



QUARTERLY REPORT

**Period Ending
31 March 2020**

FOR PUBLIC RELEASE

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

Synergy's financial performance for the nine months ended 31 March 2020 has been compared to the FY2019-20 Mid-Year Review (MYR).

\$ Millions	Actual	MYR	Variance
Revenue	2,187.6	2,169.7	17.9
Direct costs	1,881.6	1,823.8	(57.8)
Gross Profit	306.0	345.9	(40.0)
Other income	2.3	2.2	0.1
Operating costs	308.2	306.7	(1.4)
Doubtful debt expense	21.6	17.5	(4.1)
EBITDA	(21.5)	23.9	(45.4)
Depreciation & amortisation	54.2	54.5	0.3
EBIT	(75.7)	(30.6)	(45.1)
Net finance costs	5.8	5.9	0.1
Share of profit of joint ventures	(0.4)	1.6	2.1
Reported NLBT	(81.9)	(38.1)	(43.8)

Synergy's reported net loss before tax is \$81.9 million and is \$43.8 million adverse than the MYR.

The financial results do not include any impact of the COVID-19 pandemic given it is still relatively early in the shutdown period and only limited internal and external data is available, meaning broader conclusions cannot be formed. Management is monitoring developments weekly and will assess the impact as soon as trends emerge.

The key drivers behind this performance are:

1. Favourable revenue of \$17.9 million, predominantly the result of:
 - a. higher wholesale sales revenue of approximately \$28.1 million driven by an increase in contractual and non-contractual wholesale energy market sales; offset by
 - b. lower ancillary services receipts of \$8.1 million due to higher than anticipated competition to provide those services to the market; and
 - c. lower gas trading revenue of \$4.7 million due to adverse sales totalling 1,078 TJ (6 per cent).

2. Adverse direct costs of \$57.9 million, predominantly the result of:
 - a. unfavourable mix in the cost to supply energy of \$40.5 million. Production from low-cost coal assets continues to be adversely impacted by generation from small-scale solar and forced outages. As a result, Synergy continues to meet a greater proportion of supply from more expensive gas assets and relatively higher cost power purchase agreements and the wholesale energy market; and
 - b. an increased renewable energy certificate cost and liability of \$16.1 million, primarily due to a higher large-scale generation certificate market price and a higher than anticipated increase in the small-scale technology percentage.
3. Other income and operating costs are in line with expectations.
4. Bad debt costs are \$4.1 million adverse and are primarily driven by an increase in the provision for overdue debt from hardship customers. This trend is expected to continue as more customers are expected to fall into hardship due to the economic impact of the COVID-19 pandemic.
5. Depreciation, net finance costs and share of joint venture results are in line with expectations.

2. CORPORATE PERFORMANCE INDICATORS

Measure	YTD Actual	Full Year Target	Variance
EBITDA (\$M)*	(21.5)	79.9	(101.4)
RIFR**	3.71	1.90	(1.8)
Customer Engagement***	66.6%	67.5%	(0.0)

* FY2019-20 SCI. End of year target is \$79.9 million.

** RIFR - recordable injury frequency rate. End of year target is 1.

*** Customer engagement score: 67.5% of customer rate Synergy 9 out of 10 or 10. End of year target is 67.5%

3. COMMERCIAL IN CONFIDENCE

Commercially sensitive information deleted in accordance with Section 109(3) of the *Electricity Corporations Act 2005*.

SEGMENT REPORT FOR PERIOD ENDED 31 MARCH 2020

The Group is required to present segment information under Part 2 of *The Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 (the Regulations)*. Regulations do not require comparative information to be presented.

For management purposes, the Group is organised into business units based on functions and activities. The Group has four reportable operating segments detailed as follows:

- Generation business unit (GBU) - manages operations involving the construction or operation of generating works (as defined in the Electricity Industry Act 2004 section 3).
- Wholesale business unit (WBU) - manages operations involving the wholesale supply of energy and related products (including pricing in respect of such acquisition or supply) and includes the operations of subsidiary Vinalco Energy Trust.
- Retail business unit (RBU) - manages operations involving the pricing, sale and marketing of energy and related products to customers.
- Corporate shared services (CSS) - manages operations relating to the following activities: corporate development and strategy; accounting and finance, compliance and legal matters; human resources; information technology support; communications; record-keeping, and any other operations (excluding generation operations, wholesale operations and retail operations) undertaken in connection with two or more business units. CSS includes the operations of the South West Solar Development Holdings Pty Ltd and its subsidiary Synergy Renewable Energy Development Pty Ltd which provides asset and vehicle management services.

Inter-segment revenues are eliminated upon consolidation and reflected in the elimination's column. No operating segments have been aggregated in arriving at the reportable segments of the Group.

There are varying levels of interaction between WBU, GBU and RBU. This interaction includes transfers of energy and related products and shared distribution services.

Formal arrangements exist between:

- WBU and RBU whereby WBU sells energy to RBU in accordance with the Regulations; and
- WBU and GBU whereby GBU is compensated by WBU for both maintaining and making available a fleet of plant, as well as the efficient utilisation of that plant.

**Segment Report for the period ended
31-March-2020**

	GBU \$'000	WBU \$'000	RBU \$'000	CSS \$'000	Eliminations \$'000	Group \$'000
Revenue						
External customers	10,907	230,136	1,947,566	100	(1,000)	2,187,709
Inter-segment	331,533	720,866	0	0	(1,052,399)	0
Total Revenue	342,440	951,002	1,947,566	100	(1,053,399)	2,187,709
Cost of sales	(297,062)	(820,868)	(1,787,826)	0	1,052,354	(1,853,402)
Operating costs	(178,089)	(3,437)	(55,650)	(70,668)	44	(307,800)
Impairment	(143)	0	(21,371)	(216)	0	(21,730)
Other income	(113)	5	16	2,458	0	2,366
EBITDA	(132,967)	126,702	82,735	(68,326)	(1,001)	7,143
Depreciation and amortisation	(37,896)	(10,363)	(2,654)	(10,694)	0	(61,607)
Finance income	0	0	0	2,980	(196)	2,784
Finance costs	(3,533)	(23,958)	(6)	(2,462)	196	(29,763)
Net finance costs	(3,533)	(23,958)	(6)	518	0	(26,979)
Segment profit/ (loss)	(174,396)	92,381	80,075	(78,502)	(1,001)	(81,443)
Unallocated items						
Share of profit of joint ventures and associates						(447)
Tax equivalent expense						0
Profit for the year from continuing operations						(81,890)

Note: The segment report is prepared based on accounting conventions under the Australian Accounting Standards. Hence some of the line items may not match the summary table of financial performance on page 1.