QUARTERLY REPORT

Period Ending 31 March 2016

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

The financial information for the year to date has been compared to the Mid-Year Review (MYR) approved in December 2015.

$ Millions	Actual YTD	MYR YTD	+ / -
Revenue	2,407.1	2,544.3	(137.2)
Direct costs	(1,894.7)	(2,041.1)	146.4
Gross profit	**512.4**	**503.2**	**9.2**
Other income	4.0	0.0	4.0
Operating costs	(296.6)	(297.2)	0.6
Doubtful debts expense	(7.5)	(8.0)	0.6
EBITDA	**212.3**	**198.0**	**14.3**
Depreciation & Amortisation	(135.7)	(131.9)	(3.9)
EBIT	**76.6**	**66.1**	**10.4**
Net finance cost	(51.7)	(9.0)	(42.7)
Share of profit (joint ventures)	(0.6)	3.0	(3.6)
Reported NPBT	**24.2**	**60.2**	**(35.9)**

The March 2016 YTD reported net profit before tax of $24.2 million is $35.9 million below budget. The key reasons for the unfavourable variance to budget are:

1. Adverse revenue variance of $137.2 million due to:

   a. Unfavourable electricity revenue ($121.4 million or 5.1%), the result of:
      i. unfavourable impact ($67.2 million) of lower than forecast franchise sales (down 217.1 GWh or 4.4%);
      ii. unfavourable impact ($73.6 million) of deteriorating wholesale sales volume (down 938.2 GWh or 30.6%) due to lower priced production from other generators resulting in reduced sales opportunities in the wholesale market; partly offset by
      iii. favourable impact ($5.3 million) of higher than forecast contestable sales (up 169.3 GWh or 6.4%);

   b. Unfavourable gas revenue ($15.8 million or 8.5%). This is primarily due to declining wholesale volumes (down 1,507.3 TJ or 9.9%) due to lower than expected consumption by key customers, who are taking minimum committed volumes.

2. Positive variance in direct costs of $146.4 million due to:

   a. Lower electricity direct costs:
      i. lower purchase and production costs ($71.8 million) primarily due to lower wholesale sales volume; and
      ii. favourable impact of the renegotiation of fuel supply contracts, including the resolution of disputed amounts. The amendment to the contracts results in a significant reduction in accrued liabilities.

   b. Lower than budget gas trading costs ($16.2 million) due primarily to reduced sales volume.

3. Operating costs ($0.6 million positive variance) are in line with budget expectation for the March 2016 quarter.

4. Doubtful debts ($0.6 million favourable to budget) are in line with expectation for the March 2016 quarter.

5. Unfavourable depreciation and amortisation charges ($3.9 million) are primarily due to the acceleration in depreciation of fit out costs associated with vacated office premises, which were not budgeted.

6. Unfavourable net finance costs ($42.7 million adverse to budget) are primarily attributable to a change in assumptions underpinning the calculation of long term gas commodity liabilities ($40.5 million), with the balance attributable to lower than anticipated repayment of borrowings resulting in higher than budgeted interest costs.

7. Unfavourable contribution from joint ventures ($3.6 million) is primarily attributable to underperformance of Mumbida wind farm. Mumbida has experienced reduced plant availability due to both plant availability issues and lower than expected wind speeds.

2. CORPORATE DASHBOARD

Key Performance Indicators	YTD Actual	YTD MYR	Var.
Reportable Injury Frequency Rate (#) (Rolling 12 month)	1.4	3.2	favourable
Compliance (Retail)	No Type 1 or Regulatory Ring Fence		
Gross Profit ($M)	512.4	503.2	1.8%
Operating Costs ($M)	296.6	297.2	0.2%
Net Promoter Score - Residential (#)	65.4	60.0	5.4
Net Promoter Score - Business (#)	65.1	60.0	5.1
Plant Availability (%)	87.3%	87.7%	unfavourable

SEGMENT REPORT FOR PERIOD ENDED 31 MARCH 2016

Segment reporting for the Electricity Generation and Retail Corporation (EGRC) is required under Part 2 of *The Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013* (the Regulations).

The Regulations also require that the quarterly report under Section 106 of the *Electricity Corporations Act 2005* include a separate statement of financial performance for each EGRC business unit for the quarter to which the report relates. This report is required to be submitted within 30 days of the quarter end.

For management purposes, EGRC is organised into business units based on its functions and activities, and has four reportable operating segments as follows:

- Generation Business Unit (GBU), which manages operations involving the construction or operation of generating works (as defined in the Electricity Industry Act 2004 section 3), and the operations of the subsidiary, Vinalco.
- Wholesale Business Unit (WBU), which oversees all operations involving the wholesale acquisition or supply of electricity (including pricing in respect of such acquisition or supply), or the acquisition or supply of wholesale products (including pricing in respect of such acquisition or supply).
- Retail Business Unit (RBU), which manages operations involving the pricing, sale and marketing of electricity to customers served by the South West interconnected system.
- Corporate Shared Services (CSS), which is responsible for operations relating to the following activities: corporate planning and strategy; organisational development; accounting, financial and legal matters; human resources; information technology support; regulatory and compliance matters; communications; billing; record keeping, and any other operations (excluding generation operations, wholesale operations and retail operations) undertaken in connection with two or more business units.

Segment Report for the period ended 31 March 2016

Financial Year 2016	GBU $'000	WBU $'000	RBU $'000	CSS $'000	Eliminations $'000	Consolidated $'000
External customers	76,797	248,101	2,082,162	-	-	2,407,060
Inter-segment	391,015	1,098,992	-	-	(1,490,007)	-
Total revenue	**467,812**	**1,347,093**	**2,082,162**	**-**	**(1,490,007)**	**2,407,060**
Cost of sales	(276,428)	(1,026,678)	(2,081,601)	-	1,490,007	(1,894,699)
Operating costs	(150,875)	(4,867)	(56,774)	(84,060)	-	(296,576)
Doubtful debts	-	-	(7,458)	-	-	(7,458)
Other income	1,969	38	27	7,532	(5,600)	3,967
	(425,333)	(1,031,507)	(2,145,806)	(76,527)	1,484,407	(2,194,767)
EBITDA	**42,479**	**315,586**	**(63,644)**	**(76,527)**	**(5,600)**	**212,293**
Depreciation and amortisation	(118,121)	(1,461)	(7,248)	(10,950)	2,059	(135,722)
Segment profit / (loss)	**(75,643)**	**314,125**	**(70,892)**	**(87,477)**	**(3,541)**	**76,572**
Unallocated items:						
Finance income						7,201
Finance expense						(58,922)
Net finance costs						(51,721)
Share of profit of joint ventures						(604)
Net profit before tax						**24,247**
Tax expense (provisional)						(5,532)
Profit for the year from continuing operations						**18,715**

Inter-segment revenues are eliminated upon consolidation and reflected in the eliminations column.

Formal transfer pricing arrangements exist between:

- GBU and WBU: whereby GBU is compensated for both; maintaining and making available a fleet of plant, as well as the efficient utilisation of that plant; and
- WBU and RBU: whereby WBU sells energy to RBU on an arms-length basis.

No formal transfer pricing arrangements currently exist between CSS and other business units.