QUARTERLY REPORT

Period Ending 30 September 2017

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

The financial information for the year to date has been compared to the State Budget Forecast 2017-18, which was approved by the State Government in August 2017.

$ Millions	Actual YTD	SBF YTD	+ / -
Revenue	796.5	754.0	42.5
Direct costs	(646.8)	(612.0)	(34.9)
Gross profit	**149.7**	**142.0**	**7.6**
Other income	12.6	0.2	12.4
Operating costs	(87.6)	(90.4)	2.8
Doubtful debts expense	(3.3)	(6.4)	3.1
EBITDA	**71.3**	**45.4**	**25.9**
Depreciation & Amortisation	(50.9)	(68.7)	17.8
EBIT	**20.4**	**(23.3)**	**43.7**
Net finance cost	(2.9)	(4.6)	1.7
Share of profit (joint ventures)	0.0	0.0	0.0
Reported NPBT	**17.6**	**(27.8)**	**45.4**

The September 2017 reported net profit before tax of $17.6 million is $45.4 million above budget. The key reasons for the favourable variance to budget are:

1. Overall favourable revenue variance of $42.5 million, primarily the result of:

   a. Favourable electricity revenue (higher $42.4 million or 5.9 per cent), primarily due to:

      i. Higher retail sales (higher 135.6 GWh or 6.2 per cent) which contribute additional revenue of $24.4 million; and

      ii. Higher wholesale sales (higher 183.5 GWh or 44.5 per cent) which contribute additional revenue of $12.6 million.

2. Overall unfavourable variance in direct costs of $34.9 million, primarily due to:

   a. Higher electricity purchases (higher $13.9 million); fuel costs (higher $6.2 million); and network costs (higher $15.2 million) associated with higher sales volumes noted in point 1 above.

3. Other income includes an amount of $11.4 million attributable to the sale of oil tanks at Kwinana.

4. Operating costs are in line with budget.

5. Doubtful debt costs are $3.1 million lower than budget due to lower underlying actual trade debtor balances.

6. Favourable depreciation and amortisation expense (favourable $17.8 million) is primarily attributable to the earlier than expected retirement of Muja AB whereby the written down plant costs associated with the retirement were actually charged in the FY17 accounts.

7. Net finance costs are in line with budget.

2. CORPORATE DASHBOARD

Corporate Performance Indicators	Actual	Target	Var.
Reportable Injury Frequency Rate (#) (Rolling 12 month)	5.4	1.9	unfavourable
Compliance (Regulatory)	no regulatory breaches recorded		
Compliance (Environmental)	no environmental breaches recorded		
EBITDA ($M)	71.3	45.4	57.0%
Net Promoter Score - Combined (#)	70.6	69.5	1.1

3.

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

SEGMENT REPORT FOR PERIOD ENDED 30 SEPTEMBER 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 30 September 2017

Financial Year 2018	GBU $'000	WBU $'000	RBU $'000	CSS $'000	Eliminations $'000	Consolidated $'000
External customers	20,387	86,352	689,567	-	-	796,305
Inter-segment	121,534	300,644	-	-	(421,994)	183
Total revenue	**141,920**	**386,995**	**689,567**	**-**	**(421,994)**	**796,488**
Cost of sales	(112,817)	(319,610)	(636,407)	-	421,998	(646,837)
Operating costs	(48,473)	(1,325)	(17,892)	(22,150)	2,190	(87,650)
Doubtful debts	-	-	(3,302)	-	-	(3,302)
Other income	13,716	0	0	1,307	(2,422)	12,601
	(147,575)	(320,935)	(657,601)	(20,843)	421,765	(725,188)
EBITDA	**(5,654)**	**66,061**	**31,966**	**(20,843)**	**(229)**	**71,300**
Depreciation and amortisation	(44,647)	(58)	(2,383)	(2,864)	(914)	(50,866)
Segment profit / (loss)	**(50,302)**	**66,003**	**29,583**	**(23,706)**	**(1,143)**	**20,434**
Unallocated items:						
Finance income						2,662
Finance expense						(5,538)
Net finance costs						(2,876)
Share of profit of joint ventures						40
Net profit before tax						**17,598**
Tax expense @30% (provisional)						(5,280)
Profit for the year from continuing operations						**12,319**