Disclosure of Non-GAAP Performance Measures Policy

Purpose

The purpose of this policy is to set out the position of Genesis Energy Limited (**Genesis** or the **Company**) in relation to disclosing financial performance measures that do not comply with Generally Accepted Accounting Practice (**non-GAAP performance measures**). The policy is designed to outline the guiding principles around calculating and disclosing non-GAAP information to ensure that the measures are being consistently calculated and applied and to ensure non-GAAP information is presented in accordance with the guidance provided by the Financial Markets Authority (**FMA**).

This policy:

(a) identifies the non-GAAP financial performance measures used by Genesis;

(b) prescribes the definitions and calculations applied by Genesis to calculate non-GAAP financial performance measures;

(c) provides guidance around the use of adjusting items to derive non-GAAP financial performance measures; and

(d) provides disclosure guidance in respect to reporting non-GAAP financial performance measures in Genesis' financial statements and related documents.

Policy Overview

Non-GAAP performance measures used by Genesis

1. **EBITDAF** - Earnings before net finance expense, income tax, depreciation, depletion, amortisation, impairment, fair value changes and other gains and losses.

EBITDAF is a key measure used internally and within the Energy industry to evaluate and report on the operational profitability and performance of the business and individual operating segments.

2. **Underlying EBITDAF and underlying earnings** - EBITDAF and net profit after tax is adjusted to exclude transactions which do not relate to the current operating performance of the business. The following transactions are excluded from underlying EBITDAF/earnings to provide a more meaningful year on year comparison:

- **Business acquisition costs** - these costs are excluded as they relate specifically to an acquisition rather than the ongoing operation of the business acquired.

- **Change in fair value of financial instruments** - these changes are excluded as the change in fair value often relates to circumstances outside Management's control and do not necessarily reflect the cash flows that will be received or paid when the arrangement is settled.

- **Revaluation of generation assets** - changes in generation assets are primarily driven by changes in future wholesale electricity prices and volumes and changes in the discount rate. These changes are excluded as they relate to changes in future cash flows expected to be obtained from the assets which is outside Management's control. Changes in the fair value of generation assets are either recorded in net profit or directly in the revaluation reserve depending on the carrying value of the assets. To provide a comparable basis of financial performance over time changes recognised in net profit are excluded from underlying earnings.

- **Impairment of non-current assets** - these changes are excluded as they generally relate to strategic decisions rather than operating activities.

- **One-off or non-recurring items** - these changes (both positive and negative) arise because of strategic decisions rather than operating decisions, circumstances outside Management's control, or gains/losses associated with non-operational events or conditions. The item must be material to understanding the underlying financial performance of Genesis.

  Significant one-off gains, losses, revenues and/or expenses should be excluded from underlying earnings. These items must not have occurred in the past and are not reasonably expected to occur again in the future. Only items over $2.0 million which meet this definition should be adjusted. Items include, but are not limited to, costs associated with natural disasters, gains/losses associated with changes in regulations, the cost of remediation work which arises due to a change in strategic direction.

- **Tax expense** on the adjustments noted above.

3. Underlying Earnings per Share

Calculation of non-GAAP performance measures

1. EBITDAF

EBITDAF shall be calculated as follows:

(a) Net profit calculated in accordance with GAAP;
(b) + depreciation, depletion and amortization;
(c) + impairment of non-current assets;
(d) + revaluation of generation assets;
(e) + change in fair value of financial instruments;
(f) + other gains (losses); and
(g) - impact on tax expense of adjustments noted above.

2. Underlying EBITDAF

Underlying EBITDAF shall be calculated as follows:

(a) EBITDAF as calculated above;
(b) + business acquisition costs as defined above;
(c) +/- one-off or non-recurring items as defined above; and
(d) - impact on tax expense of adjustments noted above.

3. Underlying earnings

Underlying earnings shall be calculated as follows:

(a) Net profit calculated in accordance with GAAP,
(b) + / - EBITDAF adjustments before tax outlined above,
(c) + impairment of non-current assets,
(d) + revaluation of generation assets,
(e) + change in fair value of financial instruments,
(f) - impact on tax expense of adjustments noted above.

4. Underlying earnings per share

Underlying earnings per share shall be calculated as follows:

(a) underlying earnings calculated in accordance with section 3 above; and

(b) divided by total share capital.

Disclosure Guidelines

When using non-GAAP financial performance measures in external documents, including (but not limited to) annual and interim reports, market and/or media releases and market presentations the following should be applied:

(a) The definitions and naming conventions of non-GAAP financial performance measures as outlined in this policy shall be used consistently in all documents and in all comparative periods reported. The disclosure should clearly explain the reasons for presenting non-GAAP financial information including why the information is useful to investors and how it is used internally by management;

(b) The calculations applied to non-GAAP financial performance measures as outlined in this policy shall be used consistently in all documents and in all comparative periods reported;

(c) Non-GAAP financial performance measures shall not be presented with undue or greater prominence, emphasis or authority than the most directly comparable GAAP financial information. The FMA guidelines provide guidance on what constitutes undue or greater prominence[1].

(d) Non-GAAP financial performance measures should be unbiased.

(e) Items should not be described as "one-off" or "non-recurring" if those items have occurred in the past or are reasonably likely to occur in a future period. All "one-off" or "non-recurring" items that meet the definition above must be adjusted.

Any external document that contains non-GAAP financial performance measures shall disclose the following information:

(a) A statement noting that non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

(b) Non-GAAP information shall be clearly labelled and should be accompanied by a clear explanation about how the non-GAAP financial performance measure is calculated. The explanation should be included the first time the non-GAAP measure is referred to.

(c) A reconciliation between the non-GAAP and GAAP financial performance measures that separately itemises and explains each significant adjustment. Where a reconciling item cannot be extracted directly from the financial statements, the reconciliation should state how the number is calculated. The reconciliation does not need to be disclosed in every document, however where the reconciliation is not disclosed, a link or reference needs to be provided noting where this information can be obtained.

(d) If there has been a change in approach from the previous period, an explanation about the nature of the change should be provided along with the reason for the change and the financial impact of the change.

Review

This policy will be reviewed every two years by the Chief Executive or earlier as required.

Last approved: December 2018

1 Refer to FMA guidance issued on 14 July 2017 titled "Disclosing non-GAAP financial information".