synergy

QUARTERLY REPORT

Period Ending 31 March 2019

FOR PUBLIC RELEASE

1. PERFORMANCE OVERVIEW

1.2 FINANCIAL PERFORMANCE

The financial information for the nine months year to date has been compared to the mid-year review **(MYR)** approved by government in December 2018.

Nine Months Ended 31 March 2019 ($M)	Actual YTD	MYR YTD	Variance
Revenue	2,145.6	2,173.2	(27.6)
Direct costs	(1,843.9)	(1,843.0)	(0.9)
Gross profit	**301.7**	**330.2**	**(28.5)**
Other income	143.2	40.8	102.4
Operating costs	(280.0)	(259.9)	(20.1)
Doubtful debts expense	(22.6)	(18.4)	(4.3)
EBITDA	**142.4**	**92.8**	**49.5**
Depreciation & Amortisation	(101.4)	(115.8)	14.4
EBIT	**41.0**	**(23.0)**	**63.9**
Net finance cost	(8.8)	(7.1)	(1.6)
Share of profit (joint ventures)	(0.8)	(1.0)	0.2
Reported NPBT / (NLBT)	**31.4**	**(31.1)**	**62.5**

The reported net profit before tax of $31.4 million is $62.5 million above the budgeted loss of $31.1 million. The key reasons for the favourable variance to budget are as follows:

1. Above budget other income ($102.4 million) mainly due to the sale of the Warradarge Wind Farm development.
2. Below budget revenue ($27.6 million), primarily the result of:
    a. Lower retail electricity sales underpinned mainly by unfavourable performance in the franchise market due to benign weather patterns and increase in uptake of PV systems compared to budget;
    b. Lower wholesale revenue due to reduced capacity sales into the wholesale energy market partly offset by increase in wholesale electricity sales; and
3. Above budget direct costs ($0.9 million), underpinned by a higher delivered cost of energy (primarily due to the mix in supply), offset by lower renewable energy certificate costs (reflecting lower than anticipated market price of large-scale certificates);

4. Above budget operating costs ($20.1 million), primarily due to higher than expected plant maintenance costs for Muja units and higher metering costs on account increased connection and disconnection activity in the current year;

5. Above budget doubtful debt expense ($4.3 million), reflecting the increase in the bad debt provision required due to the ageing profile of trade debts as more customers face challenges in paying their bills;

6. Below budget depreciation cost ($14.4 million), primarily due to the extension of the useful lives of some generation assets; and

7. Net finance and share of JV profit are in line with expectation.

2. CORPORATE DASHBOARD

Corporate Performance Indicators	Actual	Budget	Variance
EBITDA ($ millions)	142.4	92.8	49.5
RIFR (#) (Rolling 12 month)	2.3	1.9	(0.4)
Net Promoter Score (#) (Residential)	63.6	66.0	(2.4)
Environmental Breaches (#)	-	-	-
Regulatory Breaches (#)	-	-	-

3.

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

SEGMENT REPORT FOR PERIOD ENDED 31 MARCH 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 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), and the operations of the South West Solar Development Holdings Pty Ltd consolidated group.
- **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.

Inter-segment revenues are eliminated upon consolidation and reflected in the eliminations 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. Where appropriate, any inter-segment pricing is determined on an arm's length basis.

Formal arrangements exist between:

- WBU and RBU whereby WBU sells energy to RBU on an arms-length basis; 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-March-2019

	GBU $'000	WBU $'000	RBU $'000	CSS $'000	Eliminations $'000	Group $'000
Revenue						
External customers	8,726	265,378	1,871,686	162	0	2,145,952
Inter-segment	316,396	715,729	0	0	(1,032,125)	0
Total Revenue	**325,122**	**981,107**	**1,871,686**	**162**	**(1,032,125)**	**2,145,952**
Cost of sales	(269,297)	(819,192)	(1,761,864)	0	1,036,937	(1,813,416)
Operating costs	(155,855)	(3,362)	(55,686)	(65,184)	28	(280,059)
Impairment	(29)	(2,001)	(22,629)	(91)	2,001	(22,749)
Other income	1,139	162,871	132	143,527	(164,559)	143,110
EBITDA	**(98,920)**	**319,423**	**31,639**	**78,414**	**(157,718)**	**172,838**
Depreciation and amortisation	(76,754)	(13,008)	(7,348)	(13,146)	0	(110,256)
Finance income	0	16	0	5,489	(943)	4,562
Finance costs	(5,481)	(27,170)	0	(3,240)	943	(34,948)
Net finance costs	(5,481)	(27,154)	0	2,249	0	(30,386)
Segment profit/ (loss)	**(181,155)**	**279,261**	**24,291**	**67,517**	**(157,718)**	**32,196**
Unallocated items						
Share of profit of joint ventures and an associate						(786)
Profit for the year from continuing operations						**31,410**