

Achievements & Challenges for 2006/07

Achievements



Ensuring continuity of electricity supply to Tasmania in time of drought

Utilising Basslink helps manage low water storages

Profit after tax of \$79.4 million; underlying profit of \$19.5 million better reflects operating result and takes account of impact of low inflows

Returns to Government of \$57.8 million

- Dividend \$21.2 million
- Income tax equivalent \$28.7 million
- Loan guarantee fee \$5.1 million
- Rates equivalent \$2.8 million

Sale of Bell Bay power site and gas turbines to Alinta

Capital expenditure of \$54.2 million, including Gordon Power Station redevelopment and Tungatinah switchyard upgrade

Further investment in Roaring 40s of \$10 million as joint venture builds wind portfolio in Australia, China and India

Targeted cost reduction program realises recurrent savings of \$7.7 million

Slight increase in staff engagement with Hydro Tasmania among the better performing businesses nationally

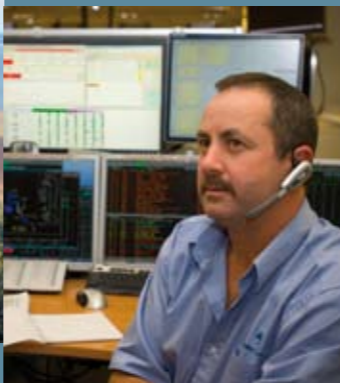
Hydro Tasmania Consulting office opened in New Delhi

Hydro Tasmania Consulting achieved national success as part of bid to receive an \$8.7 million grant for a major water monitoring project

Integration of sustainability performance reporting



Challenges



Operational and financial pressures as a result of drought

Protection of water storages as levels dipped to 17.3 per cent full, the lowest in 40 years

Environmental risks as a result of low rainfall, particularly at Great Lake

Restructuring the business to ensure it is best positioned to achieve its strategic objectives

Business response to climate change

Improving safety culture across the whole business

Increased greenhouse gas emissions from gas generation at Bell Bay power site due to drought

The direction of national energy policy

Continuous improvement in sustainability reporting