



QUARTERLY REPORT

**Period Ending
31 December 2018**

1. PERFORMANCE OVERVIEW

1.1 FINANCIAL PERFORMANCE

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

\$ Millions	Actual YTD	MYR YTD	Variance
Revenue	1,447.2	1,414.8	32.3
Direct costs	(1,211.0)	(1,202.3)	(8.7)
Gross profit	236.1	212.5	23.6
Other income	124.7	39.4	85.3
Operating costs	(205.1)	(186.0)	(19.1)
Doubtful debts expense	(11.9)	(11.8)	(0.2)
EBITDA	143.8	54.1	89.7
Depreciation & Amortisation	(68.0)	(76.7)	8.8
EBIT	75.9	(22.6)	98.5
Net finance cost	(6.0)	(5.2)	(0.8)
Share of profit (joint ventures)	(0.2)	(0.5)	0.3
Reported NPBT / (NLBT)	69.6	(28.4)	98.0

The reported net profit before tax of \$69.6 million is \$98.0 million above the budgeted loss of \$28.4 million. The key reasons for the favourable variance to budget are as follows:

1. Above budget other income (\$85.3 million) the result of a higher than anticipated Warradarge Wind Farm development fee receipt;
2. Above budget revenue (\$32.3 million), primarily the result of:
 - a. Higher retail electricity sales underpinned by favourable performance in the contestable market; offset by
 - b. Lower wholesale revenue due to reduced capacity sales into the wholesale energy market; and
 - c. Higher gas revenue due to above budget retail and wholesale gas sales.
3. Above budget direct costs (\$8.7 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 certificate costs);
4. Above budget operating costs (\$19.1 million), primarily due to higher than expected plant maintenance costs;

5. Below budget depreciation cost (\$8.8 million), primarily due to the extension of the useful lives of some generation assets.
6. All other items (doubtful debts, net finance and share of JV profit) are in line with expectation.

2. CORPORATE DASHBOARD

Corporate Performance Indicators	Actual	Budget	Variance
EBITDA (\$ millions)	143.8	54.1	89.7
RIFR (#) (Rolling 12 month)	3.8	1.9	(1.9)
Net Promoter Score (#) (Residential)	64.6	66.0	(1.4)
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 DECEMBER 2018

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-December-2018**

	GBU \$'000	WBU \$'000	RBU \$'000	CSS \$'000	Eliminations \$'000	Group \$'000
Revenue						
External customers	6,096	183,559	1,257,500	0	0	1,447,155
Inter-segment	204,348	477,219	0	0	(681,566)	1
Total Revenue	210,444	660,778	1,257,500	0	(681,566)	1,447,156
Cost of sales	(177,229)	(557,397)	(1,162,795)	0	686,390	(1,211,031)
Operating costs	(116,834)	(2,238)	(37,606)	(48,436)	15	(205,099)
Impairment	0	(2,001)	(11,913)	(91)	2,001	(12,004)
Other income	1,050	163,716	125	124,383	(164,569)	124,705
EBITDA	(82,569)	262,858	45,311	75,856	(157,729)	143,727
Depreciation and amortisation	(51,629)	(2,378)	(4,905)	(8,962)	11	(67,863)
Finance income	0	16	0	3,893	(842)	3,067
Finance costs	(3,659)	(3,961)	0	(2,312)	842	(9,090)
Net finance costs	(3,659)	(3,945)	0	1,581	0	(6,023)
Segment profit/ (loss)	(137,857)	256,535	40,406	68,475	(157,718)	69,841
Unallocated items						
Share of profit of joint ventures and an associate						(200)
Profit for the year from continuing operations						69,641