

Quarterly Performance Report

For the period July – September 2015

Performance overview

This performance report covers the three month period ending 30 September 2015. For statistics prepared on a rolling 12-month basis, data prior to 1 July 2015 is used.

Financial performance

- Horizon Power reported Net Profit After Tax of \$5.2M for the quarter, compared to a budgeted (State Budget Forecast) loss of \$0.4M. Income recorded a net shortfall of -\$3.4M, driven mainly by lower electricity sales. This shortfall in income was offset by lower energy purchases (+\$4.3M) due by lower volumes, lower interest (+\$1.0M) and lower operating expenditure (+\$6.0M), primarily driven by lower materials and overheads due to expenditure timing and cost management. Tax was higher by -\$2.3M, resulting from the favourable variance in profit.
- As at September 2015, Horizon Power has achieved +\$2.4M of efficiency dividend and is well in line to achieve the annual target of \$8.8M.
- Capital expenditure for the quarter amounted to \$33.9M against a budget of \$35.4M. The variance of -\$1.5M is mainly due to timing differences with respect to the budget profile.
- Total debt of \$1.1Bn (including finance leases) contributed to a gearing ratio of 74% in line with past trend.

Business highlights

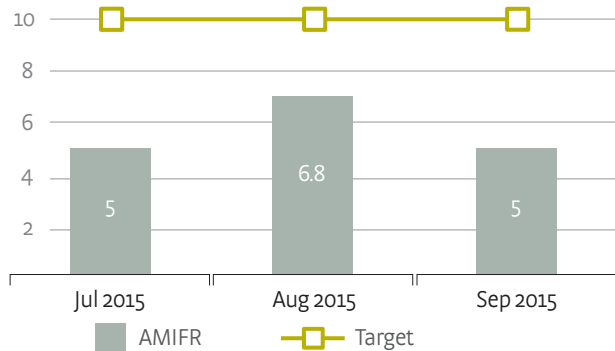
- Phase two of Pilbara Undergrounding Power Project (PUPP) is in full swing and works in Karratha continue to be delivered on time and on budget. Work in the residential suburb of Bulgarra is progressing well with all main cables installed and commissioned ahead of schedule.
- The Advanced Metering Infrastructure (AMI) project is progressing in line with set timeframes and budget. A major milestone was achieved in Port Hedland with the go-live of the communications system that reads the meters and sends data to our information systems for billing purposes.

Stakeholder service

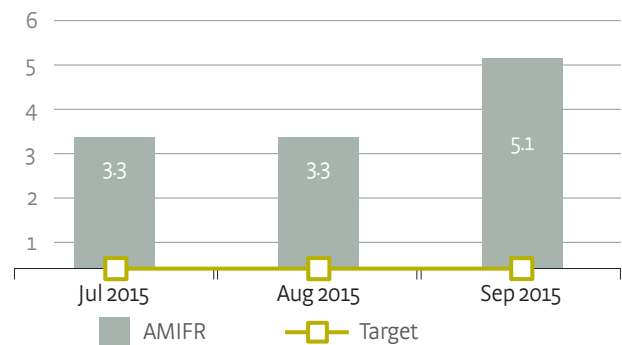
- Horizon Power responded to 7 Ministerials or requests for further information from the Minister or Public Utilities Office.
- Ministerials included topics such as queries regarding the renewable energy buyback rates, connection and power supply issues, network and reliability of supply audit report, annual reporting of reports of breaches of Horizon Power's Code of Conduct, information regarding employee travel and consultants reports.

Safety, health and the environment

All Medical Injuries Frequency Rate 12 month rolling average



Lost Time Injuries Frequency Rate 12 month rolling average

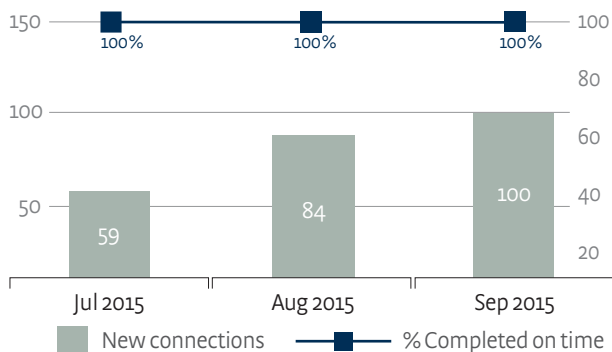


Commentary

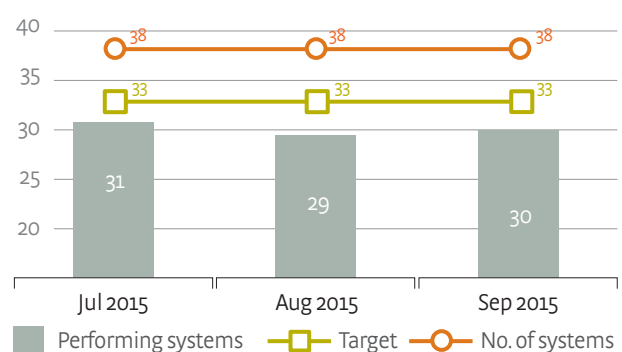
- There was 1 Horizon Power employee lost time injury recorded for the period, increasing the rate to 5.1 in September 2015
- The lost time severity rate for the quarter was 4.4, a decrease compared to 15 for quarter ended June 2015.
- There was no public safety incidents during the quarter.
- There were zero reportable spills for the quarter
- The Unassisted Pole Failure rate* was at 1.67 compared to a target of 1.00. The unassisted failures occurred prior to the quarter under review and included 9 failures occurring during cyclone Olwyn.

Customer service and electricity delivery

Customer Connections



Performing Systems out of 38 systems



- 100% of new customer connections were completed on time. period with 100%. There were 243 new connections during the quarter.

Financial performance - actual versus SDP

The Net Profit After Tax for year to date September 2015 shows a positive variance of +\$5.7M broken down as follows:

Profit and Loss Summary (in \$millions)

	FY 2014/15		
	ACT	SDP	VAR
Income	108.0	111.4	(3.4)
Fuel and electricity purchases	(52.7)	(57.0)	4.3
Operating labour, overheads & materials	(24.8)	(30.8)	6.0
EBITDA	30.5	23.6	6.9
Finance Lease adjustment	14.6	14.6	-
Depreciation and amortisation	(19.5)	(19.5)	-
EBIT	25.6	18.7	6.9
Interest	(18.2)	(19.2)	1.0
Income tax	(2.2)	0.1	(2.3)
Net profit after tax	5.2	(0.4)	5.6

1. Income

A negative variance of -\$3.4M in income primarily due to the following:

- (I) Electricity sales recorded a shortfall of -\$3.9M (actual \$60.6M v budget \$64.4M) resulting from lower volume of -1.5%. NWIS sales were down by -\$2.3M with lower volumes -3.0%. NIS also recorded lower sales of -\$1.6M, with volume at par with budget.
- (II) Developer and Customer Contributions reported a negative variance of -\$2.0M due to timing difference in actual revenue compared to budget profiling.
- (III) Favourable variance of +\$1.1M from CSO mainly attributable to Aboriginal Remote Communities.
- (IV) Miscellaneous Revenue recorded a favourable variance of \$1.4M.

2. Fuel and electricity purchases

A positive variance of +\$4.3M was mainly driven by reduction in variable costs from lower sales volumes compared to budget.

3. Operating labour, overheads and materials

Operating expenditure is tracking under budget primarily driven by lower materials and overheads due to expenditure timing and cost management.

4. Interest and income tax

The positive variance of +\$1.0M in interest is due to lower debt than budgeted. The unfavourable variance in tax (-\$2.3M) is resulting from higher earnings than budgeted.

Other performance measures

KPIs	Actual	Target	Commentary
Business Value			
Unit Cost to Supply (cents/kWh)*	31.8	32.4	The lower cost to supply reflects the decrease in: (i) cost of goods sold due to fixed charges being lower in the ATCO contract and reduction in Non Interconnected System (NIS) due to lower variable cost from reduced temporary generation, and (ii) lower operating expenditure.
Return on Assets (%)	7.37% (annualised)	7.08%	Higher return resulting from higher Earnings Before Tax and Interest than budgeted.
Subsidy reduction \$M (cumulative)	73.3	79.6	2015/16 initiatives underway, tracking in line to achieve the expected results.
Community			
Customer Satisfaction (Annual) (Survey rating %)	87%	>70%	Actual % based on survey carried out in June 2015.
No. of Customer Bills on Time (Unbilled accounts)	11	<40	Unbilled accounts within target level continuing the trend from previous financial year.

* Being Costs of goods sold + operating expenditure divided by kWh

Efficiency Dividend Performance

Efficiency Dividend Targeted Areas	2016 Q1 Realised Efficiency Dividend	FY 2016 Forecast
Sum Efficiency Dividend	\$2.4M	\$8.8M

Horizon Power's GTE efficiency dividend target for 2015/16 equates to \$8.8M. As at the end of September 2015, Horizon Power is on track to deliver with savings realised amounting to \$ 2.4 M.

The savings are being achieved by outworking the strategic review recommendations.

The savings value is made up of reductions in:

- Labor
- Contractors
- Consultants
- Materials
- Fleet
- Travel
- Information Technology