

Quarterly Performance Report

For the period July – September 2019

Performance overview

This performance report covers the three month period commencing 1 July 2019 and ending 30 September 2019. For statistics prepared on a rolling 12-month basis, data from 1 October 2018 onwards was used.

Business highlights

- Horizon Power released the 2019 -2024 Corporate Strategy ,The strategy reflects our ambition and is a refocus on what is at the heart of our business - "delivering energy solutions for regional growth and vibrant communities". This direction is aligned with the expectations of the people and communities we serve and the motivations of the people who make up our workforce.
- Horizon Power completed 11 of the 17 standalone power systems in the Esperance region, making it Australia's first utility to remove parts of its poles and wires network and replace it with an off grid renewable energy power solution. The standalone power systems enable customers to generate and store their own electricity, without connecting to the overhead electricity network. With its own solar panels, batteries, inverters and back-up diesel generator, a standalone power system can supply power 24/7, regardless of the weather, and is more reliable and safe than being at the end of a long feeder line. As part of the project, 64 kilometres of poles and wires, which are prone to outages caused by weather events, wildlife, farm machinery, accidents and bushfires, will be removed.
- On 1 July 2019, Horizon Power launched changes to hosting capacity limits in towns across its service area, this resulted in significant uptake from customers applying to connect solar.
- Onslow Solar Farm and Battery Energy Storage System (BESS) Construction was completed and energised in July 2019. Horizon Power have now entered into a 60 day reliability period with CPS National for the Solar Farm and Contract Power Group for the BESS.

Financial performance

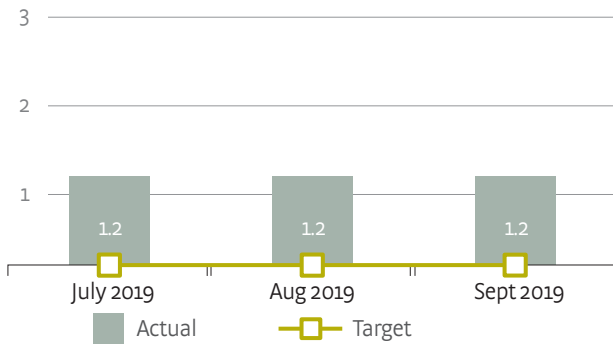
- Horizon Power reported a year to date Net Loss After Tax (NLAT) of \$0.6M compared to a budgeted Net Loss (State budget Forecast) of \$3.3M. This favourable variance of \$2.8M is made up of increased sales revenues of \$3.6M from contract customers, lower operating expenditure of \$1.1M and lower interest expenditure of \$0.6M due to declining interest rates.
- Year to date capital expenditure amounted to \$12.5M against a budget of \$21.5 M. The variance of \$10.0 M is mainly due to timing differences compared to the budget profile.

Stakeholder service

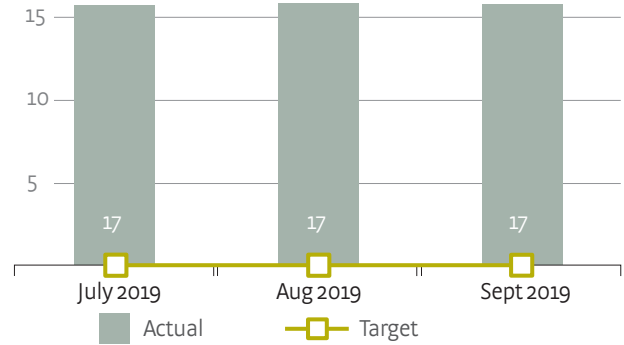
- During the quarter, Horizon Power provided responses to 16 Ministerial and 4 Parliamentary Questions.

Safety, Health & Environment

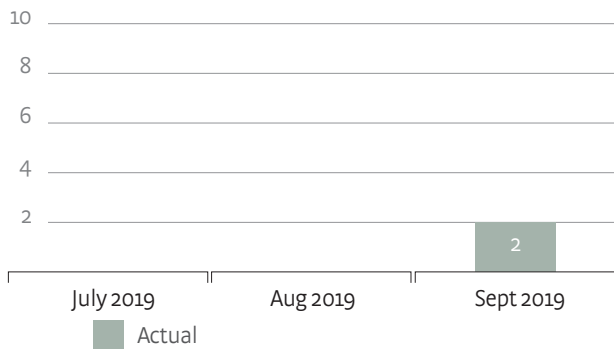
Lost Time Injuries Frequency Rate 12 month rolling average



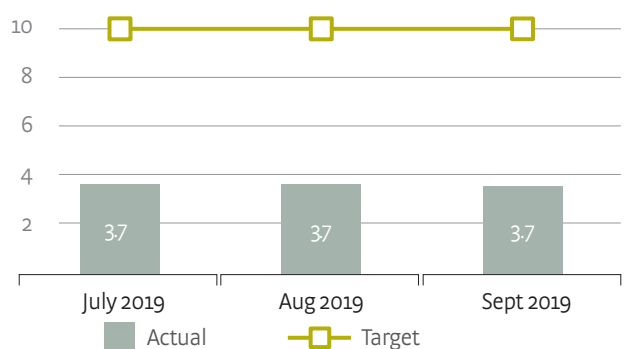
Lost Time Injury Severity Rate 12 month rolling average



Public Safety Incidents 2019/20 Financial year to date



Total Recordable Injury Frequency Rate 12 mth rolling average

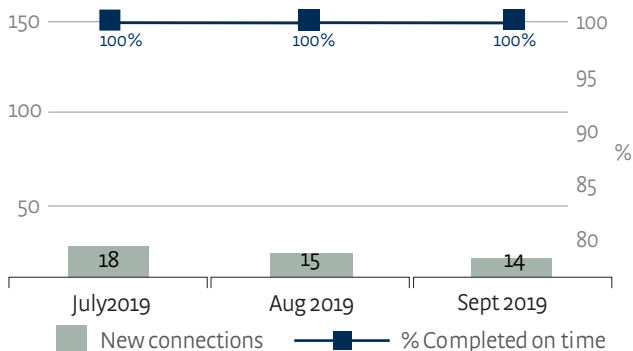


- The lost time severity rate for the quarter was 17. Our one Lost Time Injury (fractured hip) required surgery needing 17 days away from work.
- 2 Notifiable Incidents were reported in September, increasing the total YTD incidents reported to 2.
 - Loose termination in pillar caused an electric shock
 - Incorrect or lose termination of two meters installed in series

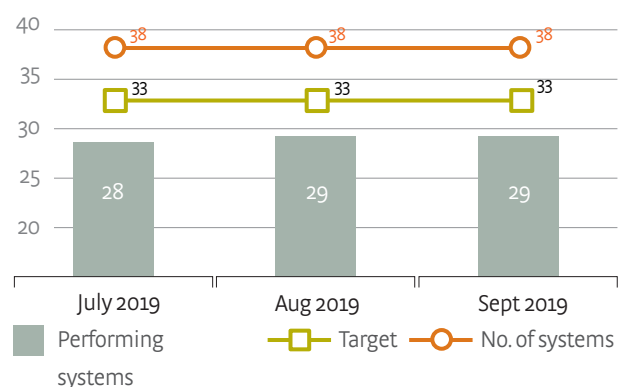
- The Unassisted Pole Failure rate* was 0.94 by the end of the quarter and within the target of 1.00.
 - Lost Time Injury Frequency remains steady at 1.2.
- * 3 Year rolling average per 10,000 poles

Customer Service & Electricity Delivery

Customer Connections



Performing Systems out of 38 systems



- There were 47 new connections during the quarter.
- 100% of new customer connections were completed on time during the quarter.

Financial Performance – Actual v/s SBF

Horizon Power reported a year to date Net Loss After Tax (NPAT) of $-\$0.6$ M compared to budget (SBF) of $-\$3.3$ M, a favourable variance of $\$2.8$ M. The performance against the Profit and Loss components are as follows:

Profit and Loss Summary (in \$M)	Period Ended September 2019		
	ACTUAL	MYR	VAR
Income	123.2	119.6	3.6
Cost of Goods Sold	55.7	55.3	(0.4)
Operating Labour, Overheads & Materials	27.6	28.7	1.1
EBITDA	39.8	35.6	4.2
Depreciation and Amortisation	24.3	23.5	(0.8)
EBIT	15.5	12.1	3.4
Interest	16.3	16.9	0.6
Income Tax	(0.3)	(1.4)	(1.2)
Net Profit After Tax	(0.6)	(3.3)	2.8

1. Income

A net favorable variance of $\$3.6$ M in income made up of movements in the following income categories:

- (I) Favourable variance in Electricity Sales of $\$3.0$ M, attributable increased volumes from contract sales in the NWIS.
- (II) Higher CSO Revenue - $\$0.4$ M.
- (III) Favourable Miscellaneous Sales - $\$0.2$ M.

2. Cost of Goods Sold

A marginal unfavourable variance of $\$0.4$ M mainly driven by higher generation cost due to increase in sales.

3. Operating Labour, Overheads and Materials

The favourable variance of $\$1.1$ M is mainly driven by lower overheads.

4. Depreciation

The negative variance of $\$0.8$ M in depreciation is mainly due to the timing difference.

5. Interest and Income Tax

The savings in interest of $\$0.6$ M is due to better debt management and change to Floating rate from Fixed rate.

The negative variance in income tax relates to higher income before tax.

Other Performance Measures

KPIs	Actual	Target	Commentary
Business Value			
Unit Cost to Supply (cents/kWh)*	37.5	35.7	Higher result is driven by seasonality factor. Annualised Cost to Supply is estimated at 34.4 c/kWh which is below the target.
Return on Assets (%)**	35%	4.6%	Annualised Return on Assets is estimated at 4.8%.
Community			
Customer Satisfaction (Annual) (Survey rating %)	80%	≥70%	Customer satisfaction based on the Annual 2019 Brand Survey. Rating is the same as the last year.

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

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