Ascendant Group Limited
Management's Discussion & Analysis of Results and Financial Condition (the "MD&A")

For the three and six month periods ended 30 June, 2019

The following Management's Discussion & Analysis ("MD&A") provides a review of the results of operations and financial condition of Ascendant Group Limited and its subsidiaries ("Ascendant" the "Company" or the "Group") and should be read in conjunction with the Company's MD&A and audited consolidated financial statements for the year ended 31 December, 2018 included in the Company's 2018 Annual Report and available at ascendant.bm.

Financial information contained in this MD&A and the unaudited condensed consolidated interim financial statements for the three and six months ended 30 June, 2019 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Except where noted, figures are expressed in Bermuda dollars, which trades at par with the United States dollar.

This MD&A contains forward-looking statements that reflect management's current beliefs with respect to the Company's future growth, results of operations, performance, business prospects and opportunities and the potential sale of the Company. Statements that are not historical facts, including statements about management's beliefs and expectations, are forward-looking statements. These statements are based on information currently available to Ascendant's management and should not be read as guarantees of future events, performance or results and will not necessarily be accurate indications of whether, or the time at which, such events, performance or results will be achieved.

The forward-looking information is based on reasonable assumptions and is subject to risks, uncertainties and other factors that could cause actual results to differ materially from historical results or results anticipated by the forward-looking information. Factors that could cause results or events to differ from current expectations are discussed in the "Primary Factors Affecting Ascendant's Business" section of Ascendant's 31 December, 2018 MD&A and may also include changes in Bermuda's economy and regulatory environment, aging infrastructure and asset operations, fuel supply, labour and management's relationship with Company unions, competition, weather conditions, environmental matters as well as capital market and liquidity risk; estimated energy consumption rates; maintenance of adequate insurance coverage; changes in customer energy usage patterns; developments in technology that could reduce demand for electricity; interest rate risk; credit risk; foreign exchange risk; risks associated with pension plan performance and funding requirements; loss of service area; risk of failure of information technology infrastructure and cybersecurity risks; and availability of labour and management resources.

Readers are cautioned not to place undue reliance on forward-looking information as actual results could differ materially from the plans, expectations, estimates or intentions and statements expressed in the forward-looking information.

Non-IFRS Financial Measures

Certain financial measures discussed in this MD&A are not defined under IFRS and, therefore, should not be considered in isolation or as an alternative to or to be more meaningful than net earnings attributable to common shareholders, as determined in accordance with IFRS, when assessing our financial performance. These measures may not be comparable to similar measures presented by other issuers and should not be considered in isolation or as a substitute for measures prepared in accordance with IFRS.

Core earnings is a non-IFRS measure. Core earnings excludes certain non-recurring items and discontinued operations from net earnings.

Strategic Overview

Ascendant is a Bermuda-based, publicly-traded provider of energy and energy-related services and infrastructure. Its primary business is conducted through its wholly-owned, rate-regulated, fully-integrated utility, Bermuda Electric Light Company Limited ("BELCO").

At 30 June, 2019, BELCO:

- Employed 234 staff or 67% of total staff employed by the Group;
- Held $448 million or 90% of total assets reported by the Group;
- Sold 250.9 million kilowatt hours to customers during the first six months of 2019 resulting in total electric energy revenue of $99.7 million net of discount.

Ascendant also has a growing non-utility energy services and infrastructure business through its wholly-owned subsidiary AG Holdings Limited ("AG Holdings") and its subsidiaries and affiliates. AG Holdings is the sole owner of the following operating companies:

- AIRCARE LTD. ("AIRCARE"), offering heating, ventilation and air conditioning ("HVAC"), air quality monitoring, building automation and energy management, commercial plumbing, fire protection, and commercial refrigeration services;
- IFM Limited ("IFM"), offering property and facilities management services;
- iEPC Limited ("iEPC"), offering engineering procurement, contracting and consulting services; and
- Ascendant Properties Limited ("Ascendant Properties"), the Group's property management company.

Ascendant's vision is to be the most respected, sustainable and progressive energy and services organisation in the Atlantic by 2021. It seeks to provide the people of Bermuda with energy and services to enhance their lives in a safe, reliable and cost competitive manner. For investors, Ascendant seeks to deliver consistent earnings, cash flow and long-term growth.

The Company adopted a new strategic plan in 2016 with the following key objectives:

- Transition by BELCO to a productive and stable regulatory environment that supports the investment required to deliver reliable power to its customers;
- Execute on BELCO's $250 million capital plan that includes the investment required to modernise BELCO's power generation and transmission and distribution systems in Bermuda, including implementing new technologies such as battery storage, advanced metering and system improvements to support the addition of natural gas and renewable energy (the "Capital Plan");
- Achieve a more competitive capital structure by using appropriate amounts of low-cost, long-term debt and accessing equity at the lowest possible cost;
- Reduce its cost structure by investing wisely and by increasing the efficiency of its operations; and
- Grow its non-utility businesses such as AIRCARE as well as invest in electrifying transportation in Bermuda.

The Company's strategy is designed to increase shareholder value, reduce customer electricity rates over time, and provide a strong future for its employees.

The Company continued to execute this strategic plan during the first half of 2019, including:

- Continuing construction of 56 megawatts (MW) of replacement generation ("Replacement Generation")
- Completing the construction of the 10 MW battery storage system ("Battery Storage");
- Submitted a rate case in April, 2019 to the Regulatory Authority (the "Authority") in respect of the retail tariff methodology released by the Authority in October 2018 which provided clarity on future rate setting methods and timing;
- Proceeding with the early retirement programme announced in 2018 to reduce future staffing costs. The combination of the early retirement programme, a hiring freeze and a functional realignment allowing for the more efficient delivery of work will reduce the Company's workforce with minimal disruption over time.

With these accomplishments, the Company has laid the groundwork for Bermuda's energy future. The infrastructure improvements contemplated in the Capital Plan allow Bermuda to pursue any future energy mix it chooses and also ensures a cost effective, reliable supply of energy for the foreseeable future.

The Board of Directors announced in January, 2019 that it was beginning a process of evaluating strategic alternatives for the Company, including the potential sale of Ascendant Group Limited. Following a robust assessment process and invitation to selected interested parties to submit bids, on 3 June, 2019 the Board of Directors announced that the Company had signed an agreement with Algonquin Power & Utilities Corp ("APUC") to sell the Company for $36 per share, subject to shareholder and regulatory approvals.

APUC is an established renewable energy and utility group with North American assets in excess of $10 billion. They currently own and operate 54 energy facilities, of which 90% are renewable. As part of their proposal APUC has committed to continue to run all Ascendant companies locally with current Bermudian management, to support BELCO in its collaboration with the Authority in implementing the Integrated Resource Plan for Bermuda and introducing modern energy technologies to accelerate the introduction of renewables, conservation and battery storage for the island.

The Board of Directors takes the view that APUC can provide the resources and experience required to build on the foundation it has established and for Ascendant to realise its strategy of providing a strong future for its staff and customers.

The Company's share repurchase programme was suspended on 1 April, 2019 as a result of the invitation for proposals referred to above. Trading was suspended on 3 June, 2019, but resumed 4 June, 2019. Since that time, shares have traded as high as $34.95 per share, with a closing price of $24.01 per share on 30 June, 2019.

Consolidated Financial Review

The following table presents an analysis of the Company's net earnings for the three and six months ended 30 June, 2019 and 2018. Changes in the individual business units are presented in the Results of Operations section.

	Three months ended 30 June			Six months ended 30 June		
($ thousands)	**2019**	2018	Variance	**2019**	2018	Variance
BELCO	**$2,085**	$6,206	$(4,121)	**$4,405**	$8,660	$(4,255)
AG Holdings	**1,607**	1,381	226	**2,655**	2,189	466
ABIL	**257**	103	154	**475**	241	234
Core earnings from operations	**3,949**	7,690	(3,741)	**7,535**	11,090	(3,555)
Corporate expenses	**(2,311)**	(4,286)	1,975	**(4,861)**	(7,039)	2,178
Core Earnings	**1,638**	3,404	(1,766)	**2,674**	4,051	(1,377)
Restructuring costs	**(3,051)**	(456)	(2,595)	**(4,620)**	(912)	(3,708)
Net Earnings	**$(1,413)**	$2,948	$(4,361)	**$(1,946)**	$3,139	$(5,085)
Net (Loss) Earnings Per Share (Basic)	**$(0.15)**	$0.30	$(0.45)	**$(0.20)**	$0.32	$(0.52)

Earnings

Year to date core earnings from operations were $1.6 million for the three months ended 30 June, 2019 and $2.7 million for the six month period ended 30 June, 2019, a decrease of $1.8 million and $1.4 million, respectively, from the same periods in 2018. The year over year changes for the first six months of 2019 include the following:

- Bermuda Electric Light Company Limited's ("BELCO") core earnings for the six months ended 30 June, 2019 were $4.3 million lower than the same period in 2018. This decrease is primarily due to a $3.9 million drop in basic electric tariff sales stemming from lower consumption across all customer categories, together with a $0.6 million increase in depreciation expense.
- Ascendant's non-utility businesses continued to provide core earnings growth in 2019, increasing by $0.5 million or 21% over the same period in 2018. Operating results from AG Holdings operating entities are provided below.

- Corporate expenses decreased by $2.2 million from the comparable period in 2018 due to $1.2 million from cost saving measures and increased shared service charges to affiliates of $0.8 million.

Net earnings for the six months ended 30 June, 2019 declined by $5.1 million from 2018 to a loss of $1.9 million. This decrease is due to costs associated with the restructuring of the Company, primarily financial advisory and legal fees.

Rates and Regulation

In the first two quarters of 2019, BELCO's electricity rates continued to reflect those implemented by the Energy Commission ("EC") in 2016 prior to the transfer of regulatory oversight to the Authority. The EC methodology allows for target return on rate base with excess returns allocated to a tariff stabilisation fund that can be drawn upon for subsequent return deficiencies or to defer rate increases. In October, 2018 the Authority released its Retail Tariff Methodology and BELCO filed, on 18 April, 2019, its rate case covering the 2020 and 2021 rate periods. BELCO will implement the new rate methodology based on the Authority's response to its rate case.

Results of Operations

BELCO

	Three months ended 30 June			Six months ended 30 June		
($ millions)	**2019**	2018	Variance	**2019**	2018	Variance
Basic electric tariff sales	**$36.3**	$39.0	$(2.7)	**$70.0**	$73.9	$(3.9)
Fuel adjustment tariff sales	**17.3**	15.2	2.1	**33.1**	28.1	5.0
Gross electric revenues	**53.6**	54.2	(0.6)	**103.1**	102.0	1.1
Less: Electric sales discounts	**1.7**	1.8	0.1	**3.4**	3.5	0.1
Net electric sales revenues	**51.9**	52.4	(0.5)	**99.7**	98.5	1.2
Regulatory fee revenues	**0.6**	0.6	-	**1.2**	1.2	-
Other revenues	**0.6**	0.2	0.4	**1.1**	0.9	0.2
Net operating revenues	**53.1**	53.2	(0.1)	**102.0**	100.6	1.4
Operating & administrative expense	**20.5**	18.6	(1.9)	**38.6**	38.3	(0.3)
Purchased power / energy	**1.1**	1.0	(0.1)	**1.9**	1.9	-
Fuel	**21.4**	22.1	0.7	**43.3**	40.0	(3.3)
Depreciation, amortisation, accretion and impairment	**6.4**	5.8	(0.6)	**12.3**	11.7	(0.6)
Inventory obsolescence & provision for engine decommission	**(0.3)**	-	0.3	**-**	-	-
Regulatory fees	**0.7**	0.7	-	**1.4**	1.4	-
Finance expenses	**0.1**	0.1	-	**0.2**	0.1	(0.1)
Total expenses	**49.9**	48.3	(1.6)	**97.7**	93.4	(4.3)
Earnings before movement in regulatory account balances	**3.2**	4.9	(1.7)	**4.3**	7.2	(2.9)
Net movement in regulatory account balances	**(1.1)**	1.3	(2.4)	**-**	1.5	(1.5)
Net earnings	**2.1**	6.2	(4.1)	**4.3**	8.7	(4.4)
Add back restructuring charges	**-**	-	-	**0.1**	-	0.1
Core earnings	**$2.1**	$6.2	$(4.1)	**$4.4**	$8.7	$(4.3)

BELCO's core earnings for the three and six months ended 30 June, 2019 are less than the comparative 2018 period by $4.1 million and $4.3 million, respectively, due to decreased electricity sales ($3.9 million and $2.7 million, respectively) and, increased depreciation charges ($0.6 million and $0.6 million respectively).

As noted above, BELCO's net operating revenues are comprised of base tariff and fuel adjustment tariff electricity sales net of discounts, regulatory fee revenue and other income.

Gross base tariff electricity sales for the three and six months ended 30 June, 2019 decreased $2.7 million and $3.9 million to $36.3 million and $70.0 million respectively. This decrease is primarily due to lower demand as compared to the same periods in 2018.

BELCO's total expenses increased $1.6 million (3.3%) and $4.3 million (4.6%) for the three and six months ended 30 June, 2019 as compared to the same periods in 2018. Fuel costs were higher than the prior year, with the majority of the increase passed on to customers through the fuel adjustment tariff and offset by the net movement in regulatory account balances.

Operating and administration expense increased approximately $1.9 million and $0.3 million, respectively in the three and six months ended 30 June, 2019 compared to the same periods in 2018. The largest portion of this increase were shared service allocations from Ascendant which were $0.6 million and $0.7 million higher than the same periods in the prior year. Lube oil and sludge removal were $0.4 million higher in the first six months of 2019 than the same period in 2018.

Offsetting these increases were savings in salary expenses which were $0.4 million and $0.8 million lower, respectively in the three and six months ended 30 June, 2019 than the same periods in 2018. These savings were realised due to early retirements and because higher amounts of internal labour were allocated to capital projects. Material issues were $0.2 million and $0.4 million lower in the three and six month periods, respectively, than the same periods in the prior year.

Purchased power/energy expenses remained consistent in the comparative three and six month periods. There was decrease in power purchased from the Bermuda Government Tynes Bay waste to energy incinerator plant which dropped from 10.3 million kWh purchased for the six months ended 30 June, 2018 to 9.3 million kWh in the same period in 2019. Partially offsetting this was a small increase in Photo Voltaic energy provided by customers from 0.9 million kWh in the first six months of 2018 to 1.1 million kWh in 2019.

Fuel expenses decreased $0.7 million and increased $3.3 million to $21.4 million and $43.3 million, respectively, for the three and six month periods ended 30 June, 2019. The average price of fuel increased from $101.78 per barrel in the first six months of 2018 to $112.82 per barrel in 2019. In addition, shifting maintenance schedules required increased usage of the older diesel engines which are less efficient. Fuel costs above $30.00 per barrel are passed onto the consumer through fuel adjustment sales rates, accordingly the fuel costs are largely offset by higher fuel adjustment revenues and regulatory account balances.

Total fuel consumed in the comparative six-month period decreased 8,273 barrels or -2.1% to 384,081 barrels, while generation declined 3.6% to 250.9 million kWh sold. As mentioned above, these increased fuel volumes resulted from decreased plant efficiency as aging infrastructure is required to be utilised until the completion of the Replacement Generation.

Depreciation, amortization, accretion and impairment expense increased by $0.5 million and $0.6 million, respectively, for the three and six months ended 30 June, 2019 compared to the prior year. This increased expense is associated with new assets including electric vehicles that have begun to replace a largely depreciated fleet, continuing rollout of the advanced metering infrastructure and the Battery Storage.

Regulatory fees for the six months ended 30 June, 2019 were much the same as 2018 as the impact of the decrease in kilowatt hours sold was nominal.

AG Holdings

Core earnings from AG Holdings increased by $0.2 million and $0.5 million to $1.6 million and $2.7 million, respectively, for the three and six months ended 30 June, 2019.

AIRCARE's results were stable at $1.1 million and $1.7 million for the three and six month periods ended 30 June, 2019.

iEPC recorded net income of $0.2 million and $0.3 million for the first three and six months of 2019, respectively, as compared to a net income of $0.1 million for the both comparable periods in 2018. External revenue growth is the prime driver of the net income increase. The business model for iEPC was changed in 2018 to offer engineering services to the external marketplace. External revenues grew to 33% of total revenues in the first two quarters of 2019.

IFM recognized earnings of $0.3 million and $0.8 million for the first three and six months of 2019, respectively, as compared to earnings of $0.3 million and $0.4 million for the same periods in 2018. Net profit increased in 2019 due to increased project work, a one-time adjustment related to energy performance contracts and decreased expenses.

Ascendant Properties net earnings were stable at $0.05 million and $0.1 million, respectively, for the first three and six month periods of 2019 and 2018.

Ascendant Bermuda Insurance Limited ("ABIL")

ABIL is a Class 1 insurance company licensed under the Insurance Act 1978 and was established to provide coverage for group companies. For the three and six months ended 30 June, 2019, ABIL recognised income of $0.3 million and $0.5 million, respectively, compared to

$0.1 million and $0.2 million during the same periods in 2018. This increase is the result of ABIL assuming additional motor vehicle fleet coverage within the Ascendant Group, and coverage of a portion of the Replacement Generation project. There were no major claims made during these periods.

Corporate Expenses

Net corporate expenses decreased $2.0 million and $2.2 million for the three and six month periods ended 30 June, 2019, respectively, when compared to the same periods in 2018. Of the decrease, $1.2 million is due to cost saving measures, with personnel and directors' costs lower by $0.7 million and consultants' fees, excluding those associated with restructuring lower by $0.5 million in the six months ended 30 June, 2019. Charge-outs to affiliates also increased by $0.8 million in this period.

Post-retirement benefit plans

($ thousands)	DB Pension Plan **30 June, 2019**	 31 December, 2018	OPEB Plans **30 June, 2019**	 31 December, 2018
Net accrued benefit liability	**$(15,446)**	$(5,905)	**$(36,960)**	$(33,136)
Total net benefit expense	**$215**	$555	**$790**	$1,551

The Company maintains a defined benefit pension plan ("DB Pension Plan") together with post-retirement medical and life benefit plans ("OPEB Plans"). The DB Pension Plan accrued benefit liability position increased $9.5 million during the six month period ended 30 June, 2019 due to the impact of the early retirement programme, lower bond yields and the application of IFRIC 14. Please see Note 6 to the Condensed Consolidated Interim Financial Statements for further details.

Liquidity and Capital Resources

The Company's primary sources of liquidity and capital resources are net funds generated from operations and $192.5 million bank credit facilities. These sources are used to fund capital expenditures, to service and repay debt, to fund share repurchases and to pay dividends.

The following table outlines the summary of cash flow for the three and six months ended 30 June, 2019 compared to the s 2018:

Cash Flows

	Three months ended 30 June			Six months ended 30 June		
($ thousands)	**2019**	2018	Variance	**2019**	2018	Variance
Cash and cash equivalents:						
Beginning of period	**$15,744**	$24,931	$(9,187)	**$19,468**	$26,565	$(7,097)
Cash provided by / (used in):						
Operating Activities	**3,637**	5,796	(2,159)	**4,424**	11,185	(6,761)
Investing Activities	**(44,858)**	(31,031)	(13,827)	**(73,060)**	(36,521)	(36,539)
Financing Activities	**48,847**	18,513	30,334	**72,538**	16,980	55,558
Cash and cash equivalents:						
End of period	**$23,370**	$18,209	$5,161	**$23,370**	$18,209	$5,161

Cash Flows from Operating Activities – Cash flow provided by operations, after non-cash working capital adjustments, decreased $2.2 million to $3.6 million for the three month period ended 30 June, 2019 and decreased $6.8 million to $4.4 million for the six month period ended 30 June, 2019. The decrease was primarily driven by lower net earnings, and differences in accounts payable balances due to timing of fuel shipments.

Cash Flows from Investing Activities – Cash used in investing activities for the three and six month periods ending 30 June 2019 increased $13.8 million and $36.5 million, to $44.9 million and $73.1 million, respectively.

The significant increase in investing activity is largely associated with continued construction of BELCO's $120 million Replacement Generation project, expected to be completed in 2020. The Replacement Generation project consists of four 14 MW dual fuel engines to replace approximately 50% of its total generation capacity set to be decommissioned. During the six months ended 30 June, 2019 approximately $54 million was spent on this project.

Approximately $4.0 million was spent on the 10 MW Battery Storage project which has been commissioned and is now in service. It is anticipated that efficiency will be improved as there will be less reliance on the aging diesel engines for spinning reserve.

BELCO has begun its 5-year, $124 million transmission and distribution modernisation project (the "T&D Modernization") following approval by the Company's Board of Directors of the first $55 million of capital spending thereunder. The T&D Modernisation will modernise Bermuda's power grid over 5 years by replacing the underground transmission cabling network to 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. It will also replace all meters with advanced meters enabling customers to understand and manage their electricity consumption, reduce the need for manual meter reading, and reduce outage restoration time through automatic notifications to BELCO. Approximately $1.7 million was spent during the six-month period ended 30 June, 2019 on this project.

The campus master plan will improve efficiencies and provide a better environment for employees by replacing and upgrading aged air conditioning systems, plumbing, and electrical wiring. Approximately $1.4 million was spent in the first quarter of 2018 on building upgrades and improvements.

Cash Flows from Financing Activities – Net cash generated from financing activities for the three and six-month periods ended 30 June, 2019 increased $30.3 million and $55.6 million over the same periods in the prior year, to $48.8 million and $72.5 million respectively. The Company received $75.5 million in net proceeds from debt financing to support BELCO's capital programme. In comparison, during the six-month period in 2018, the Company saw net cash proceeds of $21.9 million following the initial drawing on the HSBC facility. Offsetting cash received from new debt financing was $2.1 million in dividends paid to shareholders in the first two quarters and $1.2 million paid to repurchase shares under the Company's share repurchase programme less $0.4 million in proceeds from the issuance of capital stock as part of the employee share purchase programme.

Cash Flow Requirements – The Company expects that operating expenses and interest costs will generally be paid from the Company's operating cash flows, with residual cash flows available for capital expenditures, debt repayment, and dividend payments. Capital expenditures required to complete BELCO's capital programme are expected to be financed from a combination of operating cash flow together with new long-term debt financing as described above.