



QUARTERLY REPORT

**Period Ending
31 December 2019**

FOR PUBLIC RELEASE

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

Synergy's financial performance for the six-month period ended 31 December 2019 has been compared to the FY2019-20 Mid-Year Review (**MYR**).

\$ Millions	Actual	MYR	Variance
Revenue	1,455.8	1,440.1	15.7
Direct costs	1,229.5	1,217.5	(11.9)
Gross Profit	226.3	222.6	3.8
Other income	1.3	1.5	(0.2)
Operating costs	210.9	217.3	6.5
Doubtful debt expense	11.7	11.6	(0.0)
EBITDA	5.1	(4.9)	10.0
Depreciation & amortisation	37.8	36.3	(1.6)
EBIT	(32.8)	(41.2)	8.4
Net finance costs	3.6	2.7	(1.0)
Share of profit of joint ventures	(0.3)	1.1	1.4
Reported NLBT	(36.7)	(44.9)	8.2

Synergy's net loss before tax is \$36.7 million and is \$8.2 million lower than the MYR.

The key drivers behind this performance are:

1. Above budget revenue of \$15.7 million, predominantly the result of:
 - a. Higher wholesale sales revenue of approximately \$27.4 million driven by an increase in contractual and non-contractual wholesale energy market sales totaling 506 GWh (38.2 per cent);
 - b. Higher retail contestable sales revenue of approximately \$13.8 million driven by an increase in sales of 42 GWh (3 per cent); offset by
 - c. Lower retail franchise sales revenue of approximately \$19.4 million driven by a decrease in sales of 55 GWh (2 per cent); and
 - d. Lower ancillary services receipts of \$5.1 million due to higher than anticipated competition to provide those services to the market.
2. Above budget direct costs of \$11.9 million, the result of the mix in supply to meet demand. Principally higher generation costs as production from coal is displaced by generation from solar PV.

3. Other income, operating costs and doubtful debt costs are in line with expectations.
4. 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)*	5.1	79.9	(74.8)
RIFR**	2.5	1.9	(0.6)
Customer Engagement***	65.8%	67.5%	(1.7%)

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

** RIFR - recordable injury frequency rate. End of year target is 1.9

*** 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 DECEMBER 2019

The Group is required to present segment information under Part 2 of *The Electricity Corporations (Electricity Generation and Retail Corporation) Regulations 2013 (the Regulations)*. The 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-December-2019**

	GBU \$'000	WBU \$'000	RBU \$'000	CSS \$'000	Eliminations \$'000	Group \$'000
Revenue						
External customers	7,258	162,270	1,286,238	100	0	1,455,866
Inter-segment	227,936	477,896	0	0	(705,832)	0
Total Revenue	235,194	640,166	1,286,238	100	(705,832)	1,455,866
Cost of sales	(193,967)	(545,846)	(1,176,644)	0	705,804	(1,210,653)
Operating costs	(126,223)	(2,177)	(37,693)	(44,438)	28	(210,503)
Impairment	(208)	0	(11,544)	(126)	0	(11,878)
Other income	385	5	11	843	0	1,244
EBITDA	(84,819)	92,148	60,368	(43,621)	0	24,076
Depreciation and amortisation	(26,497)	(6,903)	(2,042)	(7,270)	0	(42,712)
Finance income	0	0	0	1,957	(139)	1,818
Finance costs	(2,355)	(15,981)	(6)	(1,303)	139	(19,506)
Net finance costs	(2,355)	(15,981)	(6)	654	0	(17,688)
Segment profit/ (loss)	(113,671)	69,264	58,320	(50,237)	0	(36,324)
Unallocated items						
Share of profit of joint ventures and associates						(327)
Tax equivalent expense						0
Profit for the year from continuing operations						(36,651)

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.