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QUARTERLY PERFORMANCE REPORT

For the period July – September 2022

Performance Overview

Business Highlights

- Horizon Power, in partnership with Synergy, awarded the contract for the supply of EV chargers to Australian company JET Charge. The $4.1M contract will see JET Charge supply and install electric vehicle chargers at 49 locations across the State. The first charging station is expected to be installed in November this year, with the remaining stations following through 2023. The network will be fully operational by early-2024
- Horizon Power has formed a strategic partnership with FutureEnergy Australia to explore opportunities to establish a renewable diesel industry in regional WA. The non-binding Memorandum of Understanding, signed with partner FutureEnergy Australia, provides a framework to explore the development and production of renewable diesel in Western Australia. Renewable diesel can be used as an alternative to fossil fuel diesel or more expensive energy sources like battery energy storage systems and can help reduce carbon emissions across a number of industries. The renewable diesel industry can also drive economic growth and create regional jobs.
- Boundary Power, Horizon Power's joint venture with engineering company Ampcontrol, has been selected to deliver 101 of 180 renewable stand-alone power systems across the South West. In partnership with Western Power, Boundary Power will deploy Australia's largest single roll-out of stand-alone power systems, replacing around 762km of overhead powerlines, improving land amenity for farmers and reducing the risk of bushfires.
- On 8 August 22, the State government officially announced Horizon Power's deployment of the distributed energy resources management systems (DERMs) to our microgrids across regional WA. DERMs enables our energy resources, such as power stations, solar farms, and batteries, to be safely integrated with distributed customer owned energy resources, such as rooftop solar, batteries, and electric vehicles. DERMs will allow Horizon Power to remove hosting capacity limits so that all our customers can install solar and also reduce our microgrids' reliance on fossil-fuels.
- Financial Statements for the year ended 30 June 2022 have been delivered with a clean audit outcome and the Annual Report was tabled in Parliament on 20 September 2022.
- During the quarter ended 30 September 2022, Horizon Power experienced increasing pressures and costs mainly from high inflation, labour constraints and mounting supply chain difficulties, all resulting in a higher cost of doing business, declining profitability and added difficulties in delivering projects on time and on budget. Horizon Power is experiencing record labour turnover (some Divisions up to 27% rolling 12 month avg), with a tight labour market causing longer recruitment timeframes, with some vacancies being filled only at higher labour rates. Challenges also arise from securing counterparties and contractors for various contracts as there are less respondents to our tenders and bids received are at much higher costs.

  Horizon Power will continue to monitor the situation closely and applies strict fiscal discipline and where possible efficiency initiatives to mitigate the impacts of the above.

Financial Performance

- Horizon Power reported a year-to-date net loss after tax of -$5.6M compared to a budgeted (SBF) loss of -$5.1M. This unfavourable variance of -$0.5M is driven mainly by lower revenue from contract works (-$0.9M), higher cost of sales (-$1.6M); offset by higher energy sales ($0.8M), higher CSO revenue ($0.5M), lower operating expenses ($1.5M), lower depreciation ($0.6M).
- Year to date capital expenditure amounted to $22.5M compared to a budget of $33.9M. The underspend variance of $11.4M is mainly driven by external market factors primarily resource constraints and supply chain delays.

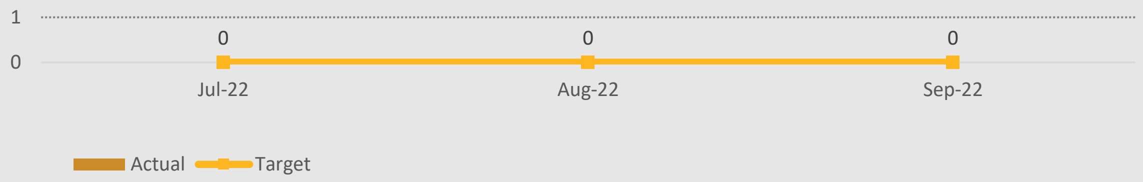
Stakeholder Service

- During the quarter, Horizon Power provided responses to 27 Ministerial and 5 Parliamentary Questions.

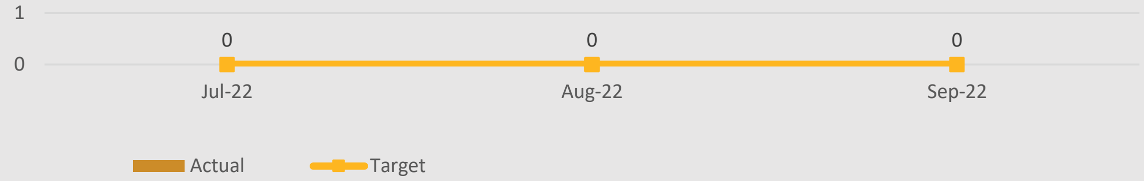
Note: This performance report covers the nine-month period from 1 July to 30 September 2022. For statistics prepared on a rolling 12-month basis, data from 1 October 2021 onwards were used.

Safety, Health & Environment

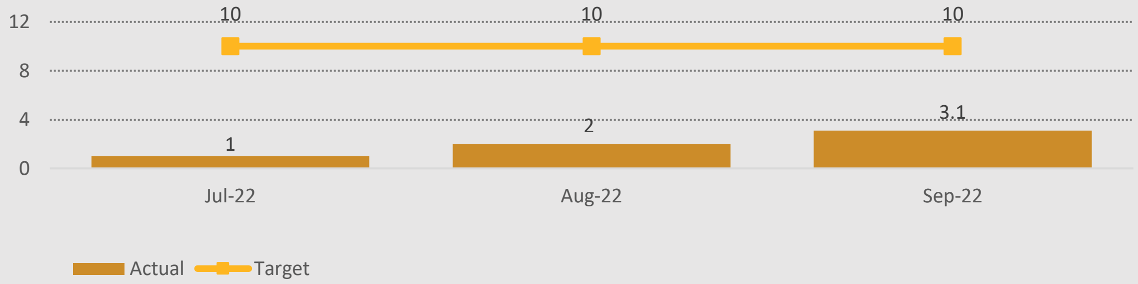
Lost Time Injury Frequency Rate (12 month rolling avg.)



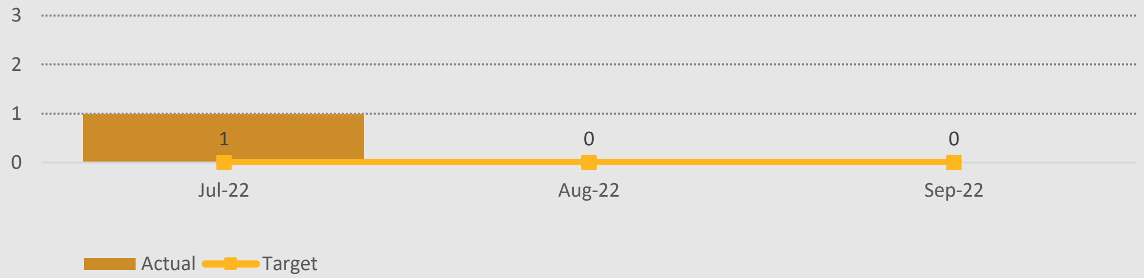
Lost Time Injury Severity Rate (12 month rolling avg.)



Total Recordable Injury Frequency Rate (TRIFR) (12 month rolling avg.)



Public Safety Incidents (July – September 22)



COMMENTARY:

- Safety meetings occurrence for the first quarter 2023 averaged 100%.
- The rate of 'high' and 'extreme' risk rated incident actions closed out on time for the September quarter averages 94%.
- There were two recordable injuries (Restricted Work Injuries) for the period. TRIFR increased to 3.1 as a result.
- The percentage of hazards / near hits of all reported incidents has averaged 55% which exceeds our target of 50%.

COMMENTARY:

- The Lost Time Injury Severity Rate has remained steady at 0 since April 2020.
- For the quarter there was 1 Notifiable Incident to Building and Energy:
  - Exmouth - 1MVA Transformer LV bus bar located behind the main switch flashed over during commissioning. Initial investigation discovered a bus bar fixing bolt had come loose and shorted between white and red phases.
- The Unassisted Pole Failure rate* was 0.65 by the end of the quarter and within the target of 1.00.
  - There was one new unassisted pole failure in August 2022 at Esperance

**3 Year rolling average per 10,000 poles.*

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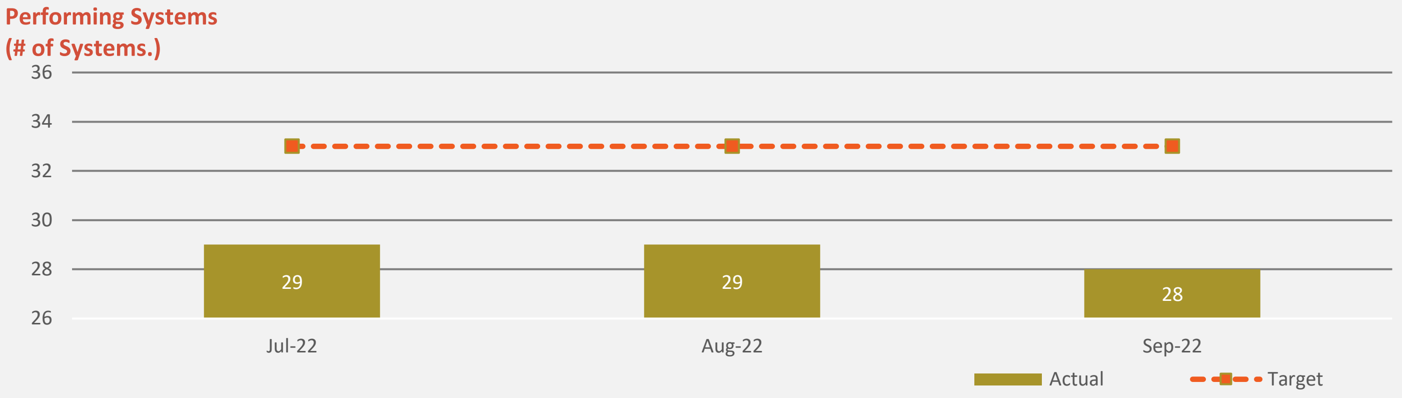
Customer Service & Electricity Delivery

ENERGY AFFORDABILITY

KPI	Actual	Target
Customer Satisfaction (survey rating %)	**80%**	≥70%
Net Promoter Score	**51%**	≥20%
System Average Interruption Frequency Index	**2.9**	6.6
System Average Interruption Duration Index	**177**	290

COMMENTARY:

- All above KPIs show positive variance to targets.



COMMENTARY:

- There were ten non-performing systems at the end of September 22 in the following towns: Denham, Fitzroy Crossing, Gascoyne Junction, Esperance, Esperance Rural, Hopetoun, Mount Magnet, Halls Creek, Onslow and Carnarvon. Overall, non-performance was mainly due to adverse weather events (mainly in Kimberley) and to technical difficulties and incidents as we are integrating new technologies and renewables into our generation systems. We expect to reach our target of 33 performing systems by January 23.

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Note: This performance report covers the three-month period from 1 July to 30 September 2022. For statistics prepared on a rolling 12-month basis, data from 1 October 2021 onwards were used.

Income Statement

SUSTAINABLE BUSINESS

Profit and Loss Summary ($M)	YTD Actual	YTD SBF	Variance
Total Income	122.0	122.9	(0.9)
Less: Cost of Sales	54.7	53.1	(1.6)
Less: Operating Expenditure	33.4	34.9	1.5
EBITDA	**33.9**	**34.9**	**(1.0)**
Depreciation & Amortisation	27.1	27.7	0.6
EBIT	**6.8**	**7.2**	**(0.4)**
Interest Expenses	14.8	14.5	(0.3)
Net Profit (loss) Before Tax	**(8.0)**	**(7.3)**	**(0.7)**
Tax	2.4	2.2	0.2
Net Loss After Tax	**(5.6)**	**(5.1)**	**(0.5)**

KPI	YTD Actual	Targe t SBF	YTD Var	Performance
Unit Cost Supply (c/kWh)	42.1	38.9		The cost to supply for the first quarter is typically higher compared to the annual target, as is the case here. This is due to the seasonality of sales being lower in the winter seasons.
Return on Asset (%)	3.08%*	3.10%		Slightly lower return on asset due to lower profitability in the first quarter. *based on annualised EBIT

COMMENTARY

Horizon Power reported a YTD Net Loss After Tax of -$5.6M compared to budgeted loss of -$5.1M, an unfavourable variance of -$0.5M. Key variances are broken down as follows:

Income

Overall energy sales were 1.1% higher than budget by $0.8M ($72.7M v $71.9M). Sales were higher in NIS by 2.5% (+$1.7M), mainly driven by greater supply in Esperance, Kununurra and Carnarvon, but lower in NWIS by -2.5% (-$0.9M) due to delay in FMG Iron Bridge connection.
The higher sales were offset by lower overhead recoveries and inflationary impacts.

Cost of Sales

Unfavourable variance of $1.6M is due to higher electricity purchases (-$0.6M) from higher sales volume and higher gas costs (-$2.3M), offset by lower Generation Maintenance (+$1.3M).

Operating Expenditure

The favourable variance of $1.5M is mainly driven by timing difference in maintenance costs from budget profile.

Tax

Tax savings of $0.2M arising from higher loss than budgeted.

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Thank you

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