UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ___________ to ___________

Commission File Number: 0-25248

CONSOLIDATED WATER CO. LTD.

(Exact name of registrant as specified in its charter)

CAYMAN ISLANDS	**98-0619652**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
Regatta Office Park **Windward Three, 4th Floor, West Bay Road** **P.O. Box 1114** **Grand Cayman KY1-1102** **Cayman Islands**	**N/A**
(Address of principal executive offices)	(Zip Code)

(345) 945-4277
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.60 par value	**CWCO**	**The Nasdaq Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☒ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes ☐ No ☒

As of August 9, 2024, 15,834,459 shares of the registrant's common stock, with US$0.60 par value, were outstanding.

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Note Regarding Currency and Exchange Rates

Unless otherwise indicated, all references to “$” or “US$” are to United States dollars.

The exchange rate for conversion of Cayman Island dollars (CI$) into US$, as determined by the Cayman Islands Monetary Authority, has been fixed since April 1974 at US$1.20 per CI$1.00.

The exchange rate for conversion of Bahamas dollars (B$) into US$, as determined by the Central Bank of The Bahamas, has been fixed since 1973 at US$1.00 per B$1.00.

The official currency of the British Virgin Islands is the US$.

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED WATER CO. LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2024 (Unaudited)	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 96,670,206	$ 42,621,898
Accounts receivable, net	39,664,848	38,226,891
Inventory	4,561,374	6,044,642
Prepaid expenses and other current assets	2,945,174	4,056,370
Contract assets	5,413,780	21,553,057
Current assets of discontinued operations	1,503,473	211,517
Total current assets	150,758,855	112,714,375
Property, plant and equipment, net	54,368,951	55,882,521
Construction in progress	1,245,998	495,471
Inventory, noncurrent	4,999,102	5,045,771
Investment in OC-BVI	1,311,271	1,412,158
Goodwill	12,861,404	12,861,404
Intangible assets, net	3,025,000	3,353,185
Operating lease right-of-use assets	3,532,430	2,135,446
Other assets	3,058,949	3,407,973
Long-term assets of discontinued operations	—	21,129,288
Total assets	$ 235,161,960	$ 218,437,592
LIABILITIES AND EQUITY		
Current liabilities		
Accounts payable, accrued expenses and other current liabilities	$ 8,100,744	$ 11,604,369
Accrued compensation	2,759,353	3,160,030
Dividends payable	1,559,669	1,572,655
Current maturities of operating leases	618,705	456,865
Current portion of long-term debt	170,867	192,034
Contract liabilities	5,710,398	6,237,011
Deferred revenue	217,618	317,017
Current liabilities of discontinued operations	393,237	364,665
Total current liabilities	19,530,591	23,904,646
Long-term debt, noncurrent	115,033	191,190
Deferred tax liabilities	383,075	530,780
Noncurrent operating leases	2,949,303	1,827,302
Other liabilities	153,000	153,000
Deferred revenue	29,459	—
Total liabilities	23,160,461	26,606,918
Commitments and contingencies		
Equity		
Consolidated Water Co. Ltd. stockholders' equity		
Redeemable preferred stock, $0.60 par value. Authorized 200,000 shares; issued and outstanding 49,057 and 44,297 shares, respectively	29,434	26,578
Class A common stock, $0.60 par value. Authorized 24,655,000 shares; issued and outstanding 15,829,572 and 15,771,545 shares, respectively	9,497,743	9,462,927
Class B common stock, $0.60 par value. Authorized 145,000 shares; none issued	—	—
Additional paid-in capital	92,723,287	92,188,887
Retained earnings	104,455,633	85,148,820
Total Consolidated Water Co. Ltd. stockholders' equity	206,706,097	186,827,212
Non-controlling interests	5,295,402	5,003,462
Total equity	212,001,499	191,830,674
Total liabilities and equity	$ 235,161,960	$ 218,437,592

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONSOLIDATED WATER CO. LTD.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	**2023**	**2024**	**2023**
Revenue	$ 32,479,158	$ 44,237,263	$72,168,548	$77,106,253
Cost of revenue	20,858,944	28,773,714	46,670,311	51,083,622
Gross profit	11,620,214	15,463,549	25,498,237	26,022,631
General and administrative expenses	6,606,294	5,984,915	13,170,323	12,021,577
Gain (loss) on asset dispositions and impairments, net	(3,130)	1,000	(3,130)	6,916
Income from operations	5,010,790	9,479,634	12,324,784	14,007,970
Other income (expense):				
Interest income	380,854	86,137	714,996	199,781
Interest expense	(33,438)	(36,247)	(66,939)	(74,091)
Profit-sharing income from OC-BVI	12,150	12,150	32,400	26,325
Equity in the earnings of OC-BVI	36,647	35,272	93,963	70,830
Other	22,213	31,819	62,190	63,345
Other income, net	418,426	129,131	836,610	286,190
Income before income taxes	5,429,216	9,608,765	13,161,394	14,294,160
Provision for income taxes	1,063,933	1,940,067	1,685,629	2,389,552
Net income from continuing operations	4,365,283	7,668,698	11,475,765	11,904,608
Income from continuing operations attributable to non-controlling interests	122,872	137,226	291,940	300,347
Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders	4,242,411	7,531,472	11,183,825	11,604,261
Net income (loss) from discontinued operations	11,607,846	(207,701)	11,140,780	(466,864)
Net income attributable to Consolidated Water Co. Ltd. stockholders	$ 15,850,257	$ 7,323,771	$22,324,605	$11,137,397
Basic earnings (loss) per common share attributable to Consolidated Water Co. Ltd. common stockholders				
Continuing operations	$ 0.27	$ 0.48	$ 0.71	$ 0.74
Discontinued operations	0.73	(0.01)	0.70	(0.03)
Basic earnings per share	$ 1.00	$ 0.47	$ 1.41	$ 0.71
Diluted earnings (loss) per common share attributable to Consolidated Water Co. Ltd. common stockholders				
Continuing operations	$ 0.26	$ 0.47	$ 0.70	$ 0.73
Discontinued operations	0.73	(0.01)	0.70	(0.03)
Diluted earnings per share	$ 0.99	$ 0.46	$ 1.40	$ 0.70
Dividends declared per common and redeemable preferred shares	$ 0.095	$ 0.085	$ 0.19	$ 0.17
Weighted average number of common shares used in the determination of:				
Basic earnings per share	15,829,120	15,736,041	15,829,024	15,729,852
Diluted earnings per share	15,983,671	15,907,440	15,984,154	15,899,923

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONSOLIDATED WATER CO. LTD.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Redeemable preferred stock		Common stock		Additional paid-in capital	Retained earnings	Non-controlling interests	Total stockholders' equity
	Shares	Dollars	Shares	Dollars				
Balance as of December 31, 2023	44,297	$26,578	15,771,545	$9,462,927	$92,188,887	$ 85,148,820	$5,003,462	$191,830,674
Issue of share capital	—	—	57,384	34,430	(34,430)	—	—	—
Buyback of preferred stock	(272)	(163)	—	—	(2,727)	—	—	(2,890)
Net income	—	—	—	—	—	6,474,348	169,068	6,643,416
Dividends declared	—	—	—	—	—	(1,510,082)	—	(1,510,082)
Stock-based compensation	—	—	—	—	279,875	—	—	279,875
Balance as of March 31, 2024	44,025	$26,415	15,828,929	$9,497,357	$92,431,605	$ 90,113,086	$5,172,530	$197,240,993
Issue of share capital	5,904	3,542	—	—	(3,542)	—	—	—
Conversion of preferred stock	(643)	(386)	643	386	—	—	—	—
Buyback of preferred stock	(229)	(137)	—	—	(2,144)	—	—	(2,281)
Net income	—	—	—	—	—	15,850,257	122,872	15,973,129
Dividends declared	—	—	—	—	—	(1,507,710)	—	(1,507,710)
Stock-based compensation	—	—	—	—	297,368	—	—	297,368
Balance as of June 30, 2024	49,057	$29,434	15,829,572	$9,497,743	$92,723,287	$104,455,633	$5,295,402	$212,001,499

	Redeemable preferred stock		Common stock		Additional paid-in capital	Retained earnings	Non-controlling interests	Total stockholders' equity
	Shares	Dollars	Shares	Dollars				
Balance as of December 31, 2022	34,383	$20,630	15,322,875	$9,193,725	$89,205,159	$61,247,699	$ 8,096,976	$167,764,189
Issue of share capital	—	—	44,783	26,870	(26,870)	—	—	—
Net income	—	—	—	—	—	3,813,626	163,121	3,976,747
Purchase of remaining non-controlling interest in PERC	—	—	368,383	221,030	1,006,248	—	(3,667,305)	(2,440,027)
Dividends declared	—	—	—	—	—	(1,342,015)	—	(1,342,015)
Stock-based compensation	—	—	—	—	463,893	—	—	463,893
Balance as of March 31, 2023	34,383	$20,630	15,736,041	$9,441,625	$90,648,430	$63,719,310	$ 4,592,792	$168,422,787
Issue of share capital	13,309	7,985	—	—	(7,985)	—	—	—
Buyback of preferred stock	(203)	(122)	—	—	(1,708)	—	—	(1,830)
Net income	—	—	—	—	—	7,323,771	137,226	7,460,997
Exercise of options	599	360	—	—	6,891	—	—	7,251
Dividends declared	—	—	—	—	—	(1,340,972)	—	(1,340,972)
Stock-based compensation	—	—	—	—	461,695	—	—	461,695
Balance as of June 30, 2023	48,088	$28,853	15,736,041	$9,441,625	$91,107,323	$69,702,109	$ 4,730,018	$175,009,928

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONSOLIDATED WATER CO. LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income attributable to Consolidated Water Co. Ltd. stockholders	$ 22,324,605	$ 11,137,397
Income from continuing operations attributable to non-controlling interests	291,940	300,347
Net income	22,616,545	11,437,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Gain on sale of land and project documentation	(12,134,766)	—
Foreign currency transaction adjustment - discontinued operations	2,794	(2,161)
Loss from discontinued operations	991,192	469,025
Depreciation and amortization	3,342,337	3,269,859
Deferred income tax benefit	(147,705)	(75,298)
Provision for credit losses	234,632	—
Compensation expense relating to stock and stock option grants	577,243	925,588
Loss (gain) on asset dispositions and impairments, net	3,130	(6,916)
Profit-sharing and equity in earnings of OC-BVI	(126,363)	(97,155)
Distribution of earnings from OC-BVI	227,250	303,000
Change in:		
Accounts receivable	(1,672,589)	(3,259,462)
Contract assets	16,139,277	(5,279,048)
Inventory	1,154,663	(4,290,778)
Prepaid expenses and other assets	1,192,867	(2,890,187)
Accounts payable, accrued expenses and other current liabilities	(3,904,303)	849,507
Contract liabilities	(526,613)	4,124,569
Operating lease liabilities	(2,602)	(2,602)
Deferred revenue	(69,940)	93,845
Net cash provided by operating activities - continuing operations	27,897,049	5,569,530
Net cash used in operating activities - discontinued operations	(991,158)	(595,980)
Net cash provided by operating activities	26,905,891	4,973,550
Cash flows from investing activities		
Additions to property, plant and equipment and construction in progress	(1,725,153)	(3,110,041)
Proceeds from asset dispositions	3,000	21,410
Proceeds from Mexican settlement agreement	31,959,685	—
Purchase of remaining non-controlling interest in PERC	—	(2,440,027)
Net cash provided by investing activities - continuing operations	30,237,532	(5,528,658)
Net cash provided by investing activities - discontinued operations	1,301,979	—
Net cash provided by investing activities	31,539,511	(5,528,658)
Cash flows from financing activities		
Dividends paid to common shareholders	(3,022,388)	(2,640,792)
Dividends paid to preferred shareholders	(8,390)	(5,845)
Buyback of redeemable preferred stock	(5,171)	(1,830)
Proceeds received from exercise of stock options	—	7,251
Principal repayments on long-term debt	(97,324)	(54,708)
Net cash used in financing activities	(3,133,273)	(2,695,924)
Net increase (decrease) in cash and cash equivalents	55,312,129	(3,251,032)
Cash and cash equivalents at beginning of period	42,621,898	50,711,751
Cash and cash equivalents at beginning of period - discontinued operations	91,283	442,252
Less: cash and cash equivalents at end of period - discontinued operations	(1,355,104)	(211,272)
Cash and cash equivalents at end of period	$ 96,670,206	$ 47,691,699
Non-cash transactions:		
Issuance of 5,904 and 13,309, respectively, shares of redeemable preferred stock for services rendered	$ 148,485	$ 287,922
Issuance of 57,384 and 44,873, respectively, shares of common stock for services rendered	$ 730,524	$ 621,811
Conversion (on a one-to-one basis) of 643 shares of redeemable preferred stock to common stock	$ 386	$ —
Dividends declared but not paid	$ 1,508,470	$ 1,341,651
Issuance of 0 and 368,383, respectively, shares of common stock for the purchase of non-controlling interest in PERC	$ —	$ 5,359,973
Transfers from inventory to property, plant and equipment and construction in progress	$ 375,274	$ 139,471
Transfers from construction in progress to property, plant and equipment	$ 648,585	$ 188,871
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 1,604,702	$ 249,145
Transfers from prepaid expenses to property, plant and equipment	$ 67,136	$ 91,123
Transfers from prepaid expenses to inventory	$ —	$ 419,420

The accompanying notes are an integral part of these condensed consolidated financial statements.

CONSOLIDATED WATER CO. LTD.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Principal activity

Consolidated Water Co. Ltd. and its subsidiaries (collectively, the "Company") supply potable water, treat wastewater and water for reuse, and provide water-related products and services to customers in the Cayman Islands, The Bahamas, the United States and the British Virgin Islands. The Company produces potable water from seawater using reverse osmosis technology and sells this water to a variety of customers, including public utilities, commercial and tourist properties, residential properties and government facilities. The Company designs, constructs and sells water production and water treatment infrastructure and manages water infrastructure for commercial and governmental customers. The Company also manufactures a wide range of specialized and custom water industry related products and provides design, engineering, operating and other services applicable to commercial, municipal and industrial water production, supply and treatment.

2. Accounting policies

Basis of consolidation: The accompanying condensed consolidated financial statements include the accounts of the Company's (i) wholly-owned subsidiaries, Aerex Industries, Inc. ("Aerex"), Aquilex, Inc. ("Aquilex"), Cayman Water Company Limited ("Cayman Water"), Consolidated Water Cooperatief, U.A. ("CW-Cooperatief"), Consolidated Water U.S. Holdings, Inc. ("CW-Holdings"), DesalCo Limited ("DesalCo"), Kalaeloa Desalco LLC ("Kalaeloa Desalco"), Ocean Conversion (Cayman) Limited ("OC-Cayman"), PERC Water Corporation ("PERC") and Ramey Environmental Compliance, Inc. ("REC"); and (ii) majority-owned subsidiaries Consolidated Water (Bahamas) Ltd. ("CW-Bahamas"), N.S.C. Agua, S.A. de C.V. ("NSC"), and Aguas de Rosarito S.A.P.I. de C.V. ("AdR"). The Company's investment in its affiliate Ocean Conversion (BVI) Ltd. ("OC-BVI") is accounted for using the equity method of accounting. All significant intercompany balances and transactions have been eliminated in consolidation.

In 2019 and 2020, CW-Holdings acquired 61% of PERC. In January 2023, CW-Holdings purchased the remaining 39% ownership interest in PERC for $2.4 million in cash, and 368,383 shares of the Company's common stock having a value of approximately $5.36 million based upon the opening trading price of the Company's common stock on The Nasdaq Global Market on the date of the transaction.

In September 2021, Kalaeloa Desalco was formed to pursue a project in Oahu, Hawaii. On June 2, 2023, Kalaeloa Desalco signed a definitive agreement with the Honolulu Board of Water Supply to design, construct, operate and maintain a 1.7 million gallons per day seawater reverse osmosis desalination plant in Oahu, Hawaii.

Effective October 1, 2023, the Company purchased, through its wholly-owned subsidiary PERC, a 100% ownership interest in REC, a Colorado company that operates and maintains water and wastewater treatment facilities and provides technical services to clients throughout the Rocky Mountain and Eastern Plains Regions of Colorado. PERC acquired REC for approximately $4.1 million and recorded goodwill and intangible assets from this acquisition of $ 2,436,391 and $1,108,390 respectively.

The accompanying interim condensed consolidated financial statements are unaudited. These condensed consolidated financial statements reflect all adjustments (which are of a normal recurring nature) that, in the opinion of management, are necessary to fairly present the Company's consolidated financial position, results of operations and cash flows as of and for the periods presented. The consolidated results of operations for these interim periods are not necessarily indicative of the operating results for future periods, including the fiscal year ending December 31, 2024.

These condensed consolidated financial statements and notes are presented in accordance with the rules and regulations of the United States Securities and Exchange Commission ("SEC") relating to interim financial statements and in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted in these condensed consolidated financial statements pursuant to SEC rules and regulations, although the Company believes that the disclosures made herein are adequate to make the information not misleading. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2023.

Foreign currency: The Company's reporting currency is the United States dollar ("US$"). The functional currency of the Company and its foreign operating subsidiaries (other than NSC, AdR, and CW-Cooperatief) is the currency for each respective country. The functional currency for NSC, AdR, and CW-Cooperatief is the US$. NSC and AdR conduct business in US$ and Mexican pesos and CW-Cooperatief conducts business in US$ and euros. The exchange rates for the Cayman Islands dollar and the Bahamian dollar are fixed to the US$. The exchange rates for conversion of Mexican pesos and euros into US$ vary based upon market conditions.

Net foreign currency gains arising from transactions and re-measurements were $ 16,602 and $24,397 for the three months ended June 30, 2024 and 2023, respectively, and $40,799 and $50,176 for the six months ended June 30, 2024 and 2023, and are included in "Other income (expense) - Other" in the accompanying condensed consolidated statements of income.

Cash and cash equivalents: Cash and cash equivalents consist of demand deposits at banks and certificates of deposit at banks with original maturities of three months or less. Cash and cash equivalents as of June 30, 2024 and December 31, 2023 include approximately $5.2 million and $5.1 million, respectively, of certificates of deposits with original maturities of three months or less.

Certain transfers from the Company's Bahamas bank accounts to Company bank accounts in other countries require the approval of the Central Bank of The Bahamas. The equivalent United States dollar cash balances held in The Bahamas as of June 30, 2024 and December 31, 2023 were approximately $9.4 million and $3.0 million, respectively.

Goodwill and intangible assets: Goodwill represents the excess cost of an acquired business over the fair value of the assets and liabilities of the acquired business as of the date of acquisition. Goodwill and intangible assets recorded as a result of a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or upon the identification of a triggering event. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed periodically for impairment. The Company evaluates the possible impairment of goodwill annually as part of its reporting process for the fourth quarter of each fiscal year. Management identifies the Company's reporting units for goodwill impairment testing purposes, which consist of Cayman Water, the bulk segment (which is comprised of CW-Bahamas and OC-Cayman), PERC, REC, and the manufacturing segment (i.e., Aerex), and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. The Company determines the fair value of each reporting unit and compares these fair values to the carrying amounts of the reporting units. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an impairment loss is recorded.

For the year ended December 31, 2023, the Company elected to assess qualitative factors to determine whether it was necessary to perform the quantitative goodwill impairment testing that was conducted in prior years for its reporting units. The Company assessed the relevant events and circumstances to evaluate whether it is more likely than not that the fair values of such reporting units were less than their carrying values. The events and circumstances assessed for each reporting unit included macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, and other relevant events. Based upon this qualitative assessment, the Company determined that it is more likely than not that the fair values of its reporting units exceeded their carrying values as of December 31, 2023.

Income taxes: The Company accounts for the income taxes arising from the operations of its United States subsidiaries under the asset and liability method. Deferred tax assets and liabilities, if any, are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided to the extent any deferred tax asset may not be realized.

The Company is not presently subject to income taxes in the other countries in which it operates.

Revenue recognition: Revenue is recognized when control of the promised goods or services is transferred to the Company's customers, in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services.

The following table presents the Company's revenue disaggregated by revenue source.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Retail revenue	$ 8,181,884	$ 7,573,329	$ 16,806,822	$ 15,344,424
Bulk revenue	8,447,958	8,482,495	16,790,052	17,486,868
Services revenue	11,922,469	24,093,963	29,340,080	36,815,664
Manufacturing revenue	3,926,847	4,087,476	9,231,594	7,459,297
Total revenue	$ 32,479,158	$ 44,237,263	$ 72,168,548	$ 77,106,253

Services revenue consists of the following:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Construction revenue	$ 3,324,610	$ 19,827,827	$ 12,528,274	$ 28,521,342
Operations and maintenance revenue	7,068,922	4,044,015	14,168,275	7,729,821
Design and consulting revenue	1,528,937	222,121	2,643,531	564,501
Total services revenue	$ 11,922,469	$ 24,093,963	$ 29,340,080	$ 36,815,664

Retail revenue

The Company produces and supplies water to end-users, including residential, commercial and governmental customers in the Cayman Islands under an exclusive retail license issued to Cayman Water by the Cayman Islands government to provide water in two of the three most populated areas on Grand Cayman. Customers are billed on a monthly basis based on metered consumption and bills are typically collected within 30 to 45 days after the billing date. Receivables not collected within 45 days subject the customer to disconnection from water service.

The Company recognizes revenue from retail water sales at the time water is supplied to the customer's premises. The amount of water supplied is determined and invoiced based upon water meter readings performed at the end of each month. All retail water contracts are month-to-month contracts. The Company has elected the "right to invoice" practical expedient for revenue recognition on its retail water sale contracts and recognizes revenue in the amount to which the Company has a right to invoice, recognizing this revenue from the transfer of goods or services to customers at a point in time.

Bulk revenue

The Company produces and supplies water to government-owned utilities in the Cayman Islands and The Bahamas.

OC-Cayman provides bulk water to the Water Authority-Cayman ("WAC"), a government-owned utility and regulatory agency, under two agreements. The WAC in turn distributes such water to properties in Grand Cayman outside of Cayman Water's retail license area.

The Company sells bulk water in The Bahamas through its majority-owned subsidiary, CW-Bahamas, under two agreements with the Water and Sewerage Corporation of The Bahamas ("WSC"), which distributes such water through its own pipeline system to residential, commercial and tourist properties on the island of New Providence.

The Company has elected the "right to invoice" practical expedient for revenue recognition on its bulk water sale contracts and recognizes revenue in the amount to which the Company has a right to invoice, recognizing this revenue from the transfer of goods or services to customers at a point in time.

Services and Manufacturing revenue

The Company designs, constructs, sells, operates and maintains, and provides consulting services related to water, wastewater and water reuse infrastructure through PERC. All of PERC's customers are companies or governmental entities located in the United States. Effective October 2023, PERC acquired REC, a company that provides operations and maintenance and consulting services to companies and governmental entities located in the state of Colorado.

The Company also provides design, engineering, management, procurement and construction services for desalination infrastructure through DesalCo, which serves customers in the Cayman Islands, The Bahamas and the British Virgin Islands.

The Company, through Aerex, is a custom and specialty manufacturer of systems and products applicable to commercial, municipal and industrial water production and treatment. Substantially all of Aerex's customers are U.S. companies.

The Company generates construction, operations and maintenance, design and consulting revenue from PERC and DesalCo and generates manufacturing revenue from Aerex. The Company also generates operations and maintenance and consulting revenue from REC.

The Company recognizes revenue for its construction and custom/specialized manufacturing contracts over time under the input method using costs incurred (which represents work performed) to date relative to the total estimated costs at completion to measure progress toward satisfying a contract's performance obligations as such measure best reflects the transfer of control of the promised good to the customer. Contract costs include labor, materials, subcontractor costs and other expenses. The Company follows this method since it can make reasonably dependable estimates of the revenue and costs applicable to the various stages of a contract. Under this input method, the Company records revenue and recognizes profit or loss as work on the contract progresses. The Company estimates total costs to be incurred and profit to be earned on each long-term, fixed price contract prior to commencement of work on the contract and updates these estimates as work on the contract progresses. The cumulative amount of revenue recorded on a contract at a specified point in time is that percentage of total estimated revenue that incurred costs to date comprise of estimated total contract costs. Due to the extended time it may take to complete many of the Company's contracts and the scope and nature of the work required to be performed on those contracts, the estimations of total revenue and costs at completion are complicated and subject to many variables and, accordingly, are subject to changes. When adjustments in estimated total contract revenue or estimated total contract costs are required, any changes from prior estimates are recognized in the current period for the inception-to-date effect of such changes. The Company recognizes the full amount of any estimated loss on a contract at the time the estimates indicate such a loss. Any contract assets are classified as current assets. Contract liabilities on uncompleted contracts, if any, are classified as current liabilities.

The Company has elected the "right to invoice" practical expedient for revenue recognition on its operations and maintenance, design and consulting contracts and recognizes revenue in the amount to which the Company has a right to invoice, recognizing this revenue from the transfer of goods or services to customers at a point in time.

For the three months ended June 30, 2024 and 2023, the Company recognized $ 3,988,174 and $19,839,950, respectively, of its services revenue from the transfer of goods or services to customers over time. The remaining services revenue of $7,934,295 and $4,254,013, respectively, was recognized from the transfer of goods or services to customers at a point in time. For the six months ended June 30, 2024 and 2023, the Company recognized $13,385,268 and $28,428,534, respectively, of its services revenue from the transfer of goods or services to customers over time. The remaining services revenue of $15,954,812 and $8,387,130, respectively, was recognized from the transfer of goods or services to customers at a point in time. For the three and six months ended June 30, 2024 and 2023, the Company recognized all of its manufacturing revenue from the transfer of goods or services to customers over time.

Revenue recognized and amounts billed on contracts in progress are summarized as follows:

	June 30, 2024	December 31, 2023
Revenue recognized to date on contracts in progress	$ 125,716,611	$ 108,952,682
Amounts billed to date on contracts in progress	(129,687,174)	(101,724,459)
Retainage	3,673,945	8,087,823
Net contract asset /(liability)	$ (296,618)	$ 15,316,046

The above net balances are reflected in the accompanying condensed consolidated balance sheets as follows:

	June 30, 2024	December 31, 2023
Contract assets	$ 5,413,780	$ 21,553,057
Contract liabilities	(5,710,398)	(6,237,011)
Net contract asset /(liability)	$ (296,618)	$ 15,316,046

As of June 30, 2024, the Company had unsatisfied or partially unsatisfied performance obligations for contracts in progress representing approximately $145.4 million in aggregate transaction price for contracts with an original expected length of greater than one year. The Company expects to earn revenue as it satisfies its performance obligations under those contracts in the amount of approximately $11.3 million during the remainder of the year ending December 31, 2024 and approximately $134.1 million thereafter. In addition, the Company recognized revenue of approximately $5.0 million in the six months ended June 30, 2024, that was included in the contract liability balance as of December 31, 2023.

Practical Expedients and Exemptions

The Company does not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice for services performed.

Comparative amounts: Certain amounts presented in the financial statements previously issued for 2023 have been reclassified to conform to the current period's presentation.

3. Segment information

The Company has four reportable segments: retail, bulk, services and manufacturing. The retail segment operates the water utility for the Seven Mile Beach and West Bay areas of Grand Cayman pursuant to an exclusive license granted by the Cayman Islands government. The bulk segment supplies potable water to government utilities in Grand Cayman and The Bahamas under long-term contracts. The services segment designs, constructs and sells water infrastructure and provides management and operating services to third parties. The manufacturing segment manufactures and services a wide range of custom and specialized water-related products applicable to commercial, municipal and industrial water production, supply and treatment. Consistent with prior periods, the Company records all non-direct general and administrative expenses in its retail segment and does not allocate any of these non-direct expenses to its other three business segments.

The accounting policies of the segments are consistent with those described in Note 2. The Company evaluates each segment's performance based upon its income (or loss) from operations. All intercompany transactions are eliminated for segment presentation purposes.

The Company's segments are strategic business units that are managed separately because each segment sells different products and/or services, serves customers with distinctly different needs and generates different gross profit margins.

	Three Months Ended June 30, 2024				
	Retail	Bulk	Services	Manufacturing	Total
Revenue	$ 8,181,884	$ 8,447,958	$ 11,922,469	$ 3,926,847	$ 32,479,158
Cost of revenue	3,670,133	6,097,460	8,458,537	2,632,814	20,858,944
Gross profit	4,511,751	2,350,498	3,463,932	1,294,033	11,620,214
General and administrative expenses	4,378,816	363,268	1,196,624	667,586	6,606,294
Gain (loss) on asset dispositions and impairments, net	(6,130)	—	3,000	—	(3,130)
Income from operations	$ 126,805	$ 1,987,230	$ 2,270,308	$ 626,447	5,010,790
Other income, net					418,426
Income before income taxes					5,429,216
Provision for income taxes					1,063,933
Net income from continuing operations					4,365,283
Income from continuing operations attributable to non-controlling interests					122,872
Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders					4,242,411
Net income from discontinued operations					11,607,846
Net income attributable to Consolidated Water Co. Ltd. stockholders					$ 15,850,257

Depreciation and amortization expenses for the three months ended June 30, 2024 for the retail, bulk, services and manufacturing segments were $633,958, $716,726, $251,548 and $65,406, respectively.

	Three Months Ended June 30, 2023				
	Retail	Bulk	Services	Manufacturing	Total
Revenue	$ 7,573,329	$ 8,482,495	$ 24,093,963	$ 4,087,476	$ 44,237,263
Cost of revenue	3,433,132	5,931,735	16,248,141	3,160,706	28,773,714
Gross profit	4,140,197	2,550,760	7,845,822	926,770	15,463,549
General and administrative expenses	4,265,535	379,900	904,560	434,920	5,984,915
Gain on asset dispositions and impairments, net	—	1,000	—	—	1,000
Income from operations	$ (125,338)	$ 2,171,860	$ 6,941,262	$ 491,850	9,479,634
Other income, net					129,131
Income before income taxes					9,608,765
Provision for income taxes					1,940,067
Net income from continuing operations					7,668,698
Income attributable to non-controlling interests					137,226
Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders					7,531,472
Net loss from discontinued operations					(207,701)
Net income attributable to Consolidated Water Co. Ltd. stockholders					$ 7,323,771

Depreciation and amortization expenses for the three months ended June 30, 2023 for the retail, bulk, services and manufacturing segments were $593,337, $840,200, $174,084 and $68,160, respectively.

	Six Months Ended June 30, 2024				
	Retail	Bulk	Services	Manufacturing	Total
Revenue	$ 16,806,822	$ 16,790,052	$ 29,340,080	$ 9,231,594	$ 72,168,548
Cost of revenue	7,221,477	11,662,718	21,127,476	6,658,640	46,670,311
Gross profit	9,585,345	5,127,334	8,212,604	2,572,954	25,498,237
General and administrative expenses	8,483,148	707,409	2,794,478	1,185,288	13,170,323
Gain (loss) on asset dispositions and impairments, net	(6,130)	—	3,000	—	(3,130)
Income from operations	$ 1,096,067	$ 4,419,925	$ 5,421,126	$ 1,387,666	12,324,784
Other income, net					836,610
Income before income taxes					13,161,394
Provision for income taxes					1,685,629
Net income from continuing operations					11,475,765
Income from continuing operations attributable to non-controlling interests					291,940
Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders					11,183,825
Net income from discontinued operations					11,140,780
Net income attributable to Consolidated Water Co. Ltd. stockholders					$ 22,324,605

Depreciation and amortization expenses for the six months ended June 30, 2024 for the retail, bulk, services and manufacturing segments were $1,274,428, $1,433,054, $503,300 and $131,555, respectively.

	Six Months Ended June 30, 2023				
	Retail	Bulk	Services	Manufacturing	Total
Revenue	$ 15,344,424	$ 17,486,868	$ 36,815,664	$ 7,459,297	$ 77,106,253
Cost of revenue	6,983,926	12,174,881	26,292,219	5,632,596	51,083,622
Gross profit	8,360,498	5,311,987	10,523,445	1,826,701	26,022,631
General and administrative expenses	8,442,642	732,875	1,993,232	852,828	12,021,577
Gain (loss) on asset dispositions and impairments, net	(7,287)	12,270	—	1,933	6,916
Income (loss) from operations	$ (89,431)	$ 4,591,382	$ 8,530,213	$ 975,806	14,007,970
Other income, net					286,190
Income before income taxes					14,294,160
Provision for income taxes					2,389,552
Net income from continuing operations					11,904,608
Income from continuing operations attributable to non-controlling interests					300,347
Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders					11,604,261
Net loss from discontinued operations					(466,864)
Net income attributable to Consolidated Water Co. Ltd. stockholders					$ 11,137,397

Depreciation and amortization expenses for the six months ended June 30, 2023 for the retail, bulk, services and manufacturing segments were $1,219,974, $1,568,329, $345,433 and $136,123, respectively.

	As of June 30, 2024				
	Retail	Bulk	Services	Manufacturing	Total
Accounts receivable, net	$ 3,337,581	$ 25,639,982	$ 7,006,706	$ 3,680,579	$ 39,664,848
Inventory, current and non-current	$ 3,144,757	$ 4,765,124	$ —	$ 1,650,595	$ 9,560,476
Contract assets	$ —	$ —	$ 1,747,791	$ 3,665,989	$ 5,413,780
Property, plant and equipment, net	$ 32,310,270	$ 19,357,321	$ 1,058,526	$ 1,642,834	$ 54,368,951
Construction in progress	$ 959,712	$ 116,798	$ —	$ 169,488	$ 1,245,998
Intangibles, net	$ —	$ —	$ 2,410,556	$ 614,444	$ 3,025,000
Goodwill	$ 1,170,511	$ 1,948,875	$ 7,756,807	$ 1,985,211	$ 12,861,404
Total segment assets	$ 89,309,738	$ 78,465,306	$48,146,895	$ 17,736,548	$ 233,658,487
Assets of discontinued operations					$ 1,503,473
Total assets					$ 235,161,960

	As of December 31, 2023				
	Retail	Bulk	Services	Manufacturing	Total
Accounts receivable, net	$ 3,425,948	$ 26,965,126	$ 6,802,780	$ 1,033,037	$ 38,226,891
Inventory, current and non-current	$ 3,041,460	$ 4,858,324	$ 55,272	$ 3,135,357	$ 11,090,413
Contract assets	$ —	$ —	$ 17,715,872	$ 3,837,185	$ 21,553,057
Property, plant and equipment, net	$ 32,809,487	$ 20,370,056	$ 1,143,884	$ 1,559,094	$ 55,882,521
Construction in progress	$ 380,436	$ —	$ —	$ 115,035	$ 495,471
Intangibles, net	$ —	$ —	$ 2,692,074	$ 661,111	$ 3,353,185
Goodwill	$ 1,170,511	$ 1,948,875	$ 7,756,807	$ 1,985,211	$ 12,861,404
Total segment assets	$ 58,774,647	$ 63,956,725	$ 58,476,773	$ 15,888,642	$ 197,096,787
Assets of discontinued operations					$ 21,340,805
Total assets					$ 218,437,592

4. Earnings per share

Earnings per share ("EPS") is computed on a basic and diluted basis. Basic EPS is computed by dividing net income (less preferred stock dividends) available to common stockholders by the weighted average number of common shares outstanding during the period. The computation of diluted EPS assumes the issuance of common shares for all potential common shares outstanding during the reporting period and, if dilutive, the effect of stock options as computed under the treasury stock method.

The following summarizes information related to the computation of basic and diluted EPS:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders	$ 4,242,411	$ 7,531,472	$ 11,183,825	$ 11,604,261
Less: preferred stock dividends	(4,660)	(4,087)	(8,843)	(7,010)
Net income from continuing operations available to common shares in the determination of basic earnings per common share	4,237,751	7,527,385	11,174,982	11,597,251
Income (loss) from discontinued operations	11,607,846	(207,701)	11,140,780	(466,864)
Net income available to common shares in the determination of basic earnings per common share	$ 15,845,597	$ 7,319,684	$ 22,315,762	$ 11,130,387
Weighted average number of common shares in the determination of basic earnings per common share attributable to Consolidated Water Co. Ltd. common stockholders	15,829,120	15,736,041	15,829,024	15,729,852
Plus:				
Weighted average number of preferred shares outstanding during the period	44,176	34,695	44,178	34,540
Potential dilutive effect of unexercised options and unvested stock grants	110,375	136,704	110,952	135,531
Weighted average number of shares used for determining diluted earnings per common share attributable to Consolidated Water Co. Ltd. common stockholders	15,983,671	15,907,440	15,984,154	15,899,923

5. Discontinued operations - Mexico project development

In 2010, the Company began the pursuit, through its Netherlands subsidiary, CW-Cooperatief, and its Mexico subsidiary, NSC, of a project (the "Project") that encompassed the construction, operation and minority ownership of a 100 million gallons per day seawater reverse osmosis desalination plant to be located in northern Baja California, Mexico and accompanying pipelines to deliver water to the Mexican potable water system.

Through a series of transactions that began in 2012, NSC purchased 20.1 hectares of land for approximately $ 21.1 million on which the proposed Project's plant was to be constructed.

Following an assessment by the State of Baja, California (the "State") of the need for such a desalination plant and the passage of enabling legislation in November 2015, the State officially commenced the required public tender for the Project. A consortium (the "Consortium") comprised of NSC, Suez Medio Ambiente México, S.A. de C.V. ("Suez MA"), a subsidiary of SUEZ International, S.A.S., and NuWater S.A.P.I. de C.V. ("NuWater") submitted its tender for the Project in April 2016 and in June 2016, the State designated the Consortium as the winner of the tender process for the Project.

In August 2016, NSC and NuWater incorporated a new company under the name AdR to pursue completion of the Project and executed a shareholders agreement for AdR agreeing among other things that (i) AdR would purchase the land and other Project assets from NSC on the date that the Project begins commercial operation and (ii) AdR would enter into a Management and Technical Services Agreement with NSC effective on the first day that the Project begins commercial operation. NSC initially owned 99.6% of the equity of AdR. In February 2018, CW-Holdings acquired the remaining 0.4% ownership in AdR from NuWater.

On August 22, 2016, the Public Private Partnership Agreement for the Project (the “APP Contract”) was executed between AdR, the State Water Commission of Baja, California (“CEA”), and the Government of Baja California, as represented by the Secretary of Planning and Finance and the Public Utilities Commission of Tijuana (“CESPT”). The APP Contract required AdR to design, construct, finance and operate a seawater reverse osmosis desalination plant (and accompanying aqueduct) with a capacity of up to 100 million gallons per day in two phases: the first with a capacity of 50 million gallons per day and an aqueduct to the Mexican public water system in Tijuana, Baja California and the second phase with a capacity of 50 million gallons per day. The first phase was to be operational within 36 months of commencing construction and the second phase was to be operational by January 2025. The APP Contract further required AdR to operate and maintain the plant and aqueduct for a period of 37 years starting from the commencement of operation of the first phase. At the end of the operating period, the plant and aqueduct would have been transferred to CEA. The APP Contract was subsequently amended by the parties in June 2018 to increase the scope of Phase 1 and to allow for changes in the water tariff due to the changes in the exchange rate for the peso, interest rates and construction costs that had and would occur from the date the APP Contract was signed to the date construction commenced.

On June 29, 2020, AdR received a letter (the “Letter”) from the Director General of CEA and the Director General of CESPT terminating the APP Contract. The Letter requested that AdR provide an inventory of the assets that currently comprise the “Project Works” (as defined in the APP Contract) for the purpose of acknowledging and paying the non-recoverable expenses made by AdR in connection with the Project, with such reimbursement to be calculated in accordance with the terms of the APP Contract. The applicable law required that this list of non-recoverable expenses made by AdR in connection with the Project be submitted to CEA and CESPT within 20 business days from the date of receipt of the Letter. AdR initiated an amparo claim before a federal district court in Tijuana, Baja California, to challenge the provision of the applicable law requiring submittal of the list of non-recoverable expenses within the 20 business days term, as AdR considered such term to be unreasonably short due to the magnitude of the Project and the scope of supporting documentation required to be provided with respect to the non-recoverable expenses. AdR obtained an initial provisional suspension of the lapsing of such 20-day term from the court, and on August 10, 2020 the court made such suspension definitive until the completion of the amparo trial. As such, the 20-day term for filing the list of non-recoverable expenses was suspended. Therefore, on August 28, 2020, AdR submitted their list of non-recoverable expenses, including those of NSC, to CEA and CESPT which was comprised of 51,144,525 United States dollars and an additional 137,333,114 Mexican pesos. In February 2021, AdR withdrew this amparo claim, and such withdrawal was accepted by the federal district court in Tijuana. To date, AdR has not received a formal response from CEA or CESPT to its submission of non-recoverable expenses.

The Company believed CW-Cooperatief, as a Netherlands company, had certain rights relating to its investments in NSC and AdR under the *Agreement on Promotion, Encouragement and Reciprocal Protection of Investments between the Kingdom of the Netherlands and the United Mexican States* entered into force as of October 1, 1999 (the “Treaty”). On April 16, 2021, CW-Cooperatief submitted a letter to the President of Mexico and other Mexican federal government officials alleging that the State’s termination of the APP Contract constituted a breach by Mexico of its international obligations under the Treaty, entitling CW-Cooperatief to full reparation, including monetary damages. This letter invited Mexico to seek a resolution of this investment dispute through consultation and negotiation, but stated that if the dispute cannot be resolved in this manner, CW-Cooperatief would refer the dispute to the International Centre for the Settlement of International Disputes for arbitration, as provided for in the Treaty. On June 29, 2021, the Mexican Ministry of Economy responded to CW-Cooperatief’s letter and proposed to hold a consultation meeting. Two such meetings were held on July 9, 2021 and August 2, 2021 on a confidential basis, without a resolution of the Company’s investment dispute.

In February 2022, CW-Cooperatief, filed a Request for Arbitration with the International Centre for Settlement of International Disputes (“ICSID”) requesting that the United Mexican States pay CW-Cooperatief damages in excess of US$51 million plus MXN$137 million (with the exact amount to be quantified in the proceedings), plus fees, costs and pre- and post-award interest.

On May 29, 2024, the Company, through CW-Cooperatief; NSC, and AdR entered into a settlement agreement (the "Settlement Agreement") with the State and Banco Nacional de Obras y Servicios Públicos, S.N.C., as trustee under the trust agreement for the trust named Fondo Nacional de Infraestructura (the "Trust"). Under the Settlement Agreement, CW-Cooperatief requested that ICSID discontinue the arbitration and on May 31, 2024, ICSID issued an order discontinuing the arbitration. Pursuant to the Settlement Agreement, the Trust purchased the 20.1 hectares of land on which the Project's plant was to be constructed, including related rights of way (the "Land"), on an "as-is" basis, from NSC for MXN$596,144,000. The sale of the Land to the Trust was closed on June 14, 2024 at which time the MXN$596,144,000 was paid to the Company and converted at the prevailing exchange rate on that date into US$31,959,685.

In connection with the Settlement Agreement on June 14, 2024, the State also paid NSC MXN$ 20,000,000 to purchase certain documentation owned by NSC relating to the Project.

As a result of the Settlement Agreement: (i) the parties have been released from all obligations owed to each other in connection with the APP Contract and the arbitration; and (ii) no party to the Settlement Agreement may institute any legal proceedings against another party thereto with respect to the matters which have been addressed by the Settlement Agreement.

The Settlement Agreement and any matter arising out of or in connection with it are governed by the federal laws of Mexico.

Summarized financial information for the discontinued Mexico project development operation is as follows:

	June 30, 2024	December 31, 2023
Cash	$ 1,355,104	$ 91,283
Prepaid expenses and other current assets	148,369	120,234
Land	—	21,126,898
Other assets	—	2,390
Total assets of discontinued operations	$ 1,503,473	$ 21,340,805
Total liabilities of discontinued operations	$ 393,237	$ 364,665

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Revenue	$ —	$ —	$ —	$ —
Loss from discontinued operations	$ (526,920)	$ (207,701)	$ (993,986)	$ (466,864)
Gain on sale of land and project documentation	$ 12,134,766	$ —	$ 12,134,766	$ —
Depreciation expense	$ —	$ —	$ —	$ —

6. Leases

The Company's leases consist primarily of leases for office and warehouse space. For leases with terms greater than twelve months, the related asset and obligation are recorded at the present value of the lease payments over the term. Many of these leases contain rental escalation clauses which are factored into the determination of the lease payments when appropriate. When available, the lease payments are discounted using the rate implicit in the lease; however, the Company's current leases do not provide a readily determinable implicit rate. Therefore, the Company's incremental borrowing rate is estimated to discount the lease payments based on information available at the lease commencement.

These leases contain both lease and non-lease components, which the Company has elected to treat as a single lease component. The Company elected not to recognize leases that have an original lease term, including reasonably certain renewal or purchase obligations, of twelve months or less in its condensed consolidated balance sheets for all classes of underlying assets. Lease costs for such short-term leases are expensed on a straight-line basis over the lease term.

Effective May 1, 2024, the Company entered into a new office lease for the existing office located in Grand Cayman, Cayman Islands under similar terms compared to the prior lease. This new lease has a term of five years from the commencement date with an option for an additional five-year term.

All lease assets denominated in a foreign currency are measured using the exchange rate at the commencement of the lease. All lease liabilities denominated in a foreign currency are remeasured using the exchange rate as of the condensed consolidated balance sheet date.

Lease assets and liabilities

The following table presents the lease-related assets and liabilities and their respective classification on the condensed consolidated balance sheets:

	June 30, 2024	December 31, 2023
ASSETS		
Current		
Prepaid expenses and other current assets	$ —	$ 110,541
Current assets of discontinued operations	—	—
Noncurrent		
Operating lease right-of-use assets	3,532,430	2,135,446
Total lease right-of-use assets	$ 3,532,430	$ 2,245,987
LIABILITIES		
Current		
Current maturities of operating leases	$ 618,705	$ 456,865
Current liabilities of discontinued operations	—	—
Noncurrent		
Noncurrent operating leases	2,949,303	1,827,302
Total lease liabilities	$ 3,568,008	$ 2,284,167
Weighted average remaining lease term:		
Operating leases	5.5 years	6.1 years
Weighted average discount rate:		
Operating leases	6.56%	5.67%

The components of lease costs were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating lease costs	$ 214,730	$ 192,951	$ 420,602	$ 363,329
Short-term lease costs	47,415	25,457	117,124	50,803
Lease costs - discontinued operations	12,022	8,643	24,142	19,429
Total lease costs	$ 274,167	$ 227,051	$ 561,868	$ 433,561

Supplemental cash flow information related to leases is as follows:

	Six Months Ended June 30,	
	2024	2023
Cash paid for amounts included in measurement of liabilities:		
Operating cash outflows for operating leases	$ 455,149	$ 398,017
Operating cash outflows for operating leases - discontinued operations	—	5,694

Future lease payments relating to the Company's operating lease liabilities from continuing operations as of June 30, 2024 were as follows:

Years ending December 31,	Total
2024	$ 418,757
2025	836,548
2026	763,783
2027	732,904
2028	749,143
Thereafter	769,215
Total future lease payments	4,270,350
Less: imputed interest	(702,342)
Total lease obligations	3,568,008
Less: current obligations	(618,705)
Noncurrent lease obligations	$ 2,949,303

7. Fair value

As of June 30, 2024 and December 31, 2023, the carrying amounts of cash equivalents, accounts receivable, accounts payable, accrued expenses, accrued compensation, dividends payable and other current liabilities approximate their fair values due to the short-term maturities of these instruments.

Under US GAAP, fair value is defined as the exit price, or the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants as of the measurement date. US GAAP guidance also establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs market participants would use in valuing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the factors market participants would use in valuing the asset or liability. The guidance establishes three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The Company reviews its fair value hierarchy classifications on a quarterly basis. Changes in the observability of valuation inputs may result in a reclassification of levels for certain securities within the fair value hierarchy.

As of June 30, 2024 and December 31, 2023, the Company does not have assets and liabilities measured at fair value to present in the fair value hierarchy.

8. Contingencies

Cayman Water

The Company sells water through its Cayman Water retail operations under a license issued in July 1990 by the Cayman Islands government (the "1990 license") that granted Cayman Water the exclusive right to provide potable water to customers within its licensed service area. Although the 1990 license has not been expressly extended after January 2018, the Company continues to supply water under the terms of the 1990 license, as further discussed in the following paragraph. Pursuant to the 1990 license, Cayman Water has the exclusive right to produce potable water and distribute it by pipeline to its licensed service area, which consists of two of the three most populated areas of Grand Cayman Island: Seven Mile Beach and West Bay. For the three months ended June 30, 2024 and 2023, the Company generated approximately 25% and 17%, respectively, of its consolidated revenue and 39% and 27%, respectively, of its consolidated gross profit from the retail water operations conducted under the 1990 license. For the six months ended June 30, 2024 and 2023, the Company generated approximately 23% and 20%, respectively, of its consolidated revenue and 38% and 32%, respectively, of its consolidated gross profit from the retail water operations conducted under the 1990 license.

The 1990 license was originally scheduled to expire in July 2010 but was extended several times by the Cayman Islands government in order to provide the parties with additional time to negotiate the terms of a new license agreement. The most recent express extension of the 1990 license expired on January 31, 2018. The Company continues to operate under the terms of the 1990 license, providing water services to the level and quality specified in the 1990 license and in accordance with its understanding of its legal obligations, treating those obligations set forth in the 1990 license as operative notwithstanding the expiration of the express extension The Company continues to pay the royalty of 7.5% of the revenue that Cayman Water collects as required under the 1990 license.

In October 2016, the Government of the Cayman Islands passed legislation which created a new utilities regulation and competition office ("OfReg"). OfReg is an independent and accountable regulatory body with a view of protecting the rights of consumers, encouraging affordable utility services and promoting competition. OfReg, which began operations in January 2017, has the ability to supervise, monitor and regulate multiple utility undertakings and markets. Supplemental legislation was passed by the Government of the Cayman Islands in April 2017, which transferred responsibility for the economic regulation of the water utility sector and the negotiations with the Company for a new retail license from the WAC to OfReg in May 2017. The Company began license negotiations with OfReg in July 2017 and such negotiations are ongoing. The Company has been informed during its retail license negotiations, both by OfReg and its predecessor in these negotiations, that the Cayman Islands government seeks to restructure the terms of its license in a manner that could significantly reduce the operating income and cash flows the Company has historically generated from its retail license.

The Company is presently unable to determine what impact the resolution of its retail license negotiations will have on its consolidated financial condition or results of operations but such resolution could result in a material reduction (or the loss) of the operating income and cash flows the Company has historically generated from Cayman Water's retail operations and could require the Company to record impairment losses to reduce the carrying values of its retail segment assets. Such impairment losses could have a material adverse impact on the Company's consolidated financial condition and results of operations.

CW-Bahamas

CW-Bahamas' accounts receivable balances (which include accrued interest) due from the WSC amounted to $ 25.4 million and $26.9 million as of June 30, 2024 and December 31, 2023, respectively. Approximately 79% and 80% of the accounts receivable balances were delinquent as of those dates, respectively.

From time to time (including presently), CW-Bahamas has experienced delays in collecting its accounts receivable from the WSC. When these delays occur, the Company holds discussions and meetings with representatives of the WSC and The Bahamas government, and as a result, payment schedules are developed for WSC's delinquent accounts receivable. All previous delinquent accounts receivable from the WSC, including accrued interest thereon, were eventually paid in full. Based upon this payment history, CW-Bahamas has not provided a material allowance for credit losses for its accounts receivable from the WSC as of June 30, 2024.

CW-Bahamas held discussions with the WSC in March 2024 and with representatives of The Bahamas Government in April 2024 during which CW-Bahamas was informed that the Government intends to substantially reduce CW-Bahamas' accounts receivable from the WSC over the course of 2024.

In a report dated October 6, 2022, Moody's Investor Services ("Moody's") downgraded The Bahamas' long-term issuer and senior unsecured ratings to B1 from Ba3. Moody's also lowered The Bahamas' local currency ceiling to Baa3 from Baa2 and its foreign currency ceiling to Ba1 from Baa3. Moody's iterated these ratings in April and October 2023 and April 2024, noting that such ratings are "stable."

If CW-Bahamas is unable to collect a sufficient portion of its delinquent accounts receivable, one or more of the following events may occur: (i) CW-Bahamas may not have sufficient liquidity to meet its obligations; (ii) the Company may be required to cease the recognition of revenue on CW-Bahamas' water supply agreements with the WSC; and (iii) the Company may be required to provide an additional allowance for credit losses for CW-Bahamas' accounts receivable. Any of these events could have a material adverse impact on the Company's consolidated financial condition, results of operations, and cash flows.

9. Impact of recent accounting standards

Adoption of new accounting standards:

None.

Effect of newly issued but not yet effective accounting standards:

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* . This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this guidance.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is permitted. The Company is currently evaluating the impact of this guidance.

10. Subsequent events

The Company evaluated subsequent events through the time of the filing of this report on Form 10-Q. The Company is not aware of any significant events that occurred subsequent to the balance sheet date but prior to the filing of this report that would have a material impact on its condensed consolidated financial statements.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including but not limited to, statements regarding our future revenue, future plans, objectives, expectations and events, assumptions and estimates. Forward-looking statements can be identified by use of the words or phrases "will," "will likely result," "are expected to," "will continue," "estimate," "project," "potential," "believe," "plan," "anticipate," "expect," "intend," or similar expressions and variations of such words. Statements that are not historical facts are based on our current expectations, beliefs, assumptions, estimates, forecasts and projections for our business and the industry and markets related to our business.

The forward-looking statements contained in this report are not guarantees of future performance and involve assumptions and certain risks and uncertainties which are difficult to predict. Actual outcomes and results may differ materially from what is expressed in such forward-looking statements. Important factors which may affect these actual outcomes and results include, without limitation:

- tourism and weather conditions in the areas we serve ;
- the economic, political and social conditions of each country in which we conduct or plan to conduct business;
- our relationships with the government entities and other customers we serve;
- regulatory matters, including resolution of the negotiations for the renewal of our retail license on Grand Cayman;
- our ability to successfully enter new markets; and
- other factors, including those "Risk Factors" set forth under Part II, Item 1A. "Risk Factors" in this Quarterly Report and in our 2023 Annual Report on Form 10-K.

The forward-looking statements in this Quarterly Report speak as of its date. We expressly disclaim any obligation or undertaking to update or revise any forward-looking statement contained in this Quarterly Report to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any forward-looking statement is based, except as may be required by law.

References herein to "we," "our," "ours" and "us" refer to Consolidated Water Co. Ltd. and its subsidiaries.

Critical Accounting Policies and Estimates

Our critical accounting policies relate to (i) the valuations of our goodwill, intangible assets and long-lived assets; and (ii) revenue recognition on our construction and manufacturing contracts.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires us 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 consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Our actual results could differ significantly from such estimates and assumptions.

The application of our critical accounting policies involves estimates or assumptions that constitute "critical accounting estimates" for us because:

- the nature of these estimates or assumptions is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change; and

- the impact of the estimates and assumptions on financial condition and results of operations is material.

Goodwill and Intangible Assets

Goodwill represents the excess cost of an acquired business over the fair value of the assets and liabilities of the acquired business as of the date of acquisition. Goodwill and intangible assets recorded as a result of a business combination and determined to have an indefinite useful life are not amortized but are tested for impairment annually or upon the identification of a triggering event. Intangible assets with estimable useful lives are amortized over their respective estimated useful lives to their estimated residual values and reviewed periodically for impairment. We evaluate the possible impairment of goodwill annually as part of our reporting process for the fourth quarter of each fiscal year. Management identifies our reporting units for goodwill impairment testing purposes, which consist of Cayman Water, the bulk segment (which is comprised of CW-Bahamas and OC-Cayman), PERC, REC, and the manufacturing segment (i.e., Aerex), and determines the carrying value of each reporting unit by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. We determine the fair value of each reporting unit and compare these fair values to the carrying amounts of the reporting units. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit, an impairment loss is recorded.

For 2023, we elected to assess qualitative factors to determine whether it was necessary to perform the quantitative goodwill impairment testing we have conducted in prior years for our reporting units. We assessed the relevant events and circumstances to evaluate whether it is more likely than not that the fair values of such reporting units are less than their carrying values. The events and circumstances assessed for each reporting unit included macroeconomic conditions, industry and market conditions, cost factors, overall financial performance, and other relevant events. Based upon this qualitative assessment, we determined that it is more likely than not that the fair values of our reporting units exceeded their carrying values as of December 31, 2023.

In 2020, approximately 80% of Aerex's revenue, and 89% of Aerex's gross profit were generated from sales to one customer. While Aerex sells various products to this customer, Aerex's revenue from this customer had historically been derived primarily from one specialized product. In October 2020, this customer informed Aerex that, for inventory management purposes, it was suspending its purchases of the specialized product from Aerex following 2020 for a period of approximately one year. This customer informed Aerex at that time that it expected to recommence its purchases of the specialized product from Aerex beginning with the first quarter of 2022. As a result of this anticipated loss of revenue for Aerex, we updated our projections for our manufacturing reporting unit's future cash flows. Such projections assumed, in part, that Aerex's major customer would recommence its purchases from Aerex in 2022 but at a reduced aggregate amount, as compared to 2020. Based upon these updated projections, we tested our manufacturing reporting unit's goodwill for possible impairment as of December 31, 2020 using the discounted cash flow and guideline public company methods, with a weighting of 80% and 20% applied to these two methods, respectively. As a result of these impairment tests, we determined that the estimated fair value of our manufacturing reporting unit exceeded its carrying value by approximately 31% as of December 31, 2020.

In late July 2021, this former major customer communicated to Aerex that it expected to recommence its purchases of the specialized product from Aerex in 2022 and subsequent years, but informed Aerex that such purchases would be at substantially reduced annual amounts, as compared to the amounts it had purchased from Aerex in 2020 and prior years. Our updated sales estimate for this customer based on this new information was substantially below the sales we anticipated to this customer for 2022 and subsequent years that we used in the discounted cash flow projections we prepared for purposes of testing our manufacturing reporting unit's goodwill for possible impairment as of December 31, 2020. Furthermore, Aerex's efforts to replace the revenue previously generated from this customer with revenue from existing and new customers were adversely impacted by negative economic conditions (caused in part by the COVID-19 pandemic). These negative economic conditions also increased Aerex's raw material costs, resulted in raw material shortages and extended delivery times for such materials, and adversely affected the overall financial condition of Aerex's current and prospective customers. Accordingly, in light of this new information from Aerex's former major customer, and the on-going weak economic conditions that we believed would continue through 2022, we updated our projections of future cash flows for the manufacturing reporting unit and tested its goodwill for possible impairment as of June 30, 2021 using the discounted cash flow and guideline public company methods, with a weighting of 80% and 20% applied to these two methods, respectively. Based upon this testing, we determined that the carrying value of our manufacturing reporting unit exceeded its fair value by $2.9 million, and we recorded an impairment loss to reduce our manufacturing segment's goodwill by this amount for the three months ended June 30, 2021.

Long-lived Assets

We review the carrying amounts of our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets might not be recoverable. Conditions that would necessitate an impairment assessment include a significant decline in the observable market value of an asset, a significant change in the extent or manner in which an asset is used, or a significant adverse change that would indicate that the carrying amount of an asset or group of assets is not recoverable. For long-lived assets to be held and used, we recognize an impairment loss only if its carrying amount is not recoverable through its undiscounted cash flows and measure the impairment loss based on the difference between the carrying amount and fair value.

On June 29, 2020, our Mexico subsidiary, AdR, received a letter from the State of Baja California (the "State") terminating AdR's contract with the State involving the construction and operation of a desalination plant in Rosarito California and accompanying aqueduct to deliver the water produced by this plant to the Mexican public water system. As a result of the cancellation of this contract, we recorded an impairment loss for rights of way acquired for the contract's proposed aqueduct of approximately ($3.0 million) in 2020.

Construction and Manufacturing Contract Revenue Recognition

We design, construct, and sell desalination infrastructure through DesalCo, which serves customers in the Cayman Islands, The Bahamas, and the British Virgin Islands. We design, construct, and sell wastewater and water reuse infrastructure in the United States through PERC. Aerex, is a custom and specialty manufacturer in the United States of water treatment-related systems and products applicable to commercial, municipal and industrial water production.

We recognize revenue for our construction and our specialized/custom manufacturing contracts over time under the input method using costs incurred (which represents work performed) to date relative to the total estimated costs at completion to measure progress toward satisfying a contract's performance obligations, as such measure best reflects the transfer of control of the promised good to the customer. Contract costs include labor, materials, subcontractor costs and other expenses. We follow this method since we can make reasonably dependable estimates of the revenue and costs applicable to the various stages of a contract. Under this input method, we record revenue and recognize profit or loss as work on the contract progresses. We estimate total costs to be incurred and profit to be earned on each long-term, fixed price contract prior to commencement of work on the contract and update these estimates as work on the contract progresses. The cumulative amount of revenue recorded on a contract at a specified point in time is that percentage of total estimated revenue that incurred costs to date comprise of estimated total contract costs. Due to the extended time it may take to complete many of our contracts and the scope and nature of the work required to be performed on those contracts, the estimations of total revenue and costs at completion are complicated and subject to many variables and, accordingly, are subject to changes. When adjustments in estimated total contract revenue or estimated total contract costs are required, any changes from prior estimates are recognized in the current period for the inception-to-date effect of such changes. We recognize the full amount of any estimated loss on a contract at the time the estimates indicate such a loss.

The cost estimates we prepare in connection with our construction and manufacturing contracts are subject to inherent uncertainties. Because we base our contract prices on our estimation of future construction and manufacturing costs, the profitability of our construction and manufacturing contracts is highly dependent on our ability to estimate these costs accurately, as almost all of our construction and manufacturing contracts are fixed-price contracts. The cost of materials, labor and subcontractors could increase significantly after we sign a construction or manufacturing contract, which could cause the gross profit for a contract to decline from our previous estimates, adversely affecting our recognition of revenue and gross profit for the contract. Construction or manufacturing contract costs that significantly exceed our initial estimates could have a material adverse impact on our consolidated financial condition, results of operations, and cash flows.

RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included under Part I, Item 1. "Financial Statements" of this Quarterly Report and our consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2023 ("2023 Form 10-K") and the information set forth under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2023 Form 10-K.

Three Months Ended June 30, 2024 Compared to Three Months Ended June 30, 2023

Discontinued Operations – Mexico Project Development

In 2010, we began the pursuit, through our Netherlands subsidiary, Consolidated Water Cooperatief, U.A. ("CW-Cooperatief"), and our Mexico subsidiary, N.S.C. Agua, S.A. de C.V. ("NSC"), of a project (the "Project") that encompassed the construction, operation and minority ownership of a 100 million gallons per day seawater reverse osmosis desalination plant to be located in northern Baja California, Mexico and accompanying pipelines to deliver water to the Mexican potable water system.

Through a series of transactions that began in 2012, NSC purchased 20.1 hectares of land for approximately $21.1 million on which the proposed Project's plant was to be constructed.

Following an assessment by the State of Baja, California (the "State") of the need for such a desalination plant and the passage of enabling legislation in November 2015, the State officially commenced the required public tender for the Project. A consortium (the "Consortium") comprised of NSC, Suez Medio Ambiente México, S.A. de C.V. ("Suez MA"), a subsidiary of SUEZ International, S.A.S., and NuWater S.A.P.I. de C.V. ("NuWater") submitted its tender for the Project in April 2016 and in June 2016, the State designated the Consortium as the winner of the tender process for the Project.

In August 2016, NSC and NuWater incorporated a new company under the name Aguas de Rosarito S.A.P.I. de C.V. ("AdR") to pursue completion of the Project and executed a shareholders agreement for AdR agreeing among other things that (i) AdR would purchase the land and other Project assets from NSC on the date that the Project begins commercial operation and (ii) AdR would enter into a Management and Technical Services Agreement with NSC effective on the first day that the Project begins commercial operation. NSC initially owned 99.6% of the equity of AdR. In February 2018, we acquired the remaining 0.4% ownership in AdR from NuWater.

On August 22, 2016, the Public Private Partnership Agreement for the Project (the "APP Contract") was executed between AdR, the State Water Commission of Baja California ("CEA"), the Government of Baja California as represented by the Secretary of Planning and Finance and the Public Utilities Commission of Tijuana ("CESPT"). The APP Contract required AdR to design, construct, finance and operate a seawater reverse osmosis desalination plant (and accompanying aqueduct) with a capacity of up to 100 million gallons per day in two phases: the first with a capacity of 50 million gallons per day and an aqueduct to the Mexican potable water system in Tijuana, Baja California and the second phase with a capacity of 50 million gallons per day. The first phase was to be operational within 36 months of commencing construction and the second phase was to be operational by July 2024. The APP Contract further required AdR to operate and maintain the plant and aqueduct for a period of 37 years starting from the commencement of operation of the first phase. At the end of the operating period, ownership of the plant and aqueduct would have been transferred to CEA. The APP Contract was subsequently amended by the parties in June 2018 to increase the scope of Phase 1 and to allow for changes in the water tariff due to the changes in the exchange rate for the peso, interest rates and construction costs that had and would occur from the date the APP Contract was signed to the date construction commenced.

On June 29, 2020, AdR received a letter (the "Letter") from the Director General of CEA and the Director General of CESPT terminating the APP Contract. The Letter requested that AdR provide an inventory of the assets that comprised the "Project Works" (as defined in the APP Contract) for the purpose of acknowledging and paying the non-recoverable expenses made by AdR in connection with the Project, with such reimbursement to be calculated in accordance with the terms of the APP Contract. The applicable law required that this list of non-recoverable expenses made by AdR in connection with the Project be submitted to CEA and CESPT within 20 business days from the date of receipt of the Letter. AdR initiated an amparo claim before a federal district court in Tijuana, Baja California, to challenge the provision of the applicable law requiring submittal of the list of non-recoverable expenses within the 20 business days term, as AdR considered such term to be unreasonably short due to the magnitude of the Project and the scope of supporting documentation required to be provided with respect to the non-recoverable expenses. AdR obtained an initial provisional suspension of the lapsing of such 20-day term from the court, and on August 10, 2020 the court made such suspension definitive until the completion of the amparo trial. As such, the 20-day term for filing the list of non-recoverable expenses was suspended. Therefore, on August 28, 2020, AdR submitted their list of non-recoverable expenses, including those of NSC, to CEA and CESPT which was comprised of 51,144,525 United States dollars and an additional 137,333,114

Mexican pesos. In February 2021, AdR withdrew this amparo claim, and such withdrawal was accepted by the federal district court in Tijuana.

We believed CW-Cooperatief, as a Netherlands company, had certain rights relating to its investments in NSC and AdR under the *Agreement on Promotion, Encouragement and Reciprocal Protection of Investments between the Kingdom of the Netherlands and the United Mexican States* entered into force as of October 1, 1999 (the “Treaty”). On April 16, 2021, CW-Cooperatief submitted a letter to the President of Mexico and other Mexican federal government officials alleging that the State’s termination of the APP Contract constituted a breach by Mexico of its international obligations under the Treaty, entitling CW-Cooperatief to full reparation, including monetary damages. This letter invited Mexico to seek a resolution of this investment dispute through consultation and negotiation, but stated that if the dispute could not be resolved in this manner, CW-Cooperatief would refer the dispute to the International Centre for the Settlement of International Disputes for arbitration, as provided for in the Treaty. On June 29, 2021, the Mexican Ministry of Economy responded to CW-Cooperatief’s letter and proposed to hold a consultation meeting. Two such meetings were held on July 9, 2021 and August 2, 2021 on a confidential basis, without a resolution of our investment dispute.

In February 2022, CW-Cooperatief, filed a Request for Arbitration with the International Centre for Settlement of International Disputes requesting that the United Mexican States pay CW-Cooperatief damages in excess of US$51 million plus MXN$137 million (with the exact amount to be quantified in the proceedings), plus fees, costs and pre- and post-award interest.

On May 29, 2024, we, through CW-Cooperatief; NSC, and AdR entered into a settlement agreement (the “Settlement Agreement”) with the State and Banco Nacional de Obras y Servicios Públicos, S.N.C., as trustee under the trust agreement for the trust named Fondo Nacional de Infraestructura (the “Trust”). Under the Settlement Agreement, CW-Cooperatief requested that ICSID discontinue the arbitration and on May 31, 2024, ICSID issued an order discontinuing the arbitration. Pursuant to the Settlement Agreement, the Trust purchased the 20.1 hectares of land on which the Project’s plant was to be constructed, including related rights of way (the “Land”), on an “as-is” basis, from NSC for MXN$596,144,000. The sale of the Land to the Trust was closed on June 14, 2024 at which time the MXN$596,144,000 was paid to us and converted at the prevailing exchange rate on that date into US$31,959,685.

In connection with the Settlement Agreement on June 14, 2024, the State also paid NSC MXN$20,000,000 to purchase certain documentation owned by NSC relating to the Project.

As a result of the Settlement Agreement: (i) the parties have been released from all obligations owed to each other in connection with the APP Contract and the arbitration; and (ii) no party to the Settlement Agreement may institute any legal proceedings against another party thereto with respect to the matters which have been addressed by the Settlement Agreement.

We are presently in the process of legally terminating/dissolving CW-Cooperatief, NSC and AdR and will continue to incur expenses for these subsidiaries while such process is completed, but such expenses are not expected to be material to our consolidated results of operations.

Our net income from discontinued operations for the three months ended June 30, 2024 was $11,607,846 and the net loss from discontinued operations for the three months ended June 30, 2023 was ($207,701), respectively. The net income reported from discontinued operations for 2024 reflects the gain generated from the sale of the Project land and project documentation under the Settlement Agreement.

Consolidated Results

Including discontinued operations, net income attributable to Consolidated Water Co. Ltd. stockholders for 2024 was $15,850,257 ($0.99 per share on a fully diluted basis), as compared to net income of $7,323,771 ($0.46 per share on a fully diluted basis) for 2023.

The following discussion and analysis of our consolidated results of operations and results of operations by segment for the three months ended June 30, 2024 as compared to the three months ended June 30, 2023 relates only to our continuing operations.

Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders for 2024 was $4,242,411 ($0.26 per share on a fully diluted basis), as compared to net income from continuing operations of $7,531,472 ($0.47 per share on a fully diluted basis) for 2023.

Revenue for 2024 decreased to $32,479,158 from $44,237,263 in 2023, as a result of a significant revenue decrease in the services segment, consistent revenue in the bulk and manufacturing segments and a slight revenue increase in the retail segment. Gross profit for 2024 was $11,620,214 (36% of total revenue) as compared to $15,463,549 (35% of total revenue) for 2023. For further discussion of revenue and gross profit see the “Results by Segment” discussion and analysis that follows.

General and administrative (“G&A”) expenses on a consolidated basis increased to $6,606,294 for 2024 as compared to $5,984,915 for 2023. The increase in G&A expenses for 2024 relates to additional G&A expenses of approximately $299,000 attributable to REC, which was acquired in the fourth quarter of 2023 and an increase in audit, audit related and other professional fees of approximately $293,000.

Other income, net, increased to $418,426 for 2024 as compared to $129,131 for 2023 primarily due to approximately $295,000 of additional interest income resulting from higher late payment charges to our CW-Bahamas customer on delinquent accounts receivable balances and additional interest earned on higher balances of interest earning assets.

Results by Segment

Retail Segment:

The retail segment contributed $126,805 to our income from operations for 2024. The retail segment incurred a loss from operations of ($125,338) for 2023.

Revenue generated by our retail water operations increased to $8,181,884 in 2024 from $7,573,329 in 2023 due to a 10% increase in the volume of water sold. We believe the increase in the volume of water sold in 2024 resulted in part from a 5.5% increase in the number of customer accounts in our license area from June 30, 2023 to June 30, 2024. In addition, significantly less rainfall on Grand Cayman in 2024 for the months of April and May as compared to 2023 was also a contributor to the increase in water sold from 2023 to 2024.

Retail segment gross profit increased to $4,511,751 (55% of retail revenue) for 2024 from $4,140,197 (55% of retail revenue) for 2023 due to the revenue increase.

Consistent with prior periods, we record all non-direct G&A expenses in our retail segment and do not allocate any of these non-direct costs to our other three business segments. Retail G&A expenses remained relatively consistent at $4,378,816 for 2024 as compared to $4,265,535 for 2023.

Bulk Segment:

The bulk segment contributed $1,987,230 and $2,171,860 to our income from operations for 2024 and 2023, respectively.

Bulk segment revenue was $8,447,958 and $8,482,495 for 2024 and 2023, respectively. The slight decrease in bulk revenue from 2023 to 2024 reflects a decrease in the price of energy for CW-Bahamas, which decreased the energy pass-through component of CW-Bahamas’ rates.

Gross profit for our bulk segment was $2,350,498 (28% of bulk revenue) and $2,550,760 (30% of bulk revenue) for 2024 and 2023, respectively. Gross profit as a percentage of revenue decreased in 2024 as compared to 2023 due to a reduction in the price of energy and an increase in repairs and maintenance expenses of almost $243,000.

Bulk segment G&A expenses remained relatively consistent at $363,268 for 2024 as compared to $379,900 for 2023.

Services Segment:

The services segment contributed $2,270,308 and $6,941,262 to our income from operations for 2024 and 2023, respectively.

Services segment revenue decreased to $11,922,469 for 2024 from $24,093,963 for 2023. Construction revenue was $3,324,610 in 2024 as compared to $19,827,827 in 2023. We recognized approximately $1.4 million and $17.6 million in construction revenue for the Liberty Utilities contract in 2024 and 2023, respectively. This contract is substantially complete and we expect final completion of this contract by the end of the third quarter of 2024. Revenue generated under operations and maintenance contracts increased to $7,068,922 in 2024 from $4,044,015 in 2023. The acquisition of REC effective October 2023 constituted $1,921,819 of this operations and maintenance contracts revenue increase and the remainder of the increase related to new PERC contracts.

Gross profit for the services segment decreased to $3,463,932 (29% of services revenue) in 2024 from $7,845,822 (33% of services revenue) in 2023 due to the decreased revenue.

G&A expenses for the services segment increased to $1,196,624 for 2024 as compared to $904,560 for 2023 primarily due to the addition of REC's G&A expenses of approximately $299,000.

Manufacturing Segment:

The manufacturing segment contributed $626,447 and $491,850 to our income from operations in 2024 and 2023, respectively.

Manufacturing revenue was relatively consistent at $3,926,847 and $4,087,476 for 2024 and 2023, respectively.

Manufacturing gross profit was $1,294,033 (33% of manufacturing revenue) for 2024 as compared to a gross profit of $926,770 (23% of manufacturing revenue) for 2023. The increase in manufacturing gross profit in dollars and as a percentage of revenue results from a higher margin product mix.

G&A expenses for the manufacturing segment remained relatively consistent at $667,586 for 2024 as compared to $434,920 for 2023.

Six Months Ended June 30, 2024 Compared to Six Months Ended June 30, 2023

Discontinued Operations – Mexico Project Development

As discussed previously, on June 30, 2020 the State of Baja California cancelled its APP Contract with AdR for the Project. As a result of the cancellation of the Project we discontinued all development activities associated with the Project, commenced marketing efforts to sell the land NSC purchased for the Project, and initiated international arbitration against the Government of Mexico to recover the costs we had incurred for the Project. In May 2024, we executed a Settlement Agreement with the State pursuant to which we discontinued the arbitration in exchange for the purchase by the State (i) of the land for the Project for MXN$596,144,000; and (ii) certain documentation for the Project for MXN$20,000,000. We received the proceeds from the sale of the land and documentation in June 2024 and the MXN$596,144,000 received for the land was converted into US$31,959,685.

Our net income from discontinued operations for the six months ended June 30, 2024 was $11,140,780 and the net loss from discontinued operations for the three months ended June 30, 2023 was ($466,864), respectively. The net income reported from discontinued operations for 2024 reflects the gain generated from the sale of the Project land and documentation under the Settlement Agreement.

Consolidated Results

Including discontinued operations, net income attributable to Consolidated Water Co. Ltd. stockholders for 2024 was $22,324,605 ($1.40 per share on a fully diluted basis), as compared to net income of $11,137,397 ($0.70 per share on a fully diluted basis) for 2023.

The following discussion and analysis of our consolidated results of operations and results of operations by segment for the six months ended June 30, 2024 as compared to the six months ended June 30, 2023 relates only to our continuing operations.

Net income from continuing operations attributable to Consolidated Water Co. Ltd. stockholders for 2024 was $11,183,825 ($0.70 per share on a fully diluted basis), as compared to a net income from continuing operations of $11,604,261 ($0.73 per share on a fully diluted basis) for 2023.

Revenue for 2024 decreased to $72,168,548 from $77,106,253 in 2023, reflecting a decrease in the services segment. Gross profit for 2024 was $25,498,237 (35% of total revenue) as compared to $26,022,631 (34% of total revenue) for 2023. For further discussion of revenue and gross profit see the "Results by Segment" discussion and analysis that follows.

General and administrative ("G&A") expenses on a consolidated basis increased to $13,170,323 for 2024 as compared to $12,021,577 for 2023. The increase in G&A expenses for 2024 relates to additional G&A expenses of approximately $687,000 attributable to REC, which was acquired in the fourth quarter of 2023 and incremental audit, audit related and professional fees of approximately $348,000.

Other income, net, increased to $836,610 for 2024 from $286,190 for 2023 primarily due to approximately $515,000 of additional interest income resulting from higher late payment charges to our CW-Bahamas customer on delinquent accounts receivable balances and additional interest earned on higher balances of interest earning assets.

Results by Segment

Retail Segment:

The retail segment contributed $1,096,067 to our income from operations for 2024 and recorded a loss from operations of ($89,431) for 2023, respectively.

Revenue generated by our retail water operations increased to $16,806,822 in 2024 from $15,344,424 in 2023 due to an 8% increase in the volume of water sold. We believe the increase in the volume of water sold in 2024 resulted in part from a 5.5% increase in the number of customer accounts in our license area from June 30, 2023 to June 30, 2024. In addition, less rainfall on Grand Cayman in 2024 as compared to 2023 was also a contributor to the increase in water sold from 2023 to 2024.

Retail segment gross profit increased to $9,585,345 (57% of retail revenue) for 2024 from $8,360,498 (54% of retail revenue) for 2023 due to the revenue increase. Retail segment gross profit as a percentage of revenue increased in 2024 as compared to 2023 due to; (i) the overall increase in water volume sold and (ii) the higher average rate we charged for water in 2024 due to significantly lower sales to the WAC which pays a lower rate for water compared to customers within our retail service area.

Consistent with prior periods, we record all non-direct G&A expenses in our retail segment and do not allocate any of these non-direct costs to our other three business segments. Retail G&A expenses remained relatively consistent at $8,483,148 for 2024 as compared to $8,442,642 for 2023.

Bulk Segment:

The bulk segment contributed $4,419,925 and $4,591,382 to our income from operations for 2024 and 2023, respectively.

Bulk segment revenue was $16,790,052 and $17,486,868 for 2024 and 2023, respectively. The decrease in bulk revenue from 2023 to 2024 reflects a decrease in the price of energy for CW-Bahamas, which decreased the energy pass-through component of CW-Bahamas' rates.

Gross profit for our bulk segment was $5,127,334 (31% of bulk revenue) and $5,311,987 (30% of bulk revenue) for 2024 and 2023, respectively. Gross profit as a percentage of revenue increased in 2024 as compared to 2023 due to reductions in various operating expenses, most notably chemicals.

Bulk segment G&A expenses remained relatively consistent at $707,409 for 2024 as compared to $732,875 for 2023.

S*ervices Segment:*

The services segment contributed $5,421,126 and $8,530,213 to our income from operations for 2024 and 2023, respectively.

Services segment revenue decreased to $29,340,080 for 2024 from $36,815,664 for 2023. Construction revenue was $12,528,274 in 2024 as compared to $28,521,342 in 2023. We recognized approximately $6.3 million and $24.1 million in construction revenue for the Liberty Utilities contract in 2024 and 2023, respectively. This contract is substantially complete and we expect final completion of this contract by the end of the third quarter of 2024. Revenue generated under operations and maintenance contracts increased to $14,168,275 in 2024 from $7,729,821 in 2023. The acquisition of REC effective October 2023 constituted $3,739,859 of this operations and maintenance contracts revenue increase and the remainder of the increase related to new PERC contracts.

Gross profit for the services segment decreased to $8,212,604 (28% of services revenue) in 2024 from $10,523,445 (29% of services revenue) in 2023 due to the decreased revenue.

G&A expenses for the services segment increased to $2,794,478 for 2024 as compared to $1,993,232 for 2023 primarily due to the addition of REC's G&A expenses of approximately $687,000.

Manufacturing Segment:

The manufacturing segment contributed $1,387,666 and $975,806 to our income from operations in 2024 and 2023, respectively.

Manufacturing revenue was $9,231,594 and $7,459,297 for 2024 and 2023, respectively. The growth in manufacturing revenue for 2024 reflects increased production activity.

Manufacturing gross profit was $2,572,954 (28% of manufacturing revenue) for 2024 as compared to a gross profit of $1,826,701 (24% of manufacturing revenue) for 2023. The increase in manufacturing gross profit in dollars reflects the increase in revenue. Gross profit as a percentage of revenue increased due to a higher margin product mix.

G&A expenses for the manufacturing segment remained relatively consistent at $1,185,288 for 2024 as compared to $852,828 for 2023.

FINANCIAL CONDITION

The significant changes in the components of our condensed consolidated balance sheet as of June 30, 2024 as compared to December 31, 2023 (other than the change in our cash and cash equivalents, which is discussed later in "LIQUIDITY AND CAPITAL RESOURCES") and the reasons for these changes are discussed in the following paragraphs.

Accounts receivable increased by approximately $1.4 million primarily due to a $2.6 million increase in Aerex accounts receivables offset by a $1.4 million decrease in CW-Bahamas' accounts receivable.

Current inventory decreased by approximately $1.5 million primarily due to a decrease in Aerex's inventory due to the delivery of work orders that increased Aerex's accounts receivable.

Prepaid expenses and other current assets decreased by approximately $1.1 million primarily due to a reduction of prepaid insurance and other expenses offset by an increase of approximately $436,000 in prepaid taxes.

Contract assets decreased by approximately $16.1 million primarily due to a $16.0 million decrease in the services segment contract assets.

Property, plant and equipment, net, decreased by approximately $1.5 million primarily due to the scheduled depreciation of fixed assets offset by new additions.

Operating lease right-of-use assets increased by approximately $1.4 million due to the renewal of the corporate office lease in Cayman Islands.

Accounts payable, accrued expenses and other liabilities decreased by approximately $3.5 million primarily due to a $4.8 decrease in subcontractor costs in the services segment.

Noncurrent operating leases increased by approximately $1.1 million due to the renewal of the corporate office lease in Cayman Islands.

LIQUIDITY AND CAPITAL RESOURCES

Certain transfers from our Bahamas bank accounts to our bank accounts in other countries require the approval of the Central Bank of The Bahamas.

The Cayman Islands does not have a tax treaty with the United States. Consequently, should we be required (or elect) to transfer any profits generated by our U.S. operations to our parent company in the Cayman Islands, the amount of any such funds transferred would be subject to a 30% withholding tax.

Liquidity Position

Our projected liquidity requirements for the balance of 2024 include capital expenditures for our existing operations of approximately $7.1 million, which includes approximately $2.5 million to be incurred for our new West Bay plant. In addition, we plan to spend approximately $3.9 million during the balance of 2024 for other projects. We paid approximately $1.6 million for dividends in July 2024. Our liquidity requirements may also include future quarterly dividends, if such dividends are declared by our Board.

As of June 30, 2024, we had cash and cash equivalents of $96.7 million and working capital of $131.2 million.

With the exception of the liquidity matter relating to CW-Bahamas that is discussed in the paragraphs that follow, we are not presently aware of anything that would lead us to believe that we will not have sufficient liquidity to meet our needs.

CW-Bahamas Liquidity

CW-Bahamas' accounts receivable balances (which include accrued interest) due from the WSC amounted to $25.4 million and $26.9 million as of June 30, 2024 and December 31, 2023, respectively. Approximately 79% and 80% of the accounts receivable balances were delinquent as of those dates, respectively. The delay in collecting these accounts receivable has adversely impacted the liquidity of this subsidiary. CW-Bahamas has been unable to pay a dividend to its shareholders since August 2022 due to liquidity constraints.

From time to time (including presently), CW-Bahamas has experienced delays in collecting its accounts receivable from the WSC. When these delays occur, we hold discussions and meetings with representatives of the WSC and The Bahamas government, and as a result, payment schedules are developed for WSC's delinquent accounts receivable. All previous delinquent accounts receivable from the WSC, including accrued interest thereon, were eventually paid in full. Based upon this payment history, we have not provided for a material allowance for credit losses for CW-Bahamas' accounts receivable from the WSC as of June 30, 2024.

CW-Bahamas held discussions with the WSC in March 2024 and with representatives of The Bahamas Government in April 2024 during which CW-Bahamas was informed that the Government intends to substantially reduce CW-Bahamas' accounts receivable from the WSC over the course of 2024.

In a report dated October 6, 2022, Moody's Investor Services ("Moody's") downgraded The Bahamas' long-term issuer and senior unsecured ratings to B1 from Ba3. Moody's also lowered The Bahamas' local currency ceiling to Baa3 from Baa2 and its foreign currency ceiling to Ba1 from Baa3. Moody's iterated these ratings in April and October 2023 and April 2024, noting that such ratings are "stable." Based upon our review of this Moody's correspondence, we continue to believe that no material allowance for credit losses is required for CW-Bahamas' accounts receivable from the WSC.

If CW-Bahamas is unable to collect a sufficient portion of its delinquent accounts receivable, one or more of the following events may occur: (i) CW-Bahamas may not have sufficient liquidity to meet its obligations; (ii) we may be required to cease the recognition of revenue on CW-Bahamas' water supply agreements with the WSC; and (iii) we may be required to provide a material allowance for credit losses for CW-Bahamas' accounts receivable. Any of these events could have a material adverse impact on our consolidated financial condition, results of operations, and cash flows.

Discussion of Cash Flows for the Six Months Ended June 30, 2024

Our cash and cash equivalents increased to $96,670,206 as of June 30, 2024 from $42,621,898 as of December 31, 2023.

Cash Flows from Operating Activities

Net cash provided by our operating activities was $26,905,891. This net cash reflects the net income generated for the six months ended June 30, 2024 of $22,616,545 as adjusted for (i) various items included in the determination of net income that do not affect cash flows during the year; and (ii) changes in the other components of working capital. The more significant of such items and changes in working capital components included the gain from the sale of land and project documentation from discontinued operations of $12,134,766, depreciation and amortization of $3,342,337, an increase in accounts receivable of $1,672,589, a decrease in contract assets of $16,139,277, and a decrease in accounts payable, accrued expenses and other current liabilities of $3,503,625.

Cash Flows from Investing Activities

Net cash provided by our investing activities was $31,539,511 primarily due to the sale of land and project documentation from discontinued operations in Mexico. The balance of our investing activities consisted of additions to property, plant and equipment and construction in progress.

Cash Flows from Financing Activities

Net cash used by our financing activities was $3,133,273, almost all of which related to the payment of dividends.

Revolving Credit Facility

In September 2022, Cayman Water entered into an agreement (the "Credit Agreement") with Scotiabank & Trust (Cayman) Ltd. (the "Bank") for a revolving credit facility in an aggregate principal amount of up to $10.0 million (the "Credit Facility"). We expect to utilize the funds obtained from the Credit Facility for general working capital purposes.

The Credit Facility matures two years following the date of the initial advance (the "Maturity Date"). All amounts outstanding under the Credit Facility are due and payable upon the earlier of the Maturity Date, demand from the bank or the acceleration of the Credit Facility upon an event of default.

The principal balance of the Credit Facility bears interest at a rate of 2.0% plus the secured overnight financing rate ("SOFR") as determined by the SOFR Administrator for a one-month period on the day that is two days prior to the first day of the interest period. All interest calculations will be made based on a 360-day year. So long as the Bank has not demanded repayment, interest will be payable monthly, commencing one month from the initial advance, with the outstanding balance due on the Maturity Date, unless the Bank agrees to renew the Credit Facility for an additional period.

Cayman Water's obligations under the Credit Agreement are secured by a first priority lien on all its fixed and floating assets and an assignment of insurance proceeds with respect to its fixed assets. Further, the Company has guaranteed the repayment of all of Cayman Water's present and future debts and liabilities owed to the Bank.

The Credit Agreement requires Cayman Water to meet certain financial covenants.

Cayman Water has not yet utilized any of its available borrowings under the Credit Facility.

Material Commitments, Expenditures and Contingencies

Cayman Water Retail License

We sell water through our retail operations under a license issued in July 1990 by the Cayman Islands government (the "1990 license") that granted Cayman Water the exclusive right to provide potable water to customers within its licensed service area. Although the 1990 license has not been expressly extended after January 2018, we continue to supply water under the terms of the 1990 license, as discussed in the following paragraphs. Pursuant to the 1990 license, Cayman Water has the exclusive right to produce potable water and distribute it by pipeline to its licensed service area, which consists of two of the three most populated areas of Grand Cayman Island: Seven Mile Beach and West Bay. For the three months ended June 30, 2024 and 2023, we generated approximately 25% and 17%, respectively, of our consolidated revenue and 39% and 27%, respectively, of our consolidated gross profit from the retail water operations conducted under the 1990 license. For the six months ended June 30, 2024 and 2023, we generated approximately 23% and 20%, respectively, of our consolidated revenue and 38% and 32%, respectively, of our consolidated gross profit from the retail water operations conducted under the 1990 license.

The 1990 license was originally scheduled to expire in July 2010 but was extended several times by the Cayman Islands government to provide the parties with additional time to negotiate the terms of a new license agreement. The most recent express extension of the license expired on January 31, 2018. We continue to operate under the terms of the 1990 license, providing water services to the level and quality specified in the 1990 license and in accordance with our understanding of its legal obligations, treating those obligations set forth in the 1990 license as operative notwithstanding the expiration of the express extension. We continue to pay a royalty of 7.5% of the revenue we collect as required under the 1990 license.

In October 2016, the Government of the Cayman Islands passed legislation which created a new utilities regulation and competition office ("OfReg"). OfReg is an independent and accountable regulatory body with a view of protecting the rights of consumers, encouraging affordable utility services and promoting competition. OfReg, which began operations in January 2017, has the ability to supervise, monitor and regulate multiple utility undertakings and markets. Supplemental legislation was passed by the Government of the Cayman Islands in April 2017, which transferred responsibility for economic regulation of the water utility sector and the retail license negotiations from the WAC to OfReg in May 2017. We began license negotiations with OfReg in July 2017 and such negotiations are continuing. We have been informed during our retail license negotiations, both by OfReg and its predecessor in these negotiations, that the Cayman Islands government seeks to restructure the terms of our license in a manner that could significantly reduce the operating income and cash flows we have historically generated from our retail license.

The Cayman Islands government could seek to grant a third party a license to service some or all of Cayman Water's present service area. However, as set forth in the 1990 license, *"the Governor hereby agrees that upon the expiry of the term of this Licence or any extension thereof, he will not grant a licence or franchise to any other person or company for the processing, distribution, sale and supply of water within the Licence Area without having first offered such a licence or franchise to the Company on terms no less favourable than the terms offered to such other person or company."*

We are presently unable to determine what impact the resolution of our retail license negotiations will have on our cash flows, financial condition or results of operations but such resolution could result in a material reduction (or the loss) of the operating income and cash flows we have historically generated from our retail operations and could require us to record impairment losses to reduce the carrying value of our retail segment assets. Such impairment losses could have a material adverse impact on our consolidated financial condition and results of operations .

CW-Bahamas Performance Guarantees

Our contracts to supply water to the WSC from our Blue Hills and Windsor plants require us to guarantee delivery of a minimum quantity of water per week. If the WSC requires the water and we do not meet this minimum, we are required to pay the WSC for the difference between the minimum and actual gallons delivered at a per gallon rate equal to the price per gallon that WSC is currently paying us under the contract. The Blue Hills contract expires in 2032 and requires us to deliver 63.0 million gallons of water each week. The Windsor contract expires in 2033 and requires us to deliver 16.8 million gallons of water each week.

Adoption of New Accounting Standards

None.

Effect of Newly Issued but not yet Effective Accounting Standards

In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* . This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of this guidance.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The ASU requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is permitted. We are currently evaluating the impact of this guidance.

Dividends

- On January 31, 2024, we paid a dividend of $0.095 to shareholders of record on January 2, 2024.
- On April 30, 2024, we paid a dividend of $0.095 to shareholders of record on April 1, 2024.
- On May 29, 2024, our Board declared a dividend of $0.095 payable on July 31, 2024 to shareholders of record on July 1, 2024.

We have paid dividends to owners of our common stock and redeemable preferred stock since we began declaring dividends in 1985. Our payment of any future cash dividends will depend upon our earnings, financial condition, cash flows, capital requirements and other factors our Board of Directors deems relevant in determining the amount and timing of such dividends.

Dividend Reinvestment and Common Stock Purchase Plan

This plan is available to our shareholders, who may reinvest all or a portion of their common stock dividends into shares of common stock at prevailing market prices and may also invest optional cash payments to purchase additional shares at prevailing market prices as part of this plan.

Impact of Inflation

Under the terms of our Cayman Islands license and our bulk water sales agreements in The Cayman Islands, The Bahamas and the British Virgin Islands, our water rates are automatically adjusted for inflation on an annual basis. Therefore, the impact of inflation on our gross profit from these revenue sources, measured in consistent dollars, historically has not been material. However, while we have received annual inflation adjustments for the rates we charge under our bulk water agreements, we have not increased the retail water rates for Cayman Water since January 2018 (despite the inflation that has occurred since that date) due to the lack of a resolution of our negotiations with OfReg for a new retail license. This lack of a rate increase over the long-term could adversely affect the profitability of our retail segment. Furthermore, our manufacturing segment has in the past been adversely impacted by significant increases in raw material costs and our manufacturing and services segments could suffer similar adverse impacts in the future. Should the current inflationary trend continue, our consolidated results of operations and cash flows could be materially adversely affected. In general, our operating and maintenance contracts are adjusted annually for the impacts of inflation.

While our operations and maintenance contracts are generally adjusted for inflation on an annual basis, such adjustment for some of these contracts is limited to 3% annually.

Kalaeloa Desalco has signed a definitive agreement with the Honolulu Board of Water Supply to design, construct, operate and maintain a 1.7 million gallons per day seawater reverse osmosis desalination plant in Oahu, Hawaii. Approximately 80% of the $147 million price for the construction of this plant is subject to adjustment based upon changes in inflation indices from the date the contract was executed to the date construction begins.

Increases in fuel and energy costs and other items could create additional credit risks for us, as our customers' ability to pay our invoices could be adversely affected by such increases.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in our exposure to market risk from December 31, 2023 to the end of the period covered by this report.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, with the participation of its principal executive officer and principal financial and accounting officer, the effectiveness of its disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, our principal executive officer and principal financial and accounting officer have concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1A. RISK FACTORS

Our business faces significant risks. These risks include those disclosed in Item 1A of our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 as supplemented by the additional risk factors included below. If any of the events or circumstances described in the referenced risks actually occurs, our business, financial condition or results of operations could be materially adversely affected and such events or circumstances could cause our actual results to differ materially from the results contemplated by the forward-looking statements contained in this report. These risks should be read in conjunction with the other information set forth in this Quarterly Report as well as in our Annual Report on Form 10-K for the year ended December 31, 2023 and in our other periodic reports on Form 10-Q and Form 8-K.

Our exclusive license to provide water to retail customers in the Cayman Islands has not been expressly extended and we are presently unable to predict the outcome of our on-going negotiations relating to this license.

We sell water through our retail operations under a license issued in July 1990 by the Cayman Islands government (the “1990 license”) that granted Cayman Water the exclusive right to provide potable water to customers within its licensed service area. Although the 1990 license has not been expressly extended after January 2018, we continue to supply water under the terms of the 1990 license, as discussed in the following paragraphs. Pursuant to the 1990 license, Cayman Water has the exclusive right to produce potable water and distribute it by pipeline to its licensed service area, which consists of two of the three most populated areas of Grand Cayman Island: Seven Mile Beach and West Bay. For the three months ended June 30, 2024 and 2023, we generated approximately 25% and 17%, respectively, of our consolidated revenue and 39% and 27%, respectively, of our consolidated gross profit from the retail water operations conducted under the 1990 license. For the six months ended June 30, 2024 and 2023, we generated approximately 23% and 20%, respectively, of our consolidated revenue and 38% and 32%, respectively, of our consolidated gross profit from the retail water operations conducted under the 1990 license.

The 1990 license was originally scheduled to expire in July 2010 but was extended several times by the Cayman Islands government in order to provide the parties with additional time to negotiate the terms of a new license agreement. The most recent express extension of the license expired on January 31, 2018. We continue to operate under the terms of the 1990 license, providing water services to the level and quality specified in the 1990 license and in accordance with our understanding of its legal obligations, treating those obligations set forth in the 1990 license as operative notwithstanding the expiration of the express extension. We continue to pay a royalty of 7.5% of the revenue we collect as required under the 1990 license.

In October 2016, the Government of the Cayman Islands passed legislation which created a new utilities regulation and competition office (“OfReg”). OfReg is an independent and accountable regulatory body with a view of protecting the rights of consumers, encouraging affordable utility services, and promoting competition. OfReg, which began operations in January 2017, has the ability to supervise, monitor and regulate multiple utility undertakings and markets. Supplemental legislation was passed by the Government of the Cayman Islands in April 2017, which transferred responsibility for economic regulation of the water utility sector and the negotiations with us for a new retail license from the WAC to OfReg in May 2017. We began license negotiations with OfReg in July 2017 and such negotiations are ongoing. We have been informed during our retail license negotiations, both by OfReg and its predecessor in these negotiations, that the Cayman Islands government seeks to restructure the terms of our license in a manner that could significantly reduce the operating income and cash flows we have historically generated from our retail license.

We are presently unable to determine what impact the resolution of our retail license negotiations will have on our cash flows, financial condition or results of operations but such resolution could result in a material reduction (or the loss) of the operating income and cash flows we have historically generated from our retail operations and could require us to record impairment losses to reduce the carrying values of our retail segment assets. Such impairment losses could have a material adverse impact on our consolidated financial condition and results of operations.

Periodically, our Bahamas subsidiary experiences substantial delays in the collection of its accounts receivable. As a result, our Bahamas subsidiary could have insufficient liquidity to continue operations, and our consolidated results of operations and cash flows could be materially adversely affected.

CW-Bahamas' accounts receivable balances (which include accrued interest) due from the WSC amounted to $25.4 million as of June 30, 2024. Approximately 79% of this June 30, 2024 accounts receivable balance was delinquent as of that date. The delay in collecting these accounts receivable has adversely impacted the liquidity of this subsidiary.

From time to time (including presently), CW-Bahamas has experienced delays in collecting its accounts receivable from the WSC. When these delays occur, we hold discussions and meetings with representatives of the WSC and The Bahamas government, and as a result, payment schedules are developed for WSC's delinquent accounts receivable. All previous delinquent accounts receivable from the WSC, including accrued interest thereon, were eventually paid in full. Based upon this payment history, we have not provided for a material allowance for credit losses for CW-Bahamas' accounts receivable from the WSC as of June 30, 2024.

In a report dated October 6, 2022, Moody's Investor Services ("Moody's") downgraded The Bahamas' long-term issuer and senior unsecured ratings to B1 from Ba3. Moody's also lowered The Bahamas' local currency ceiling to Baa3 from Baa2 and its foreign currency ceiling to Ba1 from Baa3. Moody's iterated these ratings in April and October 2023 and April 2024, noting that such ratings are "stable."

If CW-Bahamas is unable to collect a significant portion of its delinquent accounts receivable, one or more of the following events may occur: (i) CW-Bahamas may not have sufficient liquidity to meet its obligations; (ii) we may be required to cease the recognition of revenue on CW-Bahamas' water supply agreements with the WSC; and (iii) we may be required to provide a material allowance for credit losses for CW-Bahamas' accounts receivable. Any of these events could have a material adverse impact on our consolidated financial condition, results of operations, and cash flows.

The profitability of our contracts is dependent upon our ability to accurately estimate construction and operating costs.

The cost estimates we prepare in connection with the construction and operation of our water plants, the water infrastructure we construct and sell to third parties, and our manufacturing contracts, are subject to inherent uncertainties. Additionally, the terms of our water supply contracts may require us to guarantee the price of water on a per unit basis, subject to certain annual inflation and monthly energy cost adjustments, and to assume the risk that the costs associated with producing this water may be greater than anticipated. Because we base our contract prices in part on our estimation of future construction, manufacturing and operating costs, the profitability of our plants and our manufacturing and operations and maintenance contracts is dependent on our ability to estimate these costs accurately. The cost of materials and services and the cost of the delivery of such services may increase significantly after we submit our bid for contract, which could cause the gross profit for a contract to be less than we anticipated when the bid was made. The profit margins we initially expect to generate from an operations and maintenance contract could be further reduced if future operating costs for that contract exceed our estimates of such costs. Any construction, manufacturing, and operating costs for our contracts that significantly exceed our initial estimates could have a material adverse impact our consolidated financial condition, results of operations, and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

In June 2024, we issued 5,904 shares of preferred stock to 124 employees for services rendered. The issuance of the preferred stock to 62 of the employees was exempt from registration under Regulation S promulgated under the Securities Act of 1933 as amended (the "Securities Act"), because the shares were issued outside of the United States to non-US persons (as defined in Regulation S). The issuance to 62 employees who are US persons was exempt under Section 4(a)(2) of the Securities Act. The US persons are knowledgeable, sophisticated and experienced in making investment decisions of this kind and received adequate information about us or had adequate access, including through their business relationship with us, to information about us.

ITEM 5. OTHER INFORMATION

Except as set forth below, during the quarter ended June 30, 2024, no directors or officers (as defined in Rule 16a-1(f) of the Securities Exchange Act of 1934) of the Company adopted or terminated any "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

On June 7, 2024, Frederick W. McTaggart, the Chief Executive Officer of the Company, adopted a trading arrangement for the sale of the Company's common stock (a "Rule 10b5-1 Trading Plan") that is intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) of the Securities Exchange Act of 1934. Mr. McTaggart's Rule 10b5-1 Trading Plan, which expires on March 5, 2025, provides for the sale of up to 70,000 shares of the Company's common stock pursuant to the terms of the plan.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description
31.1	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	Section 1350 Certification of Chief Executive Officer
32.2	Section 1350 Certification of Chief Financial Officer
101.INS	XBRL Instance Document - The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Document
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File - The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CONSOLIDATED WATER CO. LTD.

By: /s/ Frederick W. McTaggart
Frederick W. McTaggart
Chief Executive Officer
(Principal Executive Officer)

By: /s/ David W. Sasnett
David W. Sasnett
Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: August 14, 2024

EXHIBIT 31.1

Rule 13a-14(a)/15d-14(a) Certification

I, Frederick W. McTaggart, certify that:

1. I have reviewed this report on Form 10-Q of Consolidated Water Co. Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2024

By: /s/ Frederick W. McTaggart
Frederick W. McTaggart
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

Rule 13a-14(a)/15d-14(a) Certification

I, David W. Sasnett, certify that:

1. I have reviewed this report on Form 10-Q of Consolidated Water Co. Ltd.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2024

By: /s/ David W. Sasnett
David W. Sasnett
Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the report of Consolidated Water Co. Ltd. (the “Company”) on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Frederick W. McTaggart, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2024

By: /s/ Frederick W. McTaggart
Frederick W. McTaggart
Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the report of Consolidated Water Co. Ltd. (the "Company") on Form 10-Q for the quarter ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David W. Sasnett, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2024

By: /s/ David W. Sasnett
David W. Sasnett
Executive Vice President & Chief Financial Officer
(Principal Financial and Accounting Officer)