



QUARTERLY REPORT

**Period Ending
30 September 2019**

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

Synergy's financial performance for the quarter ended 30 September 2019 is presented along with the FY2019-20 State Budget Forecast (**SBF**).

\$ Millions	Actual	SBF	Variance
Revenue	719.5	778.3	(58.8)
Direct costs	614.4	634.2	19.8
Gross Profit	105.1	144.2	(39.1)
Other income	1.3	1.4	(0.2)
Operating costs	103.7	109.1	5.5
Doubtful debt expense	6.8	5.7	(1.1)
EBITDA	(4.2)	30.8	(34.9)
Depreciation & amortisation	20.2	33.8	13.6
EBIT	(24.4)	(3.0)	(21.3)
Net finance costs	1.6	3.1	1.5
Share of profit of joint ventures	0.1	0.6	0.5
Reported NLBT	(25.9)	(6.7)	(19.2)

Synergy's net loss before tax (**NLBT**) is \$25.9 million and is \$19.2 million higher than the SBF.

The key drivers behind this performance are:

1. Below budget revenue of \$58.8 million, predominantly the result of:
 - a. Lower retail electricity sales (7.7 per cent, \$44.6 million), underpinned mainly by unfavourable performance in the franchise market due to milder weather conditions and an increase in the uptake of solar PVs compared to budget;
 - b. Lower wholesale sales (10.8 per cent, \$6.3 million) underpinned by lower than anticipated sales to the balancing market due to reduced demand in the South West Interconnected System; and
 - c. Lower ancillary services receipts of \$8.7 million due to higher than anticipated competition to provide those services to the market.
2. Below budget direct costs of \$19.8 million, predominantly the result of lower network costs (\$12.1 million) and lower renewable energy certificate costs (\$8.8 million), both due to lower retail electricity sales.

3. Other income, operating cost and doubtful debt are costs are in line with expectations.
4. Below budget depreciation cost of \$12.5 million, primarily due to the impairment of assets in the 2019 financial year which, due to timing of the decision, was not reflected in the SBF.
5. Net finance and joint venture costs are in line with expectations.

2. CORPORATE PERFORMANCE INDICATORS

Measure	Actual	Target	Variance
EBITDA (\$M)*	(4.2)	79.9	(84.1)
RIFR**	2.1	1.9	(0.2)
Customer Engagement***	64.7%	67.5%	(2.8%)

* 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 30 SEPTEMBER 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
30-September-2019**

	GBU \$'000	WBU \$'000	RBU \$'000	CSS \$'000	Eliminations \$'000	Group \$'000
Revenue						
External customers	3,470	72,223	642,756	0	0	718,449
Inter-segment	135,482	261,720	0	0	(397,202)	0
Total Revenue	138,952	333,943	642,756	0	(397,202)	718,449
Cost of sales	(90,091)	(304,419)	(606,914)	0	397,191	(604,233)
Operating costs	(61,083)	(1,093)	(19,533)	(21,842)	10	(103,541)
Impairment	(24)	0	(6,703)	(90)	0	(6,817)
Other income	168	(11)	7	1,276	1	1,441
EBITDA	(12,078)	28,420	9,613	(20,656)	0	5,299
Depreciation and amortisation	(12,745)	(4,903)	(1,441)	(3,529)	0	(22,618)
Finance income	0	0	0	954	(49)	905
Finance costs	(1,178)	(7,932)	(6)	(567)	49	(9,634)
Net finance costs	(1,178)	(7,932)	(6)	387	0	(8,729)
Segment profit/ (loss)	(26,001)	15,585	8,166	(23,798)	0	(26,048)
Unallocated items						
Share of profit of joint ventures and associates						96
Tax equivalent expense						0
Profit for the year from continuing operations						(25,952)

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.