QUARTERLY REPORT

Period Ending
31 December 2017

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	1,508.0	1,468.0	39.9
Direct costs	(1,246.3)	(1,206.4)	(39.9)
Gross profit	**261.6**	**261.7**	**(0.0)**
Other income	12.9	11.8	1.1
Operating costs	(192.4)	(205.8)	13.4
Doubtful debts expense	(4.0)	(12.3)	8.2
EBITDA	**78.1**	**55.4**	**22.7**
Depreciation & Amortisation	(93.0)	(82.6)	(10.4)
EBIT	**(15.0)**	**(27.3)**	**12.3**
Net finance cost	(5.7)	(11.2)	5.5
Share of profit (joint ventures)	(0.1)	0.0	(0.1)
Reported NPBT	**(20.8)**	**(38.5)**	**17.7**

The December 2017 reported net loss before tax of $20.8 million is $17.7 million below the budgeted loss of $38.5 million. The key reasons for the favourable variance to budget are:

1. Overall favourable revenue variance of $39.9 million, primarily the result of:

   a. Favourable electricity revenue (higher $40.3 million or 2.9 per cent), primarily due to:

      i. Higher retail sales (higher 134.2 GWh or 3.2 per cent) which contribute additional revenue of $35.8 million; and

      ii. Higher wholesale sales (higher 84.1 GWh or 4.4 per cent) which contribute additional revenue of $5.7 million.

2. Overall unfavourable variance in direct costs of $39.9 million, primarily due to:

   a. Higher electricity purchases ($17.2 million); and network costs ($24.3 million) associated with higher sales volumes noted in point 1 above, and partially offset by lower other direct costs ($1.6 million).

3. Other income of $12.9 million is in line with budget.

4. Operating costs are $13.4 million below budget. This is primarily due to the delay in timing of the renewal of the GE contract ($6.0 million in monthly fees) and the timing of maintenance ($1.5 million) on gas turbine plant.

5. Doubtful debt costs are $8.2 million lower than budget due to lower underlying trade debtor balances and a $5.4 million drop in the provision of doubtful debts. Doubtful debt costs are expected to increase over the remaining year as higher bills from the summer period fall due.

6. Depreciation and amortisation expense is in line with expectation.

7. Net finance costs are $5.5 million above 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)	6.8	1.9	unfavourable
Compliance (Regulatory)	no regulatory breaches recorded		
Compliance (Environmental)	no environmental breaches recorded		
EBITDA ($M)	78.1	55.4	41.0%
Net Promoter Score - Combined (#)	71.0	69.5	1.5

3.

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

SEGMENT REPORT FOR PERIOD ENDED 31 DECEMBER 2017

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 December 2017

Financial Year 2018	GBU	WBU	RBU	CSS	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
External customers	41,780	166,204	1,300,557	-	-	1,508,541
Inter-segment	231,088	553,401	-	-	(785,079)	(590)
Total revenue	**272,868**	**719,605**	**1,300,557**	**-**	**(785,079)**	**1,507,951**
Cost of sales	(225,093)	(611,840)	(1,195,182)	-	785,799	(1,246,315)
Operating costs	(113,563)	(2,610)	(34,963)	(43,483)	2,189	(192,430)
Doubtful debts	-	-	(4,037)	-	-	(4,037)
Other income	13,855	0	0	1,479	(2,421)	12,913
	(324,801)	(614,450)	(1,234,182)	(42,004)	785,567	(1,429,870)
EBITDA	**(51,933)**	**105,155**	**66,375**	**(42,004)**	**488**	**78,081**
Depreciation and amortisation	(78,203)	(116)	(4,832)	(6,219)	(3,668)	(93,037)
Segment profit / (loss)	**(130,136)**	**105,039**	**61,543**	**(48,223)**	**(3,179)**	**(14,956)**
Unallocated items:						
Finance income						5,112
Finance expense						(10,800)
Net finance costs						(5,688)
Share of profit of joint ventures						(135)
Net profit before tax						**(20,779)**