



Quarterly Performance Report

For the period July - September 2011

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 30 September 2011. 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 \$6.7 million, compared to the YTD target of \$11.1 million, resulting in a negative variance of \$-4.4 million due to lower electricity sales and timing difference in the recognition of customer-driven and capital contributions.
- Capital expenditure to date is \$24.5 million with customer-driven projects comprising \$4.9 million.
- Total debt of \$761.9 million (including finance leases) contributed to a debt/equity ratio of 73:27.

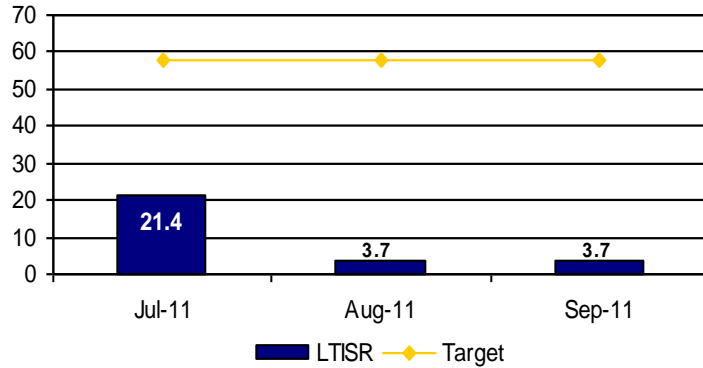
Business Highlights

- The Business Transformation programme continues to standardize and simplify Horizon Power's processes and systems with the decommissioning of major legacy Western Power IT systems occurring in September 2011.
- Horizon Power will have full control of all Meter to Cash processes through the implementation of a Meter Data Management solution by December 2011, enabling us to improve customer services through better integrated Metering and Customer Billing Services.
- Horizon Power is bidding for a proportion of the Department of Housing's Remote Aboriginal Essential Services Program (RAESP) program manager role in conjunction with Parsons Brinkerhoff (lead contractor). Part of our role will include asset management planning and community engagement.
- WorkSafe Plan Assessments have been completed for all Horizon Power depots with an overall result of 81% achieved. We will be applying to WorkSafe WA for Gold and Silver Achievement Awards for Kununurra and Broome (Gold) and Port Hedland and Carnarvon (Silver).
- The Aboriginal and Remote Communities Power Supply Project will Go Live with the upgraded power network in Kalumburu on 19 October 2011 and Yungngora in November 2011, however changes to the Yungngora community such as a new chief executive and council members could influence this date.

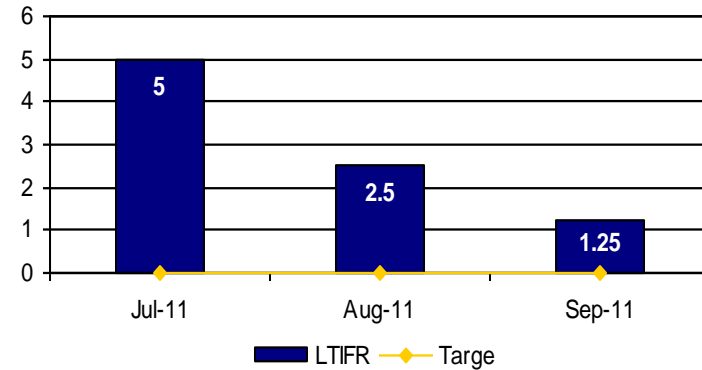
Stakeholder Service

- Horizon Power received four negative ministerials during this quarter: 1) the new administration process for movement of high and wide loads through Horizon Power's service area; 2) concerns around network power fluctuations and work performed by an alleged unlicensed electrical contractor; 3) not providing a timely response to a customer's query; and 4) not processing a customer's connection application in a timely manner.

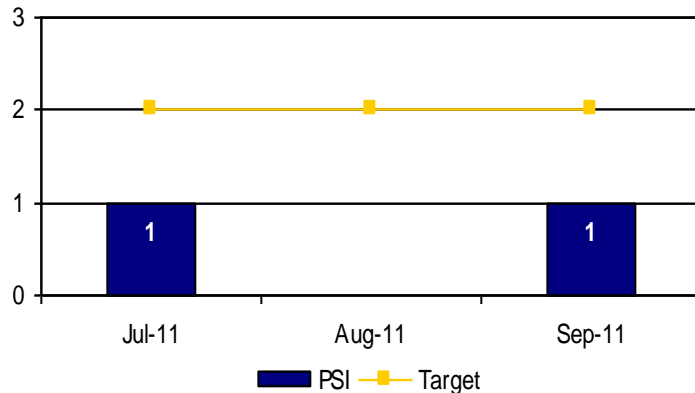
Lost Time Injury Severity Rate



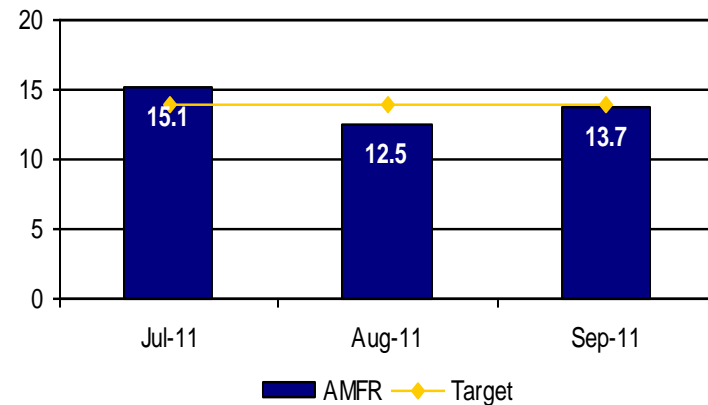
Lost Time Injury Frequency Rate



Public Safety Incidents



All Medical Frequency Rate

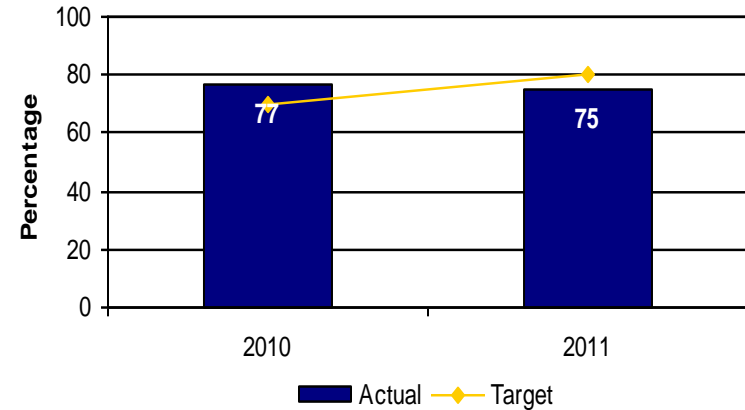


Commentary

- There were two public safety incidents and two employee injuries recorded for the period.
- The Greenhouse Gas Intensity has stabilised at 0.60 CO₂e/kWh during the period against a target of 0.68. This measure has been stable throughout the quarter.

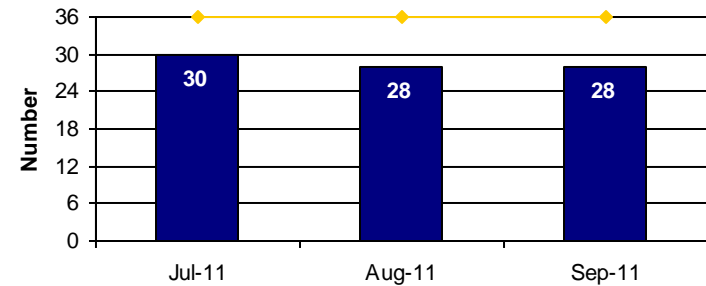
- Customer satisfaction has remained stable over the past two years. This year's survey also invited residential and commercial customers to complete the survey online, with additional telephone interviews conducted to top up certain regions.

Customer Satisfaction



- Performing Systems are expected to improve to meet Strategic Development Plan targets by the end of 2012.

Performing Systems (out of 36 systems)



Financial Performance

Business Results -- Profit & Loss Summary (in \$M) - REPORTED

	Quarter ended September 2011		
	ACT	SDP	VAR
Income	103.2	117.3	-14.1
Fuel and Electricity Purchases	31.9	34.1	2.2
Operating Labour, Overheads & Materials	32.8	37.1	4.3
EBITDA	38.5	46.1	-7.6
Depreciation & Amortisation	12.8	12.9	0.1
EBIT	25.7	33.2	-7.5
Interest	16.2	17.4	1.2
Income Tax (Benefit)	2.8	4.6	1.8
PROFIT/(LOSS) AFTER TAX	6.7	11.1	-4.4

The EBITDA for the quarter ended September 2011 shows a negative variance of \$-7.6M due to the following:-

1. A negative variance of \$-14.1M in income mainly relating to:
 - (i) Electricity sales recorded a shortfall of \$-4.6M (Actual \$46.2M v Budget \$50.8M) due to lower volume in the Non-Interconnected System. The Kimberley region accounted for 71% of the shortfall in kWh sales and is primarily driven by lower economic activity, delays in discreet loads and to a lesser extent milder weather conditions.
 - (ii) Developer and capital contributions of \$9.7M was budgeted but only \$1.3M recognised. The unfavourable variance of \$-8.4M is due to timing differences resulting from the budget profile. The variance includes a forecast of \$8.0M from Local Government Authorities in respect of the Pilbara Underground Power Project (PUPP) funding agreement which is still under negotiation.
 - (iii) Lower CSO revenue of \$1.3M associated to the wash-up for Aboriginal Remote Communities in respect of the 2011 year.
2. A Positive variance in fuel and electricity purchases of \$2.2M which is volume driven.
3. A net favourable variance in operating labour, overheads and operating materials of \$4.3M due to timing in recruitment and to net underspends and savings in materials and various items of overheads.

Interest shows a positive variance of \$1.2M partly due to lower debt placements resulting from surplus from PUPP funding and in line with actual capital expenditure compared to budget.