



Quarterly Performance Report

For the period January - March 2012

This report has had matters deleted from it under section 109 of the Electricity Corporations Act 2005 (WA)

Performance Overview



This performance report covers the three month period ending 31 March 2012. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2011 is used.

Financial Performance

- Horizon Power reported a YTD NPAT of \$40.7 million, compared to the YTD target of \$29.8 million, resulting in a positive variance of \$10.9 million due to lower operating labour costs of \$3.3 million associated with vacancies and underspend and efficiency savings of \$3.8 million achieved in respect of overheads and operating materials.
- Capital expenditure to date is \$94.5 million with customer-driven projects comprising \$11.0 million.
- Total debt of \$765.0 million (including finance leases) contributed to a debt/equity ratio of 72:28.

Business Highlights

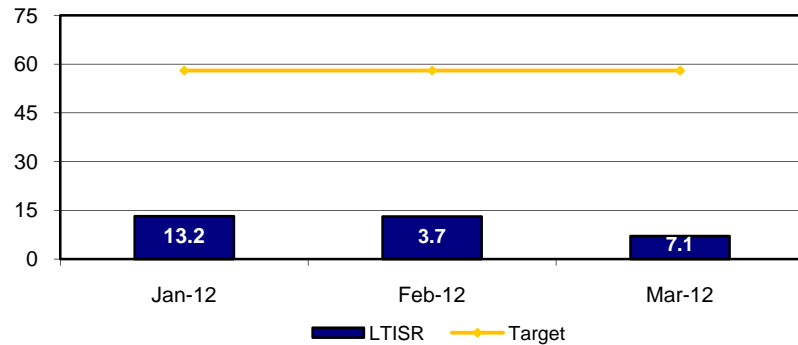
- Section 68 approval obtained from the Minister for Energy for the Karratha Temporary Generation project.
- It has been nine months since Horizon Power recorded a Notifiable Public Safety Incident.
- Horizon Power was awarded the Department of Housing State Program Manager role for the Remote Area Essential Services Program. Horizon Power will work jointly with Parsons Brinckerhoff to provide essential services to remote Aboriginal communities within Western Australia.
- Successfully completed the replacement of all 743 bays of the 7/18-7/20 Skinny Streetlight Conductor program.
- Horizon Power obtained funding for the Murchison Radio-Astronomy Observatory project with Aurecon awarded the design contract.

Stakeholder Service

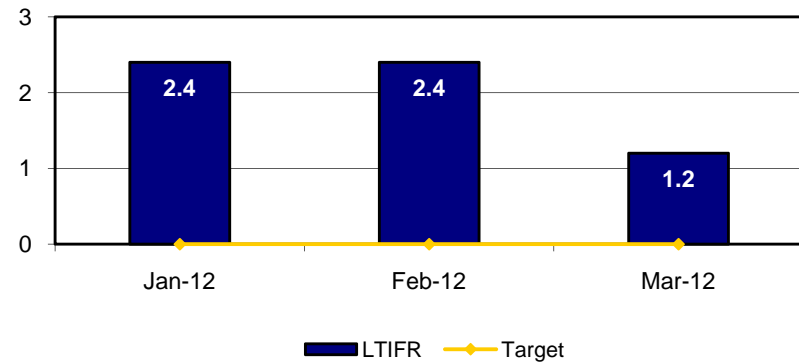
- Horizon Power received three negative ministerials during this quarter: (1) customer complaint regarding account management errors and poor customer service; (2) customer dissatisfaction with the Renewable Energy Buyback Scheme pricing changes in Broome (coming into effect 1 July 2012); and (3) customer complaint regarding high/wide load permit costs and procedure management of the permits.

Safety, Health & Environment

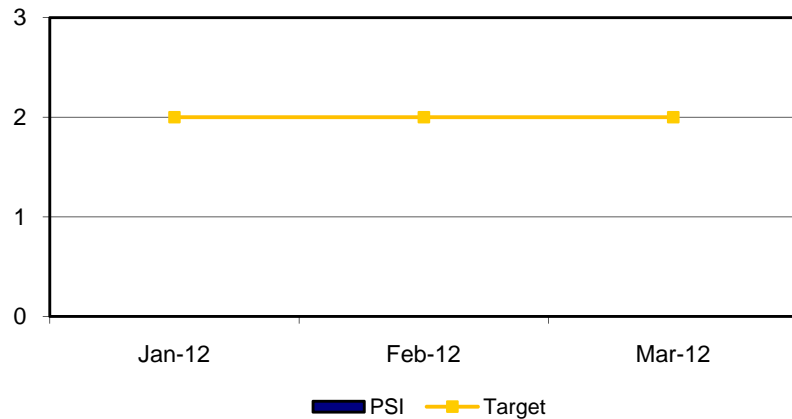
Lost Time Injury Severity Rate



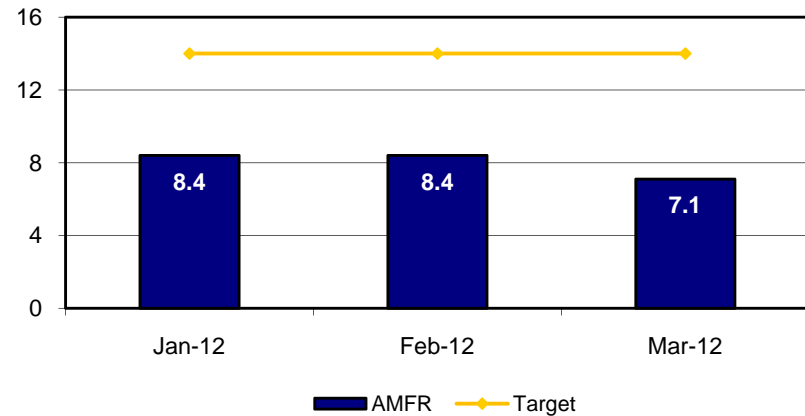
Lost Time Injury Frequency Rate



Public Safety Incidents



All Medical Frequency Rate



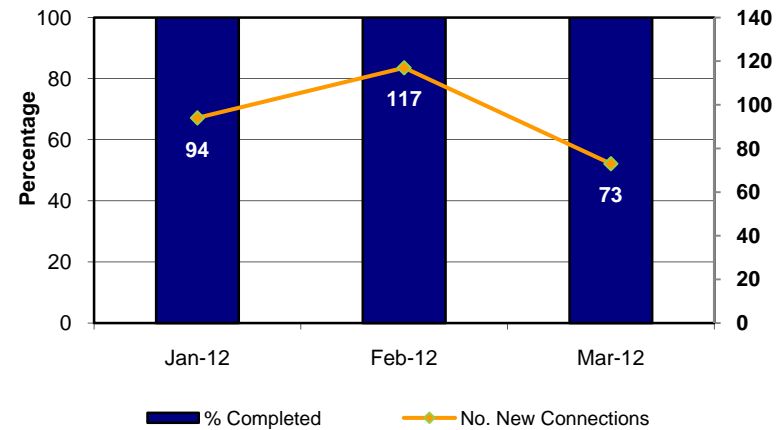
Commentary

- There were no public safety incidents and one employee injuries recorded for the period. Horizon Power has not recorded a notifiable public safety incident since June 2011.
- The Greenhouse Gas Intensity has stabilised at 0.59 CO₂e/kWh during the period against a target of 0.68.

Customer Service and Electricity Delivery

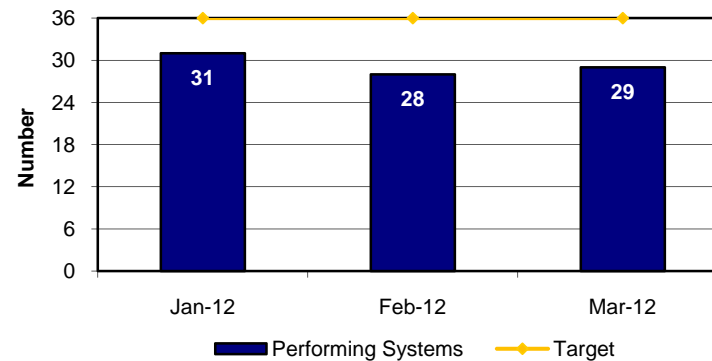
- Customer connections completed on time has remained stable over the period.

Customer Connections



- Performing Systems are expected to improve to meet Strategic Development Plan targets by the end of 2012. Performing systems have been severely impacted by weather incidents over the period.

Performing Systems (out of 36 systems)



Financial Performance

Profit & Loss Summary (In \$M)

	YTD March 2012		
	ACT	MYR	VAR
Income	356.3	365.8	-9.3
Fuel and Electricity Purchases	105.7	117.2	11.5
Operating Labour, Overheads & Materials	98.6	105.8	7.2
EBITDA	152.0	142.8	9.4
Depreciation & Amortisation	43.8	49.4	5.6
EBIT	108.2	93.2	15.0
Interest	50.0	50.6	0.6
Income Tax	17.5	12.8	-4.7
Net Profit After Tax	40.7	29.8	10.9

The EBITDA for the period ended March 2012 shows a positive variance of \$9.4 million broken down as follows:-

1. Income

A negative variance of \$9.3 million in income mainly relating to:

- (i) Electricity sales recorded a shortfall of \$7.0 million (actual of \$173.0 million versus a budget of \$180.0 million) due to lower volume in both the Non-Interconnected System (NIS) and the North West Interconnected System (NWIS) by approximately 5%. Unfavourable weather conditions also impacted both systems.
Lower sales in the NIS (especially Broome and Kununurra) were largely due to forecasted revenue from the Browse basin and Ord River projects not being realised.
In the NWIS, volumes were impacted by the slower than predicted growth in the Pilbara cities.
- (ii) Community Service Obligation (CSO) revenue showed an unfavourable variance of \$8.0 million due to (a) over recoupment of \$3.1 million accrued on the basis of budget figures and the adjustment reflects lower actual volume than initially budgeted; (b) ARC2 (\$3.0 million) due to delays in completion; and (c) Tariff Migration (\$1.9 million) due to lower demand volume in Broome, Kununurra and Wyndham.
- (iii) A positive variance of \$1.7 million was reported for developer and customer contributions due to gifted assets and to timing differences in the completion of projects.
- (iii) Miscellaneous revenue recorded a positive variance of \$4.0 million mainly relating to interest on funds invested in term deposits and recognition of grant in respect of energy audit.

2. Fuel and Electricity Purchases

The positive variance in Fuel and Electricity (\$11.5 million) is related to lower sales volume.

3. Operating Labour, Overheads and Materials.

The net positive variance of \$7.2 million relates mainly to lower operating labour costs associated with vacancies, timing of recruitment, fiscal restraint and efficiency savings.