QUARTERLY REPORT

Period Ending 31 March 2018

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

The financial information for the year to date has been compared to the Mid-Year Review 2017-18, which was approved by Government in December 2017.

$ Millions	Actual YTD	MYR YTD	+ / -
Revenue	2,251.4	2,273.9	(22.5)
Direct costs	(1,841.6)	(1,845.8)	4.2
Gross profit	**409.8**	**428.1**	**(18.3)**
Other income	14.4	84.4	(70.0)
Loss of sale of assets	0.0	(12.4)	12.4
Operating costs	(264.6)	(289.1)	24.5
Doubtful debts expense	(10.5)	(18.9)	8.4
EBITDA	**149.1**	**192.1**	**(43.0)**
Depreciation & Amortisation	(135.1)	(121.4)	(13.7)
EBIT	**14.0**	**70.7**	**(56.7)**
Net finance cost	(9.4)	(17.4)	8.0
Share of profit (joint ventures)	(0.2)	0.1	(0.3)
Reported NPBT	**4.4**	**53.4**	**(49.1)**

The March 2018 reported net profit before tax of $4.4 million is $49.1 million below the budgeted profit of $53.4 million. Key reasons for the unfavourable variance to budget include:

1. Overall unfavourable revenue variance of $22.5 million, primarily the result of:

   a. Lower sales to the Wholesale Energy Market (WEM) of 600.3 GWh or 45.5 per cent, due to lower market load demand caused by milder weather conditions and a lower than average balancing price, reducing revenue by $43.0 million;

   b. Higher bilateral sales to wholesale customers and other independent power producers of 525.6 GWh or 45.9 per cent, resulting in an increase in revenue of $32.6 million ;

   c. Lower sales of surplus capacity to the WEM, reducing revenue by $7.7 million; and

   d. Lower than expected operating subsidy receipts, primarily due to lower sales to A1 customers (148.9 GWh or 4.0 per cent), reducing revenue by $4.4 million.

2. Operating costs are $24.5 million below budget. This is primarily due to lower spend in the Generation Business Unit ($13.3 million), the Retail Business Unit ($3.5 million) and the Finance Business Unit ($3.4 million).

3. Doubtful debt costs are $8.4 million lower than budget due to the impact of higher Hardship Utility Grant Scheme (HUGS) receipts in the first six months of the financial year. This trend has decreased in the March 2018 quarter, due the introduction of the new HUGS eligibility criteria from 1 January 2018.

4. Depreciation and amortisation expense is in line with expectations.

5. Net finance costs are $8.0 million below budget and are primarily due to higher than anticipated interest receipts.

2. CORPORATE DASHBOARD

Corporate Performance Indicators	Actual	Target	Var.
Reportable Injury Frequency Rate (#) (Rolling 12 month)	6.3	1.9	Unfavourable
Compliance (Regulatory)	No regulatory breaches recorded		
Compliance (Environmental)	No environmental breaches recorded		
EBITDA ($M)	149.1	192.1	(22.4%)
Net Promoter Score - Combined (#)	72.0	69.5	2.5

3.

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

SEGMENT REPORT FOR PERIOD ENDED 31 MARCH 2018

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.

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.

Segment Report for the period ended 31 March 2018

Financial Year 2018	GBU $'000	WBU $'000	RBU $'000	CSS $'000	Eliminations $'000	Group $'000
Revenue						
External customers	60,743	240,822	1,947,735	-	(90)	2,249,209
Inter-segment	363,049	821,008	-	-	(1,184,057)	0
Total Revenue	**423,792**	**1,061,829**	**1,947,735**	**-**	**(1,184,147)**	**2,249,209**
Cost of sales	(341,601)	(885,279)	(1,798,855)	-	1,184,147	(1,841,589)
Operating costs	(144,553)	(3,564)	(52,512)	(64,096)	2,327	(262,398)
Impairment	-	-	(10,497)	-	-	(10,497)
Other income	14,020	0.1	0.1	2,921	(2,556)	14,385
EBITDA	**(48,342)**	**172,986**	**85,871**	**(61,175)**	**(229)**	**149,110**
Depreciation and amortisation	(116,635)	(174)	(7,301)	(11,035)	-	(135,145)
Finance income	659	-	-	8,017	(1,976)	6,700
Finance costs	(6,931)	(6,172)	(3)	(4,959)	1,976	(16,090)
Net finance costs	(6,272)	(6,172)	(3)	3,058	-	(9,390)
Segment profit/ (loss)	**(171,249)**	**166,639**	**78,567**	**(69,152)**	**(229)**	**4,576**
Unallocated items						
Share of profit of joint ventures and an associate						(222)
Gain on sale/ purchase of investment in subsidiaries						-
Tax equivalent expense						-
Profit for the year from continuing operations						**4,354**