



Caribbean Utilities Company, Ltd.
2023 Second Quarter Report
June 30, 2023





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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 June 30, 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.

August 2, 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 125 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 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, 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 has affirmed the Cayman Islands Government’s Aa3 bond issuer rating, Aaa country ceiling rating, and stable economic outlook.

Corporate and Regulatory Overview

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

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

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

Customer Rates

The Licenses contain the provision for a rate cap and adjustment mechanism (“RCAM”) based on published consumer price indices. CUC’s return on rate base (“RORB”) for 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 April 2023, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg was 3.7%, with an effective date of June 1, 2023. 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.

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. Due to economic conditions and rising fuel prices, OfReg approved the Company's proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company tracked the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as a regulatory asset for the year ended December 31, 2022 was \$2.8 million and will be recovered within two years through a recovery rates of \$0.0019 per kWh from the effective date of January 1, 2023. During the first six months of 2023, \$0.7 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. 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 rate at \$0.0089 per kWh effective date January 1, 2023. During the first six months of 2023, \$3.0 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 Earnings Per Share, Dividends Paid and where otherwise indicated)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change	% Change
Electricity Sales Revenues	28,749	25,538	53,389	47,634	5,755	12%
Fuel Factor	37,287	30,946	82,365	59,294	23,071	39%
Renewables	1,832	1,683	3,195	2,886	309	11%
Total Operating Revenues	67,868	58,167	138,949	109,814	29,135	27%
Power Generation ¹	40,255	33,927	87,804	64,821	22,983	35%
Other Expenses	17,762	16,109	36,002	31,624	4,378	14%
Total Operating Expenses	58,017	50,036	123,806	96,445	27,361	28%
Net Earnings for the Period	9,988	8,310	15,200	13,799	1,401	10%
Cash Flow related to Operating Activities	22,764	11,942	35,363	31,632	3,731	12%
<i>Per Class A Ordinary Share:</i>						
Earnings Per Share (EPS)	0.26	0.22	0.40	0.36	0.04	11%
Dividends Paid	0.180	0.175	0.355	0.350	0.005	1%
Total Customers	33,356	32,553	33,356	32,553	803	2%
Total Full-Time Employees	254	243	254	243	11	5%
Customers per Employee (#)	131	134	131	134	(3)	-2%
System Availability (%)	99.97	99.97	99.97	99.97	-	-
Peak Load Gross (MW)	121.9	110.3	121.9	110.3	11.6	11%
<i>Millions of kWh:</i>						
Net Generation	187.7	172.5	346.9	323.2	23.7	7%
Renewable Energy Generation	6.4	5.9	11.9	11.1	0.8	7%
Total Energy Supplied	193.5	177.9	357.3	332.3	25.0	8%
Kilowatt-Hour Sales	185.2	171.3	344.1	320.7	23.4	7%
Sales per Employee	0.73	0.71	1.35	1.32	0.03	2%

Shares Performance

In May 2023, the Board of Directors approved a 3% increase in the quarterly dividend from \$0.175 to \$0.18 per Class A Ordinary Share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange at a high of \$14.27 per share during the three months ended June 30, 2023.

Market Data	
	CUC
Price at June 30, 2023	12.25
Dividend Yield	5.8%

The Company is trading at 14.5X 2024 estimated EPS, which compares with the average 2024 estimated P/E of 16.9x for the Canadian utilities peer group.² Over the last five years, CUC's 12-month trailing P/E multiple has averaged 18.8X.³

The below graph depicts the Company's performance chart in comparison to the TSX Utilities Capped Index ("TTUT") for the period January 1, 2023 to June 30, 2023. (Source: <https://money.tmx.com/en>)



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.

² Equity Research published by TD Securities Inc. on May 5, 2023

³ Equity Research published by TD Securities Inc. on May 5, 2023

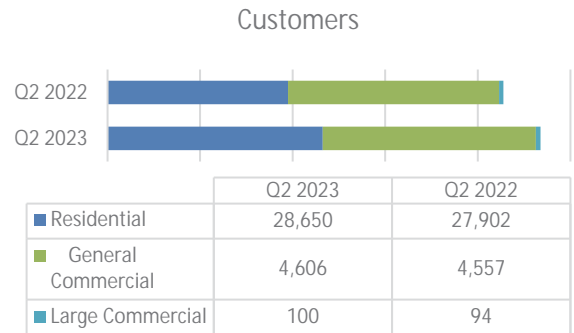


Results of Operations

Operating Revenues

Sales in kilowatt-hours (“kWh”) for the three months ended June 30, 2023 (“Second Quarter 2023” or “Q2 2023”) were 185.2 million kWh, an increase of 13.9 million kWh or 8% compared to 171.3 million kWh for the three months ended June 30, 2022 (“Second Quarter 2022” or “Q2 2022”). Sales in kWh for the six months ended June 30, 2023 totalled 344.1 million, an increase of 23.4 million or 7% when compared to 320.7 million for the six months ended June 30, 2022.

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



Total customers as at June 30, 2023 were 33,356, an increase of 803 or 2% compared to 32,553 customers as at June 30, 2022.

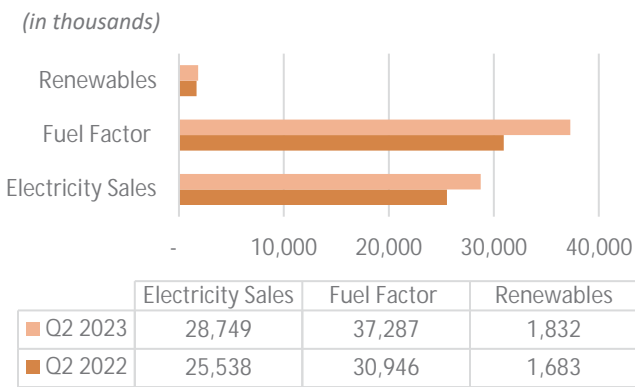
Average Monthly Consumption per Customer

(in kwh)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	% Change	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	% Change
Residential	1,193	1,114	7%	1,080	1,030	5%
General Commercial	2,808	2,714	3%	2,667	2,554	4%
Large Commercial	142,631	142,031	0%	136,405	135,452	1%

The average monthly temperature for Q2 2023 was 84.5 degrees Fahrenheit (F) compared to 83.1F in Q2 2022. For the six months ended June 30, 2023, the average temperature was 82.6F compared to 81.7F for same period in 2022. The average rainfall for Q2 2023 was 3.1 inches compared to 4.0 inches in Q2 2022. For the six months ended June 30, 2023, the average rainfall is 2.6 inches compared to 3.1 inches for same period in 2022.

Operating revenues for Q2 2023 totalled \$67.9 million, an increase of \$9.7 million from \$58.2 million for Q2 2022. This increase in operating revenues was mainly due to higher fuel factor revenues and higher electricity sales revenues. Operating revenues for the six months ended June 30, 2023 were \$138.9 million, an increase of \$29.1 million from \$109.8 million for the six months ended June 30, 2022.



Electricity sales revenues increased by \$3.2 million for Q2 2023 to \$28.7 million when compared to electricity sales revenues of \$25.5 million for Q2 2022. Electricity sales revenues for the six months ended June 30, 2023 were \$53.4 million compared to \$47.6 million for the six months ended June 30, 2022. The increases in electricity sales are primarily driven by the kWh sales growth and the base rate increase of 5.4% and 3.7% effective June 1, 2022 and June 1, 2023, respectively.

Fuel factor and renewables revenues are a pass through cost to customers on a two-month lag basis with no mark-up. The average Fuel Cost Charge rate charged to consumers for Q2 2023 was \$0.24 per kWh, compared to the Fuel Cost Charge rate of \$0.21 per kWh for Q2 2022. This constitutes about 58% of the customer bill for Q2 2023. The increase in Fuel Factor Revenue is primarily driven by the increase in kWh sales and the increase in the average Fuel Cost Charge rate.



Operating Expenses

Operating expenses for Q2 2023 were \$58.0 million, an increase of \$8 million or 16% compared to \$50.0 million for Q2 2022. This is due to the higher power generation cost and general and administration expenses in 2023.

Operating expenses for the six months ended June 30, 2023 increased by \$27.4 million to \$123.8 million when compared to \$96.4 million for the six months ended June 30, 2022. This is due to the higher power generation cost, depreciation and general and administration expenses in 2023.

Significant Changes in Operating Expenses

(\$ in thousands)

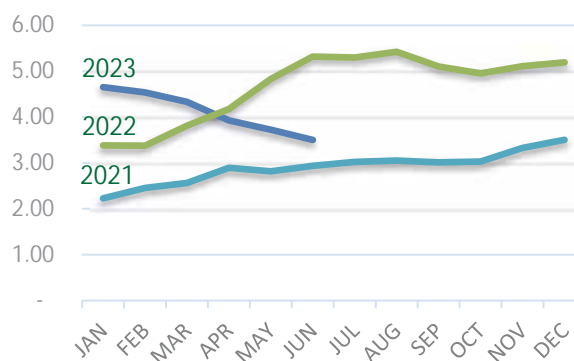
Item	Three-Months Ended June 30, 2023	Six Months Ended June 30, 2023	Explanation
Power Generation	6,328	22,983	Increase of 13% for Q2 2023 was due to the 8% increase in kWh sales. Increase of 35% for Six Months Ended June 30, 2023 was due to the 7% kWh sales growth.
Depreciation of Property, Plant and Equipment ("PP&E")	375	1,996	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")	753	1,327	Increase due to 5% increase in full-time employees, higher insurance premiums and legal fees. These items were partially offset by higher General Expenses Capitalized.

Following the significant increase in fuel price in 2022, a downward trend in fuel prices was seen in 2023. This can be attributed to the global economic conditions, demand for oil and gas, and federal regulations.

The Company's average price per imperial gallon ("IG") of fuel for the three months ended June 30, 2023 decreased by 22% to \$3.71 in comparison to \$4.77 for the three months ended June 30, 2022.

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

2021 - 2023 Average Fuel Price (In USD Per IG)



Earnings

Operating income for the Second Quarter 2023 totalled \$9.9 million, an increase of \$1.8 million compared to operating income of \$8.1 million for the Second Quarter of 2022. This increase is primarily attributable to the 8% increase in kWh sales and the 5.4% and 3.7% base rate increase effective June 1, 2022 and June 1, 2023, respectively, partially offset by higher depreciation and general and administration cost.

Operating income for the six months ended June 30, 2023 were \$15.1 million, an increase of \$1.7 million or 13% compared to operating income of \$13.4 million for the for the six months ended June 30, 2022. This increase is primarily attributable to the 7% increase in kWh sales and the 5.4% and 3.7% base rate increase effective June 1, 2022 and June 1, 2023, respectively, partially offset by higher depreciation and general and administration cost.

Net earnings for Q2 2023 were \$10.0 million, a \$1.7 million or 20% increase from net earnings of \$8.3 million for Q2 2022. This increase is primarily attributable to higher operating income partially offset by higher finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q2 2023 were \$9.9 million, or \$0.26 per Class A Ordinary Share, as compared to \$8.2 million, or \$0.22 per Class A Ordinary Share, for Q2 2022.



Net earnings for six months ended June 30, 2023 were \$15.2 million, a \$1.4 million increase from net earnings of \$13.8 million for Q2 2022. This increase is primarily attributable to higher operating income partially offset by higher finance charges. After the adjustment for dividends on the preference shares of the Company, earnings on Class A Ordinary Shares for Q2 2023 were \$15.0 million, or \$0.40 per Class A Ordinary Share, as compared to \$13.6 million, or \$0.36 per Class A Ordinary Share, for Q2 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 37,736,581 and 37,444,256 for the six months ended June 30, 2023 and June 30, 2022, respectively.

Quarterly Results

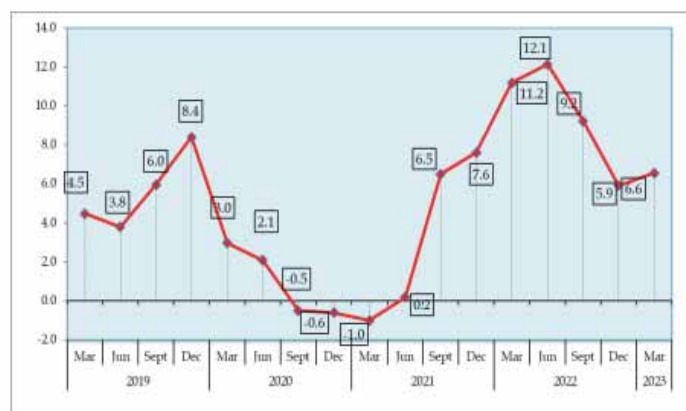
The following table summarises unaudited quarterly information for each of the eight quarters ended September 30, 2021 through June 30, 2023. This information has been obtained from CUC's unaudited interim financial statements, which management of the Company prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly Results					
(\$ thousands, except Earnings per Class A Ordinary Share and Diluted Earnings per Class A Ordinary Share)					
	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
June 30, 2023	67,868	9,988	9,876	0.26	0.26
March 31, 2023	71,081	5,213	5,100	0.14	0.14
December 31, 2022	78,491	8,961	8,329	0.22	0.22
September 30, 2022	79,031	10,420	10,308	0.28	0.28
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

The Economy

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.

In May 2023, the Cayman Islands Economics and Statistics Office published the Cayman Islands' Consumer Price Index ("CPI") Report for First Quarter of 2023. The average CPI in the First Quarter 2023 was 130.6, higher by 6.6% in comparison to First Quarter 2022. This represents an increase in the overall index, driven mainly by higher prices of food and non-alcoholic beverages (12.3%), furnishing, household equipment and routine maintenance (11.2%), and restaurants and hotels (8.1%). When compared to the previous quarter ended December 2022, the First Quarter 2023 CPI increased by 2.1% which was driven by furnishing, household equipment and routine maintenance (4.8%) and house and utilities (3.4%).



Cayman Islands % Change in CPI for Current Quarterly over same Quarter a year ago, March 2019 – March 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 June 30, 2023	As at December, 2022
Bank Licenses	96	94
Mutual Funds	12,995	12,995
Mutual Fund Administrators	74	74
Registered Companies	119,111	119,128
Captive Insurance Companies	702	686

The tourism sector is the second main pillar of the Cayman Islands economy. The following table presents statistics for tourist arrivals in the Cayman Islands for the period ended June 30, 2023:

Tourist Arrivals to the Cayman Islands					
<i>(for the years ended December 31)</i>					
	As at May 31, 2023	2022	2021	2020	2019
By Air	194,901	284,274	17,308	121,819	502,739
By Sea	666,985	743,394	-	538,140	1,831,011
Total	861,886	1,027,668	17,308	659,959	2,333,750

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

Liquidity and Capital Resources

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

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

Cash Flows						
<i>(\$ thousands)</i>						
	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change	% Change
Beginning Cash	4,093	1,394	7,948	7,360	588	8%
Cash Provided By/(Used In):						
Operating Activities	22,764	11,942	35,363	31,632	3,731	12%
Investing Activities	(26,227)	(18,875)	(51,619)	(38,591)	(13,028)	34%
Financing Activities	8,934	8,851	17,872	2,911	14,961	514%
Ending Cash	9,564	3,312	9,564	3,312	6,252	189%

Operating Activities:

Cash flow provided by operations, after working capital adjustments, for Q2 2023, was \$22.8 million, an increase of \$10.9 million from \$11.9 million for Q2 2022. This increase was primarily due to the movement in the working capital balances particularly in accounts receivable and regulatory deferrals, partially offset by a decrease in accounts payable.

Investing Activities:

Cash used in investing activities for Q2 2023 totalled 26.2 million, an increase of \$7.3 million from \$18.9 million for Q2 2022. This increase was primarily due to higher capital expenditures during Q2 2023.

Financing Activities:

Cash provided by financing activities totalled \$8.9 million for Q2 2023, comparable to \$8.9 million of cash used in financing activities for Q2 2022. This is the net effect of the proceeds from short term debt financing, repayment of long-term debt and payment of dividends.

Cash Flow Requirements:

The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures and dividend payments. Borrowings under credit facilities may be required from time to time to support seasonal working capital requirements. Cash flows required to complete planned capital expenditures are expected to be financed through a combination of proceeds from operating cash, debt, and equity transactions. The Company expects to be able to source the cash required to fund its 2023 capital expenditure programme.

Contractual Obligations

As at June 30, 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	388,831	64,481	34,156	35,584	254,610
Long-Term Debt Interest	197,453	15,524	28,387	25,430	128,112
Total	586,284	80,005	62,543	61,014	382,722

Financial Position

The following table is a summary of significant changes to the Company's balance sheet, when comparing December 31, 2022 to June 30, 2023.

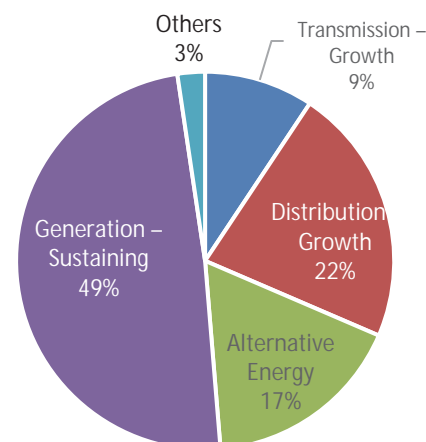
Significant Changes in Balance Sheet (from December 31, 2022 to June 30, 2023)		
(\$ thousands)		
Balance Sheet Account	Increase/ (Decrease)	Explanation
Cash and Cash Equivalents	1,616	Net increase due to cash provided by operating activities of \$35.4 million and cash provided by financing activities of \$17.9 million offset by cash used in investing activities of \$51.6 million.
Accounts Receivable	5,584	Increase due to higher electricity sales.
Property, Plant and Equipment	28,855	Increase due to capital expenditures for the period offset by increase in depreciation expense.
Inventories	(3,119)	Decrease due to decrease in average fuel price.
Regulatory Assets	(6,190)	Decrease due to lower fuel and renewable costs which are passed through to customers without mark-up.
Accounts Payable and Accrued Expenses	(9,344)	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	45,000	Additional drawdown on credit facility to meet obligations.
Long-term Debt	(15,134)	Decrease due to debt repayments.
Share Premium	2,184	Increase due to the issuance of 156,088 Class A Ordinary Shares through the share purchase plans.



Capital Expenditures

Capital expenditures for the six months ended June 30, 2023, were \$48.5 million, an increase of \$10.9 million, or 29% in comparison to the \$37.6 million in capital expenditures for the six months ended June 30, 2022. The capital expenditures for the six months ended June 30, 2023, primarily relate to:

- Distribution system extension and upgrades - \$13.1 million
- Generation Replacement - \$10.4 million
- ER5 DF Conversion - \$6.7 million
- Alternate Energy Technologies - \$4.7 million
- Utility Scale Battery - \$3.5 million
- Facility and Auxiliary Asset Replacement Cost – \$1.9 million.
- Resiliency Project - \$0.3 million



Capital expenditure by category during the three months ending June 30, 2023.

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 dual-fuel conversion which will allow engine to run on natural gas and diesel. The Company has contracted MAN Energy Solutions SE during Quarter 4 2022 and expected completion in Quarter 4 2025. The procurement strategy for the gas solicitation process has been completed and presented to external stakeholders and the Company is now progressing in developing the RFQ which is the first step in the solicitation process.

Capital Resources

To ensure access to capital, the Company targets a long-term capital structure of approximately 45% equity, including preference shares, and 55% debt. The Company's objective is to maintain investment-grade credit ratings. The Company sets the amount of capital in proportion to risk. The 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				
	June 30, 2023 (\$ thousands)	%	June 30, 2022 (\$ thousands)	%
Total Debt	387,377	55	307,762	51
Shareholder's Equity	312,066	45	300,702	49
Total	699,443	100	608,464	100

The change in the Company's capital structure between June 30, 2023 and June 30, 2022 was a net effect of \$80.0 million long-term debt acquired in Q4 2022, the \$15.0 million short term debt in Q1 2023, the \$30.0 million short term debt in Q2 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 June 30, 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 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 2023, S&P affirmed its stable rating outlook of the Company with the expectation that CUC will continue to generate stable and predictable stand-alone cash flows that are consistently above the downgrade threshold while focusing on its core regulated utility business.

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 December 31, 2022; and information required to be disclosed by the issuer in its annual filings, interim filings, or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported within the time periods specified in securities legislation. Based on the evaluation performed of DC&P, it was concluded that the DC&P of CUC is adequately designed and operating effectively as of June 30, 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 June 30, 2023.

There have been no changes in the Company's ICFR that occurred during the six months ended June 30, 2023, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Outlook

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 analysed the impact of additional renewable energy on fuel efficiency of the Company's existing generating units. The study undertaken by OfReg analysed the value of solar.

Based on the studies, additional renewable energy within appropriate limitations will cause no negative impact to fuel efficiency, at the current price of oil. A 3 MW capacity was released effective March 1, 2023 allocated to the Consumer Owned Renewable Energy (“CORE”) and Distributed Energy Resources (“DER”) Programmes. In addition, another 6 MW of capacity was opened for July 19, 2023.

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 enable the Company to approximately double its renewable energy capacity on Grand Cayman. It is also anticipated that this project will result in fuel factor savings leading to reduced bills and improved fuel efficiency of approximately 6% and a proportionate 6% reduction of CO₂ emissions. It will also increase CUC's level of reliability and its power quality. The 20 megawatt BESS project is expected to be commission between Quarters 1 and 2 of 2024 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 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.

Subsequent Events: Outstanding Share Data

At August 2, 2023, the Company had issued and outstanding 37,820,812 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 June 30, 2023	As at December 31, 2022
Assets			
<i>Current Assets</i>			
Cash		9,564	7,948
Accounts Receivable (Net of Allowance for Credit Losses of \$2,432 and \$2,241)	4	27,219	21,635
Regulatory Assets	5	35,720	41,910
Inventories		4,832	7,951
Prepayments		2,162	4,003
Total Current Assets		79,497	83,447
Property, Plant and Equipment, net		665,807	636,952
Intangible Assets, net		4,320	4,180
Other Assets		1,399	1,960
Total Assets		751,023	726,539
Liabilities and Shareholders' Equity			
<i>Current Liabilities</i>			
Accounts Payable and Accrued Expenses		33,348	42,692
Regulatory Liabilities	5	655	913
Short Term Debt	7	45,000	-
Current Portion of Long-Term Debt	6	19,481	19,481
Consumers' Deposits and Advances for Construction		13,703	12,838
Current Portion Lease Liability		1,117	1,092
Total Current Liabilities		113,304	77,016
Defined Benefit Pension Liability		1,880	1,848
Long-Term Debt	6	322,896	338,030
Other Long-Term Liabilities		877	1,411
Total Liabilities		438,957	418,305
Shareholders' Equity			
Share Capital ⁴		2,501	2,491
Share Premium		192,207	190,023
Retained Earnings		119,169	117,577
Accumulated Other Comprehensive Loss		(1,811)	(1,857)
Total Shareholders' Equity		312,066	308,234
Total Liabilities and Shareholders' Equity		751,023	726,539

See accompanying Notes to Condensed Consolidated Interim Financial Statements

⁴ Consists of Class A Ordinary Shares of 37,820,812 and 37,664,724 issued and outstanding as at June 30, 2023 and December 31, 2022 and Class B Preference Shares of 249,500 and 249,500 issued and outstanding as at June 30, 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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Operating Revenues					
Electricity Sales	3	28,749	25,538	53,389	47,634
Fuel Factor	3	37,287	30,946	82,365	59,294
Renewables	3	1,832	1,683	3,195	2,886
<i>Total Operating Revenues</i>		67,868	58,167	138,949	109,814
Operating Expenses					
Power Generation		40,255	33,927	87,804	64,821
General and Administration		3,488	2,735	7,244	5,917
Consumer Services		1,206	977	2,263	1,891
Transmission and Distribution		1,481	1,116	2,885	2,467
Depreciation		10,335	9,960	20,765	18,769
Maintenance		1,034	1,091	2,408	2,120
Amortisation of Intangible Assets		218	230	437	460
<i>Total Operating Expenses</i>		58,017	50,036	123,806	96,445
Operating Income		9,851	8,131	15,143	13,369
Other (Expenses)/Income:					
Finance Charges	8	(1,578)	(1,176)	(3,183)	(2,102)
Foreign Exchange Gain		554	409	1,003	789
Other Income		1,161	946	2,237	1,743
<i>Total Net Other Income</i>		137	179	57	430
Net Earnings for the Period		9,988	8,310	15,200	13,799
<i>Preference Dividends Paid- Class B</i>		(112)	(113)	(225)	(226)
Earnings on Class A Ordinary Shares		9,876	8,197	14,975	13,573
Weighted-Average Number of Class A Ordinary Shares Issued and Fully Paid (in thousands)					
		37,737	37,444	37,761	37,370
Earnings per Class A Ordinary Share		0.26	0.22	0.40	0.36
Diluted Earnings per Class A Ordinary Share		0.26	0.22	0.40	0.36
Dividends Declared per Class A Ordinary Share		0.180	0.175	0.355	0.350

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Comprehensive Income

(expressed in thousands of United States Dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net Earnings for the Period	9,988	8,310	15,200	13,799
Other Comprehensive Loss:				
Amortisation of Net Actuarial Loss	23	18	46	37
Total Other Comprehensive Income	23	18	46	37
Comprehensive Income	10,011	8,328	15,246	13,836

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	-	-	-	-	-	15,200	15,200
Common share issuance and stock options plans & redemption	156	10	-	2,184	-	-	2,194
Defined benefit plans	-	-	-	-	46	-	46
Dividends on common shares	-	-	-	-	-	(13,383)	(13,383)
Dividends on preference shares	-	-	-	-	-	(225)	(225)
As at June 30, 2023	37,821	2,251	250	192,207	(1,811)	119,169	312,066
As at December 31, 2021	37,369	2,224	250	185,687	(1,885)	111,602	297,878
Net earnings	-	-	-	-	-	13,799	13,799
Common share issuance and stock options plans & redemption	155	9	-	2,295	-	-	2,304
Defined benefit plans	-	-	-	-	37	-	37
Dividends on common shares	-	-	-	-	-	(13,090)	(13,090)
Dividends on preference shares	-	-	-	-	-	(226)	(226)
As at June 30, 2022	37,524	2,223	250	187,982	(1,848)	112,085	300,702

See accompanying Notes to Condensed Consolidated Interim Financial Statements

Condensed Consolidated Interim Statements of Cash Flows

(expressed in thousands of United States Dollars)

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
<i>Operating Activities</i>				
Net Earnings for the period	9,988	8,310	15,200	13,799
Items not affecting cash:				
Depreciation	10,335	9,960	20,765	18,769
Amortisation of Intangible Assets	218	230	437	460
Amortisation of Deferred Financing Costs	30	31	60	59
	20,571	18,531	36,462	33,087
Net changes in working capital balances related to operations	(2,913)	2,350	(7,031)	9,760
Net Change in Regulatory Assets and Regulatory Liabilities	5,106	(8,939)	5,932	(11,215)
<i>Cash flow related to operating activities</i>	22,764	11,942	35,363	31,632
<i>Investing Activities</i>				
Purchase of Property, Plant and Equipment	(25,845)	(18,545)	(51,137)	(37,832)
Costs related to Intangible Assets	(382)	(330)	(577)	(792)
Proceeds on Disposed Asset	-	-	95	33
<i>Cash flow related to investing activities</i>	(26,227)	(18,875)	(51,619)	(38,591)
<i>Financing Activities</i>				
Proceeds from Short-Term Borrowing	30,000	30,000	45,000	30,000
Repayment of Long-Term Debt	(15,195)	(15,558)	(15,195)	(15,558)
Dividends Paid	(6,176)	(5,996)	(12,665)	(12,480)
Net Proceeds from Share Issuance	305	405	732	949
<i>Cash flow related to financing activities</i>	8,934	8,851	17,872	2,911
Change in net cash	5,471	1,918	1,616	(4,048)
Cash, Beginning of the period	4,093	1,394	7,948	7,360
Cash, End of the period	9,564	3,312	9,564	3,312
Supplemental disclosure of cash flow information:				
Interest paid during the period	7,912	5,626	8,827	6,441

See accompanying Notes to Condensed Consolidated Interim Financial Statements



Notes to Condensed Consolidated Interim Financial Statements

Unaudited – June 30, 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. 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 six months of 2023, \$0.7 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. 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 rate at \$0.0089 per kWh effective date January 1, 2023. During the first six months of 2023, \$3.0 million was recovered from customers related to deferred fuel cost.

In April 2023, the Company submitted its annual rate adjustment to OfReg for review and approval. The required rate increase as confirmed by OfReg was 3.7%, with an effective date of June 1, 2023. 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.

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 June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change %
Electricity Sales Revenues					
Residential	15,712	13,662	28,343	25,091	13%
Commercial	12,764	11,681	24,492	22,130	11%
Other (street lighting etc.)	273	195	554	413	34%
Total Electricity Sales Revenues	28,749	25,538	53,389	47,634	12%
Fuel Factor	37,287	30,946	82,365	59,294	39%
Renewables	1,832	1,683	3,195	2,886	11%
Total Operating Revenues	67,868	58,167	138,949	109,814	26%

Electricity Sales revenue

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

Fuel Factor

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

Renewables

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

4. Accounts Receivable, Net

Accounts Receivable		
(\$ thousands)	As at June 30, 2023	As at December 31, 2022
Billings to Consumers	26,401	20,997
Other Receivables*	3,250	2,879
Allowance for Credit Losses	(2,432)	(2,241)
Total Accounts Receivable, net	27,219	21,635

* Other Receivables relate to amounts due outside of the normal course of operations and billings to Datalink customers.

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 June 30, 2022 to June 30, 2023 is listed in the following table.

Allowance for Credit Losses		
(\$ thousands)	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Beginning of Period	(2,241)	(1,976)
Credit Loss Expensed	(205)	(141)
Write-offs	14	-
Recoveries	-	(2)
End of Period	(2,432)	(2,119)

5. Regulatory Assets and Liabilities

Regulatory Assets and Liabilities			
(\$ thousands)			
Asset/Liability	Description	As at June 30, 2023	As at December 31, 2022
Regulatory Assets	Fuel Tracker Account	26,951	31,040
Regulatory Assets	Derivative contract	-	61
Regulatory Assets	Miscellaneous Regulatory Assets	70	83
Regulatory Assets	Government & Regulatory Tracker Account	2,205	1,211
Regulatory Assets	Deferred 2022 Revenues	2,115	2,770
Regulatory Assets	Temporary Generation Lease	1,081	403
Regulatory Assets	Deferred Fuel Revenues	3,298	6,342
Total Regulatory Assets		35,720	41,910
Regulatory Liabilities	Demand Rate Recoveries	(243)	(243)
Regulatory Liabilities	Deferred COVID-19 Costs	(412)	(540)
Regulatory Liabilities	Derivative Contract	-	(130)
Total Regulatory Liabilities		(655)	(913)

6. Fair Value Measurement

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

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

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

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

There have been no changes in the methodologies used as at June 30, 2023. The estimated fair value of the Company's financial instruments are as follows:

Financial Instruments				
(\$ thousands)	As at June 30, 2023		As at December 31, 2022	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-Term Debt, including Current Portion	342,377	307,186	357,511	341,125
Fuel Option Contracts	-	-	(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 June 30, 2023.

7. Short-Term Debt

In March and May 2023, the Company drew down \$15.0 million and \$30.0 million respectively, against its credit facilities with Scotia Bank and Trust (Cayman) Limited to assist with the short term operational and capital investment needs.

8. Finance Charges

The composition of finance charges was as follows:

Finance Charges				
(\$ thousands)	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Interest Costs - Long-Term Debt	4,038	3,085	8,145	6,246
Other Interest Costs	549	152	703	199
AFUDC	(3,009)	(2,061)	(5,665)	(4,343)
Finance Charges	1,578	1,176	3,183	2,102

9. Foreign Exchange

The closing rate of exchange on June 30, 2023 as reported by the Bank of Canada for the conversion of US dollars into Canadian dollars was Cdn\$1.3240 per US\$1.00 (June 30, 2022: Cdn\$1.2286). The official exchange rate for the conversion of Cayman Islands dollars into US dollars as determined by the Cayman Islands Monetary Authority is fixed at CI\$1.00 per US\$1.20. Thus, the rate of exchange as of June 30, 2023 for conversion of Cayman Islands dollars into Canadian dollars was Cdn\$1.5888 per CI\$1.00 (June 30, 2022: Cdn\$1.4743).

10. Commitments

As at June 30, 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

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

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

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INVESTORS IN PEOPLE™
We invest in people Gold



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