Quarterly Performance Report

For the period October - December 2012

Performance overview

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

Financial performance

- Horizon Power reported a Year-to-date (YTD) net profit after tax (NPAT) of $22.8 million, compared to budget Strategic Development Plan (SDP) of $40.1 million. Income recorded a net shortfall of $22.9 million mainly related to unfavourable variances from Developer and Customer Contributions, electricity sales and Community Service Obligation (CSO) revenue. The shortfall in overall income was offset by savings in energy purchases and in operating labour, materials and overheads, resulting in a negative variance of $4.8 million in Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA). Other negative variances related to depreciation and amortisation ($17.3 million).
- Capital expenditure to date is $123.4 million with customer-driven projects comprising of $47.4 million.
- Total debt of $991.9 million (including finance leases) contributed to a gearing ratio of 73 per cent.

Business highlights

- Business Transformation Go Live in December – achieved IT separation from legacy Western Power systems.
- No Lost Time Injuries for the year ended December 2012.

Stakeholder service

- Horizon Power received twelve negative ministerials in this quarter; two regarding renewable energy and the requirement for generation management; one regarding site contamination; five regarding power supply; one regarding Horizon Power's adherence to the 'buy local' policy; one regarding tender processes; one an anonymous letter of complaint and one regarding non payment of account for works at a Horizon Power depot.

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

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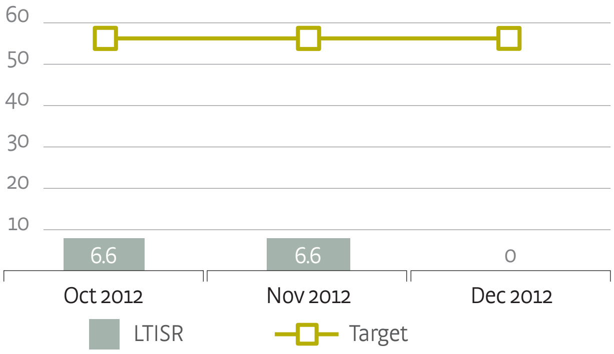
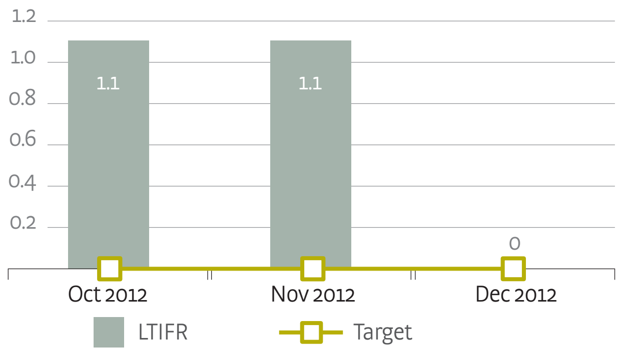
Safety, health and the environment

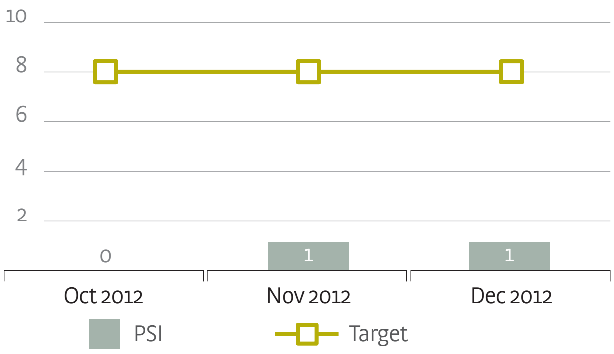
Lost Time Injury Severity Rate *12 month rolling average*



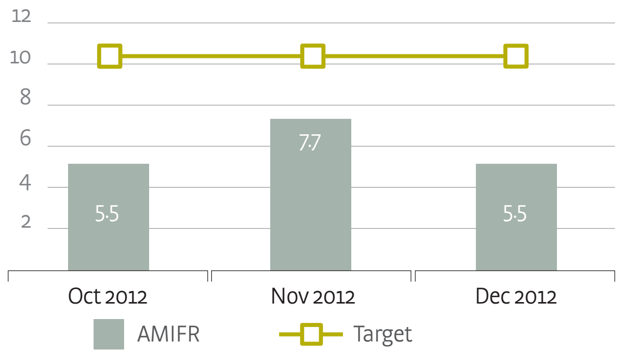
Lost Time Injuries Frequency Rate *12 month rolling average*



Public Safety Incidents



All Medical Injuries Frequency Rate *12 month rolling average*

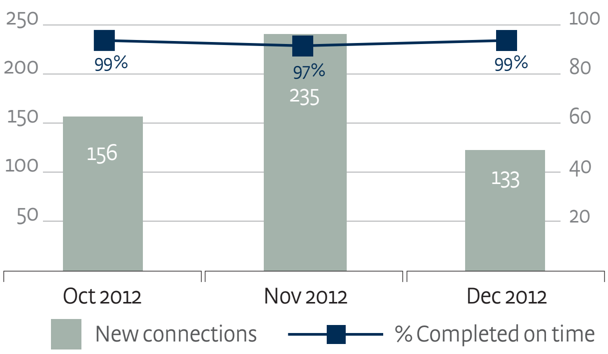


Commentary

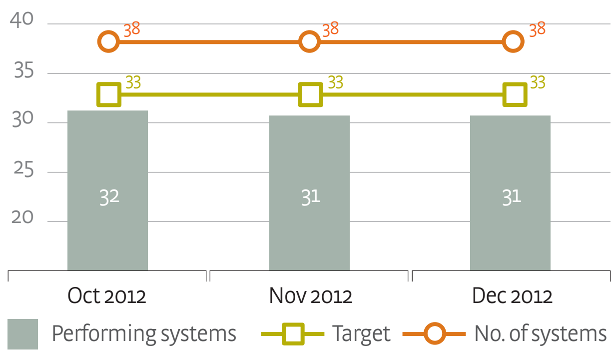
- There were no employee Lost Time Injuries and two notifiable public safety incidents recorded for the period.
- There have been no reportable spills for the quarter.
- The Greenhouse Gas Intensity has increased by four per cent during the quarter and is currently at 0.56 CO_2e/kWh, which is within the targeted level of 0.65.

Customer service and electricity delivery

Customer Connections



Performing Systems *out of 38 systems*



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

- Performing systems have been impacted by severe storms conditions in November and December, especially in Esperance and Hopetoun.

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Financial performance - actual versus SDP

The EBITDA for year to date December 2012 shows a negative variance of $4.8 million broken down as follows:

Profit and Loss Summary (in $millions)

	Year to date December 2012		
	ACT	**SDP**	**VAR**
Income	245.7	268.6	-22.9
Fuel and electricity purchases	75.2	84.5	9.3
Operating labour, overheads & materials	68.6	77.4	8.8
EBITDA	**101.9**	**106.7**	**-4.8**
Depreciation and amortisation	33.1	15.8	-17.3
EBIT	**68.8**	**90.9**	**-22.1**
Interest	36.2	37.1	0.9
Income tax	9.8	13.7	3.9
Net profit after tax	**22.8**	**40.1**	**-17.3**

1. Income

A negative variance of $22.9 million in income mainly relating to the following:

(I) Developer and Customer Contributions reported a negative variance of $25.9 million due mainly to the deferral of some significant projects. The corresponding revenues are being pushed to future years.

(II) Electricity sales recorded a shortfall of $7.9 million (actual $123.8 million versus budget $131.6 million) mainly due to lower sales volume in the Non-Interconnected System (NIS) associated to unfavourable weather conditions and lower than expected growth. The variance was offset by lower fuel and electricity purchases.

(III) Unfavourable variance from CSO revenue of $7.9 million due to the Tariff Adjustment Payment (TAP) which has been accrued conservatively, lower CSO revenue related to tariff migration and Aboriginal Remote Communities (ARC). There were also adjustments following annual reconciliation.

(IV) Miscellaneous Revenue recorded a favourable variance of $3.5 million mainly relating to interest on funds invested in term deposits ($2.4 million).

(V) Tariff Equalisation Fund (TEF) shows a positive variance of $15.3 million being the difference between the SDP figure and the actual gazetted amount.

2. Operating labour, overheads and materials

The net positive variance of $8.8 million is the result of continued fiscal restraint in the areas of labour, consultants and general overheads. The unfavourable variance on depreciation is the result of inadequate allowances for the capital program and has been addressed as part of the mid year review.