FY26 Quarter 4 Report, Charter clauses 27, 28 and 29

For the quarter ended 30 June 2026

Watercare

Contents

This report has been prepared in accordance with Clauses 27, 28 and 29 of the Watercare Charter. It is provided to the Crown monitor as well as Auckland Council so that we comply with our quarterly reporting obligations.

Executive Summary

In the last quarter, Watercare remained focused on delivering safe, reliable water and wastewater services for Aucklanders while progressing major infrastructure investment, strengthening environmental outcomes, and preparing for long-term growth and economic regulation.

We finished the 2025/26 autumn period with our water supply in a stable position and our dams about 98% full.

During Q4, Watercare achieved significant milestones across its infrastructure investment programme.

The Central Interceptor project was officially celebrated in July, bringing this once-in-a-generation project to completion.

Other progress included:

- the completion of the Auckland-wide flood recovery programme,
- the commissioning of upgrades at the Clarks Beach Wastewater Treatment Plant,
- new wastewater capacity projects in Pukekohe and south Auckland,
- continued work on critical network resilience improvements through the Mt Roskill water supply programme
- the commencement of a comprehensive renewals programme in Onehunga - Auckland's oldest cast iron watermain network.

This investment will improve service reliability, reduce wastewater overflows, increase network capacity, and support future housing growth across Auckland.

The removal of the bulkhead separating the northern and southern sections of the Central Interceptor reconnected the tunnel for the first time since construction began.

Environmental outcomes continued to improve through commissioning of the Central Interceptor wastewater tunnel, the commencement of work on the Herne Bay Collector project and upgrades connected to the Eastern Interceptor, all of which will help reduce wet-weather overflows into Auckland's waterways and harbours. We have advanced our planning for the biosolids disposal challenge that Auckland is facing, associated with the solids produced at the Mangere Wastewater Treatment Plant. We are focused on finding a solution that is sustainable, both from a cost, community and environmental impact perspective.

Watercare strengthened its financial position through a CHF250 million Swiss bond issuance and confirmed annual pricing changes that support the ongoing investment required to meet Auckland's future water and wastewater needs. Preparations also continued for the introduction of economic regulation and the forthcoming Price Quality Path framework.

Internally, employee engagement remained strong and Watercare received industry recognition for both operational excellence and major project delivery, reflecting the dedication of our people and the organisation's continued focus on delivering value to Auckland.

Opex: FY26 operating expenditure was $406.4m, $11m (2.7%) above budget, and $1.6m favourable to the full year forecast. Higher expenditure was primarily driven by higher unplanned maintenance across the water and wastewater networks, increased energy costs associated with sustained wet weather conditions, financial support payments following the Mahurangi Harbour wastewater overflow event, and costs related to Watercare's transition to financial independence and the new regulatory environment.

These pressures were partially offset by lower chemical costs reflecting high dam storage levels, reduced planned maintenance expenditure reflecting wet weather, and lower than forecast digital programme expenditure. Overall, cost pressures largely reflected network maintenance requirements and response to service and resilience-related events during the year.

Capex: Watercare invested $287m in capital infrastructure during Q4 FY26 and $960m across the full year, continuing to progress a substantial programme of investment to improve network resilience, support growth, maintain service reliability and reduce environmental risk.

Delivery remained strong across key programmes, including the Central Interceptor, Waitematā Water Quality Improvement, Pukekohe Wastewater Scheme, Queen Street Diversion, Southwest Wastewater Scheme, and upgrades to the Māngere Wastewater Treatment Plant, alongside network renewal and growth investment.

While full-year expenditure was below the profile set out in the Charter Plan, delivery remained strong. The variance largely reflected timing and phasing of expenditure across the programme, rather than any reduction in Watercare's infrastructure delivery activity.

Issues and risks

- Watercare continues to manage drinking water quality risks and associated regulatory expectations. Following the precautionary boil water notice issued for Herald Island in February 2026, a second precautionary boil water notice was issued for the Hillsborough zone in April 2026 after an isolated positive E. coli result. Watercare has completed a lessons-learned review and continues to engage with Taumata Arowai on a risk-based decision-making approach for future events. A new enterprise risk has been established to recognise the operational, reputational and financial impacts that may arise from regulator-driven precautionary decisions.
- Watercare's external regulatory environment continues to evolve. Watercare has appropriate governance, regulatory engagement and planning mechanisms in place to manage associated risks. Ongoing collaboration with the Commerce Commission, and targeted regulatory uplift activities are providing a structured pathway to address future requirements, support sustainable funding outcomes, and maintain confidence in long-term infrastructure investment decisions.

- Legislative and regulatory reform, along with changes to regional planning direction, are evolving and pose significant risks and challenges as we seek to establish a secure long-term infrastructure plan. Watercare is responding by advancing near-term infrastructure investments that remain appropriate across a range of future planning scenarios, while longer-term planning is being developed through coordinated spatial planning and the Water Services Strategy.
- Delivery of Watercare's significant capital investment programme remains a key focus area and Watercare is continuing to strengthen programme governance, cost assurance, forecasting capability and delivery planning to improve confidence in programme outcomes and support long-term service resilience. The enterprise risk relating to confidence in capital programme cost estimates and delivery schedules also remains under active management.
- Enterprise Risk Management – During Q4, Watercare implemented a revised enterprise risk structure that separates risks into Emerging Risks, Current Operational Risks and Strategic Risks. Strategic risks requiring ongoing long-term oversight include securing future water sources for Auckland, maintaining and renewing ageing infrastructure, delivery and phasing of capital programmes, financial sustainability and affordability, system resilience, climate resilience, stakeholder relationships and establishing a long-term biosolids solution. These risks are managed through dedicated programmes and will continue to be monitored through Board reporting.

Our priorities

The following pages outline our delivery under our six priority areas.

Priority 1: Deliver safe and reliable water and wastewater services

Delivering affordable safe and reliable water and wastewater services to Aucklanders 24/7

Watercare maintained a strong and resilient water supply position throughout Q4, despite variable weather conditions and the emergence of El Niño conditions in the Pacific. Auckland's total system storage remained well above historical averages throughout the quarter, increasing to 99% following significant rainfall and ex-Tropical Cyclone Vaianu in April, before ending June at 98%. Water demand remained stable and consistent with previous years, while Watercare continued to closely monitor climate forecasts and adapt operational planning to ensure long-term security of supply.

Microbiological compliance was achieved across all water treatment plants (WTPs) for Q4 FY26. Chemical compliance was maintained in all distribution zones except for chlorine compliance in three zones.

All distribution zones achieved microbiological compliance for the quarter, although following a routine water sample that returned a single E. coli result on 6 April 2026, we issued a precautionary boil water notice for parts of Hillsborough, Mt Roskill, Royal Oak and Three Kings while we carried out further testing. We lifted this notice two days later, as soon as further investigations confirmed the result was related to the sample tap rather than the water supply. We have since progressed discussions with Taumata Arowai – The Water Services Authority to discuss the future approach to isolated sample results.

Residual disinfection compliance was achieved in 37 of the 40 zones for Q4. Three distribution zones—Montana, North Shore West and Onehunga—recorded isolated low free available chlorine (FAC) results. Immediate reactive flushing and network investigations were undertaken in each case. Investigations identified valve issues within the North Shore West network, while the Onehunga result was linked to increased water age at an extremity of the distribution zone following the closure of the Onehunga Water Treatment Plant in 2022. These findings have informed ongoing operational improvements to maintain water quality, strengthen barriers against contamination and support compliance.

Targets not met are:

- Residual disinfection (chlorine) water quality - Compliance for April, May and June resulted in a 12-month rolling compliance of 97.9% as at June 2026. Public health was not at risk. All incidents of low chlorine were responded to by flushing, as per Watercare protocols.

Number	Source	Performance measure	Target	Results (green = met; red= not met)
Measures reported in accordance with Charter Section 29 are as follows:				
1	Charter clause 7(1)(a)	Monthly median resolution time for **resolving urgent water** supply call-outs: from the time that Watercare receives notification of the call-out, until time Watercare receives notification that the person employed/engaged to respond to the call out that they have resolved the call out (rolling 12-month median)[3]	≤5 hours	2.9 hours
2	Charter clause 7(1)(b)	Monthly median resolution time for **resolving non-urgent water** supply call-outs: from the time that Watercare receives notification of the call-out, until the time Watercare receives notification that the person employed/engaged to respond to the call out that they have resolved the call out (rolling 12-month median)[3]	≤6 days	0.96 day
3	Charter clause 8	Number of **unplanned water supply interruptions** within Watercare's networked reticulation system expressed per 1000 water supply connections (rolling 12-month average)	≤10	7.4
4	Charter clause 9	The number of **wastewater** overflows, expressed per 1000 wastewater connections (rolling 12-month average)	≤5	0.79
5	Charter clause 10	Median resolution time for **resolving wastewater overflows**: from the time Watercare receives notification of the overflow until when Watercare receives notification from the person employed /engaged to respond to the overflow that they have resolved the overflow (rolling 12-month median)	≤5 hours	2.6 hours
6	Charter clause 11	**Volume of real water loss** from Watercare's supply network (litres per water supply connection per day) (rolling 12-month average).	≤140 l/c/d	100.08 l/c/d
Measures reported in accordance with Charter Section 28 are as follows:				
7	TA[2]	Compliance with Taumata Arowai Quality Assurance Rules T3 – **Chemical water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%
8	TA	Compliance with Taumata Arowai Quality Assurance Rules T3 – **Cyanotoxins water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%

Number	Source	Performance measure	Target	Results (green = met; red= not met)
9	TA	Compliance with Taumata Arowai Quality Assurance Rules D3 – **Residual disinfection (chlorine) water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	97.9%
10	TA	Compliance with Taumata Arowai Quality Assurance Rules D3 – **Disinfection by-products water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	100%
11	TA	Compliance with Taumata Arowai Quality Assurance Rules D3 – **Plumbosolvent metals water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	100%
12	TA & DIA[2]	Compliance with Taumata Arowai Quality Assurance Rules T3 – **Bacterial water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%
13	TA & DIA	Compliance with Taumata Arowai Quality Assurance Rules T3 – **Protozoal water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%
14	TA & DIA	Compliance with Taumata Arowai Quality Assurance Rules D3 – **Microbiological water quality**. The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	100%
15	DIA	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system (rolling 12 month)	≤ 10	8.1

Number	Source	Performance measure	Target	Results (green = met; red= not met)
16	DIA	Median response time for **attendance for urgent call-outs** : from the time that the local authority receives notification to the time that service personnel reach the site (minutes) (**Water**, rolling 12-month median)	≤ 60 mins	40 mins
17	DIA	Median response time for **resolution of urgent calls-outs**: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (hours) (**Water**, rolling 12-month median) [3]	≤ 5 hours	2.9 hours
18	DIA	Median response time for **attendance for non-urgent call-outs**: from the time that the local authority receives notification to the time that service personnel reach the site (days) (**Water**, rolling 12-month median)	≤ 5 days	0.78 day
19	DIA	Median response time for r**esolution of non-urgent call-outs**: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption (days) (**Water**, rolling 12-month median)[3]	≤ 6 days	0.96 day
20	DIA	The percentage of real **water** loss from the local authority's networked reticulation system (rolling 12-month average)	≤13%	11.26%
21	SOI	Gross per capita consumption (Gross PCC): The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (rolling 12-month average).	257* (+/- 2.5%)	253
22	DIA	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents (rolling 12 month)	 ≤2 ≤2 ≤2 0	 0 0 0 0
23	DIA	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults c) sewerage system blockages d) the territorial authority's response to issues with its sewerage system expressed per 1000 connections to the territorial authority's sewerage system (rolling 12 month)	≤ 50	15.52

Number	Source	Performance measure	Target	Results (green = met; red= not met)
24	DIA	Attendance at **sewerage** overflows resulting from blockages or other faults: median response time for **attendance** – from the time that the territorial authority receives notification to the time that service personnel reach the site (Wastewater, rolling 12-month median) [4]	≤ 90 min P1: 60 min P2: 240 min	61 min P1: 43 min P2: 83 min
25	DIA	Attendance at **sewerage** overflows resulting from blockages or other faults: median response time for **resolution** – from the time that the territorial authority receives notification to the time that service personnel confirm resolution of the blockage or other fault (Wastewater, rolling 12-month median)	≤ 5 hours	2.6 hours
26	DIA	The number of dry weather overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system (rolling 12 month)	≤ 5	0.79
27	NDC[2]	Average number of wet weather overflows per engineered overflow point per discharge location (rolling 12-month average)	≤ 2 overflows per year	0.3

[1]The Department of Internal Affairs (DIA) has released updated guidance for reporting drinking water non-financial measures. For the average consumption of drinking water per resident measure, DIA has proposed that non-residential water use be excluded. We are working with Water New Zealand and DIA to confirm how this change should be calculated and implemented for future reporting.
[2] DIA means Department of Internal Affairs and TA means Taumata Arowai, the Water Services Authority, NDC means Network Discharge Consent.
[3] From 1 July 2025, this measure has been supplemented by Charter measures that are essentially identical (i.e. Measure 1 is essentially identical to Measure 17; 5 is identical to 25; and Measure 2 is essentially identical to Measure 19)
[4] Watercare triages sewage overflows into two types: P1 faults (median target for attendance is 60 minutes) and P2 faults (median target for attendance is 4 hours).

Priority 2: Renewing, building and maintaining infrastructure

Renewing and building the necessary water and wastewater infrastructure to cater for growth, improve resilience and maintain service levels for our customers.

As part of our infrastructure investment programme, we progressed the following project milestones during the quarter:

Wastewater renewals underway at Waterview.

- Rosedale Wastewater Treatment Plant upgrade: Entered into a contract with Norwegian company Cambi to supply two thermal hydrolysis process systems, helping increase wastewater treatment capacity, reduce sludge volumes and support future beneficial reuse of biosolids produced at Rosedale.
- Onehunga watermain renewals: Began work to replace one of Auckland's oldest cast iron watermains, installed between 1910 and 1935, as the first stage of a long-term programme to renew all cast iron watermains in the Onehunga supply zone over the next 15 years.
- Archboyd wastewater upgrades: Connected a new wastewater main into the Eastern Interceptor as part of the $64m programme to support housing growth, reduce overflows and improve environmental outcomes for local waterways.
- Auckland wastewater pipe renewals: Progressed the three-year programme to reline ageing wastewater pipes across Auckland, with works underway in Ōrākei, Waterview and Castor Bay and expected to be complete by August 2026.
- Herne Bay Collector: Signed a contract with Italian tunnelling specialists Ghella to deliver the 1.7-kilometre wastewater tunnel, which will connect into the Central Interceptor and reduce wet-weather overflows into the Waitematā Harbour.
- Clarks Beach Wastewater Treatment Plant upgrade: Completed a key biological commissioning milestone by transferring activated sludge from Māngere Wastewater Treatment Plant to seed the new plant, supporting the $500m Southwest Wastewater Scheme.
- Mt Roskill: Completed a major new connection into the Mt Albert reservoir, improving water security and network resilience for Mt Albert, Ōwairaka and Wesley and supporting growth across Auckland's inner west.
- Central Interceptor: Removed the bulkhead separating the southern and northern halves of the tunnel, reconnecting the full tunnel ahead of its official opening in July.
- Pukekohe wastewater upgrades: Began installing the first section of a new wastewater pipeline to reduce overflows and create capacity for around 12,900 homes, alongside the Jutland Road wastewater diversion project.
- Flood recovery programme: Completed the $75m Auckland-wide flood recovery programme, delivering 222 major infrastructure repairs and permanently reconnecting more than 5,000 households to the wastewater network.

Private Plan Changes and Fast Track Act applications

Watercare is working with Auckland Council and various applicants on around 51 private plan changes and 25 Fast-track applications. Fast Tracks and Private Plan Changes that are either outside of Watercare's servicing area or out of sequence with Council's Future Development Strategy continue to challenge our ability to respond to growth while maintaining service to existing customers.

Several of the most recent applications lodged are proposing private water and/or wastewater servicing as the only solution or an alternative option to public servicing. Private water and wastewater schemes are regulated by Taumata Arowai and Auckland Council. The extent to which these proposals affect Watercare depends on their location and longevity; private servicing within future urban zones or in rural zones adjacent to the urban area may affect Watercare's ability to fund and service other parts of the same area (delaying or modifying design requirements for large infrastructure), and there can be complications if privately delivered infrastructure is intended to be vested in the future, with the handover of older assets (potentially not built to Watercare standards), carrying a risk for Watercare.

Targets not met are:

- For the FY26 financial year capital expenditure was $90m below the full year target of $1,050m. The Queen Street Wastewater Network has experienced an underspend after descoping and delays related to traffic management. The Smart Metering programme of works was delayed due to delays in ordering and delivery time of the meters. Renewals, particularly local water networks, had a slow start as we retendered for proposals, with spend ramping up in Q4. The Herne Bay Branch upgrade, supporting the Wastewater Quality Improvement Programme, was delayed in moving to construction, with the contract award not signed until May 2026. The Whenuapai & Redhill Wastewater Scheme (package 1) has been deferred, with consenting delays affecting other packages. This lower spend was partly offset by other projects running ahead of plan, including projects for Māngere WWTP and the Southwest Wastewater Scheme.

Number	Source	Performance measure	Target	Result (green = met red= not met)
28	SOI	Capital expenditure (target is annual with year-to-date quarterly performance updates)	Year to date target for 30 June 2026 $1,050m	Year to date actuals for 30 June 2026 $959.5m

Priority 3: Efficient service and infrastructure delivery

Delivering our services and infrastructure projects efficiently, keeping a strong focus on operating costs, so we can minimise water charges.

Watercare has now published its Operating Cost Efficiency Improvement Plan and is embedding this into the ways of working across the business. We achieved our anticipated FY26 efficiency target and will report further on this in September as per our Charter reporting requirements.

Watercare's 2025–2028 Infrastructure Delivery and Asset Management Improvement Plan is underway. Our progress has been externally re-assessed, and we demonstrated improvement across all areas and a lift in overall maturity. The Annual report on improvement plan implementation progress has been drafted and will be published next quarter. We have several initiatives in flight and aim to further improve how we consistently demonstrate whole-of-life considerations integration and monitor our performance through better data visibility. We will now focus on embedding change to ensure repeatability of our performance, better transparency and continuous improvement.

Capital expenditure

The capital expenses section covers all capital costs incurred in the quarter and YTD. It has been split by programme and sorted by water, wastewater, and programmes that support both water and wastewater.

Commentary for capital expenditure is provided compared to the Operating and Capital Expenditure Plan (Plan) that Watercare prepared under Clause 26 of the Charter. We comment on variances by exception, being a variance to plan of more than $5m and 5%.

Capital Expenditure Summary provides total figures for all programmes, and programmes are the sum of all projects, so this table shows the performance of the whole delivery programme/portfolio for the reporting periods.

CAPITAL EXPENDITURE SUMMARY

Programme	Allocation			FY26 Q4 (Quarter ended Jun 26) ($000's)			YTD ($000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
Supporting Water and Wastewater				**23,649**	**32,710**	**(9,061)**	**103,558**	**121,153**	**(17,595)**
Business Assets	25%	16%	59%	9,135	14,384	(5,249)	33,776	47,448	(13,672)
Digital Assets	6%	42%	52%	3,437	4,218	(781)	14,687	18,764	(4,077)
Projects supporting Kainga Ora	60%	17%	23%	11,077	14,108	(3,031)	55,095	54,941	154

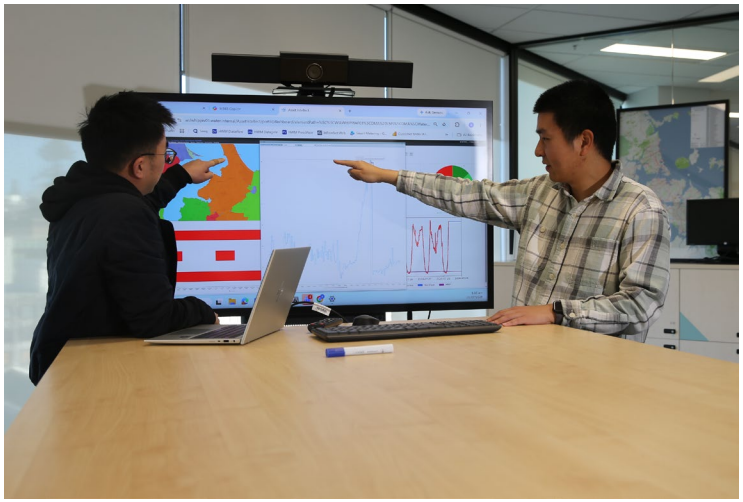
Programme	Allocation			FY26 Q4 (Quarter ended Jun 26) ($000's)			YTD ($000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
WATER				**84,259**	**82,409**	**1,850**	**249,242**	**276,297**	**(27,055)**
Ardmore Water Treatment Plant	0%	22%	78%	13,128	4,349	8,779	15,722	14,231	1,491
Huia Water Supply	43%	16%	41%	5,987	5,876	111	22,669	25,312	(2,643)
North Harbour 2 Watermain	100%	0%	0%	6,392	11,758	(5,366)	17,268	24,411	(7,143)
Waikato Water Supply	79%	4%	17%	5,199	5,594	(395)	15,543	18,657	(3,114)
Water Collection & Treatment Assets	37%	31%	32%	8,563	6,028	2,535	27,179	23,729	3,450
Water Network Assets	31%	5%	64%	44,990	48,804	(3,814)	150,861	169,957	(19,096)
WASTEWATER				**179,338**	**137,966**	**41,372**	**606,748**	**652,550**	**(45,802)**
Central Interceptor	48%	41%	11%	19,318	5,657	13,661	116,604	119,477	(2,873)
Hingaia / Southern Auckland WW Servicing Scheme	100%	0%	0%	3,785	1,710	2,075	6,287	6,197	90
Māngere Wastewater Treatment Plant	12%	15%	73%	23,090	19,576	3,514	80,683	70,730	9,953
North East Wastewater Programme	80%	9%	11%	7,291	4,192	3,099	38,125	34,649	3,476
Otara Wastewater Network	73%	7%	20%	785	8,233	(7,448)	1,930	13,989	(12,059)
Pukekohe Wastewater Scheme	92%	1%	7%	9,525	10,737	(1,212)	15,246	23,840	(8,594)
Queen Street Wastewater Network	0%	0%	100%	5,161	7,919	(2,758)	28,971	54,105	(25,134)
Rosedale Wastewater Treatment Plant	31%	10%	59%	21,233	11,689	9,544	45,988	43,734	2,254
Southwest Wastewater Scheme	77%	17%	6%	19,084	2,463	16,621	58,337	34,713	23,624
Waitematā Water Quality Improvement	50%	50%	0%	19,868	19,413	455	44,962	55,311	(10,349)

Programme	Allocation			FY26 Q4 (Quarter ended Jun 26) ($000's)			YTD ($000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
Wastewater Network Assets	32%	12%	56%	42,090	26,918	15,172	131,690	138,106	(6,416)
Wastewater Treatment Plant Assets	51%	17%	32%	6,390	4,653	1,737	31,768	28,264	3,504
Whenuapai & Redhills Wastewater Scheme	100%	0%	0%	1,718	14,806	(13,088)	6,157	29,435	(23,278)
TOTAL				**287,246**	**253,085**	**34,161**	**959,548**	**1,050,000**	**(90,452)**

*Capital spend variances – underspend (shown as negative in table above) or overspend (shown as positive) – are not inherently good or bad. The key is understanding the reason behind the variance and its impact on outcomes:

- **Timing differences** often drive variances. An underspend may reflect delays due to consents or procurement, while an overspend may indicate accelerated delivery. Either can be positive or negative depending on whether the timing aligns with when the outcomes are needed.
- **Underspends** may represent genuine savings or deferred delivery.
- **Overspends** may reflect scope expansion or faster delivery, potentially bringing benefits to Aucklanders sooner.

Ultimately, our goal is to deliver outcomes **on time**, **cost-effectively**, and **efficiently,** to ensure value for our communities.



Smart leak detection systems are helping us find and fix leaks quicker.

Commentary

Cost

Watercare's capital expenditure for Q4 was $287m, which is $34m (13%) above the planned budget of $253m. Full Financial Year 2026, Watercare's capital expenditure is $90m (9%) below the planned budget.

The key drivers of this YTD underspend are outlined below.

Business Assets: expenditure is lower than planned due to delay in mobilisation of the commercial water meter programme that will be renewing analogue meters with smart meters to provide improved water usage and billing information. The delay related to selection of a new smart meter partner.

North Harbour Watermain: One month delay in mobilising potholing contractor pushing cost out one month. Mitigations are in place to make sure this will not impact delivery of this phase.

Water Network Assets: Full year expenditure was lower than planned due to delays in renewal programmes, due to scoping and change in procurement approach to release more work to the market (particularly across local water networks), delays in property purchases, and the timing of contributions to developer-constructed assets.

Otara Wastewater Network: The underspend reflects delays in finalising the design, procurement and commencement of construction of the Otara catchment wastewater capacity upgrade project. The construction contract has now been signed and construction works has commenced. Project completion is now expected to be November 2028 compared to the original completion of August 2028.

Pukekohe Wastewater Scheme: Longer than anticipated procurement process and finalising of contract on the Pukekohe trunk sewer / Isabella pumpstation project was the major driver of underspend for the year. The Contract has now been let and work is progressing well. The programme is still tracking within baseline schedule and budget.

Queen Street Wastewater Network: The underspend is primarily due to the removal of the Orākei Main Sewer relining from the project scope, the non-materialisation of risks previously allowed for in relation to relining and tunnelling, and delays arising from updated traffic management requirements.

Waitematā Water Quality Improvement (WWQIP): The underspend reflects a delay in contracting for the Herne Bay Branch 5 upgrade. The contract has subsequently been signed in Q4.

Wastewater Network Assets: The underspend within the Wastewater Network Assets programme is mainly driven by a delay in the construction start of the Waiwera Servicing Project as well as not experiencing some of the project risks that were provided for. Good progress was made on renewals in Q4 catching up on some of the underspend earlier in the financial year.

Whenuapai & Redhills Wastewater Scheme: Delays in getting package 1 & 2 ready to go to market.

Underspends above have been partially offset by the following:

Southwest Wastewater Treatment Plant: Expenditure was ahead of plan as risks that could have delayed the project did not eventuate.

Huia Water Supply: Unbudgeted land purchase to support the completion of Huia 1 Watermain.

Māngere Wastewater Treatment Plant: Renewals and safety projects at the plant to support safe and efficient operation, drove additional cost.

Delivery

We progressed multiple critical upgrades across the region to improve network reliability, reduce overflows, and support future growth.

See section “Priority 2: Renewing, building and maintaining infrastructure” above for some key works delivered.

Opportunities

There have been no new significant opportunities, cost savings, or accelerations identified during the quarter.

Programmes/projects completed during the quarter

The $75m Auckland-wide flood recovery programme, delivering 222 major infrastructure repairs and permanently reconnecting more than 5,000 households to the wastewater network was completed in the quarter. Multiple small renewal projects were completed reducing our risk of failure of assets and improving our service and resilience.

Programmes/projects started during the quarter

During Q4, a range of initiatives progressed into feasibility, design, design and build, or construction phases. The key projects and the benefits they are expected to deliver are outlined below.

Feasibility

Projects that commenced feasibility activities during Q4 focus on identifying preferred solutions, reducing operational and compliance risks, improving asset resilience, and informing future investment decisions. These initiatives will strengthen long-term planning certainty, support growth, enhance service reliability, and ensure Watercare can continue to meet regulatory and customer requirements:

- **Patumahoe Reservoirs and PS Upgrades –** Provide upgrades to the Patumahoe Reservoir and Pump Station to support growth in the region and surrounding areas including Kingseat, Clarks Beach, Waiau Beach and Glenbrook Beach.
- **Waikato A WTP –** Supports growth by increasing the level of production within the Auckland Metropolitan Water Supply System (metropolitan supply), improve resilience (in particular against droughts) and offset pressure on Watercare's dam fed supplies.

- **Rosedale WWTP Major Upgrade Phase B –** Increases treatment capacity at Rosedale supporting growth in both the North and the South, through the planned redirection of wastewater catchments from Māngere to Rosedale, supports better environmental outcomes and compliance.
- **Driving Value Solar Programme –** Reduces operational energy costs across major treatment plant sites and contributes to wider benefits including reduced scope 2 greenhouse gas emissions and increased operational resilience.
- **Māngere WWTP and Rosedale WWTP Consent Renewal –** Renewal of discharge consents for Māngere and Rosedale enabling statutory compliance while supporting future growth, protecting environmental outcomes, and strengthening long-term resilience and upgrade planning.
- **Ardmore OSHG Upgrade –** Supports health and safety risk reduction through the removal or significant reduction of chlorine gas storage and handling at Ardmore WTP and delivers sustainable OPEX savings through the removal of Major Hazard Facility (MHF) compliance activities, reduced maintenance requirements, and lower chemical operating costs.

Additionally, whilst not included in the list above, several projects commenced which contribute to improving treatment and network resilience, maintaining regulatory compliance and protecting public and environmental health through targeted renewals, upgrades, and future planning activities. These initiatives support reliable and safe water and wastewater services by strengthening critical infrastructure, securing key consents, and addressing network risks.

Design

No projects entered design phase during this quarter.

- **Design and Build**

The following projects progressed into combined design and build phases, enabling delivery of benefits such as improved resilience, operational efficiency, environmental performance, and continuity of supply:

- **FY27 Local Network Watermain Renewals –** Aims to proactively renew high-risk local watermains identified through the Buried Asset Risk Model. Includes design and construction, using a mix of drill and open-cut methods.

Additionally, whilst not included in the list above, several projects commenced which contribute to improving treatment and network resilience, maintaining regulatory compliance and protecting public and environmental health through targeted renewals, upgrades, and future planning activities. These initiatives support reliable and safe water and wastewater services by strengthening critical infrastructure, securing key consents, and addressing network risks.

Construction

Projects that commenced construction activities during Q4 will deliver near-term benefits, including increased network capacity, reduced operational and environmental risk, improved resilience to extreme weather events, and enhanced reliability of water and wastewater services:

- Māngere WWTP Inlet Works Upgrade – Aims to upgrade the screens handling system within the inlet screen building to address critical capacity and resilience constraints and to support increased inflows associated with Central Interceptor (CI) Stage 2 commissioning.
- Waiuku Reservoir Upgrades – This project aims to address water supply constraints within the Waiuku area by developing an additional 1.4 ML treated-water reservoir at the Waiuku Road WTP to provide increased capacity.

Additionally, whilst not included in the list above, several projects commenced which contribute to improving treatment and network resilience, maintaining regulatory compliance and protecting public and environmental health through targeted renewals, upgrades, and future planning activities. These initiatives support reliable and safe water and wastewater services by strengthening critical infrastructure, securing key consents, and addressing network risks.

Programmes/projects added during the quarter

Some projects were added to the programme during Q4. Whilst these are low-cost examples (<$2m), they contribute to operational efficiency of solids handing / sludge processing and building resilience and maintaining affordable services for customers.

Land Acquisition projects progressed during Q4

Several existing and future projects require the acquisition of land to provide sufficient area for the construction of assets, accommodate future expansion or development, enable operation and maintenance of the built asset in the future.

During Q4, two land acquisitions were initiated that aim to contribute towards improved outcomes for Aucklanders.

- Silverdale West WW Pump Station
- 440A Urquhart Rd Land acquisition

Significant changes to deliverability risk

In the Operating and Capital Expenditure Plan, Watercare identified several specific project risks related to deliverability. There have been no significant changes to these in Q4. There have also been no additional new significant opportunities or risks identified.

Operating expenditure

The operating expenditure report covers all operating costs incurred in the general operation of our business excluding non-trading expenses, depreciation, financing and tax.

Commentary has been provided against the internal Board-approved budget. Commentary is by exception, with full year materiality set at a variance of more than $2.5m and 5%.

Operating Expenses	FY26 Full Year			
($000's)	Actual	Forecast	Budget*	Variance
DIRECT COSTS	**230,617**	**229,106**	**230,124**	**(493)**
WATER	**101,222**	**101,074**	**104,824**	**3,602**
Net Labour	12,436	12,383	12,404	(32)
Planned Maintenance	9,357	10,321	10,396	1,039
Unplanned Maintenance	38,322	34,948	31,801	(6,521)
Energy	11,393	11,920	16,506	5,113
Chemicals	9,380	11,325	14,152	4,772
Sludge Disposal	1,194	1,369	1,564	370
Other Operating Costs **	19,140	18,808	18,001	(1,139)

Operating Expenses	FY26 Full Year			
($000's)	Actual	Forecast	Budget*	Variance
WASTEWATER	**129,395**	**128,032**	**125,300**	**(4,095)**
Net Labour	13,245	13,251	13,265	20
Planned Maintenance	20,584	21,637	21,005	421
Unplanned Maintenance	34,722	31,643	29,673	(5,049)
Energy	31,185	30,147	28,709	(2,476)
Chemicals	7,506	7,646	8,005	499
Sludge Disposal	7,599	8,225	8,370	771
Other Operating Costs **	14,554	15,483	16,273	1,719
INDIRECT COSTS	**175,799**	**178,893**	**165,307**	**(10,492)**
Asset Planning & Delivery	31,273	31,399	25,297	(5,976)
Digital Costs	55,678	57,813	60,506	4,828
Operations Oversight & Management	24,650	27,095	23,915	(735)
Insurance	8,144	8,238	7,414	(730)
Consent Related Costs	4,888	5,226	5,307	419
Business Support Services	51,166	49,122	42,868	(8,298)
TOTAL OPERATING COSTS	**406,416**	**407,999**	**395,431***	**(10,985)**

*Budgeted total operating costs reflect Watercare's internal Board-approved budget which treats the Waikato District Council contract as an agency arrangement, with receipts and payment offset to reflect the net position which is currently a net revenue position. For Auckland Council reporting this contract is reflected in revenue and expenses.
** Other Operating Costs include laboratory testing, dam safety, land maintenance, compliance costs and plant operating expenses.

Total operating expenditure

Total operating expenditure for the year ended 30 June 2026 was $406.4m, which was $11.0m (2.7%) above budget, $1.6m favourable to the full year forecast established in January 2026.

The unfavourable variance to budget was primarily driven by higher unplanned maintenance expenditure following a number of high value faults during the year, financial support payments, and costs associated with responding to regulatory requirements and progressing financial independence initiatives. The result was also impacted by an increase in planning expenditure in June as we prepare for the increased capital programme, together with the change in accounting treatment for third-party connection costs previously reported in our Q2 and Q3 reports.

These cost pressures were partially offset by lower energy and chemical costs, reflecting high dam levels throughout the year, which reduced reliance on the more costly Waikato River water source. Operating expenditure also benefited from the deferral of certain planned maintenance activities due to wet weather conditions, with this work now scheduled for completion in July and August. In addition, the ongoing reprioritisation of initiatives and delays to some digital projects resulted in lower digital expenditure for the year.

Crews gather for dawn blessing for Herne Bay Collector project.

Direct costs

Water costs: Water expenditure for the full year was $101.2m, $3.6m favourable to budget, $0.1m unfavourable to full year forecast.

The full year result was impacted by lower planned maintenance costs, chemical costs, and energy rates effective from February 2026. Unplanned maintenance was higher than anticipated for the year due to transmission watermain faults on Lake Rd and State Highway 16, Howick Main flushing and Bush Rd Reservoir repairs. Network faults, particularly in the northern and southern regions were also higher than anticipated for the year. Our water pipeline renewals programme to minimise pipe breaks continues to grow with more than $48m spent this year.

Wastewater costs: Expenditure for the year was $129.4m, $4.1m unfavourable to budget, $1.4m unfavourable to full year forecast.

The full-year result was primarily driven by higher unplanned maintenance activity and increased energy costs associated with additional pumping requirements during the wet weather conditions experienced throughout the year. Unplanned maintenance expenditure was impacted by several high-value asset faults, including damage caused by third parties (the costs of which have been recovered from those responsible) and a repeat fault on the Sylvia Park Rising Main, which is scheduled for renewal later in the calendar year. In addition, several significant tomos across the network, including those at Orewa East and Wellesley Street, contributed to higher unplanned maintenance costs.

Indirect costs: Full year expenditure was $175.8m, $10.5m unfavourable to budget, $3.1m favourable to full year forecast.

Asset Planning and Delivery – Full year costs were $6m unfavourable to budget, $0.1m favourable to forecast, reflecting a change in accounting treatment relating to the recognition of third-party connection costs identified as part of our January forecast review, as well as the reclassification of expenditure from capital to operating expenditure following the year end work in progress project review conducted in June.

Digital – Full year costs were $4.8m favourable to budget, $2.1m favourable to forecast due to lower spend on Software as a Service (SaaS) projects and efficiency savings including rationalisation of software licencing costs. Many of the SaaS projects has been re-phased and are now expected to continue through into the 2027 financial year.

Operations Oversight & Management – Full year expenditure was $0.7m unfavourable to budget, $2.4m favourable to forecast, reflecting higher wastewater tankering volumes (recoverable from certain developers in accordance with commercial agreements), partially offset by higher capital labour recoveries.

Business Support Services – Costs were $8.2m unfavourable to budget and $2m unfavourable to forecast. The result is due to financial support payments made, higher than budgeted professional services and legal fees associated with regulation compliance activities and Watercare Charter improvement plans, financial independence and bond issuance costs, and lower than anticipated labour capital recoveries. Additional costs were also incurred associated with payroll system enhancements to ensure compliance going forward, and additional doubtful debt provisions were taken on specific aged accounts.

Operating expenditure project commentary

Key projects undertaken in the quarter.

- Phase two of the **Human Resources Information System (HRIS)** project (**Workday**) work has continued with the Help module going live in Q4 and the learning management module due to go live in July 2026.

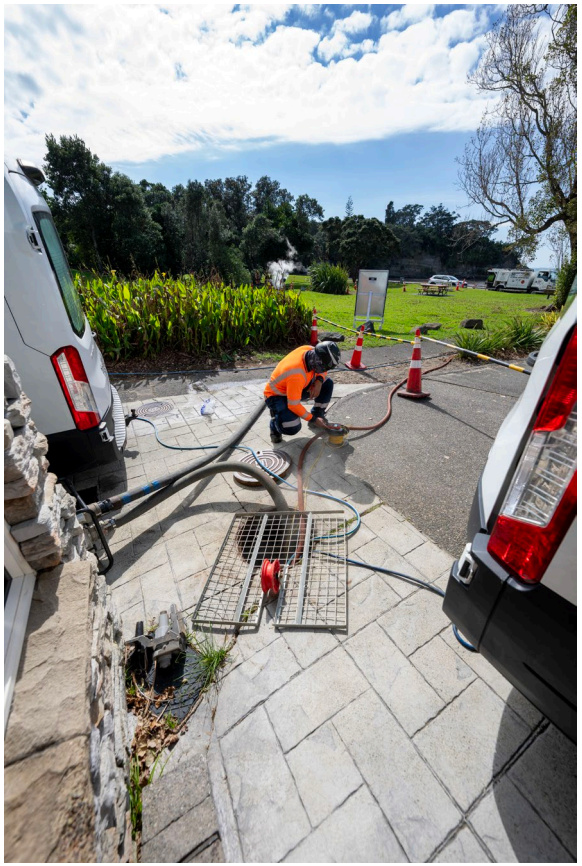
- The **Network Improvement Efficiency** including pressure management and targeted pipeline renewals, continues to deliver positive outcomes. To date, pressure management initiatives have contributed to approximately $0.2 million in avoided costs associated with unplanned watermain breaks. Work is also underway to establish a robust benefits realisation methodology to quantify and track the long-term value generated through our renewal programmes. Our focus is on poor condition water and wastewater network assets, which are being prioritised for delivery under our renewal programme for FY26 and FY27. The relining and replacement of sewer pipelines will, in time, help reduce the level of groundwater entering our sewers and associated treatment and unplanned overflow costs. The replacement of water pipelines and pressure management will help reduce the number of breaks and associated unplanned maintenance costs and outages that impact our customers.

- The **Donesafe** initiative is now well underway and while all functionality was initially expected to go live in July 2026, a more staged approach has now been agreed whereby risk management and health and safety modules will still go live in July and August, and the remaining modules (Audits and Inspections, Contractor Management and Control of Works) will be implemented over the remainder of the calendar year and into early 2027. The project will deliver a Health, Safety & Wellbeing (HSW) platform designed to streamline health and safety processes by digitising incident reporting, risk assessment, and compliance workflows which is expected to improve visibility, accountability and reporting across Watercare. It is a SaaS project with the majority of costs recognised in the profit and loss.

- Our **Smart Sewer** project rollout continues with 4,500 sensors now installed across our network and feeding data into our AI platform, which is developing a machine learning model. The remaining 500 sensors are expected to be installed in the coming months. The data generated by the sensors is expected to drive savings in unplanned overflow maintenance and planned sewer flushing and the prioritisation for rehabilitation and inflow infiltration projects.

- The **Geographical Information System (GIS)** re-platform project will replace Watercare's legacy GIS platform with a modern SaaS-based solution. The project is intended to improve asset visibility and better support planning, design and operational workflows. It is being delivered collaboratively with the Auckland Council Group. Development and test environments have been established, and Watercare is continuing to refine the solution to ensure it supports future capability requirements. In Q3 the programme was re-planned and the new platform is now expected to be implemented by May 2027.

- Watercare has continued to strengthen its risk management capability through enhanced governance, improved asset and risk data, and more sophisticated loss modelling. This has provided a clearer understanding of the organisation's risk profile and financial exposures, supporting the successful delivery of its **insurance strategy**, optimised insurance purchasing, and informed consideration of long-term risk financing options



Wastewater renewals underway at Castor Bay.

Priority 4: Strengthening relationships

Strengthening our relationships with customers, developers, community stakeholders, elected members, and Māori.

Watercare launched the 'In Development' e-newsletter with advice and information for developers with the first issue distributed to around 7,000 developer customers and stakeholders. Updated network capacity maps reflecting new capacity in available in areas where capacity was limited in the past, and areas being monitored to support growth and reliable services long term, reached a combined audience of around 890,000.

Watercare's Growth Servicing Policy was launched to provide greater transparency and clarity about where and how growth is serviced and has been promoted at multiple industry events including a UDINZ conference in June.

Stakeholder engagement over the quarter continued to build understanding and support for Watercare's infrastructure planning and delivery. The public campaign "Everyone's Business" was launched during the period to promote the biosolids programme through a video series, which has become one of Watercare's top-performing social media campaigns. The 10-part video series will continue to roll out over the coming months, helping build public understanding and awareness of Auckland's biosolids challenge and to learn more about the two proposed biosolids solution options.

Other work included delivering engagement hui with mana whenua, attending community events, incorporating biosolids messaging into the travelling Wonder Wai mobile education unit that travels all across Auckland, and launching the Biosolids Hub on the Watercare website to provide communities with accessible information about biosolids. Collectively, these activities have increased public awareness of the biosolids challenge, strengthened stakeholder relationships, and supports informed discussions about Auckland's biosolids future.

Ongoing public education for Auckland's biosolids challenge.

A dedicated on-site community resource has also been appointed to support the needs of the Warkworth community through the construction impacts of the Wastewater Growth Servicing Project. This work will directly address issues arising from wet weather overflows in this area.

Elected member engagement during Q4 focused on supporting Watercare's proposed 10-Year Capital Plan update and maintaining stakeholder confidence during emerging operational and infrastructure issues. Significant effort was directed towards a coordinated programme of briefings for Auckland Council elected members, local boards, government stakeholders and industry partners ahead of the FLOW 2026 event and the public release of Watercare's proposed long-term investment programme. Engagement activities supported Watercare's "no surprises" approach, helping stakeholders understand investment priorities, programme phasing, growth pressures, network resilience requirements and the trade-offs associated with delivering a record infrastructure programme.

Alongside strategic engagement, proactive communications were undertaken on a number of emerging operational matters, including the wastewater infrastructure failure at Hackett Street in St Mary's Bay and other issues of interest to elected representatives and local communities. Targeted briefings and updates were provided to local boards, ward councillors and Auckland Council officials to ensure stakeholders remained informed of risks, proposed mitigations and delivery timeframes.

Under the Local Government (Water Services) Act 2025, Watercare is required to develop a Significance and Engagement Policy within 12 months of establishment. The Significance and Engagement Policy was completed, with public engagement undertaken, and then endorsed by Auckland Council's Budget and Performance Committee.

Planning also commenced for engagement activities associated with the new accountability framework, including Watercare's future Statement of Expectation process, Auckland Council's Long-Term Plan, and the Water Services Strategy. Over the coming quarter, Watercare will progress the implementation of the policy and supporting Engagement Framework.

Targets not met are:

- Community trust score: Trust was impacted during Q4 by the Hillsborough boil-water notice, which reduced confidence in safe drinking water and contributed to trust softening to 53% in April and remaining below average in May. Despite this, the 12-month rolling average remained stable at 53%, and trust recovered to 55% in June, meeting target. The FY26 annual trust result of 54% was two percentage points higher than FY25, reflecting improving perceptions that Watercare is safeguarding water for future generations through continued infrastructure investment.

Number	Source	Performance measure focus	Target	Results (green = met; red= not met)
29	SOI	Community Trust Score (rolling 12-month average)	≥55%	54%
30	SOI	Customer Net Satisfaction Score (rolling 12-month average)	≥45	55
31	SOI/DIA	Residential per capita per consumption (PCC): The average consumption of drinking water per day per resident within the territorial authority district (*litres plus~~/minus~~ 2.5%) (12-month rolling average). [1]	165* (+2.5%)	162.5
32	SOI	Percentage of customer complaints resolved within ten days of notification (rolling 12 month average)	≥95%	98.6%

Priority 5: Improving organisational performance

Improving our organisational performance in relation to our strategic outcomes, including: Climate Change (including drought resilience and supply); the health, safety and wellness of our kaimahi; and Māori Outcomes.

Watercare leaders sustained a strong focus on purposeful safety leadership engagement throughout Q4, with leadership walks totalling 3,129 for the reporting year. This represents a substantial increase in leadership engagement, with an emphasis on visible leadership and effective safety conversations. Kaimahi engagement remain core components of Watercare's health, safety and wellbeing (HSW) management system, with health & safety representative committee meetings held at regular monthly cadence, including regular senior leadership and executive safety committees providing a clear conduit for improvement opportunities and risks to be escalated and addressed. Watercare's critical risk management framework was advanced substantially during Q4, with the performance standards for 14 defined critical risks successfully developed. Systems improvement continued through Q4, with the new digital system configuration and testing taking place, ahead of go-live deployments planned for the latter months of the year. Overall, a strong focus on leadership, engagement, critical risk management, and systems improvement has defined and enabled continual improvement and positive performance for health, safety and wellbeing at Watercare during Q4.

Annual GHG emissions for FY26 exceeded target levels by approximately 18% and were 20% higher than FY25. This was primarily driven by increased wastewater treatment plant influent flows resulting from severe weather events and the commissioning of the Central Interceptor, which has enabled the capture and treatment of additional wet weather flows. While biosolids volumes sent to Puketutu Island decreased compared with FY25, wastewater treatment remains the largest contributor to Watercare's emissions profile.

Targets not met are:

- While we did not meet our 5% target, total Māori owned supplier spend for FY26 was $40.92m compared to $38.55m in FY25, and $30.63m in FY24. This is a 6.15% increase on FY25 and a 33.59% increase on FY24. The capacity of Māori suppliers, the size and complexity of work required, and the nature of large infrastructure projects are an ongoing constraint to achieving our target. Our procurement function continues to work with our Te Rua Whetū team, internal stakeholders, and supplier partners to encourage spend with Māori owned suppliers where possible and appropriate to meet business needs.
- Annual GHG Emissions for FY26 exceeded target(s) by approximately 18% (an increase of 20% on FY25). This is primarily due to increased WWTP influent flows from severe weather events and commissioning of the Central Interceptor (capturing more wet weather flows) - however, biosolids volumes to Puketutu Island decreased compared to FY25. We continue to purchase over 90% of our electricity through Ecotricity.

Number	Source	Performance measure focus	Target	Results (green = met; red= not met)
33	SOI	Ratio of procurement sourced through Māori owned businesses (rolling 12 month)	5%	3.5%
34	SOI	We will implement mitigation measures in line with our emissions reduction targets (scope 1 and 2) Note: these targets now include emissions from Puketutu Island and also align with our current Asset Management Plan. Previously set target for FY25, excluding Puketutu is <89,200 tonnes CO2e (cumulative 12 month)	<108,000 tonnes CO2e (including emissions from Te Motu a Hiaroa (Puketutu Island) <85,000 tonnes CO2e (excluding emissions from Puketutu Island)	127,460 tCO2e (including emissions from Te Motu a Hiaroa (Puketutu Island)) 102,916 tCOE2 (excluding emissions from Puketutu Island)

Priority 6: Embedding a sustainable financial model

Embedding a long term and sustainable financial strategy/model for Watercare, based on operating efficiently, investing appropriately in assets, ensuring affordability of services and that growth-related investments are appropriately recovered from our customers.

FY26 was a milestone year for Watercare's treasury function, with the successful establishment of the Domestic, Australian and European bond programmes and inaugural bond issuances in New Zealand, Australia and Switzerland. These initiatives diversified funding sources, broadened the investor base, and extended the organisation's debt maturity profile.

Investor engagement remained a key focus, with roadshows undertaken across Asia, Australia, and Europe, strengthening Watercare's reputation as a credible and sustainable issuer in international capital markets. The New Zealand Commercial Paper Programme also became an established component of liquidity management, supporting short-term funding flexibility and cashflow management.

These achievements were underpinned by a strong governance framework, including active oversight from the Treasury Management Committee and robust treasury policies, supporting disciplined risk management and long-term funding resilience.

Watercare also continued to engage in the development of the economic regulatory framework, lodging a submission on the Commerce Commission's Approach Paper and advocating for a fit-for-purpose price-quality path beyond 2028. Securing an enduring framework that supports efficient investment and sustainable access to funding remains critical to delivering growth, renewals, and service outcomes for Auckland.

Number	Source	Performance measure focus	Target	Results (green = met; red= not met)
35	SOI	Percentage of household expenditure on water supply services relative to household income	<1.5%	0.94%
36	Clause 14	Maximum Allowable Revenue from prices for providing water supply and wastewater supply services[1]	$845.1m	$817.1m
37	Clause 17	Minimum allowable average increase in average infrastructure growth charges[1]	15.5%	15.5%
38	Clause 30	Credit rating	Maintain	Maintained

1 These measures are reported on an annual basis only

Left: An example of thermal hydrolysis process systems. Photo credit: Cambi

Right: Desludging at Waiwera Wastewater Treatment Plant

Changes to methodology or assumptions used to measure our performance targets and measures as required by Clause 28(2)(e)

New measures
Capital expenditure **Description:** This measure compares Watercare's actual capital expenditure with budgeted capital expenditure. Additional detail is provided in the Operating and Capital Expenditure Quarterly Report, as required under clause 27 of the Watercare Charter. **Methodology**: Capital expenditure is reported in accordance with Watercare's accounting policies. It includes additions to property, plant and equipment and intangible assets, measured before impairment. Year-to-date actual capital expenditure is compared against the budgeted capital expenditure for the same period. **Key assumptions** Values reflect accrual accounting, not cashflow.
Residential per capita consumption **Description:** Residential PCC measures the average daily water consumption attributable to residential customers, expressed in litres per person per day. **Methodology:** Residential PCC is calculated by starting with total production used to calculate the Gross PCC measure, less real water losses and commercial customer consumption. **Key assumptions** Water losses: Estimated by deducting the real water loss percentage from total production. The water loss percentage is based on data with a four-month reporting lag to account for meter reading. Commercial consumption: Is obtained from meter reading data that is not classified as residential. Population: Population estimates are consistent with those used in the Gross PCC methodology.
Maximum Allowable Revenue from prices for providing water supply and wastewater supply services **Description:** Watercare must not earn more from water supply and wastewater services in any year of the Watercare Charter than the specified revenue caps. The revenue caps are supplemented by a wash-up mechanism that adjusts for differences between forecast and actual water usage and other billed quantities. **Methodology:** The Price Quality Forecast FY26 report outlines Watercare's forecast revenues for Maximum Allowable Revenue (MAR) in accordance with the Charter requirements. **Key assumptions -** We will report our performance against these annual targets, ensuring that forecast revenue from prices does not exceed the MAR for each financial year as set out in Clause 14 of the Charter.
Minimum allowable average increase in average infrastructure growth charges

Description - Watercare must apply the minimum allowable average increase to infrastructure growth charges (IGCs) each year. Watercare has submitted its Report on Price-Quality, including detailed calculations of the FY2026 infrastructure growth charge increase, to the Crown Monitor in accordance with section 22 of the Watercare Charter.

Methodology: The Price Quality Forecast FY26 report outlines Watercare's forecast revenues for Infrastructure Growth Charges (IGCs), in accordance with the Charter requirements. We will report our performance against these annual targets, ensuring that forecast revenue from prices does not exceed the MAR for each financial year, and that the average increase in IGCs meets or exceeds the minimum allowable rate specified for each year, as set out in Clause 14 and Clause 17 of the Charter.

Key assumptions - We will report our performance against these annual targets, ensuring that forecast revenue from the average increase in IGCs meets or exceeds the minimum allowable rate specified for each year, as set out in Clause 17 of the Charter.

Revised methodologies

Gross Per Capita Consumption

Watercare has updated the methodology for calculating Gross Per Capita Consumption (PCC).

Change introduced

An allowance for transmission losses, estimated at 2% of all water distributed from plants, has been incorporated.

Calculation basis

PCC continues to be calculated at the bulk supply point (the point where water enters the local network). This means the estimated 2% transmission loss has already occurred before the base calculation point. Therefore, the calculation of transmission losses is (total water measured at bulk supply points less water exported to Waikato District Council) / 98% * 2%.

Targets

Performance targets for PCC have been reset in agreement with Auckland Council to reflect the revised methodology. The revised targets confirm Watercare's commitment to meeting the Auckland Water Strategy 2050 Gross PCC target of 225 and provide a glide-path from current performance, adjusted for transmission losses.

This change improves alignment with the Auckland Water Strategy.

Results	**Revised methodology:** 257	**Previous methodology:** 254	**Impact:** 5

Approvals

Management approvals

Prepared and reviewed by the following Watercare executive team members:

Angela Neeson – Chief Financial Officer Neeson **Jamie Sinclair – Chief Executive Officer**

Board approvals

Approved by the board on 27 August 2026

Statutory declaration

I, Geoffrey Stewart Hunt, Director and Chair of the Watercare Services Limited board, of Takapuna, Auckland, solemnly and sincerely declare:

1. That the following information in this report is true and accurate:
   - all historical information disclosed in this report; and
   - all historical information from which that disclosed information is derived; and

2. That all forecasts and estimates in this report are demonstrably reasonable.

I make this solemn declaration conscientiously believing the same to be true and by virtue of the Oaths and Declarations Act 1957.

Geoffrey Stewart Hunt, Declared at Auckland, 27/8/2026

Before me:

Matthew Stephen Hill
Solicitor
Auckland

Barrister and Solicitor of the High Court of New Zealand, 27/8/2026

This section meets quarterly reporting requirements for Auckland Council and complements the main report for a full view of Watercare's performance.

It includes updates on:

1 Watercare Charter progress

2 Financial performance

3 Statement of intent priorities

Shareholder Supplement – Auckland Council

For the quarter ended 30 June 2026

Section 1: Watercare Charter progress

The Watercare Charter came into effect on 1 April 2025. We have complied with timelines in Q4, and submitted the following plans:

Plan	Due date	Progress update
Operating Cost Efficiency Improvement Plan	Submitted	• Our Operating Cost Efficiency Improvement Plan published on Watercare's website – **here** by the Charter timetable, end of June 2026. • We are now working on implementing the changes and initiatives set out in the plan. • The first report on Watercare's performance against the plan will be published on Watercare's website by the end of September 2026. • We have appointed a Programme Manager to drive delivery against the plan.
Infrastructure Delivery and Asset Management Improvement Plan	Published	• Our Operating Cost Efficiency Improvement Plan published on Watercare's website – here by the Charter timetable, end of June 2026. • We are now working on implementing the changes and initiatives set out in the plan. • The first report on Watercare's performance against the plan will be published on Watercare's website by the end of September 2026.
Infrastructure Growth Charge (IGC) Policy Review and Redesign	Published	• We have published the Watercare pricing review plan – here. • Work on pricing is progressing well. • The stakeholder consultation period is planned for March 2027, in line with the Water Services Strategy

Section 2: Financial performance

Operating performance

$ million	FY25	FY26 YTD		
	Full Year Actuals	Actual	Budget	Variance
Net direct expenditure	**658**	**779**	**684**	**95**
Direct revenue	**1,099**	**1,272**	**1,148**	**124**
Fees and user charges	732	802	828	(26)
Other direct revenue	367	470	320	150
Direct expenditure	**441**	**493**	**464**	**(29)**
Employee benefits	130	136	129	(7)
Repairs and maintenance	92	95	94	(1)
Cost of goods and services	3	3	(9)	(12)
Other direct expenditure	216	259	250	(9)
Other key operating lines				
Vested asset revenue	92	89	66	23
Capital grants and insurance revenue	31	15	12	3
Depreciation and amortisation	470	665	429	(236)
Finance costs	172	198	222	24
Net other gains (losses)	(9)	5	13	(8)

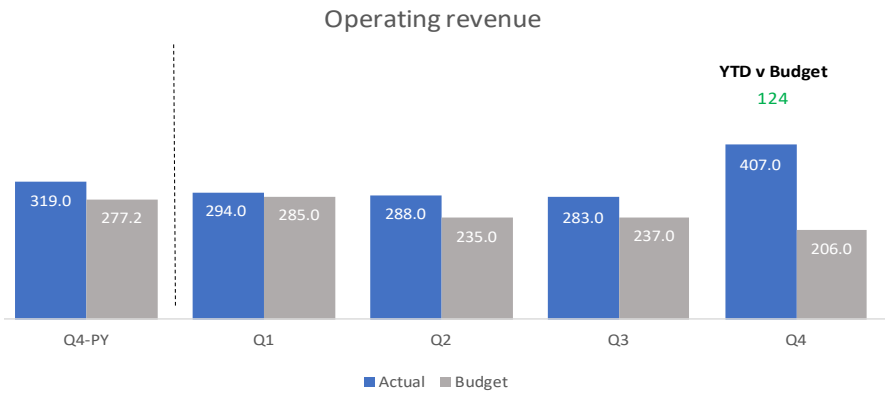
Capital investment

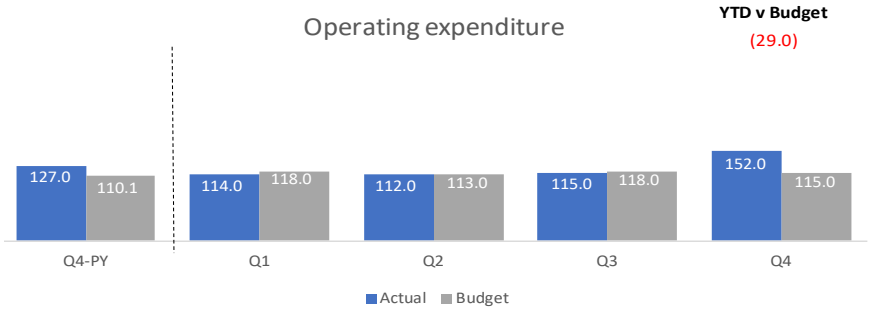
Capital expenditure	**1,002**	960	1,050	(90)

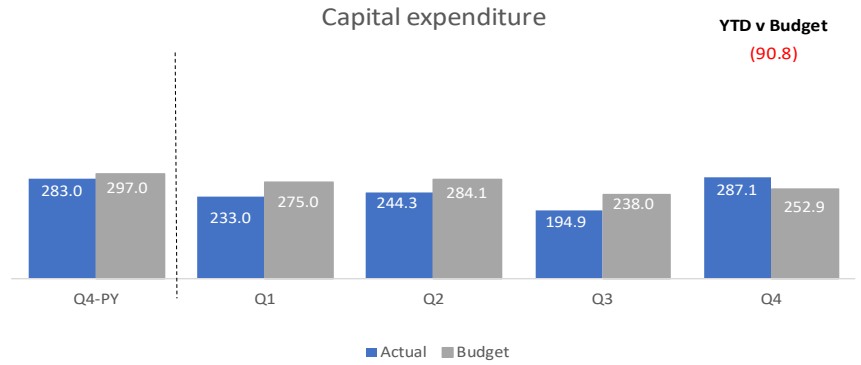
Revenue and expenditure detail

$ million	FY25	FY26 YTD		
	Full Year Actuals	Actual	Budget	Variance
Direct revenue	**1,099**	**1,272**	**1,148**	**124**
Fees & User Charges	**732**	**802**	**828**	**(26)**
Water Revenue	227	248	256	(8)
Wastewater Revenue	505	554	572	(18)
Other direct revenue	**367**	**470**	**320**	**150**
Infrastructure Growth Charges	219	276	179	97
Other key revenue	148	194	141	53
Capital grants, intercompany capital funding and insurance revenue	**31**	**15**	**32**	**(17)**
Grants from KO	28	15	12	3
Intercompany capital funding	-	0	20	(20)
Insurance proceeds for storm recovery	3	0	0	0
Direct expenditure ($m)				
Employee benefits	**130**	**136**	**129**	**(7)**
Salaries and wages	159	168	169	1
Contractors	21	25	15	(10)
Other staff costs	10	11	11	0
Labour recoveries	(60)	(68)	(66)	2

Summary Financial Charts







Financial commentary

Watercare delivered a strong FY26 financial result, with net direct expenditure $95m favourable to plan. This was driven by direct revenue exceeding plan by $124m, partially offset by direct expenditure that was $29m above plan.

Year to date consumption has been lower than expected due to persistent wet weather and mix of retail vs commercial customer wastewater revenues. The continued wet weather conditions have kept dam levels close to 100% resulting in lower production costs with reduced reliance on the Waikato treatment plants, and the deferral of several planned maintenance activities.

Direct revenue

- Direct revenue for the year was $124m favourable to plan.
- Fees and user charges ended down $26m due to reduced consumption volumes influenced by lower commercial consumption, higher rainfall and mix of retail vs commercial customer wastewater revenues.
- Offsetting uplifts: IGC revenue was $97m favourable to plan with significantly higher than expected volume of applications processed, particularly in June as developers submitted their applications prior to the 20% price increase effective from 1 July. This also positively impacted new development revenues with inspections and approvals also ahead of plan for the year. Interest income and third-party damage revenue is also favourable to plan.
- WDC contract revenue ended the year $17.5m favourable to plan reflecting the lift in capital project revenue as they enter the delivery phase.

Direct expenditure

- Direct expenditure for the year was $29m unfavourable to plan, with the following notable items:
  - Repairs & maintenance: Full year result was $1m unfavourable to plan. The plan included a coding error which has subsequently been reclassified against cost of goods sold as part of our Q1 forecast. The value of this adjustment YTD is $12m which results in underlying Repairs and Maintenance being $13m unfavourable to plan. This unfavorability was mainly driven by unplanned maintenance with a number of large value failures across the network. These include the Sylvia Park Rising Main, Water transmission pipe break on SH16, Orewa East PS Tomo causing failure of 900mm gravity main, Howick loop flushing and Wellesley Street Tomo causing failure of a wastewater pipeline. $1.6m in unplanned third party wastewater damages were also incurred in the year that are in the process of being recovered.
  - Cost of goods sold: Full year$12m unfavourable due to plan coding error as mentioned above, adjusted value in line with plan.
  - Other direct expenditure: FY $9m unfavourable primarily driven by WDC costs, which were $17.9m unfavourable, reflecting increased capital project activity (with the associated revenue offset reported above). The unfavourable result was further impacted

$4.3m in doubtful debt provisions taken for specific aged debtor accounts and $3m costs associated with reclassification of costs following our project work in progress review. These unfavourable variances were partially offset by $7m favourable in chemicals and energy costs, driven by lower Waikato Water Treatment Plant flows and improved raw water quality. $4m favourable in IS managed services due to the reprioritisation of digital operating expenditure projects. $2.4m favourable in software licensing costs following the resolution of a vendor dispute. $1m solids handling due to timing of desludging works.

- Employee benefits: FY $7m unfavourable to plan driven by $9.7m higher contract labour for additional SaaS delivery resourcing and contractor backfill for labour vacancies in the capital delivery team. Capex labour recoveries are $1.5m favourable to plan. Salary and wages includes a $0.6m leave liability accrual expected to be paid out in November 2026.

Capital programme

Milestones achieved: Several major capital projects milestones were achieved in the last quarter, as listed in the Priority 2 section above. However, the FY programme ended the year $90m behind plan, primarily due to the following:

- **Delays/Deferrals:** Delays in the chemical storage and dosing project at Waikato treatment plant; delay in contract being agreed and signed for Herne Bay Branch upgrade, supporting the Wastewater Quality Improvement Programme; Whenuapai & Redhill Wastewater scheme has seen a rephasing of package one and consenting delays for other packages.
- **Renewals programme:** There has been some delays in contract award and refinement of detailed design delivery, many of these contracts were signed in Q3, with activity ramping up in Q4. Procurement and shipping delays for smart meters have also delayed the smart meter programme.
- **Risk deferred or released:** Some of the risks provided for in the period have not materialised. This risk is either being released or rolled over to future financial years.

Other key operating lines

- **Capital subsidies**: Full Year $17m unfavourable to plan, primarily due to an accounting treatment change for Pt Erin funding, with revenue recognition now commencing upon project completion. This is partially offset by $3m favourability from KO grants, reflecting early achievement of shovel-ready project milestones.
- **Vested assets:** $23m favourable to plan, inherently difficult to forecast.
- **Depreciation:** Full Year $236m unfavourable to plan, $108m driven by the impact of FY25 asset revaluations and additions, ~$81m relates to accelerated depreciation on assets identified for retirement during the year. These include Hillsborough WWPS, Hunua 1 Watermain, Kahika Branch Sewer and Glen Innes WWPS and Local water and wastewater lines. The balance $47m reflects depreciation on assets commissioned during FY26.

Section 3: Statement of Intent Priorities

3.1: Operational compliance

- Updates on Water Supply and Water Quality are provided under the Priority 1 heading above.
- Non-compliance with resource consents: Operational consent non-compliances increased to 10 at the end of Q4, up from eight in Q3. Of these, three were classified as technical non-compliances and seven were non-technical non-compliances, recorded across separate facilities and assets. Non-compliances are included in compliance reporting to Auckland Council.

3.2: Auckland Water Strategy

Watercare is delivering on the Auckland Water Strategy by partnering with mana whenua, empowering communities, and investing in sustainable, regenerative infrastructure:

- Demand Management: Auckland experienced a wetter than normal April which saw a significant drop in demand from March and with the cooler months that followed this, demand held steady around 420-430MLD throughout Q4, slightly lower than originally forecasted.
- Leak Management: 9,018 km surveyed by end of Q4 in FY 26 identifying 2,358 leaks. District metering and pressure management installation is ongoing with 14.6 MLD saved to date on the pressure management.
- Operational Performance: In Q4 (Apr-June), job volumes were 7% lower than previous FY25 levels. Water jobs and Wastewater jobs were reduced overall, with June reporting the quietest volume in over 2 years. This reflects an overall mild Autumn with only isolated rain events.

3.3: Auckland water management plan required by the Waikato Regional Council

A water management plan is required for the second water take from the Waikato River as part of the consent conditions. The original management plan was submitted during the Board of Inquiry hearings in 2020. The analysis confirmed the need for the second Waikato water take to service average and peak demand. An updated final version of the Water Management Plan (publicly available here) was submitted to Waikato Regional Council (WRC) for review against the consent conditions by the March 2026. WRC reviewed the Plan and has since provided confirmation that the Plan meets the requirement of the consent and the condition has been noted as compliant.

Watercare has submitted its first Forecast Report to WRC (due every five years). Work on this report is now completed.

3.4: Planning and delivery to regional growth plans

Watercare continues to respond to a large number of Fast Track Approvals and Private Plan Changes, as set out in detail in the Priority 2 section above. Work is ongoing with to the wider Council Group to understand the broader effects of unanticipated growth (e.g. private plan changes and fast tracks) on all infrastructure.

Network capacity maps have been reviewed and shared with the development community and supported by the release of the Growth and Development policy. These are important resources to support increasing transparency on Watercare decisions.

3.5: Group Shared Services (GSS)

Work continues on a joint GIS platform. This has been re-planned, with implementation of the new platform now expected by May 2027. A jointly developed and integrated GSS/Watercare GIS plan is now in place, providing stronger programme-level governance and improved visibility across Watercare's delivery activities. Joint workshops involving GSS, Watercare, and key vendors have strengthened alignment, created a shared understanding of delivery dependencies, and enabled lessons learned to be reused across workstreams. This integrated approach will improve coordination, increase transparency of progress and risks, and support more disciplined programme delivery through to implementation.

3.6: Customers/community/developers

Customers

Customer service results have been consistent this quarter, supported by a reduction in overall contacts. Strong targeted communication during the price increase helped to keep customers informed.

Community

Between April and June 2026, Watercare focused its community and stakeholder engagement on growth planning, infrastructure transparency, and building public understanding of Auckland's biosolids challenge, helping strengthen trust and support for long-term service delivery.

Developers

The quarter saw the launch of Watercare's Growth Servicing Policy and continued delivery of the Growth and Development Improvement Programme (GDIP), both designed to provide greater transparency, consistency, and predictability for developers. Key programme milestones include the continued refinement of the Developer Journey and customer segmentation approach.

Engagement with the development sector remained strong through industry forums, including the UDINZ Beyond the Network conference and the Mayor's Developer Forum. The latest Network Capacity Map update and webinar attracted more than 200 attendees and were well received by developers and industry stakeholders, supporting greater transparency around growth planning and network capacity.

Watercare continues to work closely with Auckland Council on intensification, unanticipated growth, and development planning associated with the City Rail Link, Proposed Plan Change 120, and the Auckland Deal. Property Connections customer satisfaction remained strong at +38 for the quarter, while additional resourcing reduced consenting backlogs and improved response times. Work is also progressing on future digital capabilities, including a Developer Digital Assistant and centralised knowledge base to further improve the developer experience.

3.7: Elected members/engagement summary

The elected member relationship team regularly engages with over 200 elected members (21 councillors including the mayor, 151 local board members, 28 Auckland-based MPs) and ~300 associated staff.

Quarterly engagement highlights

- Led extensive engagement with elected members, local boards, MPs, and key stakeholders on strategic issues including network capacity, pricing proposals, and the development of Watercare's Significance and Engagement Policy, ensuring stakeholders were briefed ahead of major public announcements and decision-making milestones.
- Facilitated a range of site visits, project tours, briefings, and community engagements, providing stakeholders with direct visibility of Watercare's infrastructure programme and investment activities, including renewals, growth planning, and major capital projects.
- Supported elected members and communities through significant operational events and local service issues, including boil water notices, network outages, reinstatement concerns, and service disruptions, while maintaining overall neutral-to-positive stakeholder sentiment through proactive communication and timely updates.

3.8: Climate Change and sustainability (including update on decarbonisation roadmap)

Decarbonisation roadmap & Transition Planning

We continue to develop our Scope 1 & Scope 2 Decarbonisation Roadmap with a focus on the technology-related opportunities for long-term biosolids solutions, wastewater process emissions and energy efficiency.

Deputy Mayor Desley Simpson with Watercare smart networks engineer Kevin Ang

Ongoing Initiatives

- Our project team are reviewing technology options which can deliver measurable Scope 1 and Scope 2 emissions reductions alongside the active N_2O reduction initiatives. These options will inform an updated roadmap, and revisions to current targets and are expected to be incorporated into our future programmes of work.
- Validation of our preliminary Scope 3 emissions inventory is ongoing and, once complete, will support a renewed focus on reducing infrastructure-related carbon emission
- These components, alongside climate risk and resilience planning, will anchor our Transition Plan and full-scope Decarbonisation Roadmap toward achieving revised climate targets.

3.9: Māori outcomes (including refresh of Achieving Māori Outcomes Plan and reporting against KPIs in the AMO plan)

The manea stone, which served as a point of connection to the kaupapa was returned by construction partner Ghella to Watercare after Central Interceptor completion to mark the safe and successful end of the project.

This period marks a clear shift from planning to disciplined delivery of Tāmaki Ora across Watercare's business. Stronger mana whenua relationships, Rangatira ki te Rangatira engagement and clearer governance are enabling Māori outcomes to be embedded in how Watercare plans, invests and delivers safe, reliable and affordable water and wastewater services. Delivery is focused on four interconnected areas—supporting marae, protecting and restoring the environment, enabling Māori business and economic participation, and lifting cultural capability—so that mana whenua aspirations and Te Tiriti obligations inform decisions that strengthen service resilience, environmental outcomes, infrastructure delivery and value for customers.

Priority projects are demonstrating earlier integration of Māori outcomes and stronger consideration of mana whenua aspirations, improving decision quality and supporting infrastructure that is fit for growth, climate challenges and future generations. The organisation-wide Māori competency survey received 372 responses and identifies Te Tiriti o Waitangi, te reo me ōna tikanga, and mana whenua engagement as the principal capability gaps. Addressing these gaps is a business enabler: it will strengthen regulatory and Treaty-aligned practice, improve engagement and delivery certainty, and support better environmental and customer outcomes. Continued CE and ELT sponsorship is required to embed measurable Tāmaki Ora outcomes in business planning, investment decisions, project governance and leadership accountability.