

CONSOLIDATED WATER

2017 ANNUAL
REPORT



FINANCIAL HIGHLIGHTS

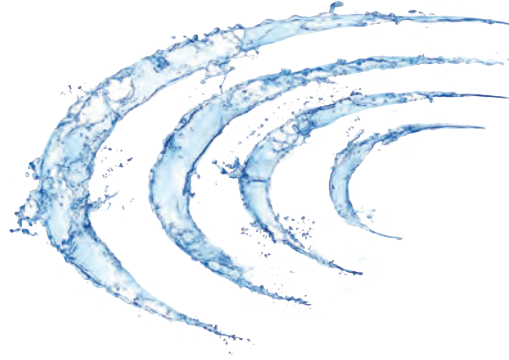
FOR THE YEARS ENDED DECEMBER 31,

(IN U.S. DOLLARS)	2017	2016	2015
Total revenues	\$ 62,306,665	\$ 57,875,707	\$ 57,116,202
Net income	\$ 6,144,062	\$ 3,960,501	\$ 7,518,701
Income from operations	\$ 3,321,363	\$ 2,137,683	\$ 8,435,498
Net cash flows from operations	\$ 13,644,294	\$ 7,823,352	\$ 17,319,786
Total assets	\$ 165,480,895	\$ 163,604,528	\$ 161,575,026
Total stockholders' equity	\$ 156,021,377	\$ 154,105,372	\$ 148,195,105
Dividends declared per share	\$ 0.31	\$ 0.30	\$ 0.30
Basic earnings per share	\$ 0.41	\$ 0.27	\$ 0.51
Diluted earnings per share	\$ 0.41	\$ 0.27	\$ 0.51
Net income as a % of total revenues	9.86 %	6.84 %	13.16 %
Income from operations as a % of total revenues	5.33 %	3.69 %	14.77 %
Net cash flows from operating activities as a % of total revenues	21.90 %	13.52 %	30.32 %

TRADING IN SHARES	2017	2016	2015
Shares outstanding at year end	14,918,869	14,871,664	14,781,201
Low closing share price during year	\$ 10.05	\$ 10.10	\$ 9.78
High closing share price during year	\$ 13.60	\$ 14.62	\$ 13.50
Closing share price at year end	\$ 12.60	\$ 10.85	\$ 12.24

CONSOLIDATED WATER (THE "COMPANY") WAS INCORPORATED AS CAYMAN WATER IN 1973. OVER THE YEARS, WE HAVE BENEFITED FROM THE EXPLOSIVE GROWTH IN THE CAYMAN ISLANDS, GROWTH THAT HAS BEEN FACILITATED BY THE WATER WE HAVE PROVIDED. CONSOLIDATED WATER OPERATES IN THE CAYMAN ISLANDS AS CAYMAN WATER COMPANY LIMITED AND OCEAN CONVERSION (CAYMAN) LIMITED, WHICH TOGETHER OPERATE SIX PLANTS TO PRODUCE SUBSTANTIALLY ALL OF THE PIPED DRINKING WATER ON GRAND CAYMAN.

ABOUT THE COMPANY



The Company installed its first Seawater Reverse Osmosis (SWRO) plant in 1989 and, therefore, has more than 28 years of design development and operational experience with this technology. SWRO is used in all the Company's operations.

In 1990, the Company's exclusive retail water license to supply the famed Seven Mile Beach tourist area was expanded to include the residential district of West Bay.

The 1990 license introduced a new business model which is now used throughout the Company's operations. The base selling price of water is specified in the license and is adjusted monthly for changes in the cost of fuel and annually for changes in inflation.

In July 2000, Consolidated Water acquired Consolidated Water (Belize) Limited, which supplies up to 550,000 gallons of water per day to the operator of the distribution system on Ambergris Caye, Belize, Central America under an exclusive supply agreement that expires in 2026.

In February 2003, through the acquisition of four companies from multiple investors, Consolidated Water obtained affiliate operations in the British Virgin Islands and expanded its operations in the Cayman Islands and The Bahamas.

The Company owns 50% of the voting shares and has engineering and management services agreements with its affiliate Ocean Conversion (BVI) Ltd., which operates plants on Tortola and Jost van Dyke and supplies water to the government of the British Virgin Islands for distribution.

Through private transactions and a tender offer, Consolidated Water acquired approximately 91% of the issued shares of Consolidated Water (Bahamas) Ltd., which produces and supplies water to the Water and Sewerage Corporation of The Bahamas to distribute to Nassau and the remainder of New Providence Island. In 2011, the Company completed the expansion of its Blue Hills plant in the Bahamas to make it the world's largest desalination plant utilizing diesel-driven high pressure pumps to economically produce water without relying on the local electrical grid.

In February 2016, the Company acquired 51% of Aerex Industries, Inc., an original equipment manufacturer and service provider of a wide range of products and services applicable to desalination, municipal water treatment and industrial water and wastewater treatment. Aerex is located in Fort Pierce, Florida, and its products include reverse osmosis desalination equipment, membrane separation equipment, filtration equipment, piping systems, vessels and custom fabricated components.

The Company's plants have small environmental footprints as a result of its extensive experience in the utilization of seawater well fields and its leadership in the reduction of energy consumption (driven by the necessity of operating in high energy cost locations). The Company is proud of its operating record in environmentally sensitive and high energy cost locations as these factors are often cited as barriers to desalination in potential new markets.

Dear Shareholders,

As your Chairman, I am pleased to report improved earnings and growth for your company in 2017 as a result of the efforts and diligence of our management, staff and Board of Directors.

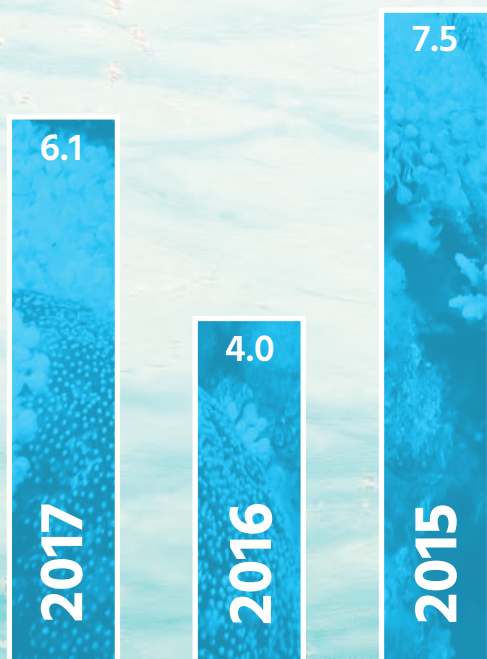
Our core desalination business continued to deliver steady, successful results due to our expertise and attention to controlling operating costs and maintaining the high operating performance efficiencies of our plants and utility business.

Significant developments and accomplishments for 2017 included the following:

- Our subsidiary, Aguas de Rosarito (AdR), executed a subscription agreement in February 2018 for the equity funding required for our on-going project to construct, operate and maintain a minority ownership in a 100 million gallon per day seawater reverse osmosis desalination plant to be located in Rosarito, Mexico and accompanying pipelines to deliver water to the Mexican potable water system. This agreement represents the culmination of extensive negotiations conducted over the course of 2017 and represents the achievement of a crucial milestone for our Rosarito project. Under this agreement, our subsidiary N.S.C. Agua, S.A. de C.V., will retain a minimum of 25% of the equity in AdR and one or more affiliates of Greenfield SPV VII, S.A.P.I. de C.V., a Mexico company managed by an affiliate of a leading U.S. asset manager, will acquire a minimum of 55% of AdR. The agreement also provides a Mexican subsidiary of SUEZ International, S.A.S. an option to purchase 20% of the equity of AdR. When completed by AdR, the Rosarito desalination plant will be one of largest desalination plants in the Western Hemisphere. We are proud and excited to partner with such esteemed organizations as Greenfield and SUEZ in what we expect will be a transformative project for our company.

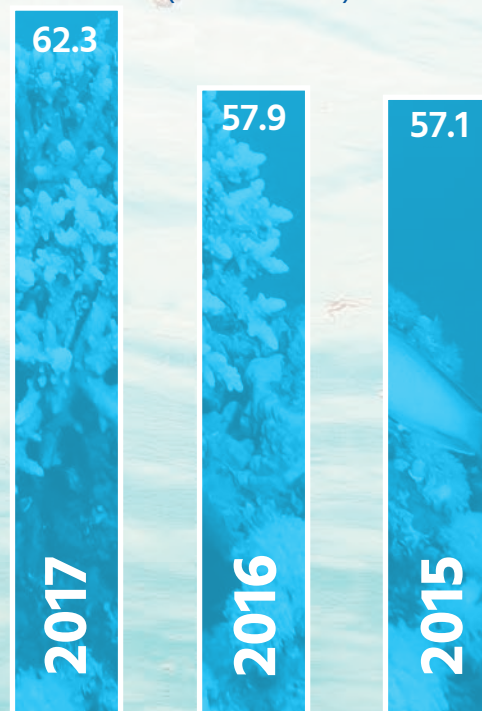
Net Income

(\$ in millions)



Total Revenue

(\$ in millions)

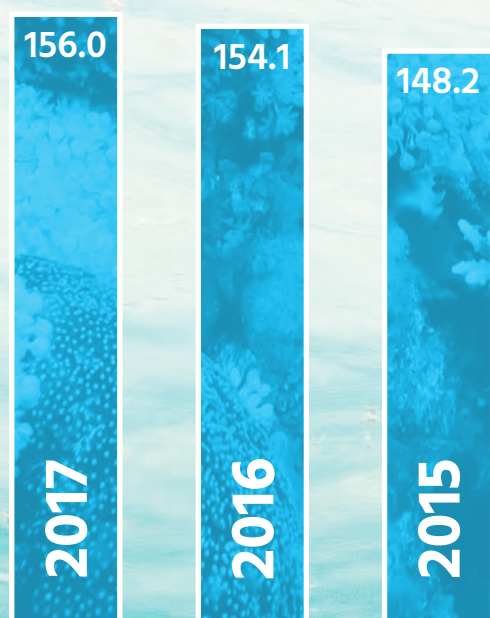


- Our bulk operations in The Bahamas generated additional revenues and operating income during 2017 as a result of an increase in water demand arising from the new Baha Mar development in Nassau and the on-going operating efficiencies of our Blue Hills plant, which is the largest in our company. We began the refurbishment and expansion of our Windsor plant during the year and will complete this work in 2018. Also, at the request of the Water and Sewerage Corporation (WSC) of The Bahamas, we installed a post water treatment remineralization system at our Blue Hills plant to assist the WSC in improving the quality of the water they distribute. Economic prospects for The Bahamas are good and our Bahamas operations will remain a cornerstone of our business for the foreseeable future.
- We rebounded from a disappointing 2016 for our recently-acquired U.S. manufacturing subsidiary, Aerex Industries, Inc., to increase the revenues and gross profit for this business by \$3.1 million and \$1.2 million, respectively, in 2017. We are continuing to focus on marketing and expanding the lines of business for this manufacturing and fabrication component of our operations and anticipate further increases in Aerex's revenues and gross profit in the coming years.

Our net income for 2017 was \$6.1 million (\$0.41 per share on a fully diluted basis), a 55% increase from the \$4.0 million in net income (\$0.27 per fully diluted share) we reported in 2016. Our total revenues for 2017 were \$62.3 million, up 7.7% or \$4.4 million from the \$57.9 million we reported in 2016, as a result of additional revenues generated by our bulk and manufacturing segments. These additional revenues increased gross profit for 2017 by 4.9% to \$25.4 million. Our general and administrative expenses were \$19.1 million, up slightly from the \$18.7 million we incurred in 2016, mainly due to incremental employee costs of \$519,000.

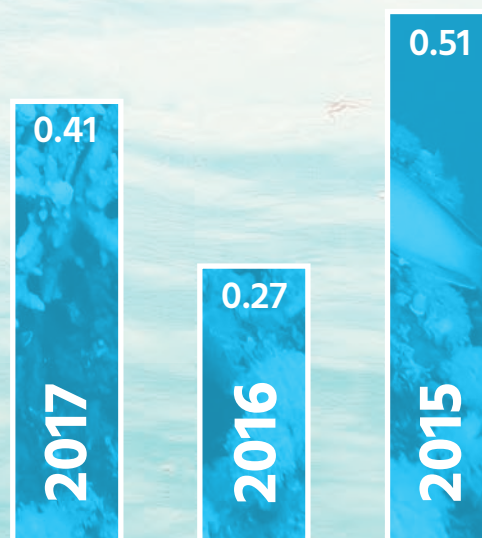
Stockholders' Equity At Year End

(\$ in millions)



Diluted Earnings Per Share

(in \$)



Consistent with prior years, we ended 2017 with a very strong balance sheet, one that is practically debt free, and with more than ample liquidity. Our cash and cash equivalents amounted to \$47.2 million at December 31, 2017, as compared to the \$39.3 million in cash and cash equivalents we held a year earlier. Cash flows from operating activities increased just over 74% to \$13.6 million for 2017, as compared to the \$7.8 million we generated in 2016. Our dividends paid to shareholders amounted to \$4.5 million in 2017. During the first quarter of 2018, we increased our quarterly dividend from \$0.075 per share to \$0.085 per share. This dividend increase reflects our Board's confidence in our existing cash position and our future cash flows.

On behalf of my fellow directors and our executive officers, I would like to express our continued appreciation to our customers, employees, valued suppliers, consultants and the other parties whose contributions to our business are integral to our success.

We look forward to 2018 and the challenges it presents, confident in the knowledge that — for Consolidated Water Co. Ltd. — the best days are still ahead.

Yours truly,



Wilmer F. Pergande
Chairman of the Board
March 16, 2018



When Christopher Columbus arrived in the Cayman Islands in 1503, he called the islands “Las Tortugas” because of the abundance of green sea turtles found there. The Company helps to protect and conserve the Cayman Island’s endangered green sea turtle population by providing the Cayman Turtle Centre (located within Cayman Water’s West Bay service area in Grand Cayman) with a safe and reliable supply of potable water.

Ocean Conversion (Cayman) Limited (“OC-Cayman”). OC-Cayman provides bulk water under licenses and agreements to the Water Authority-Cayman (“WAC”), a government-owned utility and regulatory agency, which distributes the water to properties located outside our exclusive retail license service area in Grand Cayman. OC-Cayman operates three desalination plants owned by the WAC.

Services Segment

DesalCo Limited (“DesalCo”). A Cayman Islands company, DesalCo provides management, engineering and construction services for desalination projects as well as management and engineering services relating to municipal water distribution and treatment.

Consolidated Water Cooperatief, U.A. (“CW-Cooperatief”), N.S.C. Agua, S.A. de C.V. (“NSC”) and Aguas de Rosarito S.A.P.I. de C.V. (“AdR”). CW-Cooperatief is a wholly-owned Netherlands subsidiary incorporated in 2010. CW-Cooperatief owns 99.9% interest of NSC, a Mexican company. NSC was formed to pursue a project encompassing the design, construction, ownership and operation of a 100 million gallon per day seawater reverse osmosis desalination plant to be located in northern Baja California, Mexico and accompanying pipeline to deliver water to the Mexican potable water system. This project is currently in the development stage and NSC does not generate any operating revenues. In August 2016, NSC and another party incorporated AdR, a special purpose Mexican company, that will ultimately own the Mexico project if it proceeds. NSC owns 99.6% of AdR and in February 2018, our subsidiary Consolidated Water U.S. Holdings, Inc. acquired the remaining 0.4% of AdR’s equity ownership previously held by an unrelated party.

Manufacturing Segment

Consolidated Water U.S. Holdings, Inc. (“CW-Holdings”) and Aerex Industries, Inc. (“Aerex”). On February 11, 2016, we purchased, through a newly formed wholly-owned U.S. subsidiary (CW-Holdings), a 51% interest in Aerex, a U.S. company located in Fort Pierce, Florida. Aerex is an original equipment manufacturer and service provider of a wide range of products and services applicable to desalination, municipal water treatment and industrial water and wastewater treatment. Its products include reverse osmosis desalination equipment, membrane separation equipment, filtration equipment, piping systems, vessels and custom fabricated components. Aerex also offers engineering, design, consulting, inspection, training and equipment maintenance services to its customers.

Affiliate

Ocean Conversion (BVI) Ltd. (“OC-BVI”). We own 50% of the voting stock of OC-BVI, a British Virgin Islands company, which sells bulk water to the Government of the British Virgin Islands Water and Sewerage Department. We own an overall 43.53% equity interest in OC-BVI’s profits and certain profit sharing rights that raise our effective interest in OC-BVI’s profits to approximately 45%. OC-BVI also pays our subsidiary, DesalCo Limited, fees for certain engineering and administrative services. We account for our investment in OC-BVI under the equity method of accounting.

Our Operations

For fiscal year 2017, our retail water, bulk water, services and manufacturing segments generated approximately 37%, 51%, 1% and 11%, respectively, of our consolidated revenues. For additional information about our business segments and geographical information about our operating revenues and long-lived assets, see Note 16 to our consolidated financial statements at ITEM 8 of this Annual Report.

Retail Water Operations

For fiscal years 2017, 2016 and 2015, our retail water operations accounted for approximately 37%, 41% and 41%, respectively, of our consolidated revenues. This business produces and supplies water to end-users, including residential, commercial and government customers in the Cayman Islands and Bali, Indonesia.

Retail Operations in the Cayman Islands

We sell water through our retail operations to a variety of residential and commercial customers through our wholly-owned subsidiary, Cayman Water, which operates under an exclusive license issued to us by the Cayman Islands government. Pursuant to the license, we have the exclusive right to produce potable water and distribute it by pipeline to our licensed service area which consists of two of the three most populated areas of Grand Cayman Island: Seven Mile Beach and West Bay.

We have paid \$21.7 million for land, rights of way and equipment and incurred development expenses of approximately \$23.5 million to date for a possible project in Mexico. We expect to expend significant additional funds in 2018 to continue to pursue this project. However, we may not be successful in completing this project.

We own 99.99% of N.S.C. Agua, S.A. de C.V. (“NSC”), a development stage Mexico company formed to pursue a project encompassing the construction, operation and minority ownership of a 100 million gallon per day seawater reverse osmosis desalination plant to be located in northern Baja California, Mexico and an accompanying pipeline to deliver water to the Mexican potable water system (the “Project”). As of December 31, 2017, our consolidated balance sheet includes purchases for the Project of approximately \$21.7 million for land, rights of way and equipment. The Project development activities we have conducted, which include conducting an equipment piloting plant and water data collection program at the proposed feed water source, completing various engineering studies and obtaining various governmental permits, have resulted in additional developmental expenses totaling \$23.5 million from 2010 through December 31, 2017.

In August 2014, the State of Baja California (the “State”) enacted new legislation to regulate Public-Private Association projects which involve the type of long-term contract between a public-sector authority and a private party that NSC is seeking to complete the Project. Pursuant to this new legislation, in November 2015 the State officially commenced a tender process for the Project, the scope of which the State defined as a first phase to be operational in 2019 consisting of a 50 million gallon per day plant and a pipeline that connects to the Mexican potable water infrastructure and a second phase to be operational in 2024 consisting of an additional 50 million gallons per day of production capacity. A consortium comprised of NSC, NuWater S.A.P.I. de C.V. and Degremont S.A. de C.V. (the “Consortium”) submitted its tender for the Project in April 2016 and in June 2016, the State designated the Consortium as the winner of tender process for the Project.

Due to the amount of capital the Project requires, NSC will ultimately need an equity partner or partners for the Project. Consequently, NSC’s tender to the State for the Project was based upon the following: (i) NSC will sell or otherwise transfer the land and other Project assets to a new company (“Newco”) that would build and own the Project; (ii) NSC’s potential partners would provide the majority of the equity for the Project and thereby would own the majority interest in Newco; (iii) NSC would maintain a minority ownership position in Newco; and (iv) Newco would enter into a long-term management and technical services contract for the Project with an entity partially owned by NSC or another Company subsidiary.

On August 17, 2016, NSC and NuWater incorporated Newco under the name Aguas de Rosarito S.A.P.I. de C.V. (“AdR”), a special purpose company, to complete the Project and executed a shareholders agreement 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. As of December 31, 2017, NSC owned 99.6% of AdR.

On August 22, 2016, the Public Private Partnership Agreement for public private partnership number 002/2015, contest number SIDUE-CEA-APP-2015-002 (“APP Contract”), was executed between AdR, the State Water Commission of Baja California (“CEA”), the Government of Baja California represented by the Secretary of Planning and Finance and the Public Utilities Commission of Tijuana (“CESPT”). The APP Contract requires AdR to design, construct, finance and operate a seawater desalination plant (and accompanying aqueducts) 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 and an aqueduct to a second delivery point in Tijuana. The first phase must be operational within 36 months of commencing construction and the second phase must be operational by the end of 2024. The APP Contract further requires AdR to operate and maintain the plant and aqueducts 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 aqueducts will be transferred to CEA. The total cost for Phase 1 of the Project is presently estimated at approximately 9.1 billion Mexican pesos.

The APP Contract does not become effective until the following conditions are met:

- the State has established and registered various payment trusts, guaranties and bank credit lines for specific use by the Project;
- the CEA has obtained the rights from the relevant federal authority to take and desalinate seawater and distribute it for municipal use;
- various agreements between the CEA, the payment trusts and the CESPT have been executed;
- AdR has obtained all of the rights of way required for the Phase 1 aqueduct;
- AdR has obtained permission from the relevant federal authority to discharge the residual water from the Project's desalination plant; and
- all debt financing agreements necessary to provide the funding to AdR for the first phase of the Project have been executed.

Both the exchange rate for the Mexico peso relative to the dollar and general macroeconomic conditions in Mexico have varied since the execution of the APP Contract. These changes could adversely impact the estimated construction, operating, and financing costs for the Project. The APP Contract and the APP Law allow for the parties to negotiate (but do not guarantee) modifications to the water tariff in the event of such significant macroeconomic condition changes. In February 2017, AdR submitted proposals to the CEA requesting an increase to the water tariff to compensate for changes in foreign exchange rates, lending rates and certain changes in law which have impacted the Project. If AdR is unable to obtain this requested increase in the water tariff, it may be unable to obtain the debt and equity financing required for the Project. We are currently unable to determine whether or not such water tariff increase will be approved.

In February 2018, AdR executed a subscription agreement (the "Agreement") for the equity funding required for the Project. The Agreement calls for NSC to retain a minimum of 25% of the equity in AdR. One or more affiliates of Greenfield SPV VII, S.A.P.I. de C.V. ("Greenfield"), a Mexico company managed by an affiliate of a leading U.S. asset manager, will acquire a minimum of 55% of AdR. The Agreement also provides Suez Medio Ambiente México, S.A. de C.V., ("Suez") a subsidiary of SUEZ International, S.A.S., with the option to purchase 20% of the equity of AdR. If Suez does not exercise this option, NSC will retain 35% of the equity of AdR and Greenfield will acquire 65% of the equity of AdR. The Agreement will become effective when the additional conditions related to the Project are met, including but not limited to those conditions discussed previously with respect to this risk factor. The aggregate investment to be made by the equity partners in the Project, in the form of equity and subordinated shareholder loans, is presently estimated at approximately 20% of the total cost of Phase 1 of the Project.

If AdR is ultimately unable to proceed with the Project, the land NSC has purchased and the right of way deposits may lose their strategic importance derived from their association with the Project and consequently may decline in value. If AdR does not proceed with the Project, NSC may ultimately be unable to sell this land or recoup its right of way deposits for amounts at least equal to their current carrying values of approximately \$20.6 million and \$947,000, respectively. Any loss on the sale of the land, or impairment losses NSC may be required to record as a result of a decrease in the (i) fair value of the land; or (ii) value of the rights of way arising from the inability to complete the Project could have a material adverse impact on our results of operations.

We have been required to record impairment losses to reduce the carrying value of the goodwill arising from our acquisition of Aerex in February 2016. If Aerex's future financial performance falls short of our most recent financial projections for this subsidiary, we may be required to record additional impairment losses to reduce the carrying value of this goodwill.

In February 2016, we acquired a 51% ownership interest in Aerex. In connection with this acquisition, we recorded initial goodwill of \$8,035,211. Aerex's actual results of operations in the six months following our acquisition of this company fell significantly short of the projected results that were included in the overall cash flow projections we utilized to determine the purchase price for Aerex and the fair values of its assets and liabilities. Due to this shortfall in Aerex's results of operations, we updated our projections for Aerex's future cash flows and tested Aerex's goodwill for possible impairment as of September 30, 2016 by estimating

U.S. Properties

Aerex owns its 30,000 square foot manufacturing facility located in Fort Pierce, Florida and has approximately 6,000 square feet of office space in downtown Fort Pierce under a lease that expires in June 2018.

Our Aquilex warehouse consists of 4,100 square feet located in Sunrise, Florida that has been leased through September 2020. Our Aquilex office consists of 6,500 square feet located in Coral Springs, Florida that has been leased through March 2021.

Mexico Properties

NSC owns 20.1 hectares of land in Rosarito Beach, Baja California, Mexico which is designated for use as the plant site for the proposed desalination project to be completed by AdR.

In November 2012, NSC entered into a lease with an effective term of 20-years from the date of full operation of the desalination plant, with the Comisión Federal de Electricidad for approximately 5,000 square meters of land on which it plans to construct the water intake and discharge works for the plant. The amounts due on this lease are payable in Mexican pesos at an amount that is currently equivalent to approximately \$15,000 per month. In December 2017, NSC assigned the lease to AdR. The lease is cancellable by AdR should it ultimately not proceed with the project.

Indonesia Property

We own a water production facility located in the Nusa Dua region of Bali, Indonesia consisting of a plant with a production capacity of 264,000 gallons per day and a 528,000 gallon potable water storage tank. The land on which this plant and storage tank is located is leased through October 8, 2032.

ITEM 3. LEGAL PROCEEDINGS

CW-Bali

In October 2017, CW-Bali's sole remaining customer filed a lawsuit in Bali, Indonesia against CW-Bali, CW-Bali's President and our Chief Financial Officer in his capacity as the President of CW-Bali's Board of Commissioners (i.e. Directors) seeking compensatory damages of 57.1 billion rupiahs and punitive damages of 26 billion rupiahs as a result of the anticipated breach of this customer's water supply agreement that will arise from CW-Bali's planned cessation of operations. Such damages were equivalent to approximately \$4.1 million and \$1.9 million, respectively, as of the exchange rate on March 9, 2018. We believe this lawsuit is without merit and are vigorously defending CW-Bali and the two other defendants. However, until this lawsuit is resolved we are legally prohibited from disposing of our investment in CW-Bali or any of CW-Bali's assets.

CW-Belize

By Statutory Instrument No. 81 of 2009, the Minister of Public Utilities of the government of Belize published an order, the Public Utility Provider Class Declaration Order, 2009 (the "Order"), which as of May 1, 2009 designated CW-Belize as a public utility provider under the laws of Belize. With this designation, the Public Utilities Commission of Belize (the "PUC") has the authority to set the rates charged by CW-Belize and to otherwise regulate its activities. On November 1, 2010, CW-Belize received a formal complaint from the PUC alleging that CW-Belize was operating without a license under the terms of the Water Industry Act. CW-Belize applied for this license in December 2010. On July 29, 2011, the PUC issued the San Pedro Public Water Supply Quality and Security Complaint Order (the "Second Order") which among other things requires that (i) CW-Belize and its customer jointly make a submission to the responsible Minister requesting that the area surrounding CW-Belize's seawater abstraction wells be designated a forest reserve or national park and be designated a Controlled Area under section 58 of the Water Industry Act, (ii) CW-Belize submit an operations manual for CW-Belize's desalination plant to the PUC for approval, (iii) CW-Belize and its customer modify the water supply agreement between the parties to (a) include new water quality parameters included in the Order and (b) cap the current exclusive water supply arrangement in the agreement at a maximum of 450,000 gallons per day, (iv) CW-Belize keep a minimum number of replacement seawater RO membranes in stock at all times and (v) CW-Belize take possession of and

LIQUIDITY AND CAPITAL RESOURCES

Liquidity Position

Our projected liquidity requirements for 2018 include capital expenditures for our existing operations of approximately \$18.7 million (primarily for capital improvements to the Windsor plant in the Bahamas and for the expansion of the ACWW plant in Grand Cayman), dividends payable of approximately \$1.3 million and approximately \$1.4 million to be expended for NSC's and AdR's project development activities. Our liquidity requirements for 2018 may also include future quarterly dividends, if such dividends are declared by our Board. Our dividend payments amounted to approximately \$4.5 million for the year ended December 31, 2017 and approximately \$4.6 million for the year ended December 31, 2016.

In February 2016, we purchased 51% of the equity ownership of Aerex, a U.S. original equipment manufacturer and service provider of a wide range of products and services applicable to industrial, commercial and municipal water treatment, for \$7.7 million in cash. Immediately following our acquisition of Aerex, we and the former sole shareholder of Aerex loaned Aerex \$510,000 and \$490,000, respectively, in the form of notes payable which were scheduled to mature on June 30, 2017 and bore interest at 1% per annum. These notes payable were repaid in April 2017. In February 2017, we and the former sole shareholder of Aerex loaned Aerex \$408,000 and \$392,000, respectively, in the form of notes payable which mature on September 30, 2017 and bear interest at 1% per annum. In October 2017, we and the former shareholder of Aerex extended the term of the notes payable issued in February 2017 for an additional six months to a new maturity date of March 31, 2018. Additionally, we and the former shareholder loaned Aerex an additional \$306,000 and \$294,000, respectively, for a total outstanding notes payable balance with a maturity date of March 31, 2018 of \$1,400,000.

As of December 31, 2017, we had cash and cash equivalents of approximately \$47.2 million and working capital of approximately \$59.1 million. We are not presently aware of anything that would lead us to believe that we will not have sufficient liquidity to meet our needs for 2018 and thereafter.

CW-Belize Liquidity

Transfers of funds held by our subsidiary CW-Belize to our parent company, which are accomplished by means of conversion of Belize dollars into U.S. dollars, require the approval of the Central Bank of Belize and are dependent on the amount of U.S. dollars available to Belize banks to execute such transfers. Weakness in the Belize economy and other factors have reduced the amount of U.S. dollars that Belize banks have available for transfer, which has limited the amount of funds we are presently able to transfer from CW-Belize. Our repatriations of funds from CW-Belize to our parent company amounted to \$458,000 and \$400,000 in 2017 and 2016, respectively, significantly less than the net income and net cash flows CW-Belize generated for those years. As of December 31, 2017 and 2016, the equivalent U.S. dollar cash amounts for our bank account deposits in Belize were approximately \$6.3 million and \$4.9 million, respectively.

We cannot presently determine when we will have an improved ability to transfer funds from CW-Belize. While we presently have sufficient liquidity from other sources, should we need to access our cash balances held by CW-Belize in the future to support our other operations, the majority of such funds may not be available for immediate transfer from Belize.

Discussion of Cash Flows for the Year Ended December 31, 2017

Our cash and cash equivalents increased to \$47,182,966 as of December 31, 2017 from \$39,254,116 as of December 31, 2016.

Cash Flows from Operating Activities

Our operating activities provided net cash of approximately \$13.6 million. This net cash provided reflects net income generated for the year of approximately \$5.7 million 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 depreciation and amortization of approximately \$7.5 million, a net increase in prepaids and other assets of approximately \$3.1 million, and non-cash impairment losses aggregating approximately \$3.1 million.

The Cayman Islands government could ultimately offer a third party a license to service some or all of Cayman Water's present service area. However, as set forth in the existing 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 of the operating income and cash flows we have historically generated from our retail operations and could require us to record an impairment loss to reduce the carrying value of our goodwill. Such impairment loss could have a material adverse impact on our results of operations.

NSC and AdR Project Development

In May 2010, we acquired, through our wholly-owned Netherlands subsidiary, Consolidated Water Cooperatief, U.A., ("CW-Cooperatief") a 50% interest in N.S.C. Agua, S.A. de C.V. ("NSC"), a development stage Mexican company. We have since purchased, through the conversion of a loan we made to NSC, sufficient shares to raise our ownership interest in NSC to 99.99%. NSC was formed to pursue a project (the "Project") encompassing the construction, operation and minority ownership of a 100 million gallon 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. As discussed in the paragraphs that follow, during 2015 the scope of the Project was defined by the State of Baja California (the "State") to consist of a first phase consisting of a 50 million gallon per day plant and a pipeline that connects to the Mexican potable water infrastructure and a second phase consisting of an additional 50 million gallons of production capacity.

Through a series of transactions completed in 2012 – 2014, NSC purchased 20.1 hectares for approximately \$20.6 million on which the proposed Project's plant would be constructed.

In November 2012, NSC entered into a lease with an effective term of 20 years from the date of full operation of the desalination plant with the Comisión Federal de Electricidad for approximately 5,000 square meters of land on which it plans to construct the water intake and discharge works for the plant. The amounts due on this lease are payable in Mexican pesos at an amount that is currently equivalent to approximately \$15,000 per month. This lease may be cancelled by NSC should NSC ultimately not proceed with the Project.

In August 2014, the State enacted new legislation to regulate Public-Private Association projects which involve the type of long-term contract between a public-sector authority and a private party that NSC is seeking to complete the Project. Pursuant to this new legislation, on January 4, 2015, NSC submitted an expression of interest for its project to the Secretary of Infrastructure and Urban Development of the State of Baja California ("SIDUE"). SIDUE accepted NSC's expression of interest and requested that NSC submit a detailed proposal for the Project that complies with requirements of the new legislation. NSC submitted this detailed proposal (the "APP Proposal") to SIDUE in late March 2015. The new legislation required that such proposal be evaluated by SIDUE and submitted to the Public-Private Association Projects State Committee (the "APP Committee") for review and authorization. If the Project was authorized the State would be required to conduct a public tender for the Project.

In response to its APP Proposal, in September 2015 NSC received a letter dated June 30, 2015 from the Director General of the Comisión Estatal del Agua de Baja California ("CEA"), the State agency with responsibility for the Project, stating that (i) the Project is in the public interest with high social benefits and is consistent with the objectives of the State development plan; and (ii) that the Project and accompanying required public tender process should be conducted. In November 2015, the State officially commenced the tender for the Project, the scope of which the State has defined as a first phase to be operational in 2019 consisting of a 50 million gallon per day plant and a pipeline that connects to the Mexican potable water infrastructure and a second phase to be operational in 2024 consisting of an additional 50 million gallons per day of production capacity. A consortium comprised of NSC, NuWater S.A.P.I. de C.V. and Degremont S.A. de C.V. (the "Consortium") submitted its tender for the Project in April 2016 and in June 2016, the State designated the Consortium as the winner of tender process for the Project.

Due to the amount of capital the Project requires, NSC will ultimately need an equity partner or partners for the Project. Consequently, NSC's tender to the State for the Project was based upon the following: (i) NSC will sell or otherwise transfer the land and other Project assets to a new company ("Newco") that would build and own the Project; (ii) NSC's potential partners would provide the majority of the equity for the Project and thereby would own the majority interest in Newco; (iii) NSC would maintain a minority ownership position in Newco; and (iv) Newco would enter into a long-term management and technical services contract for the Project with an entity partially owned by NSC or another Company subsidiary.

In August 2016 NSC and NuWater incorporated Newco under the name Aguas de Rosarito S.A.P.I. de C.V. ("AdR"), a special purpose company, to complete 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. As of December 31, 2017 NSC owned 99.6% of AdR.

On August 22, 2016, the Public Private Partnership Agreement for public private partnership number 002/2015, contest number SIDUE-CEA-APP-2015-002 ("APP Contract"), was executed between AdR, CEA, the Government of Baja California represented by the Secretary of Planning and Finance and the Public Utilities Commission of Tijuana ("CESPT"). The APP Contract requires AdR to design, construct, finance and operate a seawater desalination plant (and accompanying aqueducts) 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 and an aqueduct to a second delivery point in Tijuana. The first phase must be operational within 36 months of commencing construction and the second phase must be operational by the end of 2024. The APP Contract further requires AdR to operate and maintain the plant and aqueducts 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 aqueducts will be transferred to CEA.

The total Project cost for Phase 1 of the Project is presently estimated at approximately 9.1 billion Mexican pesos.

The APP Contract does not become effective until the following conditions are met:

- the State has established and registered various payment trusts, guaranties and bank credit lines for specific use by the Project;
- the CEA has obtained the rights from the relevant federal authority to take and desalinate seawater and distribute it for municipal use;
- various agreements between the CEA, the payment trusts and the CESPT have been executed;
- AdR has obtained all of the rights of way required for the Phase 1 aqueduct;
- AdR has obtained permission from the relevant federal authority to discharge the residual water from the Project's desalination plant; and
- all debt financing agreements necessary to provide the funding to AdR for the first phase of the Project have been executed.

In December 2016, the Congress of the State of Baja California, Mexico passed Decreto #57 which, among other things, ratified and authorized the payment obligations of the corresponding public entities under the APP Contract. During 2017, following consultations between representatives of the State of Baja California and the Ministry of Finance of the Federal Government of Mexico, it was determined that certain amendments to Decreto #57 were required in order to comply with recent changes to the Federal Financial Discipline Law for Federative Entities and Municipalities. In addition, it was necessary to amend Decreto #57 to authorize the inclusion of revenues from the CESPT in the primary payment trust for the Project. These amendments were included in Decreto #168 which was approved by the Congress of the State of Baja, California in December 2017. Following its issuance, two actions were filed in Mexican Courts against Decreto #168. While neither NSC nor AdR has been named as a party in these actions, based upon publicly available

information we believe (1) one of these actions consists of a challenge filed by certain members of the Congress of State of Baja, California alleging certain elements of Decreto #168 are contrary to the Mexican constitution; and (2) that the other action represents an amparo (i.e. a constitutional appeal) filed by certain members of indigenous groups that alleges Decreto #168 violates certain of the human rights and individual guarantees they are afforded under the Mexican constitution. We cannot presently determine what impact, if any, these two actions will have upon the Project.

Both the exchange rate for the Mexico peso relative to the dollar and general macroeconomic conditions in Mexico have varied since the execution of the APP Project. These changes could adversely impact the estimated construction, operating, and financing costs for the Project. The APP Contract and the APP Law allow for the parties to negotiate (but do not guarantee) modifications to the water tariff in the event of such significant macroeconomic condition changes. On February 10, 2017, AdR submitted proposals to the CEA requesting an increase to the water tariff to compensate for changes in foreign exchange rates, lending rates and certain changes in law which have impacted the Project. If AdR is unable to obtain this requested increase in the water tariff, it may be unable to obtain the debt and equity financing required for the Project. We are currently unable to determine whether or not such water tariff increase will be approved.

In February 2018, AdR executed a subscription agreement (the “Agreement”) for the equity funding required for the Project. The Agreement calls for NSC to retain a minimum of 25% of the equity in AdR. One or more affiliates of Greenfield SPV VII, S.A.P.I. de C.V. (“Greenfield”), a Mexico company managed by an affiliate of a leading U.S. asset manager, will acquire a minimum of 55% of AdR. The Agreement also provides Suez Medio Ambiente México, S.A. de C.V., (“Suez”) a subsidiary of SUEZ International, S.A.S., with the option to purchase 20% of the equity of AdR. If Suez does not exercise this option, NSC will retain 35% of the equity of AdR and Greenfield will acquire 65% of the equity of AdR. The Agreement will become effective when the additional conditions related to the Project are met, including but not limited to those conditions discussed previously. The aggregate funding to be provided by AdR’s shareholders for the Project, in the form of equity and subordinated shareholder loans, is presently estimated at approximately 20% of the total cost of Phase 1 of the Project.

NSC expects to generate a portion of its funding for AdR through the sale to AdR of the land it has purchased for the Project. Under the terms of the Agreement, Suez will design and construct the Project, while a joint venture company between NSC and Suez will operate the Project.

In February 2018, our subsidiary Consolidated Water U.S. Holdings acquired the remaining 0.4% of AdR’s equity ownership previously held by NuWater.

If AdR is ultimately unable to proceed with the Project, the land NSC has purchased and the right of way deposits may lose their strategic importance derived from their association with the Project and consequently may decline in value. If AdR does not proceed with the Project, NSC may ultimately be unable to sell this land or recoup its right of way deposits for amounts at least equal to their current carrying values of approximately \$20.6 million and \$947,000, respectively. Any loss on the sale of the land, or impairment losses NSC may be required to record as a result of a decrease in the (i) fair value of the land; or (ii) value of the rights of way arising from the inability to complete the Project could have a material adverse impact on our results of operations.

Included in our results of operations are general and administrative expenses from NSC and AdR, consisting of organizational, legal, accounting, engineering, consulting and other costs relating to Project development activities. Such expenses amounted to approximately \$3.0 million, \$3.0 million and \$2.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The assets and liabilities of NSC and AdR included in the Company’s consolidated balance sheets amounted to approximately \$23.1 million and \$173,000, respectively, as of December 31, 2017 and approximately \$22.3 million and \$221,000 respectively, as of December 31, 2016.

CW-Belize

By Statutory Instrument No. 81 of 2009, the Minister of Public Utilities of the government of Belize published an order, the Public Utility Provider Class Declaration Order, 2009 (the “Order”), which as of May 1, 2009 designated CW-Belize as a public utility provider under the laws of Belize. With this

CONSOLIDATED WATER CO. LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principal activity

Consolidated Water Co. Ltd., and its subsidiaries (collectively, the “Company”) use reverse osmosis technology to produce potable water from seawater. The Company processes and supplies water and provides water-related products and services to its customers in the Cayman Islands, Belize, The Commonwealth of The Bahamas, the British Virgin Islands, the United States and Indonesia. The Company sells water to a variety of customers, including public utilities, commercial and tourist properties, residential properties and government facilities. The base price of water supplied by the Company, and adjustments thereto, are determined by the terms of a retail license and bulk water supply contracts which provide for adjustments based upon the movement in the government price indices specified in the license and contracts as well as monthly adjustments for changes in the cost of energy. The Company also manufactures and services a wide range of products and provides design, engineering, management, operating and other services applicable to commercial, municipal and industrial water production, supply and treatment.

2. Accounting policies

Basis of preparation: The consolidated financial statements presented are prepared in accordance with the accounting principles generally accepted in the United States of America.

Use of estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to estimates and assumptions include the carrying value of property, plant and equipment, intangible assets, and goodwill. Actual results could differ significantly from such estimates.

Basis of consolidation: The accompanying consolidated financial statements include the accounts of the Company’s (i) wholly-owned subsidiaries, Aquilex, Inc., Cayman Water Company Limited (“Cayman Water”), Consolidated Water (Belize) Limited (“CW-Belize”), Ocean Conversion (Cayman) Limited (“OC-Cayman”), DesalCo Limited (“DesalCo”), Consolidated Water Cooperatief, U.A. (“CW-Cooperatief”), Consolidated Water U.S. Holdings, Inc. (“CW-Holdings”); and (ii) majority-owned subsidiaries Consolidated Water (Bahamas) Ltd. (“CW-Bahamas”), Aerex Industries, Inc. (“Aerex”), Consolidated Water (Asia) Pte. Limited, PT Consolidated Water Bali (“CW-Bali”), 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.

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, CW-Cooperatief and CW-Bali) is the currency for each respective country. The functional currency for NSC, AdR, CW-Cooperatief and CW-Bali is the US\$. NSC and AdR conduct business in US\$ and Mexican pesos, CW-Cooperatief conducts business in US\$ and euros, and CW-Bali conducts business in US\$ and Indonesian rupiahs. The exchange rates for the Cayman Islands dollar, the Belize dollar and the Bahamian dollar are fixed to the US\$. The exchange rates for conversion of Mexican pesos, euros and rupiahs into US\$ vary based upon market conditions. Net foreign currency gains (losses) arising from transactions and re-measurements were \$69,630, \$50,299 and (\$485,291) for the years ended December 31, 2017, 2016 and 2015, respectively, and are included in “Other income (expense) — Other” in the accompanying consolidated statements of income.

CONSOLIDATED WATER CO. LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. Investment in OC-BVI – (continued)

probabilities to different scenarios. The resulting probability-weighted sum represented the Company's best estimate of future cash flows to be generated by OC-BVI.

The identification of the possible scenarios for the Bar Bay plant agreement and the Baughers Bay litigation, the projections of cash flows for each scenario, and the assignment of relative probabilities to each scenario all represented significant estimates made by the Company. While the Company used its best judgment in identifying these possible scenarios, estimating the expected cash flows for these scenarios and assigning relative probabilities to each scenario, these estimates were by their nature highly subjective and were also subject to material change by the Company's management over time based upon new information or changes in circumstances.

After updating its probability-weighted estimates of OC-BVI's future cash flows and its resulting estimate of the fair value of its investment in OC-BVI, the Company recorded an impairment loss of approximately \$925,000 for the twelve months ended December 31, 2016, to reduce the carrying value of its investment in OC-BVI.

As a result of the extension of the Bar Bay agreement, no impairment losses were necessary in 2017 for the Company's investment in OC-BVI. As of December 31, 2017, the amount of the Company's proportionate share (43.53%) of OC-BVI's net assets exceeded the carrying value of the Company's investment in OC-BVI by approximately \$30,000.

9. NSC and AdR Project Development

In May 2010, the Company acquired, through its wholly-owned Netherlands subsidiary, CW-Cooperatief, a 50% interest in NSC, a development stage Mexican company. The Company has since purchased, through the conversion of a loan it made to NSC, sufficient shares to raise its ownership interest in NSC to 99.99%. NSC was formed to pursue a project (the "Project") that originally encompassed the construction, operation and minority ownership of a 100 million gallon 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. As discussed in paragraphs that follow, during 2015 the scope of the Project was defined by the State of Baja California (the "State") to consist of a first phase consisting of a 50 million gallon per day plant and a pipeline that connects to the Mexican potable water infrastructure and a second phase consisting of an additional 50 million gallons of production capacity.

Through a series of transactions completed in 2012 – 2014, NSC purchased 20.1 hectares for approximately \$20.6 million on which the proposed Project's plant would be constructed.

In November 2012, NSC entered into a lease with an effective term of 20-years from the date of full operation of the Project's desalination plant, with the Comisión Federal de Electricidad for approximately 5,000 square meters of land on which it plans to construct the water intake and discharge works for the plant. The amounts due on this lease are payable in Mexican pesos at an amount that is currently equivalent to approximately \$15,000 per month. This lease may be cancelled by NSC should NSC ultimately not proceed with the Project.

In August 2014, the State enacted new legislation to regulate Public-Private Association projects which involve the type of long-term contract between a public-sector authority and a private party that NSC is seeking to complete the Project. Pursuant to this new legislation, in January 2015, NSC submitted an expression of interest for its project to the Secretary of Infrastructure and Urban Development of the State of Baja California ("SIDUE"). SIDUE accepted NSC's expression of interest and requested that NSC submit a detailed proposal for the Project that complies with requirements of the new legislation. NSC submitted this detailed proposal (the "APP Proposal") to SIDUE in late March 2015. The new legislation required that such proposal be evaluated by SIDUE and submitted to the Public-Private Association Projects State Committee

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. NSC and AdR Project Development – (continued)

(the “APP Committee”) for review and authorization. If the Project was authorized the State would be required to conduct a public tender for the Project.

In response to its APP Proposal, in September 2015 NSC received a letter dated June 30, 2015 from the Director General of the Comisión Estatal del Agua de Baja California (“CEA”), the State agency with responsibility for the Project, stating that (i) the Project is in the public interest with high social benefits and is consistent with the objectives of the State development plan; and (ii) that the Project should proceed, and the required public tender should be conducted. In November 2015, the State officially commenced the tender for the Project, the scope of which the State defined as a first phase to be operational in 2019 consisting of a 50 million gallon per day plant and a pipeline that connects to the Mexican potable water infrastructure and a second phase to be operational in 2024 consisting of an additional 50 million gallons per day of production capacity. A consortium comprised of NSC, NuWater S.A.P.I. de C.V. and Degremont S.A. de C.V. (the “Consortium”) 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.

Due to the amount of capital the Project requires, NSC will ultimately need an equity partner or partners for the Project. Consequently, NSC’s tender to the State for the Project was based upon the following: (i) NSC will sell or otherwise transfer the land and other Project assets to a new company (“Newco”) that would build and own the Project; (ii) NSC’s potential partners would provide the majority of the equity for the Project and thereby would own the majority interest in Newco; (iii) NSC would maintain a minority ownership position in Newco; and (iv) Newco would enter into a long-term management and technical services contract for the Project with an entity partially owned by NSC or another Company subsidiary.

In August 2016, NSC and NuWater incorporated Newco under the name Aguas de Rosarito S.A.P.I. de C.V. (“AdR”), a special project company, to complete 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 operations and (ii) AdR would enter into a Management and Technical Services Agreement with NSC effective on the first day that the Project begins commercial operations. As of December 31, 2017, NSC owned 99.6% of AdR.

On August 22, 2016, the Public Private Partnership Agreement for public private partnership number 002/2015, contest number SIDUE-CEA-APP-2015-002 (“APP Contract”), was executed between AdR, CEA, the Government of Baja California represented by the Secretary of Planning and Finance and the Public Utilities Commission of Tijuana (“CESPT”). The APP Contract requires AdR to design, construct, finance and operate a seawater desalination plant (and accompanying aqueducts) 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 and an aqueduct to a second delivery point in Tijuana. The first phase must be operational within 36 months of commencing construction and the second phase must be operational by the end of 2024. The APP Contract further requires AdR to operate and maintain the plant and aqueducts 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 aqueducts will be transferred to CEA. The total Project cost for Phase 1 of the Project is presently estimated at approximately 9.1 billion Mexican pesos.

The APP Contract does not become effective until the following conditions are met:

- the State has established and registered various payment trusts, guaranties and bank credit lines for specific use by the Project;
- the CEA has obtained the rights from the relevant federal authority to take and desalinate seawater and distribute it for municipal use;

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. NSC and AdR Project Development – (continued)

- various water purchase and sale agreements between the CEA, the payment trusts and the CESPT have been executed;
- AdR has obtained all of the rights of way required for the aqueduct;
- AdR has obtained permission from the relevant federal authority to discharge the residual water from the Project's desalination plant; and
- all debt financing agreements necessary to provide the funding to AdR for the first phase of the Project have been executed.

In December 2016, the Congress of the State of Baja California, Mexico passed Decreto #57 which, among other things, ratified and authorized the payment obligations of the corresponding public entities under the APP Contract. During 2017, following consultations between representatives of the State of Baja California and the Ministry of Finance of the Federal Government of Mexico, it was determined that certain amendments to Decreto #57 were required in order to comply with recent changes to the Federal Financial Discipline Law for Federative Entities and Municipalities. In addition, it was necessary to amend Decreto #57 to authorize the inclusion of revenues from the CESPT in the primary payment trust for the Project. These amendments were included in Decreto # 168 which was approved by the Congress of the State of Baja California in December 2017. Following its issuance, two actions were filed in Mexican Courts against Decreto #168. While neither NSC nor AdR has been named as a party in these actions, based upon publicly available information the Company believes (1) one of these actions consists of a challenge filed by certain members of the Congress of State of Baja, California alleging certain elements of Decreto #168 are contrary to the Mexican constitution; and (2) that the other action represents an amparo (i.e. a constitutional appeal) filed by certain members of indigenous groups that alleges Decreto #168 violates certain of the human rights and individual guarantees they are afforded under the Mexican constitution. The Company cannot presently determine what impact, if any, these two actions will have upon the Project.

Both the exchange rate for the Mexico peso relative to the dollar and general macroeconomic conditions in Mexico have varied since the execution of the APP Project. These changes have adversely impacted the estimated construction, operating, and financing costs for the Project. The APP Contract and the APP Law allow for the parties to negotiate (but do not guarantee) modifications to the water tariff in the event of such significant macroeconomic condition changes. On February 10, 2017 AdR submitted proposals to the CEA requesting an increase to the water tariff to compensate for changes in foreign exchange rates, lending rates and certain changes in law which have impacted the Project. If AdR is unable to obtain this requested increase in the water tariff it may be unable to obtain the debt and equity financing required for the Project. The Company is currently unable to say whether or not such water tariff increase will be approved.

In February 2018, AdR executed a subscription agreement (the "Agreement") for the equity funding required for the Project. The Agreement calls for NSC to retain a minimum of 25% of the equity in AdR. One or more affiliates of Greenfield SPV VII, S.A.P.I. de C.V. ("Greenfield"), a Mexico company managed by an affiliate of a U.S. asset manager, will acquire a minimum of 55% of AdR. The Agreement also provides Suez Medio Ambiente México, S.A. de C.V., ("Suez") a subsidiary of SUEZ International, S.A.S., with the option to purchase 20% of the equity of AdR. If Suez does not exercise this option, NSC will retain 35% of the equity of AdR and Greenfield will acquire 65% of the equity of AdR. The Agreement will become effective when the additional conditions related to the Project are met, including but not limited to those conditions discussed previously. The aggregate investment to be made by the equity partners in the Project, in the form of equity and subordinated shareholder loans, is presently estimated at approximately 20% of the total cost of Phase 1 of the Project.

In February 2018, our subsidiary Consolidated Water U.S. Holdings acquired the remaining 0.4% of AdR's equity interest previously held by NuWater.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. NSC and AdR Project Development – (continued)

If AdR is ultimately unable to proceed with the Project, the land NSC has purchased and the right of way deposits may lose their strategic importance derived from their association with the Project and consequently may decline in value. If AdR does not proceed with the Project, NSC may ultimately be unable to sell this land or recoup their right of way deposits for amounts at least equal to its current carrying values of approximately \$20.6 million and \$947,000, respectively. Any loss on sale of the land, or impairment losses NSC may be required to record as a result of a decrease in the (1) fair value of the land; or (2) value of the rights of way arising from the inability to complete the Project could have a material adverse impact on the Company's results of operations.

Included in the Company's results of operations are general and administrative expenses from NSC and AdR, consisting of organizational, legal, accounting, engineering, consulting and other costs relating to Project development activities. Such expenses amounted to approximately \$3.0 million, \$3.0 million and \$2.0 million for the years ended December 31, 2017, 2016 and 2015, respectively. The assets and liabilities of NSC and AdR included in the Company's consolidated balance sheets amounted to approximately \$23.1 million and \$173,000, respectively, as of December 31, 2017 and approximately \$22.3 million and \$221,000 respectively, as of December 31, 2016.

EWG Litigation

Immediately following CW-Cooperatief's acquisition of its initial 50% ownership in NSC, the remaining 50% ownership interest in NSC was held by an unrelated company, Norte Sur Agua, S. de R.L. de C.V. ("NSA"). NSA subsequently transferred ownership of half of its shares in NSC to EWG Water LLC ("EWG") and the other half of its shares in NSC to Alejandro de la Vega (the "individual shareholder"). In February 2012, the Company paid \$300,000 to enter into an agreement (the "Option Agreement") that provided it with an option, exercisable through February 7, 2014, to purchase the shares of NSC owned by the individual shareholder for a price of \$1.0 million along with an immediate power of attorney to vote those shares. Such shares constituted 25% of the ownership of NSC as of February 2012. In May 2013, NSC repaid a \$5.7 million loan payable to CW-Cooperatief by issuing additional shares of its stock. As a result of this share issuance to CW-Cooperatief, the Company acquired 99.99% of the ownership of NSC. The Option Agreement contained an anti-dilution provision that required the Company to issue new shares in NSC of an amount sufficient to maintain the individual shareholder's 25% ownership interest in NSC if (i) any new shares of NSC were issued subsequent to the execution of the Option Agreement; and (ii) the Company did not exercise its share purchase option by February 7, 2014. The Company exercised its option and paid the \$1.0 million to the individual shareholder to purchase the Option Agreement shares in February 2014.

In October 2015, the Company learned that EWG filed a lawsuit against the individual shareholder, NSC, NSA, CW-Cooperatief, Ricardo del Monte Nunez, Carlos Eduardo Ahumada Arruit, Luis de Angitia Becerra, and the Public Registry of Commerce of Tijuana, Baja California in the Civil Court located in Tecate, Baja California, Mexico.

In this lawsuit, EWG challenged, among other things, the capital investment transactions that increased the Company's ownership interest in NSC to 99.99%. EWG requested that the court, as a preliminary matter: (a) suspend the effectiveness of the challenged transactions; (b) order public officials in Mexico to record the pendency of the lawsuit in the public records; and (c) appoint an inspector for NSA and NSC to oversee its commercial activities. The court granted, ex-parte, the preliminary relief sought by EWG, which resulted in the placement of inscriptions for the lawsuit on NSC's public records.

CONSOLIDATED WATER CO. LTD.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

9. NSC and AdR Project Development – (continued)

EWG also sought an order directing, among other things: (i) NSA, NSC and CW-Cooperatief to refrain from carrying out any transactions with respect to the Project; and (ii) NSA, NSC and CW-Cooperatief, and the partners thereof, to refrain from transferring any interests in NSA, NSC and CW-Cooperatief.

On April 5, 2016, NSC filed a motion for reconsideration with the Tecate, Mexico court asking, among other things, that the court; (i) reverse its order to record the pendency of the lawsuit in the public records; (ii) cancel the appointment of the inspector; and (iii) allow NSC to provide a counter-guarantee to suspend the effects of the court's order regarding the challenged transactions. On April 26, 2016, the Tecate, Mexico court issued an interlocutory judgment (i) ordering the cancellation of the inscriptions on NSC's public records; and (ii) rejecting NSC's motion for cancellation of the appointment of the inspector.

On April 26, 2016, NSC filed a full answer to EWG's claims rejecting every claim made by EWG. The court's response on this matter is pending.

On May 17, 2016, NSC filed a claim with the Third District Court in Matters of Amparo and Federal Trials in the City of Tijuana, Baja California (the "Amparo Court") challenging the Tecate, Mexico court ex-parte order which appointed an inspector over NSC's commercial activities. On July 29, 2016, the Amparo Court found that such appointment is unconstitutional and reversed the Tecate, Mexico court's appointment of an inspector.

On September 6, 2016, the Tecate, Mexico court issued a decree granting the counter-guaranty requested by NSC. Such counter-guaranty was fixed in the amount of 300,000 Mexican pesos and was given to the court on October 13, 2016 at which time all remaining ex-parte restrictions on NSC related to the challenged transactions were suspended.

On May 2, 2017, the Tecate, Mexico court declared that the initial filing of this lawsuit had expired due to EWG's lack of activity with respect to certain actions required to proceed to trial. However, EWG can appeal the expiration or refile the lawsuit.

10. Intangible assets

In 2003, as part of the acquisition of a group of companies, the Company acquired 100% of the outstanding voting common shares of DesalCo, which had an agreement to provide management and engineering services to OC-BVI. The Company attributed \$856,356 of the purchase price of the acquisition to the value of this management services agreement, which has no expiration term. Initially, the Company determined that this intangible asset had an indefinite life and therefore it was not amortized. However in 2010, as a result of the loss by OC-BVI of its Baughers Bay contract (see Note 8), the Company began amortizing this asset over the life of OC-BVI's remaining seven-year water supply contract for its Bar Bay plant.

The carrying amount of the Belize Water Production and Supply Agreement is being amortized over the 23-year term of the agreement that expires in March 2026.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ Wilmer F. Pergande

Wilmer F. Pergande

Chairman of the Board of Directors

Dated: March 16, 2018

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
By: /s/ Wilmer F. Pergande _____ Wilmer F. Pergande	Chairman of the Board of Directors	March 16, 2018
By: /s/ Frederick W. McTaggart _____ Frederick W. McTaggart	Director, Chief Executive Officer and President (Principal Executive Officer)	March 16, 2018
By: /s/ David W. Sasnett _____ David W. Sasnett	Executive Vice President & Chief Financial Officer (Principal Financial and Accounting Officer)	March 16, 2018
By: /s/ Brian E. Butler _____ Brian E. Butler	Director	March 16, 2018
By: /s/ Carson K. Ebanks _____ Carson K. Ebanks	Director	March 16, 2018
By: /s/ Richard L. Finlay _____ Richard L. Finlay	Director	March 16, 2018
By: /s/ Clarence B. Flowers, Jr. _____ Clarence B. Flowers, Jr.	Director	March 16, 2018
By: /s/ Leonard J. Sokolow _____ Leonard J. Sokolow	Director	March 16, 2018
By: /s/ Raymond Whittaker _____ Raymond Whittaker	Director	March 16, 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Wilmer F. Pergande

Independent Consultant
WF Pergande Consulting LLC
Chairman of the Board
Consolidated Water Co. Ltd.

Frederick W. McTaggart

President and Chief Executive Officer
Consolidated Water Co. Ltd.

Brian E. Butler

Property Developer
Butler Development Group

Carson K. Ebanks, MBE, JP

Retired Permanent Secretary of Finance
Tourism and Development
Cayman Islands Government

Richard L. Finlay

Attorney-at-Law and Notary Public
Cayman Islands

Clarence B. Flowers, Jr.

Real Estate Developer
Orchid Development Company Ltd.
Director
C.L. Flowers & Sons

Leonard J. Sokolow

CEO and President
Newbridge Financial, Inc.

Raymond Whittaker

Principal
FCM, Ltd.

INDEPENDENT ACCOUNTANTS

Marcum LLP

450 East Las Olas Boulevard, Suite 950
Ft. Lauderdale, FL 33301 USA

LEGAL COUNSEL

Duane Morris LLP

200 South Biscayne Boulevard, Suite 3400
Miami, FL 33131 USA

PRINCIPAL BANKERS

Scotiabank & Trust (Cayman) Ltd.

P.O. Box 689
Grand Cayman, KY1-1107
Cayman Islands

Fidelity Merchant Bank & Trust Limited

51 Frederick Street
P.O. Box CB-12337
Nassau, The Bahamas

Transfer Agents & Registrar

American Stock Transfer & Trust Company
6201 15th Avenue
Brooklyn, NY 11219

REGISTERED AND PRINCIPAL OFFICE

Consolidated Water Co. Ltd.

Regatta Office Park
Windward Three, 4th Floor
West Bay Road
P.O. Box 1114
Grand Cayman, KY1-1102
Cayman Islands
TEL: (345) 945-4277
FAX: (345) 949-2957
EMAIL: info@cwco.com
www.cwco.com

CORPORATE OFFICERS

Frederick W. McTaggart

President and Chief Executive Officer

David W. Sasnett

Executive Vice President and
Chief Financial Officer

John B. Tonner

Executive Vice President and
Chief Commercial Officer

Ramjeet Jerrybandan

Executive Vice President of
Operations

Armando V. Averhoff

Vice President of Information Technology

Brent A. Brodie

Vice President of Sales and Marketing

Robert B. Morrison

Vice President of Procurement & Logistics

Douglas R. Vizzini

Vice President of Finance

STOCK EXCHANGE LISTING FORMS 10-Q AND 10-K

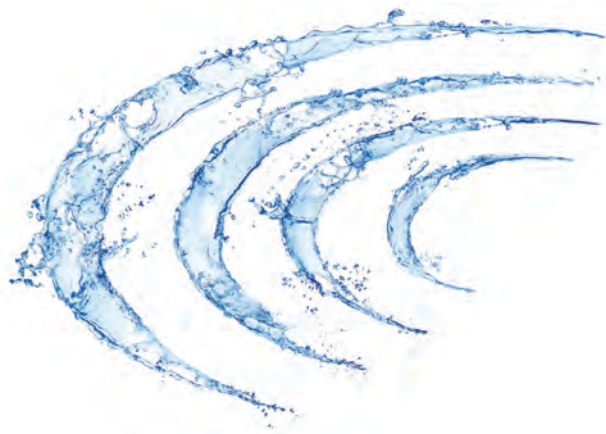
The Company's common shares trade on the NASDAQ Global Select Market. The trading symbol is "CWCO." "The Nasdaq Stock Market, Inc." or "NASDAQ" is a highly regulated electronic securities market comprising of competing Market Makers whose trading is supported by a communications network linking them to quotation dissemination, trade reporting, and execution systems.

The Company files Quarterly and Annual Reports with the U.S. Securities and Exchange Commission on Form 10-Q and 10-K, pursuant to the Securities Exchange Act of 1934.

A copy of these reports may be obtained by calling or writing to the Company's principal offices at the address shown on overleaf, attention: Investor Relations Department, or alternatively online at the SEC website www.sec.gov.



**CONSOLIDATED
WATER**



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Consolidated Water Co. Ltd.

Regatta Office Park
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