



NEWS

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Ascendant Group Limited Issues 2015 Earnings Release

Hamilton, Bermuda (Wednesday, May 4, 2016) –Ascendant Group Limited today reported 2015 consolidated operating earnings for the year ended December 31, 2015 of \$14.5 million, a \$7.2 million increase compared to 2014 revised operating earnings. The increase in operating earnings was largely driven by a \$7.2 million improvement at BELCO reflecting higher sales, reduced windstorm expense and a reduction in bad debt expense. Bermuda Gas operating earnings, excluding discontinued appliance and service operations, were up \$0.2 million due to a decline in propane costs, partially offset by lower sales volume. AG Holdings Limited profits declined \$0.98 million compared to 2014, as a result of a reduction in iFM earnings due to the loss of a large contract and lower sales revenues at iEPC, which was partly offset by an increase in Air Care’s earnings.

The Company’s consolidated net income was \$17.4 million, a \$0.2 million decrease compared to Ascendant Group’s consolidated net income in 2014. Included in the decreased results are non-recurring, post retirement benefit plan amendment gains totaling \$5.0 million in 2015 associated with the Company’s Defined Benefit (DB) Pension Plan, partially offset by Bermuda Gas’ restructuring charges. In 2014, the Company’s revised net income included a \$10.4 million gain associated with the Company’s medical benefit plan. The Company’s consolidated financial statements, including comparatives, have been prepared in accordance and compliance with International Financial Reporting Standards (IFRS). In prior years, the Company prepared its financial statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP).

Basic earnings per share remained unchanged from 2014 to 2015 at \$1.63. The market price for Ascendant Group’s shares ended the year at \$4.80 compared with \$5.40 at 2014 year-end. The quarterly dividend of 7.5¢ remained in effect in 2015.

In 2015, BELCO’s sales volume increased 2.3% from 577 million kilowatt hours (kWh) in 2014 to 590 million kWh. The increase was almost entirely driven by Residential sales, which were higher due to warmer temperatures, compared with 2014 and historical averages. Meter corrections resulting from BELCO’s 2014 meter audit and the relative absence of adverse weather events compared with 2014 also contributed to the higher kWh sales. Sales to Demand and Commercial customers remained flat, as energy efficiency and conservation measures essentially offset the increase in degree cooling days.

Sales of electricity net of fuel adjustment and discounts for 2015 totaled \$138.2 million, as compared to \$136.3 million in 2014, an increase of \$1.9 million. Fuel adjustment revenues (FAR) decreased \$24.7 million from \$91.5 million in 2014 to \$66.8 million in 2015 because the average price paid for a barrel of fuel consumed (including taxes, shipping and handling) fell from \$128.60 in 2014 to \$101.06 in 2015. BELCO does not incur any profit or loss on fuel adjustment, which is offset by identical fuel costs. In 2015, BELCO paid Customs Duty of \$23.05 per barrel of fuel, which was increased to \$31.79 per barrel in the 2016/2017 Bermuda Government budget.

Ascendant Group's total operating expenses decreased \$27.7 million in 2015 to \$197.5 million, compared to \$225.2 million in 2014. In addition to decreased fuel costs, other contributors to reduced expenses included, significant reduction in bad debt expenses and a decrease in labor overtime costs, as there were fewer unplanned BELCO outages in generation and fewer windstorm expenses.

Ascendant Group President and Chief Executive Officer, Walter Higgins said, "It appears Bermuda may have begun its recovery from eight years of recession. There is renewed interest in energy, infrastructure and tourism related developments and the electricity sector is going through a transformative period.

"During 2015, Government released The National Electricity Sector Policy of Bermuda and tabled the Electricity Act in Parliament that was subsequently passed in March 2016. We support the general direction of the new Policy and legislation, which aligns with our Integrated Resource Plan (IRP). We delayed submitting our original IRP to the regulator in 2015 in order to better understand the pending policies and processes, as well as thoroughly consider how recent fuel market changes and technology advances have affected the suitability and viability of Liquefied Natural Gas (LNG) and large scale deployment of renewable energy systems. We intend to submit the IRP to the regulator in June 2016."

Meanwhile, given the prolonged erosion of sales revenues in a capital intensive and high fixed cost regulated business, BELCO's overall return on capital remains unacceptably low. Transforming energy infrastructure to meet the goals contained in the National Electricity Policy and the IRP will require substantial capital investment that is well beyond the retained earning that BELCO has traditionally reinvested in the electricity system.

Since 2000, BELCO has invested a total of \$390 million to provide Bermuda with a first world electricity system. BELCO cannot sustain these levels of investment with its present earnings. In June 2015, BELCO submitted a request to the Energy Commission to increase electricity rates to provide a suitable return on capital consistent with peer utilities as determined by a third party Cost of Capital Report. It is anticipated that the Energy Commission will make a final determination of BELCO's request shortly.

"The Company continually seeks ways to manage and reduce operating costs without disruption to customer service. Our focus is on excellent operational performance across all businesses and that includes strategically adjusting our participation in non-utility energy and infrastructure business as opportunities present," said Mr. Higgins.

In April 2016, following an expression of interest from Rubis Energy Bermuda Ltd., Ascendant Group sold its propane distribution and commercial service company, Bermuda Gas, to Rubis for consideration of \$17.7 million plus final adjustments to reflect the working capital in the business. All 18 employees remain with Bermuda Gas under new owners.

Ascendant Group Limited's Annual General Meeting is scheduled for 9:30 a.m. on Friday, May 20, 2016 at the Bermuda Underwater Exploration Institute (BUEI).

Ascendant Group Limited is a Bermuda-based publicly traded holding company that provides energy and infrastructure solutions. Ascendant Group Limited (AGL.BH) is listed on the Bermuda Stock Exchange (BSX). This Earnings Release may contain forward-looking statements that involve inherent risks and uncertainties. Statements that are not historical facts, including statements about beliefs and expectations are forward-looking statements. These statements are based upon current plans, estimates and expectations. Actual results may differ materially from those projected in such forward-looking statements and, therefore, undue reliance should not be placed on them.

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