



To: All Shareholders
 From: The Board of Directors
 Date: September 21, 2017

Six-Month Report 2017

The Board of Directors is reporting on unaudited financial matters relating to the first six months of your Company's financial year ending 31 December 2017 in accordance with the BSX listing regulations (Section II A, Regulation 6.9(2)).

In \$000's	30 June 2017	30 June 2016	Variance
Operating Revenues and Other Income	\$ 102,435	\$ 96,439	5,996
Core Earnings	9,484	6,045	3,439
Income / (Loss) attributable to Minority Interest	-	-	
Income / (Loss) attributed to Shareholders from Core Earnings	9,484	6,045	3,439
Discontinued Operations	(293)	12,531	(12,824)
Share of earnings in investment held by Air Care	970	-	970
Net Income attributed to Shareholders	10,161	18,576	(8,415)
Dividends Paid per Share	\$0.19	\$0.15	\$0.04

Basic and Fully Diluted Earnings per Share:	30 June 2017	30 June 2016	Variance
Based on Core Earnings			
Basic	\$0.96	\$0.57	\$0.39
Fully Diluted	\$0.93	\$0.56	\$0.37
Based on Core Earnings			
Basic	\$1.03	\$1.74	(\$0.71)
Fully Diluted	\$1.00	\$1.72	(\$0.72)

Highlights

Ascendant Group Limited's (AGL) core earnings, excluding the impact of discontinued operations, was \$9.5 million during the first six months of the year, a \$3.4 million or 57% improvement relative to AGL's comparable core earnings of \$6.0 million in 2016. The increase in operating earnings realized was driven by a \$3.4 million, or 41%, increase in Bermuda Electric Light Company Limited (BELCO) net earnings, stemming from higher electricity sales revenues more than offsetting higher net operating costs.

AGL's consolidated net income for the first six months of 2017 was \$10.2 million as compared to \$18.6 in the comparable period in 2016. The decrease in net earnings is due primarily to the \$12.5 million gain recognized from the sale of Bermuda Gas & Utility Company Ltd. in 2016.

BELCO's basic tariff electricity sales revenue, net of discount (excluding fuel adjustment sales) increased \$4.1 million, or 6.1%, when compared to the same period last year. This increase is primarily due to higher basic tariff rates for the current six month period than were in effect for the comparable six month period in 2016. In 2016, basic tariff rate increases were approved by the Energy Commission in March and came into effect on 1 June 2016.

- BELCO key highlights during this reporting period:
 - Electricity sales volumes declined by 0.3% when compared to the first six months of 2016
 - Average total cost per barrel of fuel was \$90.14, up 3.7% year over year. This increase is in part due to a 38% increase in Custom Duty on fuel oil imports effective 1 April 2016 from \$23.03 per barrel to \$31.79 per barrel in the 2016/17 Bermuda Government Budget. Another contributing factor to this increase is a 2.5% decline in fuel efficiency caused by extended unit outages resulting in higher usage of less efficient gas turbines.
 - Non-fuel related expenses increased \$1.1 million or 2.4% due to a combination of factors including the introduction of regulatory fees, corporate restructuring costs, additional material and overtime costs and higher shared service charges. Partially offsetting the increase was a decrease in depreciation expense related to a change in the estimated useful life of transmission and distribution assets.

AG Holdings Limited's (AG Holdings) core earnings for the first six months totaled \$1.6 million, a 165% improvement as compared to 2016 core earnings of \$598,000.

- AG Holdings key highlights during this reporting period
 - AIRCARE LTD.'s core earnings were \$1.6M up 66% from same period in 2016. The improved earnings was driven by improved profitability in its HVAC, fire alarm, and fire suppression systems installation projects in Bermuda, as well as income recognition from its 34% interest in its Cayman Islands affiliate, Otis Air-Conditioning Ltd.
 - In March 2017, the Company purchased the 40% stake in IFM Limited (iFM) from its partner, Black and McDonald Group Limited for \$607,000. During the period, iFM's core earnings increased from \$190,000 to \$452,000 reflecting additional facility project work as well as the Company's additional ownership interest.

Other notable highlights

- AG's share price as at 30 June 2017 was \$7.51, up 45.4% year over year
- As at 30 June 2017, the Directors of AGL held 113,690 shares, while the Officers of AGL held 32,296 shares. In May 2017, AGL authorized a share repurchase program to purchase up to 200,000 shares. No new shares were purchased under the new share repurchase program through 30 June 2017.

Further Financial Information: AGL'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.