Quarterly Performance Report

For the period July – September 2017

Performance overview

This performance report covers the three month period ending 30 September 2017. For statistics prepared on a rolling 12-month basis, data prior to 1 October 2016 is used.

Business highlights

- Horizon Power has been recognised for its ongoing contribution to the energy industry with Managing Director Frank Tudor being named Energy Professional of the Year at the WA Energy Awards.
- The Power Ahead pilot project was joint winner of the Innovation category awarded by the Clean Energy Council for leading the way in designing and developing new products, which support the clean energy sector.
- In September 2017 Horizon Power launched its mobile application, which enables its customers to conveniently monitor their daily electricity usage and current amount owned for the current billing cycle in near real time from their phone, providing them with more choice, control and level of certainty around their power bill.
- Horizon Power is leading the delivery of renewable energy solutions in remote and regional Western Australia, with installation of the first utility-standard Stand-alone Power System (SPS) at the Exmouth Golf Course in Western Australia's north.
- Since August 2017, Horizon Power has been supplying Pilbara customers with energy from the most efficient gas power station in the region with the new South Hedland power station, built by TransAlta Energy (Australia) Pty Ltd.
- The Pilbara Underground Power Project is tracking ahead on current works schedule and expected to deliver savings by the end of financial year 2018.
- The Onslow DER Project is progressing well with five of the eight generators delivered to site and with the remaining generators expected to arrive on site by the end of October 2017. Commissioning of the facilities are scheduled to commence late in December 2017 and will continue into February 2018.

Financial performance

- Horizon Power reported a year to date Net Profit After Tax (NPAT) of +$20.6M resulting in a favourable variance of +$23.3M compared to the budgeted (State Budget Forecast) loss of -$2.7M. The favourable variance was primarily driven by higher revenues related to the TransAlta agreement including reimbursements of gas headworks and water charges (+$20.5M), gains on disposal of Balance of Plant and licenced assets (+$6.4M). Costs of goods sold, Operating Expenditure, Depreciation and Interest were all showing small favourable variances, offset by higher taxes due to higher profits.
- Year to date capital expenditure amounted to $27.5M against a budget of $35.7M. The variance of -$8.2M is mainly due to savings from PUPP (-$2.0M) with the remainder being predominantly timing differences.

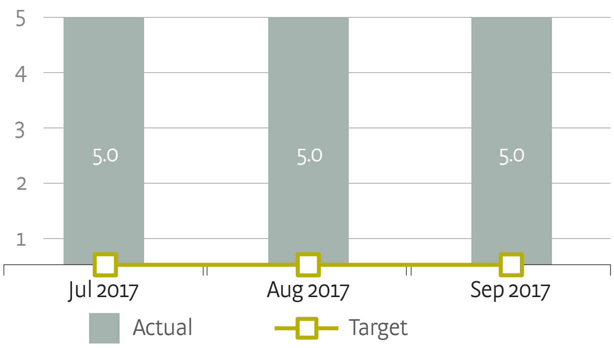
Stakeholder service

- During the quarter, Horizon Power provided responses to 11 Ministerials or requests for further information from the Minister or Public Utilities Office.

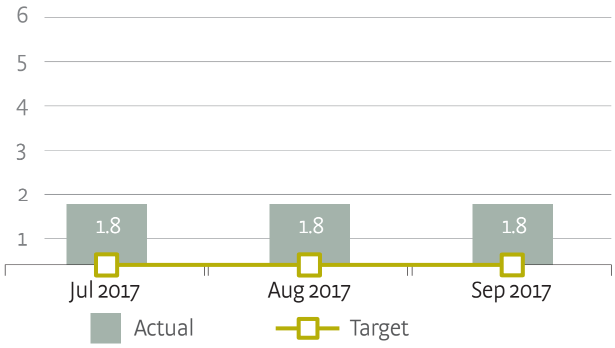
HORIZON POWER
energy for life

Safety, health and the environment

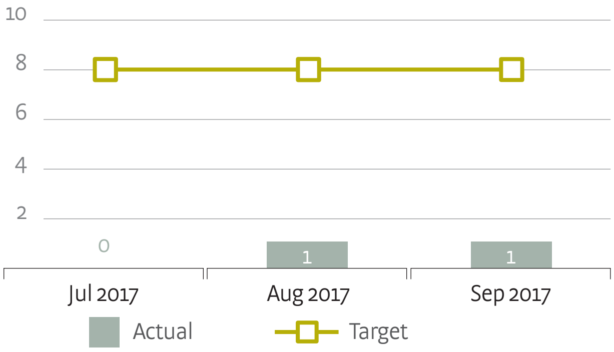
Lost Time Injury Severity Rate *12 month rolling average*



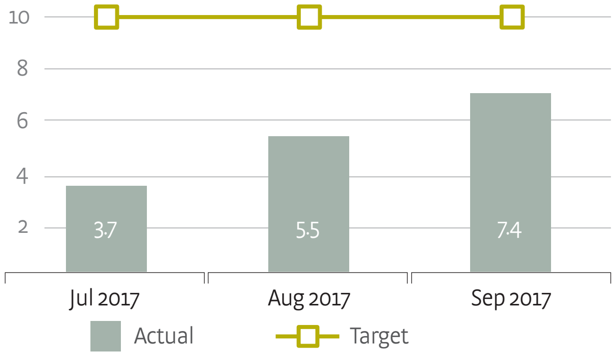
Lost Time Injuries Frequency Rate *12 month rolling average*



Public Safety Incidents *Financial year to date*



Total Recordable Injury Frequency Rate *12 mth rolling average*

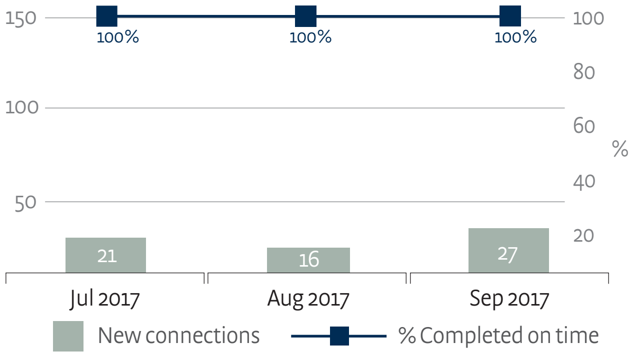


- Lost Time Injury Rates were stable at 1.8 over the quarter. Total Recordable Injury Frequency Rate has increased to 7.4 by September 2017 due to an injury occurring in Esperance.
- The lost time severity rate for the quarter was 5.0 remaining stable from the previous quarter.
- There was 1 public safety incident for the quarter ended on 30 September 2017. The new incident was due to a contractor receiving an electric shock at the Hedland Terminal.
- There was no reportable fuel spill during the quarter.
- The Unassisted Pole Failure rate* was 1.09 at the end of September 2017 compared to a target of 1.00.

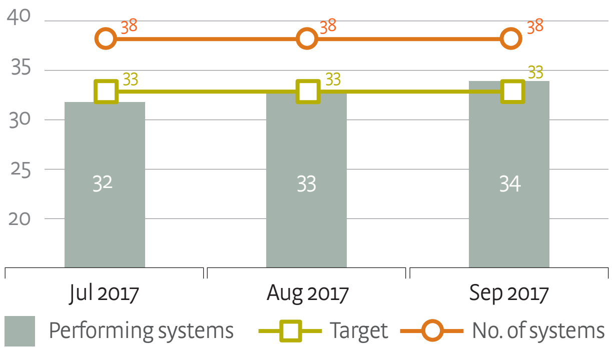
  * based on a 3 year rolling average per 10,000 poles

Customer service and electricity delivery

Customer Connections



Performing Systems *out of 38 systems*



- 100% of new customer connections were completed on time.
- There were 64 new connections during the quarter.

Financial Performance – Actual v/s SBF

Net Profit After Tax for year to date September 2017 was higher than the State Budget Forecast, with variances broken down as follows:

Profit and Loss Summary (in $M)

	Period Ended September 2017		
	ACTUAL	SDP	VAR
Income	143.0	113.2	29.8
Cost of Goods Sold	(50.2)	(51.4)	1.2
Operating Labour, Overheads & Materials	(26.0)	(26.9)	0.9
EBITDA	**66.8**	**34.9**	**31.9**
Depreciation and Amortisation	(20.9)	(22.1)	1.2
EBIT	**45.9**	**12.8**	**33.1**
Interest	(16.5)	(17.0)	0.5
Income Tax	(8.8)	1.5	(10.3)
Net Profit After Tax	**20.6**	**(2.7)**	**23.3**

1. Income

A favourable variance of +$29.8M in income primarily due to the following:

(I) Electricity sales recorded a positive variance of +$0.9M (actual $61.3 M v budget $60.5M) mainly due to higher sales in the Pilbara (+$1.4M) offset by lower sales in Microgrids.

(II) Miscellaneous revenue recorded a positive variance of +$32.2M mainly driven by reimbursement by TransAlta of gas headworks charges (+$12.3M) and water charges (+$8.2M), gains of +$6.4M on disposal of Balance of Plant and licenced assets.

(III) Contribution Service Obligation was lower by -$1.1M due to lower TAP.

(IV) Customer contributions was down by -$2.2M.

2. Cost of Goods Sold

A favourable variance of +$1.2M was mainly driven by lower Generation O&M costs.

3. Operating Labour, Overheads and Materials

Operating expenditure is tracking under budget due to savings across various items of operating expenses.

4. Depreciation

Positive variance in Depreciation is mainly due to timing difference between actual and budgeted capitalisation profile.

5. Interest and Income Tax

The positive variance of +$0.5M in interest is due to lower debt level than budgeted. The unfavourable variance in tax (-$10.3M) is the result of higher profit than budgeted.

Other performance measures

KPIs	Actual	Target	Commentary
Business Value			
Unit Cost to Supply (cents/kWh)*	37.1	32.7	Whilst the actual YTD cents/KWh is higher than the annual target, this aligns to expectations due to seasonal impact and lower throughput in the colder months. The actual is lower than the YTD budgeted cents/ KWh of 42.9 by 5.8 and is due to lower O&M costs.
Return on Assets (%)**	13.2% (annualised)	12.3%	Higher Return on Asset due to higher Earnings Before Interest and Tax than budgeted.
Community			
Customer Satisfaction (Annual) (Survey rating %)	77%	≥70%	Customer satisfaction based on the Annual Survey of June 2017. An increase of 4% from 2016.

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

** *Return on Asset = Annualised EBIT / Average Total Assets for the period.*