



Caribbean Utilities Company, Ltd.

2024 Third Quarter Report

September 30, 2024



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

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

Interim Management's Discussion and Analysis

For the Quarter Ended September 30, 2024

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

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

Forward-Looking Statements

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

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

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

November 4, 2024

About the Company

Caribbean Utilities Company, Ltd., (“CUC” or the “Company”), commenced operations as the only electric utility in Grand Cayman on May 10, 1966. The Company currently has an installed generating capacity of 166 megawatts (“MW”). The record peak load of 128.0 MW was experienced on September 17, 2024. CUC is committed to providing a safe and reliable supply of electricity to over 34,000 customers. The Company has been through many challenging and exciting periods but has kept pace with Grand Cayman’s development for over the past 58 years.

About the Cayman Islands

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

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

Corporate and Regulatory Overview

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

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

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

Customer Rates

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

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

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

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

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

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

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

Deferral Mechanism

In April 2022, the Company submitted its annual rate adjustment to OfReg for review. The required rate increase as confirmed by OfReg was 5.4%, with an effective date of June 1, 2022. Due to economic conditions and rising fuel prices, OfReg approved the Company's proposal to defer billing of the required rate increase until January 1, 2023. For the period June 1, 2022 to December 31, 2022, the Company tracked the difference between billed revenues and revenues that would have been billed from the required rate increase as deferred revenue. The amount recorded as a regulatory asset for the year ended December 31, 2022 was \$2.8 million and will be recovered within two years through a recovery rates of \$0.0019 per kWh from the effective date of January 1, 2023. During the first nine months of 2024, \$1.1 million was recovered from customers related to the base rate increase deferral, bringing the total amount recovered to \$2.5 million as at September 30, 2024.

DataLink, Ltd.

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

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

Financial and Operational Highlights

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

	Three Months Ended September 30, 2024	Three Months Ended September 30, 2023	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	Change	% Change
Electricity Sales Revenues	34,129	32,068	92,446	85,456	6,990	8%
Fuel Factor	44,847	39,738	122,921	122,103	818	1%
Renewables	1,700	1,768	4,785	4,963	-178	-4%
Total Operating Revenues	80,676	73,574	220,152	212,522	7,630	4%
Power Generation ¹	47,849	42,651	131,579	130,455	1,124	1%
Other Expenses	19,009	17,065	59,216	53,066	6,150	12%
Total Operating Expenses	66,858	59,716	190,795	183,521	7,274	4%
Net Earnings for the Period	14,446	13,936	30,714	29,136	1,578	5%
Cash Flow related to Operating Activities	26,471	30,271	71,110	65,634	5,476	8%
<i>Per Class A Ordinary Share:</i>						
Earnings Per Share (EPS)	0.38	0.36	0.80	0.76	0.04	5%
Dividends Paid	0.185	0.180	0.550	0.535	0.015	3%
Total Customers	34,028	33,503	34,028	33,503	525	2%
Total Full-Time Employees	277	257	277	257	20	8%
Customers per Employee (#)	123	130	123	130	-7	-5%
System Availability (%)	99.97	99.97	99.97	99.97	0	-
Peak Load Gross (MW)	128.0	124.1	128.0	124.1	3.9	3%
<i>Millions of kWh:</i>						
Net Generation	211.1	203.9	578.5	550.8	27.7	5%
Renewable Energy Generation	5.7	6.1	17.6	18.0	-0.4	-2%
Total Energy Supplied	215.6	210.3	592.4	567.6	24.8	4%
Kilowatt-Hour Sales	208.0	203.2	570.9	547.3	23.6	4%
Sales per Employee	0.75	0.79	2.06	2.13	-0.07	-3%

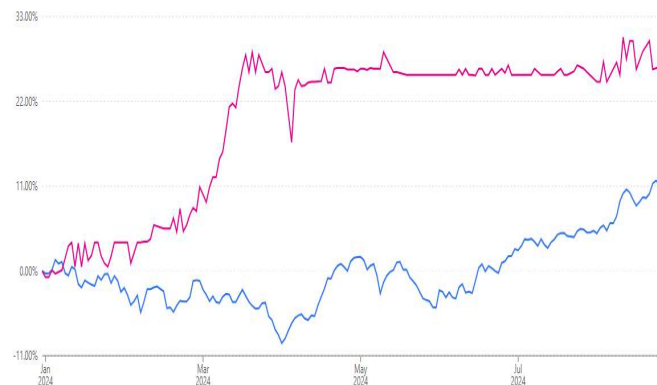
Shares Performance

In May 2024, the Board of Directors approved a 3% increase in the quarterly dividend from \$0.18 to \$0.185 per Class A Ordinary Share. The Class A Ordinary Shares (CUP.U) traded on the Toronto Stock Exchange reached a peak price of \$14.49 per share during the three months ended September 30, 2024.

Market Data

	CUC
Price at September 30, 2024	13.99
Dividend Yield	5.3%

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



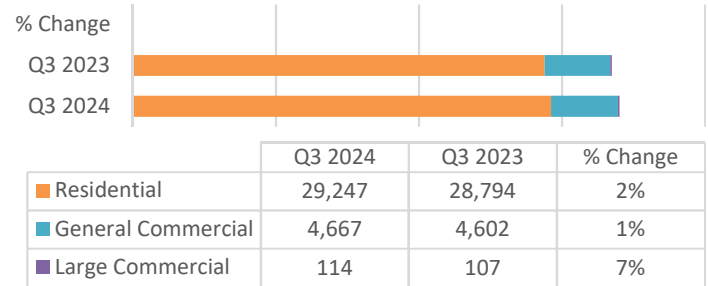
¹ All amounts from Fuel Factor and Renewables revenues are included within the Power Generation expense as they are passed through to customers without mark-up as a per kWh charge.

Results of Operations

Operating Revenues

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

Customers



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

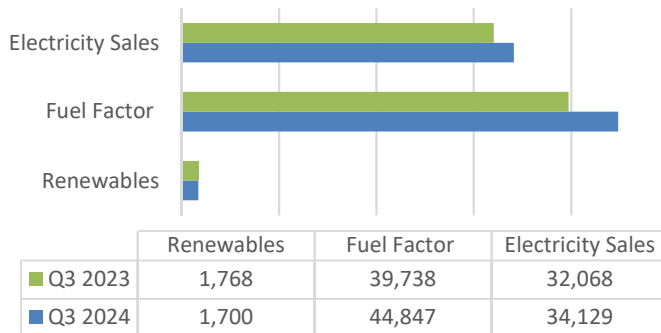
Average Monthly Consumption per Customer

(in kwh)

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

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

(in thousands)



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

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

electricity sales revenues were primarily driven by the kWh sales growth and the base rate increases of 3.7% and 3.2% effective June 1, 2023 and June 1, 2024, respectively.

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

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

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

Operating Expenses

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

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

Other Income and Expenses

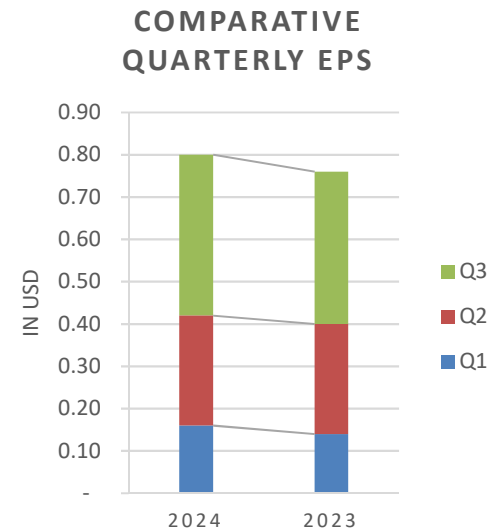
Net other income for Q3 2024 was \$0.6 million, an increase of \$0.5 million compared to \$0.1 million for Q3 2023. This increase was driven by lower finance charges due to the increase in AFUDC and higher income from pipeline operation.

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

Earnings

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

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



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

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

Quarterly Results

The following table summarises unaudited quarterly information for each of the eight quarters ended December 31, 2022 through September 30, 2024. This information has been obtained from CUC's unaudited interim financial statements, which management of the Company prepared in accordance with US GAAP. These operating results are not necessarily indicative of results for any future period and should not be relied upon to predict future performance.

Quarterly Results

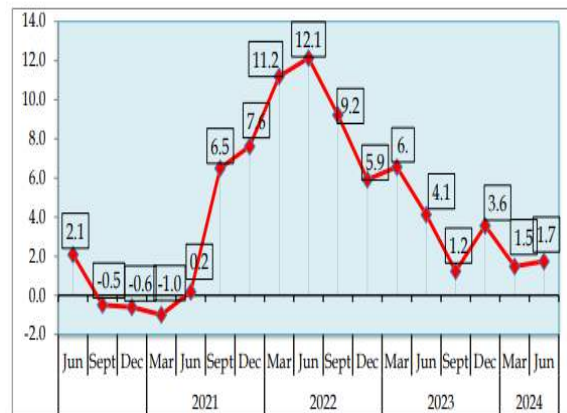
(\$ thousands, except Earnings per Class A Ordinary Share and Diluted Earnings per Class A Ordinary Share)

	Operating Revenue	Net Earnings	Earnings on Class A Ordinary Shares	Earnings per Class A Ordinary Share	Diluted Earnings per Class A Ordinary Share
September 30, 2024	80,676	14,446	14,334	0.38	0.38
June 30, 2024	70,763	10,113	10,001	0.26	0.26
March 31, 2024	68,712	6,158	6,046	0.16	0.16
December 31, 2023	74,702	9,523	8,890	0.24	0.24
September 30, 2023	73,574	13,936	13,824	0.36	0.36
June 30, 2023	67,868	9,988	9,876	0.26	0.26
March 31, 2023	71,081	5,213	5,100	0.14	0.14
December 31, 2022	78,491	8,961	8,329	0.22	0.22

The Economy

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

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



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

Indicators for the Financial Services Industry		
	As at September 30, 2024	As at December 31, 2023
Bank Licenses	87	87
Mutual Funds	12,968	12,802
Private Funds	70	74
Registered Companies	121,404	118,443
Captive Insurance Companies	720	708

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

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

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

Liquidity and Capital Resources

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

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

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

Operating Activities:

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

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

Investing Activities:

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

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

Financing Activities:

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

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

Cash Flow Requirements:

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

Contractual Obligations

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

Contractual Obligations (\$ thousands)					
	Total	< 1 year	1 to 3 years	4 to 5 years	> 5 years
Total Debt	409,351	19,221	37,727	41,712	310,691
Long-Term Debt Interest	244,031	19,550	36,944	34,084	153,453
Total	653,382	38,771	74,671	75,796	464,144

Financial Position

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

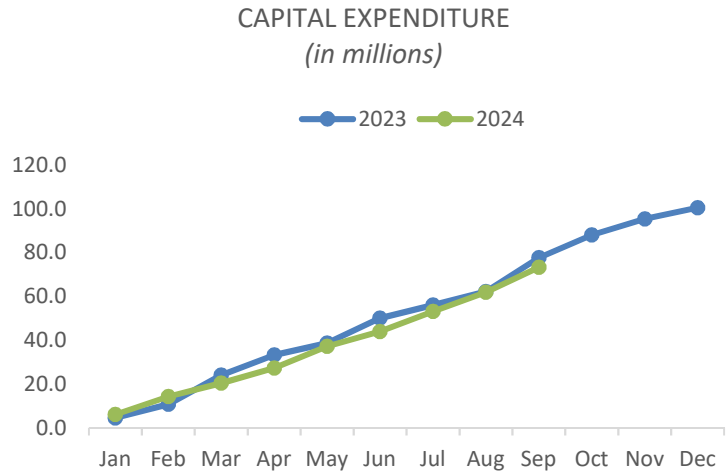
Significant Changes in Balance Sheet (from December 31, 2023 to September 30, 2024) (\$ thousands)		
Balance Sheet Account	Increase/ (Decrease)	Explanation
Cash and Cash Equivalents	226	Net increase due to cash provided by operating activities of \$71.1 million and cash provided by financing activities of \$2.2 million offset by cash used in investing activities of \$73.0 million.
Accounts Receivable, net	2,722	Increase due to the kwh sales growth and the base rate increase of 3.2% effective June 1, 2024.
Prepayments	1,466	Increase due to the renewal of property insurance during Q3 2024
Property, Plant and Equipment	39,266	Increase due to capital expenditures for the period, partially offset by increase in accumulated depreciation.
Regulatory Assets and Liabilities, net	(3,085)	Decrease due to lower fuel tracker which is passed through to customers without mark-up partially offset by the increase in temporary generation lease and changes in licence and regulatory fees
Short-Term Debt	(46,000)	Decrease due to repayment of short-term debt of \$51.0 million partially offset by the drawdown on short term credit facility of \$5.0 million in Q3 2024.
Bank Overdraft	2,186	Increase due to utilization of the overdraft facility to support short-term cash needs.
Accounts Payable and Accrued Expenses	5,823	Increase attributable to increases in fuel cost payable.
Current Portion of Long-Term Debt	(5,714)	Decrease due to principal payment the matured Senior Unsecured Notes.
Long-term Debt	70,233	Increase due to the \$80.0 million long term debt acquired in May 2024, partially offset by principal payments made on the Company's Senior Unsecured Notes.
Retained Earnings	9,429	Increase due to net earnings of \$30.7 million, partially offset by dividend payments on Class A Ordinary Shares of \$20.9 million and Class B Preference Shares of \$0.3 million.
Share Premium	2,968	Increase due to the issuance of 217,788 Class A Ordinary Shares through the share purchase plans.

Capital Expenditures

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

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

The Company received the regulatory approval for lifecycle upgrades to five MAN generating units totalling 68MW of capacity. These upgrades will bring the engines up to the most current specification and facilitate a further 25 years of service after the upgrade. It will also prepare the engines for dual-fuel conversion which will allow the engines to run on natural gas and diesel. As of September 30, 2024, two out of five generating units have completed the life cycle upgrade. All units are expected to be completed by the fourth quarter of 2025.



Capital Resources

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

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

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

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

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

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

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

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

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

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

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

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

Off Balance-Sheet Arrangements

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

Accounting Policies

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

Future Accounting Policies

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

Disclosure Controls and Procedures

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

Internal Controls over Financial Reporting (“ICFR”)

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

The design of CUC’s internal controls over financial reporting has been established and evaluated using the criteria set forth in the 2013 Internal Control-Integrated Framework by the Committee of Sponsoring Organizations of the Treadway Commission. Based on the assessment, it was concluded that CUC’s internal controls over financial reporting are adequately designed and operating effectively as of September 30, 2024.

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

Outlook

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

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

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

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

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

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



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

Subsequent Events: Outstanding Share Data

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