q1 2024 and the upgrades of two additional units are

expected to be completed by Q4 2024.

## 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 of shares issuances.

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

Capital Structure				
	March 31, 2024 (\$ thousands)	%	March 31, 2023 (\$ thousands)	%
Total Debt	389,176	54	372,541	55
Shareholder’s Equity	325,012	46	307,925	45
<b>Total</b>	<b>714,188</b>	<b>100</b>	<b>680,466</b>	<b>100</b>



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

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 are 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 November 2023, following the review of Fortis Inc., S&P revised its outlook from stable rating to negative due to rising physical risks. S&P has assessed the elevated exposure to physical events, including wildfires, 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 quarter ending March 31, 2024; 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, 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 March 31, 2024.

There have been no changes in the Company's ICFR that occurred during the three months ended March 31, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## Outlook

With the strong economic growth in the Cayman Islands, combined with record high average temperatures, the Company is expecting growth in the demand of electricity in 2024 and beyond. The T&D licence mandates the Company to maintain adequate reserves margins of power and requires the Company to identify additional capacity needs three years in advance. While the Company continues its efforts on integrating additional utility-scale renewable energy, small-scale temporary generation will be utilised to reliably meet base load and accommodate the expected demand growth. CUC is committed to dispatching generating capacity prudently in accordance with the licence's least-cost principle.

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

In September 2023, in its continuous effort to reduce the cost of energy production and carbon emissions, the Company sought qualification submissions from prospective natural gas suppliers. In line with the Cayman Islands National Energy Policy and the Company's Integrated Resource Plan, CUC is committed to increase the use of cleaner energy and reduce greenhouse gas emissions over the long term. The Request for Proposal will be finalized and issued to market in Q2 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 2023, the Company submitted its 2024-2028 Capital Investment Plan ("CIP") in the amount of \$390.1 million to OfReg for approval, which includes \$62 million in alternative energy and resiliency projects. OfReg approved the proposed 2024-2028 CIP on March 14, 2024.

In November 2023, as required by the T&D License every five years, the Company completed and submitted a Cost of Service Study to OfReg. The purpose of the Study is to determine how base rates should be rebalanced to reflect the allocated cost of service to respective customer groups. OfReg's decision on the cost of service study is anticipated during Q2 2024.

In April 16, 2024, the National Energy Policy ("NEP") 2024-2045 was approved by the Cabinet of the Cayman Islands Government. The Cayman Islands' Ministry of Sustainability & Climate Resiliency and the Energy Policy Council led a five-year review of the NEP and Implementation Plan in July 2023. The NEP seeks to establish a framework with which all stakeholders can identify, which sets the stage for the achievement of the territory's energy goals and considers the imperative need to reduce greenhouse gas emissions, thereby lowering the carbon footprint of the Cayman Islands in alignment with global efforts to combat climate change. The revised NEP focuses on renewable energy, energy conservation methods and the promotion of energy efficiency.

## Subsequent Events: Outstanding Share Data

At May 1, 2024, the Company had issued and outstanding 38,086,056 Class A Ordinary Shares and 249,390, 9% cumulative Participating Class B Preference Shares.

## Condensed Consolidated Interim Balance Sheets

(expressed in thousands of United States Dollars)

	Note	As at March 31, 2024	As at December 31, 2023
<b>Assets</b>			
<i>Current Assets</i>			
Cash		2,802	3,987
Accounts Receivable (Net of Allowance for Credit Losses of \$2,140 and \$2,817)	4	24,473	27,703
Regulatory Assets	5	32,932	34,562
Inventories		4,575	5,690
Prepayments		3,061	4,289
<b>Total Current Assets</b>		<b>67,843</b>	<b>76,231</b>
Property, Plant and Equipment, net		704,126	695,155
Intangible Assets, net		4,457	4,556
Other Assets		1,293	1,865
<b>Total Assets</b>		<b>777,719</b>	<b>777,807</b>
<b>Liabilities and Shareholders' Equity</b>			
<i>Current Liabilities</i>			
Accounts Payable and Accrued Expenses		34,820	37,565
Regulatory Liabilities	5	1,119	611
Bank Overdraft		10,506	8,637
Short Term Debt	8	51,000	51,000
Current Portion of Long-Term Debt	7	19,935	19,935
Consumers' Deposits and Advances for Construction		14,242	13,972
Current Portion Lease Liability		1,476	1,944
<b>Total Current Liabilities</b>		<b>133,098</b>	<b>133,664</b>
Defined Benefit Pension Liability		463	472
Long-Term Debt	7	318,241	318,210
Other Long-Term Liabilities		905	719
<b>Total Liabilities</b>		<b>452,707</b>	<b>453,065</b>
<b>Shareholders' Equity</b>			
Share Capital <sup>2</sup>		2,515	2,512
Share Premium		195,361	194,299
Retained Earnings		127,460	128,255
Accumulated Other Comprehensive Loss		(324)	(324)
<b>Total Shareholders' Equity</b>		<b>325,012</b>	<b>324,742</b>
<b>Total Liabilities and Shareholders' Equity</b>		<b>777,719</b>	<b>777,807</b>

See accompanying Notes to Condensed Consolidated Interim Financial Statements

<sup>2</sup> Consists of Class A Ordinary Shares of 38,086,056 and 38,008,196 issued and outstanding as at March 31, 2024 and December 31, 2023 and Class B Preference Shares of 249,390 and 249,500 issued and outstanding as at March 31, 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 March 31, 2024	Three Months Ended March 31, 2023
<b>Operating Revenues</b>			
Electricity Sales	3	27,018	24,640
Fuel Factor	3	40,406	45,078
Renewables	3	1,288	1,363
<i>Total Operating Revenues</i>		<b>68,712</b>	71,081
<b>Operating Expenses</b>			
Power Generation		42,949	47,549
General and Administration		3,971	3,755
Consumer Services		1,308	1,057
Transmission and Distribution		1,697	1,405
Depreciation		11,215	10,430
Maintenance		1,709	1,374
Amortisation of Intangible Assets		280	218
<i>Total Operating Expenses</i>		<b>63,129</b>	65,788
<b>Operating Income</b>		<b>5,583</b>	5,293
<b>Other (Expenses)/Income:</b>			
Finance Charges	9	(1,793)	(1,605)
Foreign Exchange Gain		554	450
Other Income		1,814	1,075
<i>Total Net Other (loss) Income</i>		<b>575</b>	(80)
<b>Net Earnings for the Period</b>		<b>6,158</b>	5,213
<b>Preference Dividends Paid- Class B</b>		<b>(112)</b>	(113)
<b>Earnings on Class A Ordinary Shares</b>		<b>6,046</b>	5,100
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)		<b>38,008</b>	37,665
<b>Earnings per Class A Ordinary Share</b>		<b>0.16</b>	0.14
Diluted Earnings per Class A Ordinary Share		<b>0.16</b>	0.14
Dividends Declared per Class A Ordinary Share		<b>0.180</b>	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, 2024	Three Months Ended March 31, 2023
<b>Net Earnings for the Period</b>	<b>6,158</b>	5,213
Other Comprehensive Loss:		
Net Actuarial (loss) /gain		
Amortisation of Net Actuarial Loss	-	23
Total Other Comprehensive Income	-	23
<b>Comprehensive Income</b>	<b>6,158</b>	5,236

*See accompanying Notes to Condensed Consolidated Interim Financial Statements*

## Condensed Consolidated Interim Statements of Shareholders' Equity

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

	Class A Ordinary Shares (in thousands)	Class A Ordinary Shares Value (\$)	Preference Shares (\$)	Share Premium (\$)	Accumulated Other Comprehensive Loss (\$)	Retained Earnings (\$)	Total Equity (\$)
<b>As at December 31, 2023</b>	<b>38,008</b>	<b>2,262</b>	<b>250</b>	<b>194,299</b>	<b>(324)</b>	<b>128,255</b>	<b>324,742</b>
Net earnings	-	-	-	-	-	6,158	6,158
Common share issuance and stock options plans & redemption	78	4	(1)	1,062	-	-	1,065
Defined benefit plans	-	-	-	-	-	-	-
Dividends on common shares	-	-	-	-	-	(6,841)	(6,841)
Dividends on preference shares	-	-	-	-	-	(112)	(112)
<b>As at March 31, 2024</b>	<b>38,086</b>	<b>2,266</b>	<b>249</b>	<b>195,361</b>	<b>(324)</b>	<b>127,460</b>	<b>325,012</b>
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

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, 2024	Three Months Ended March 31, 2023
<i>Operating Activities</i>		
Net Earnings for the period	6,158	5,213
Items not affecting cash:		
Depreciation	11,215	10,430
Amortisation of Intangible Assets	280	218
Amortisation of Deferred Financing Costs	30	30
	<b>17,683</b>	15,891
Net changes in working capital balances related to operations	6,618	(4,117)
Net Change in Regulatory Assets and Regulatory Liabilities	2,138	827
<i>Cash flow related to operating activities</i>	<b>26,439</b>	12,601
<i>Investing Activities</i>		
Purchase of Property, Plant and Equipment	(23,023)	(25,293)
Costs related to Intangible Assets	(181)	(194)
Proceeds on Disposed Asset	114	95
Contribution in Aid of Construction	16	-
<i>Cash flow related to investing activities</i>	<b>(23,074)</b>	(25,392)
<i>Financing Activities</i>		
Proceeds from Debt Financing	-	15,000
Increase in bank overdraft	1,869	-
Dividends Paid	(6,773)	(6,490)
Net Proceeds from Share Issuance	354	426
<i>Cash flow related to financing activities</i>	<b>(4,550)</b>	8,936
Decrease in net cash	(1,185)	(3,855)
Cash, Beginning of the period	3,987	7,948
Cash, End of the period	2,802	4,093
Supplemental disclosure of cash flow information:		
Interest paid during the period	1,858	915

See accompanying Notes to Condensed Consolidated Interim Financial Statements

# Notes to Condensed Consolidated Interim Financial Statements

Unaudited – March 31, 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 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 2024, \$0.3 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$1.7 million as at March 31, 2024.

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 March 31, 2024	Three Months Ended March 31, 2023	Change %
<b>Electricity Sales Revenues</b>			
Residential	13,968	12,632	11%
Commercial	12,763	11,726	9%
Other (street lighting etc.)	287	282	2%
<b>Total Electricity Sales Revenues</b>	<b>27,018</b>	24,640	10%
<b>Fuel Factor</b>	<b>40,406</b>	45,078	-10%
<b>Renewables</b>	<b>1,288</b>	1,363	-6%
<b>Total Operating Revenues</b>	<b>68,712</b>	71,081	-3%

#### *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, 2024	As at December 31, 2023
Billings to Consumers*	22,353	28,250
Other Receivables	4,260	2,270
Allowance for Credit Losses	(2,140)	(2,817)
<b>Total Accounts Receivable, net</b>	<b>24,473</b>	27,703

\*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, 2023 to March 31, 2024 is listed in the following table.

Allowance for Credit Losses		
(\$ thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
<b>Beginning of Period</b>	(2,817)	(2,241)
Credit Loss Expensed	(56)	(84)
Recoveries and Write-off	733	23
<b>End of Period</b>	<b>(2,140)</b>	<b>(2,302)</b>

During Q1 2024, the Company recovered billing in arrears related to CCTV pole attachments amounting to \$0.6 million from 2018 to 2023.

## 5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
(\$ thousands)			
Asset/Liability	Description	As at March 31, 2024	As at December 31, 2023
Regulatory Assets	Fuel Tracker Account	28,584	30,408
Regulatory Assets	Miscellaneous Regulatory Assets	50	56
Regulatory Assets	Government & Regulatory Tracker Account	-	35
Regulatory Assets	Deferred 2022 Revenues	1,062	1,382
Regulatory Assets	Temporary Generation Lease 2022	1,696	1,515
Regulatory Assets	Temporary Generation Lease 2023	1,540	1,166
<b>Total Regulatory Assets</b>		<b>32,932</b>	<b>34,562</b>
Regulatory Liabilities	Demand Rate Recoveries	(243)	(243)
Regulatory Assets	Government & Regulatory Tracker Account	(570)	-
Regulatory Liabilities	Deferred COVID-19 Costs	(207)	(269)
Regulatory Liabilities	Deferred Fuel Revenues	(99)	(99)
<b>Total Regulatory Liabilities</b>		<b>(1,119)</b>	<b>(611)</b>

## 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 TSX Utilities Capped Index (TTUT). PSUs outstanding as at March 31, 2024 relate to the 2022 grant totalling 33,784 units, 2023 grants totalling 60,346 units and 2024 grant totalling 84,943 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 three months ended March 31, 2024, an expense of \$0.5 million (March 31, 2023: \$0.2 million) was recognised in earnings with respect to the PSU plan. As at March 31, 2024, the total liability related to outstanding PSUs is \$0.9 million (March 31, 2023: \$0.6 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, 2024. The estimated fair value of the Company's financial instruments are as follows:

<b>Financial Instruments</b>				
(\$ thousands)	As at March 31, 2024		As at December 31, 2023	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion	338,176	299,871	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 March 31, 2024.

## 8. Short-Term Debt

The Company has unsecured credit financing facilities with the Scotiabank & Trust (Cayman) Limited ("Scotia") and Royal Bank of Canada ("RBC"). The total available amount was \$20.5 million at March 31, 2024 (\$22.4 million at December 31, 2023).

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

## 9. Finance Charges

The composition of finance charges was as follows:

<b>Finance Charges</b>		
(\$ thousands)	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
Interest Costs - Long-Term Debt	3,862	4,107
Other Interest Costs	1,091	154
AFUDC	(3,160)	(2,656)
<b>Finance Charges</b>	<b>1,793</b>	<b>1,605</b>



## 10. Foreign Exchange

The closing rate of exchange on March 31, 2024 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn\$1.3574 per US\$1.00 (March 31, 2023: Cdn\$1.3533). 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, 2024 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.6289 per CI\$1.00 (March 31, 2023: Cdn\$1.6239).

## 11. Commitments

As at March 31, 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	1,456	1,456	-	-	-
<b>Commitments</b>	<b>2,456</b>	<b>2,456</b>	-	-	-

## 12. Contingency

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

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

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

## Shareholder and Corporate Information

### Annual General Meeting

Shareholders are invited to attend the Annual General Meeting of the Company to be held on May 7, 2024 at 3 pm. 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](http://www.cuc-cayman.com).

### Customer Share Purchase Plan

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

### Solicitors

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

### Auditors

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

### Principal Bankers

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

### 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](mailto:shareholderinquiries@tmx.com)  
Website: [www.tsxtrust.com](http://www.tsxtrust.com)  
(Acting as principal agent)

#### **Caribbean Utilities Company, Ltd.**

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

### Toronto Stock Exchange Listing

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

### Registered Office

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