



To: All Shareholders  
 From: Sean Durfy, President and CEO  
 Date: 19<sup>th</sup> September 2018

### **Six-Month Report 2018**

Management is reporting on unaudited financial matters relating to the first six months of Ascendant Group Limited's ("Ascendant" or the "Company") financial year ending 31 December 2018 in accordance with the Bermuda Stock Exchange ("BSX") Listing Regulations (Section IIA, Regulation 6.9(2)).

<b>In \$000's</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Variance</b>
Operating revenues and other income	<b>\$ 105,528</b>	\$ 101,305	\$ 4,223
Core earnings from operations	<b>\$ 11,090</b>	\$ 13,564	\$ (2,474)
Core earnings	<b>\$ 3,139</b>	\$ 9,484	\$ (6,347)
Income attributed to minority interest	<b>\$ -</b>	\$ -	\$ -
Income attributed to shareholders from core earnings	<b>\$ 3,139</b>	\$ 9,484	\$ (6,347)
Discontinued operations	<b>\$ -</b>	\$ (293)	\$ 293
Share of earnings in investments held by AirCare	<b>\$ -</b>	\$ 968	\$ (968)
Net earnings attributed to shareholders	<b>\$ 3,139</b>	\$ 10,161	\$ (7,022)

<b>Per share amounts:</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>Variance</b>
Dividends paid per share	<b>\$0.22</b>	\$0.19	\$0.04
Core earnings per share			
Basic	<b>\$0.32</b>	\$0.96	\$(0.64)
Fully diluted	<b>\$0.31</b>	\$0.93	\$(0.62)
Net earnings per share			
Basic	<b>\$0.32</b>	\$1.03	\$(0.71)
Fully diluted	<b>\$0.31</b>	\$1.00	\$(0.69)

Ascendant's year-to-date core earnings from operations, before corporate expenses, were \$11.1 million compared to \$13.6 million for the same period in 2017. The year over year changes for the first six months of 2018 include the following:

- Bermuda Electric Light Company Limited ("BELCO") experienced \$1.8 million higher depreciation costs associated with engines scheduled to retire in 2020 as well as capital additions, \$0.6 million from the prior year reversal of regulatory fees from 2016, and \$0.8 million lower base tariff revenue year over year.
- Ascendant's non-utility businesses continued to grow, contributing \$0.6 million, or 39%, more to core earnings year over year.

Core earnings year-to-date in 2018 were \$3.1 million, or \$0.32 per share compared to \$9.5 million, or \$0.96 per share, for the same period in 2017. In addition to the changes to core earnings from operations described above, these

results were impacted by two unusual corporate charges: \$1.0 million in advisory fees related to an unsolicited expression of interest to purchase the Company, as well as an increase of \$1.9 million in long term incentive compensation costs, driven partly by the 63% share price increase over the first half of 2018.

Reported earnings year-to-date in 2018 were \$3.1 million, or \$0.32 per share compared to \$10.2 million, or \$1.03 per share, for the same period in 2017. Reported earnings were impacted by the same changes to core earnings described above as well as \$1.0 million in non-core earnings included in 2017 from the equity pick-up of earnings in AIRCARE LTD.'s ("AirCare") Cayman Islands affiliates, Otis Air-Conditioning Ltd. and O Property Holdings Ltd.

Cash flow from operations (excluding the effect of working capital changes) totaled \$14.1 million for the first half of 2018 compared to \$16.6 million in the same period of 2017. This change in cash flow from operations reflects the changes to core earnings from operations described above. Capital expenditures for the first half of 2018 were \$36.5 million compared to \$9.2 million for the same period of 2017, reflecting the start of the Company's capital plan.

The Company made significant progress on its strategic plan during the first half of 2018. In April, the Company approved \$55 million of its five-year \$124 million transmission and distribution capital plan. In June, the Company completed the final steps required to proceed with its \$120 million replacement generation and battery storage project. Following Regulatory Authority approval of the project in March, 2018, the Company closed on the contracts for the engineering, procurement and construction as well as the \$107.5 million financing for the project. Construction will begin shortly and is expected to take 18 months.

The capital plan will modernize Bermuda's power system and will bring investment and jobs to Bermuda. BELCO will be installing four new 14 megawatt generators to provide a more reliable and fuel-efficient power supply which will comply with the most stringent environmental and noise regulations. These engines will replace nine old engines that will be retired between now and 2020 (out of 17 total). The new engines will have the capacity to operate on either fuel oil or natural gas, but will continue to use fuel oil until the National Fuel Policy has been implemented for Bermuda. In addition, BELCO is replacing its underground transmission cabling network to provide more reliable delivery of electricity. This will help reduce outages, enable easier maintenance to reduce costs and provide the system improvements necessary to support the addition of renewable energy and the demands of new developments in Bermuda.

The Company's share price increased 63% from \$9.79 to \$16.00 over the six months ended 30 June 2018. Management believes that the execution of the Company's strategic plan will continue to unlock the underlying value of its businesses and therefore share repurchases represent the most efficient way to return capital to shareholders. Accordingly, the Company renewed and increased its share repurchase programme in May, 2018 authorizing the repurchase of 1 million shares (see enclosed copy of the Company's letter to the BSX dated 8 May 2018 for information purposes as required by the BSX Listing Regulations). During the six-month period ended 30 June 2018, the Company repurchased 196,488 shares at an average cost of \$15.63.

The total interests of all directors and executive officers in the Company totals 361,319 shares. In addition, under the Company's long-term incentive and retention share programs, which are designed to attract, retain and motivate senior management to achieve strategic objectives, executive officers have been granted awards that may be paid in cash or shares. The total share awards outstanding range from 206,000 to 584,000 shares, depending on service and performance conditions.

The Company's Board of Directors declared dividends totaling 22.50 cents per common share in the first half of 2018.

**Further Financial Information:** Ascendant's financial results are stated in accordance with International Financial Reporting Standards (IFRS). Further financial information may be found on our web site at: [www.ascendant.bm](http://www.ascendant.bm).