QUARTERLY REPORT

Period Ending 30 June 2021

FOR PUBLIC RELEASE

1 PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

Synergy's financial performance for the period ending 30 June 2021 is presented along with the FY2020-21 Mid-Year Review (MYR).

$ Millions	Actual	MYR	Variance
Revenue	3,044.1	2,856.2	187.9
Direct costs	2,733.0	2,387.7	(345.3)
Gross Profit	**311.1**	**468.6**	**(157.4)**
Other income	30.8	10.2	20.6
Operating costs	512.2	408.7	(103.5)
Doubtful debt expense	9.1	22.8	13.6
EBITDA	**(179.4)**	**47.3**	**(226.6)**
Depreciation & amortisation	72.6	76.2	3.5
EBIT	**(252.0)**	**(28.9)**	**(223.1)**
Net finance costs	7.0	23.3	16.3
Share of profit of joint ventures	(4.5)	0.9	5.3
Reported NPBT	**(263.5)**	**(53.1)**	**(210.4)**

Synergy's net loss before tax is $263.5 million and is $210.4 million adverse to the MYR. The material results underpinning this performance are:

(a) Favourable revenue of $187.9 million, predominantly the result of:

(i) higher electricity retail sales revenue, driven by an increase of 857 GWh, largely due to improved residential retail sales, a result of both favourable summer and winter weather conditions, as well as increased working from home arrangements, offset by:

(A) lower net retail and wholesale gas sales of 591 TJ, resulting in lower revenue; and

(B) lower non-contractual Wholesale Energy Market (**WEM**) sales totaling 571 GWh, primarily due to lower South West Interconnected System (**SWIS**) demand, resulting in a reduction in revenue.

(b) Adverse direct costs of $345.3 million, predominantly the result of:

(i) increase to gas onerous contract provision $160.5 million;

(ii) higher energy purchases from both power purchase agreements and the WEM totaling 1,085 GWh;

(iii) higher network costs, primarily due to higher retail sales volumes and account numbers; and

(iv) higher renewable energy costs, primarily due to a higher quantity of certificates required and a higher than anticipated large-scale generation certificate market price.

(c) Favourable other income of $20.6 million; In 2019, the Group sold Warradarge Wind Farm (WWF) to Bright Energy Investments (BEI). The consideration (development fee) for the transaction included an ‘at-risk’ component payable to Synergy, which was contingent amongst other things, on timely completion and final construction costs. With the completion of the construction during the year, the ‘at-risk’ component has been fair valued at $20.3 million and recognised as other income and a receivable.

(d) Adverse operating cost of $103.5 million, predominantly the result of:
  (i) revaluation of the KPS decommissioning provision $92.1 million;
  (ii) provision for Muja transition restructuring costs $14.1 million; offset by
    (i) timing of generation unit maintenance spend and reduction in planned outage scope arising from resource constraints due to COVID-19; and
    (ii) reduction in outsourced customer service costs due to lower than forecast call volumes and a reduction in metering costs due to the State Government moratorium on customer disconnections.

(e) Doubtful debt expense is $13.6 million favourable to the MYR. This is due to the impact of the WA Government household electricity credit and small business credits, reducing the cost of doubtful debt, along with the recommencement of debt collection activities following the end of the disconnection moratorium.

(f) Net finance costs $16.3 million favourable to MYR, primarily due to decreasing interest rates and an improved cash position as a result of COVID 19 stimulus including the WA Government household electricity credit.

2 CORPORATE PERFORMANCE INDICATORS

Measure	YTD Actual	Target	Variance
EBITDA ($M)*	87.3	57.5	29.8
RIFR**	1.95	1.90	(0.1)
Customer Engagement***	68.0%	67.5%	0.5%

* FY 2020-21SCI. End of year target is $57.5 million. YTD Actual Excludes one-off provision increases; Onerous Contract $160.5m, Decommissioning $92.1m, Restructuring $14.1m

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

*** Customer engagement score: Percentage of customers that rate Synergy at least 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*.

4 SEGMENT REPORT FOR PERIOD ENDING 30 JUNE 2021

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

(a) generation business unit (**GBU**) - manages operations involving the construction or operation of generating works (as defined in the *Electricity Industry Act 2004* section 3);

(b) wholesale business unit (**WBU**) - manages operations involving the wholesale supply of energy and related products (including pricing in respect of such acquisition or supply);

(c) retail business unit (**RBU**) - manages operations involving the pricing, sale and marketing of energy and related products to customers;

(d) corporate shared services (**CSS**) - manages operations relating to the following activities:

   (i) corporate development and strategy;

   (ii) accounting;

   (iii) finance;

   (iv) compliance and legal matters;

   (v) human resources;

   (vi) information technology support; and

any other 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 is in the business of providing asset management services and vehicle management services.

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.

Inter-segment revenues are eliminated upon consolidation. No operating segments have been aggregated in arriving at the reportable segments of the Group.

Formal arrangements exist between:

(a) WBU and RBU whereby WBU sells energy to RBU in accordance with the Regulations; and

(b) 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.

30 June 2021	GBU $'000	WBU $'000	RBU $'000	CSS $'000	Eliminations $'000	Group $'000
Revenue						
External customers	13,948	286,165	2,744,004	13,678	-	3,057,795
Inter-segment	374,600	918,601	-	-	(1,293,201)	-
Total Revenue	**388,548**	**1,204,766**	**2,744,004**	**13,678**	**(1,293,201)**	**3,057,795**
Cost of sales	(364,092)	(1,282,884)	(2,350,727)	(241)	1,293,131	(2,704,813)
Operating costs	(325,931)	(5,692)	(67,863)	(109,193)	70	(508,609)
Impairment	(5,429)	-	(7,212)	(5)	-	(12,646)
Other income	489	25	235	25,758	-	26,507
EBITDA	**(306,415)**	**(83,785)**	**318,437**	**(70,003)**	**-**	**(141,766)**
Depreciation and amortisation	(51,133)	(14,198)	(2,732)	(15,311)	-	(83,374)
Finance income	-	-	-	2,179	-	2,179
Finance costs	(1,943)	(29,133)	-	(5,016)	-	(36,092)
Net finance costs	(1,943)	(29,133)	-	(2,837)	-	(33,913)
Segment profit/ (loss)	**(359,491)**	**(127,116)**	**315,705**	**(88,151)**	**-**	**(259,053)**
Unallocated items						
Share of profit of joint ventures and associates						(4,465)
Tax equivalent expense						64
Profit for the year from continuing operations						**(263,454)**

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, prepared on a management reporting basis.