



Operating and capital expenditure quarterly report

For the quarter ended 30 June 2025

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This report has been prepared in accordance with Clause 27 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.

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Quarter 4 summary

Opex: Watercare managed operational expenditure tightly in FY25 to end the year closely aligned to budget. The year experienced extremes of weather with concerns regarding drought across summer and autumn, turning to an extremely wet May and June. Extreme weather increases operating cost. Dry weather means more production from the Waikato Awa, our most expensive water source, as we conserve water in our dams; wet weather results in more wastewater pumping. Both situations see energy and chemical costs move beyond budgeted levels. FY25 also saw increased chemical costs due to increased levels of geosmin, as well as arsenic detected in the Waikato Awa which required additional treatment. The final quarter of FY25 was particularly impacted by wet weather and a number of expensive network water faults. Against this backdrop of increased unbudgeted costs, a reluctant decision was made to delay digital enhancements to ensure we could meet budget. This has had a knock-on effect of reducing both risk mitigation and benefit realisation opportunities.

Momentum is building in operational projects particularly the Human Resources Information System (Workday), and the Health and Safety system (Donesafe), our smart sewers programme, and our various Charter projects.

Capex: In Q4 FY25, Watercare invested \$287.7m in capital infrastructure, delivering meaningful benefits for Aucklanders by maintaining safe, efficient, and reliable water and wastewater services, supporting growth, enhancing resilience, and protecting the environment. This investment was \$5.0m (1.7%) below the \$292.7m in the Operating and Capital Expenditure Plan (plan) Watercare prepared under Clause 26 of the Charter for Q4.

Key milestones included: completion of the Warkworth to Snells Transfer Pipeline, a 13.5km link enabling high-quality wastewater treatment and supporting 35 years of projected growth; and the Judges Bay Wastewater Upgrade, which replaced storm-damaged infrastructure with a new underground pump station and pipelines to reduce wet weather overflows and improve environmental outcomes. The Huia 1 Watermain Replacement was also completed, securing water supply for central and western suburbs.

Of the total investment, \$171m was directed to wastewater projects such as the Central Interceptor, Snells Wastewater Treatment Plant upgrade, Pukekohe Wastewater Scheme, Queen Street Diversion, and Southwest Wastewater Scheme. A further \$90m was invested in water infrastructure, primarily focused on renewing and expanding network assets. \$26m was spent on activities that support both water and wastewater, for example projects that are supporting Kāinga Ora's development areas, SCADA (our operational control system), and other digital services and equipment that support our network and delivery to customers,

Together, these projects demonstrate Watercare's commitment to building a resilient, future-ready network that meets Auckland's needs while safeguarding our natural environment.

1 Operating expenditure

1.1 Operating expenditure introduction

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 plan submitted to the Crown Monitor on 30 June 2025. High level references have been made to budget for the full year. Commentary is by exception; with full year materiality set at variances of more than \$2.5m and 5%.

TABLE 1: OPERATING EXPENDITURE SUMMARY

Operating Expenses	FY25 Quarter 4			FY25 Full Year		
(\$000's)	Actual	Charter Plan	Variance	Actual	Budget*	Variance
DIRECT COSTS	61,404	57,899	(3,505)	222,057	209,239	(12,818)
WATER	29,183	27,525	(1,658)	102,484	94,794	(7,690)
Net Labour	3,091	3,027	(64)	11,796	11,350	(446)
Planned Maintenance	2,069	2,237	168	7,968	9,017	1,049
Unplanned Maintenance	11,466	8,845	(2,621)	36,340	34,246	(2,094)
Energy	4,587	4,119	(468)	14,747	10,916	(3,831)
Chemicals	2,712	4,329	1,617	11,782	9,935	(1,847)
Sludge Disposal	451	400	(51)	1,580	1,217	(363)
Other Operating Costs **	4,807	4,568	(239)	18,271	18,113	(158)

Operating Expenses	FY25 Quarter 4			FY25 Full Year		
(\$000's)	Actual	Charter Plan	Variance	Actual	Budget*	Variance
WASTEWATER	32,221	30,374	(1,847)	119,573	114,445	(5,128)
Net Labour	3,235	3,182	(53)	12,503	12,424	(79)
Planned Maintenance	4,469	4,234	(235)	20,116	19,538	(578)
Unplanned Maintenance	7,544	7,106	(438)	32,447	29,069	(3,378)
Energy	9,395	7,851	(1,544)	24,935	22,744	(2,191)
Chemicals	1,486	1,777	291	6,608	7,756	1,148
Sludge Disposal	2,472	2,460	(12)	7,311	7,501	190
Other Operating Costs **	3,620	3,764	144	15,653	15,413	(240)
INDIRECT COSTS	44,817	44,728	(89)	155,982	168,478	12,496
Asset Planning & Delivery	7,709	7,013	(696)	28,899	29,939	1,040
Digital Costs	16,457	17,016	559	55,184	68,809	13,625
Operations Oversight & Management	5,153	5,420	267	18,553	20,587	2,034
Insurance	1,897	1,834	(63)	7,415	7,342	(73)
Consent Related Costs	1,385	1,588	203	5,543	5,337	(206)
Business Support Services	12,216	11,857	(359)	40,388	36,464	(3,924)
TOTAL OPERATING COSTS	106,221	102,627	(3,594)	378,039	377,717*	(322)
<p>*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 payments offset to reflect the net position which for FY25 was a net revenue position. For Auckland Council reporting this contract is reflected gross in revenue and expenses.</p> <p>** Other Operating Costs include laboratory testing, dam safety, land maintenance, compliance costs and plant operating expenses.</p>						

1.2 Financial commentary

Total operating expenditure

Total operating expenditure for quarter 4 2025 of \$106.2m is \$3.6m (3.5%) unfavourable to plan, primarily due to the exceptionally wet conditions in May and June. These wet conditions impacted wastewater energy requirements, and there were also a number of high value water network faults impacting maintenance costs. These impacts were partially offset by lower water treatment chemical costs, particularly CO₂ gas reflecting reduced arsenic concentrations in the Waikato River.

Full year operating costs of \$378.0m were \$0.3m unfavourable to budget. The variance was largely weather related with higher energy costs from increased reliance on the Waikato Water Treatment Plant over summer to conserve dam levels and additional wastewater pumping in May and June due to wet weather. Elevated chemical costs were also incurred in response to naturally occurring geosmin and arsenic detected in the Waikato River. Unplanned maintenance and professional services costs, including those linked to water reform and capital raising, further contributed to the unfavourable result. These pressures were partially mitigated by lower spend on Digital SaaS projects.

Direct costs

Water costs – Quarter 4 result was \$1.7m unfavourable to plan while full year was \$7.7m unfavourable to budget.

The quarter 4 result was impacted by an increased volume of unplanned maintenance network pipe faults, particularly in the northern and southern regions. We have over 11,100km of local water network, and while most is in good condition, there are several areas that are in poor condition and need replacing. We are increasing our investment in watermain renewals with \$50m of work to be issued to the market before Christmas 2025.



Huia Water Treatment Plant

Energy costs were also unfavourable with higher reliance on the Waikato Water Treatment Plant, particularly in April and early May due to lower dam levels. The wet weather in late May and June refilled our dams, which allowed us to reduce our reliance on Waikato as we headed into the new financial year. Chemical costs were favourable, with less treatment required while other water costs were aligned with plan.

The full year result was similarly impacted by higher energy costs due to the reliance on the Waikato Water Treatment plants while the dams were low. Unplanned maintenance started the year well, influenced by our pressure management and renewal programme in the central networks area. However, a high volume of faults and breaks in the second half of the year offset this favourable start. Chemical costs were unfavourable for the year due to the reliance on the Waikato Water Treatment Plant during the dry period, plus higher levels of arsenic being detected in the Waikato River which led to increased usage of CO₂.

Wastewater costs – Quarter 4 result was \$1.8m unfavourable to plan while full year was \$5.1m unfavourable to budget.

The quarter result was impacted by higher than anticipated energy costs incurred for wastewater at our large transmission and smaller network pump stations due to the very wet May and June.

The full year result was \$5.1m unfavourable to budget as in addition to the wet weather pumping, biogas engine issues at Rosedale and Māngere resulted in higher reliance on imported energy. Failures at our large pump stations in Avondale and Hobbs Bay, along with third party damage costs (recoverable), as well as over-pumping costs for sites damaged by the 2023 Anniversary weekend flood events, contributed to higher maintenance costs. Final remediation solutions are underway at the Anniversary weekend flood sites. Other operating costs were impacted by tree felling at our Rosedale site to mitigate a public health and safety risk (partially recovered by sale of timber). Watercare is also increasing our investment in wastewater main renewals with \$25m of work to be issued to the market before Christmas 2025.

Indirect costs – Quarter 4 result was \$0.1m unfavourable to plan while full year was \$12.5m favourable to budget.

Digital – Quarter 4 costs were \$0.6m favourable due to lower spend on Software as a Service (SaaS) project for the period.

The full year result was \$13.6m favourable due to reprioritisation of digital enhancement SaaS projects, several of which are now scheduled to be delivered in FY26. Cost rationalisation was achieved in managed services (testing, UX design services) and software licencing.

Business support services – Quarter 4 costs were \$0.4m unfavourable to plan due to an additional provision being taken for a correction in annual leave which was partially offset by a number of labour vacancies and lower than anticipated legal fees.

The full year result was \$3.9m unfavourable to budget due to the increased focus on meter reads to drive accuracy in revenue and customer billing, higher than anticipated legal and advisory costs associated with financial independence, regulatory agency costs, and the provision taken for correction for annual leave.

1.3 Operating expenditure project commentary

Key projects undertaken in the quarter.

- The **Human Resources Information System (HRIS)** project has progressed in line with plan, with go live in early August 2025. This joint project between our HR and Digital teams brings together multiple systems and manual processes into one modern platform (**Workday**) for managing people-related information at Watercare. This is a Software as a Service project (SaaS) with the majority of costs recognised in the profit and loss through our *Digital costs*, highlighted above.
- The **Network Improvement Efficiency Programme** including pressure management and pipeline renewals has continued to be developed through the quarter with poor condition water and wastewater network assets prioritised for delivery under our renewal programme for FY26. The majority of costs associated with this programme will be capitalised. However, some assessment activities will be expensed, and we expect to realise future savings in unplanned maintenance expenses as a result of the programme.

Key projects started in the quarter.

- The **Donesafe** initiative is a Health, Safety & Wellbeing (HSW) platform designed to streamline health and safety processes by digitising incident reporting, risk assessment, and compliance workflows. This is expected to improve visibility, accountability and reporting across Watercare. This project is in its early definition phase and is a SaaS project with the majority of costs recognised in the profit and loss.
- The **Watercare Charter** requires us to complete three significant deliverables by 31 December 2025: the Operating Cost Efficiency Improvement Plan (2025 – 2028), the Capital Delivery and Asset Management Improvement Plan; and the Infrastructure Growth Charge (IGC) policy review and redesign. External advisors have been engaged to assist with these projects and it is expected that

they will also involve significant input from our people. Given the tight delivery timelines required on these projects, the capital delivery and IGC policy projects were well underway at the end of June 2025 and the Operating Cost Efficiency Improvement Plan works are due to begin in Q1 of FY26.

- **Smart sewer** equipment was purchased in early June 2025 as part of our flushing optimisation programme. While the purchase and installation of this equipment will be capitalised, the monitoring will be expensed. We expect to realise some significant operational expense savings in unplanned overflow maintenance and planned sewer flushing costs in the coming years as a result of the insights the smart sewer data will provide.

Key projects to start in the next quarter

- The **Geographical Information System (GIS)** re-platform project is a multi-faceted initiative aimed at modernising Watercare's geospatial infrastructure, improving asset visibility, and supporting planning, design and operational workflows. This project will migrate the legacy GIS system, which is nearing end of life, with a new SaaS based solution. Elements of this project are to be collaboratively delivered by Auckland Council's group shared services, with the majority of costs associated with this project to be expensed through the profit and loss.
- The FY26 advancement of the **insurance strategy** workplan has received Board approval. The focus is on improving our understanding of the value of potential risk through probabilistic loss modelling, insurance valuations and analysis of previous claims. This information will inform the setting of our risk tolerance and input into a captive feasibility study.



Engineer Kevin Ang with a smart network sensor.

1.4 Significant changes to deliverability risk

In the plan, we identified several risks to deliverability. This section highlights any significant changes to those risks.

Energy – The electricity market is currently displaying very high levels of price volatility. The two main drivers are record low generation lake levels in Q1 2025 and a significant shortfall in gas supply. Watercare has mitigated this risk by splitting our electricity supply needs into three contracts with staggered expiry dates to minimise sudden price increases; and securing two-year supply agreements to ensure reliability of pricing. We also generate our own energy via biogas turbine generation, solar generation, and hydro generation from our raw water pipelines. However, as we do not generate all of our own energy, we are still very exposed to the volatility in the market. Watercare realised a significant increase in energy costs in FY25, and we have budgeted for another increase in FY26. The shorter-term risk has been somewhat mitigated by the latest energy contract agreement signed in August 2025; however significant long-term risk still exists. Watercare is initiating work on an energy strategy focusing on clarifying future energy needs, identifying behind-the-meter opportunities (e.g. solar panel generation, battery storage systems, biogas turbines and hydro generation) and engaging expertise on long-term market arrangements such as power purchase agreements. This will be a multi-year initiative, but we intend to have improved information by June 2026 when we typically approach the market ahead of expiry of our annual time-of-use (TOU) contracts.

Chemicals – Shipping costs and exposure to fluctuations in international chemical prices has been a growing risk for Watercare in recent years as many domestic chemical manufacturers have either closed or transitioned to import-only operations. The closure of Marsden Point in March 2022 resulted in a significant increase in the cost of CO₂, a key input in our water treatment process. The pending closure of the Ballance Agri-Nutrients Mount Maunganui plant in September 2025 is expected to further impact our cost base, with the price of water treatment chemicals, alum and HFA – both of which depend on sulphuric acid as a key raw material - set to rise. Imported HFA is expected to be three times the cost of historic local supply, potentially increasing our annual chemical costs by as much as \$1m.

2 Capital expenditure

2.1 Capital expenditure introduction

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

Commentary for capital expenditure for Quarter 4 2025 has been provided against 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%.

The programme report sums all programmes, and the programmes are the sum all projects, so this report shows the performance of the whole delivery programme/portfolio for the reporting periods Q4 FY25.

TABLE 2: CAPITAL EXPENDITURE SUMMARY

Programme	Allocation			Current Quarter (\$000's)		
	Growth %	Level of service %	Renewal %	Actual	Plan	Variance*
Programmes supporting both Water and Wastewater				26,649	23,809	2,840
Business Assets	25%	16%	59%	14,202	11,495	2,707
Digital Assets	6%	42%	52%	6,387	6,472	(85)
Projects supporting Kāinga Ora	60%	17%	23%	6,060	5,842	218
WATER				89,771	91,244	(1,473)
Ardmore Water Treatment Plant	0%	22%	78%	2,290	2,444	(154)
Huia Water Supply	43%	16%	41%	3,188	3,048	140
North Harbour 2 Watermain	100%	0%	0%	562	627	(65)
Waikato Water Supply	79%	4%	17%	3,140	2,587	553
Water Collection & Treatment Assets	38%	30%	32%	4,829	5,275	(446)
Water Network Assets	30%	6%	64%	75,762	77,263	(1,501)

Programme	Allocation			Current Quarter (\$000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance*
WASTEWATER				171,289	177,633	(6,344)
Central Interceptor	48%	41%	11%	53,155	56,124	(2,969)
Hingaia / Southern Auckland WW Servicing Scheme	100%	0%	0%	1,555	1,596	(41)
Mangere Wastewater Treatment Plant	12%	15%	73%	14,399	13,706	693
North East Wastewater Programme	80%	9%	11%	17,135	20,570	(3,435)
Otara Wastewater Network	73%	7%	20%	756	544	212
Pukekohe Wastewater Scheme	92%	1%	7%	6,961	7,046	(85)
Queen Street Wastewater Network	0%	0%	100%	9,647	12,009	(2,362)
Rosedale Wastewater Treatment Plant	31%	10%	59%	8,179	8,406	(227)
Southwest Wastewater Scheme	77%	17%	6%	11,947	12,664	(717)
Waitematā Water Quality Improvement	50%	50%	0%	5,317	4,191	1,126
Wastewater Network Assets	32%	12%	56%	29,216	27,657	1,559
Wastewater Treatment Plant Assets	51%	17%	32%	10,402	10,150	252
Whenuapai & Redhills Wastewater Scheme	100%	0%	0%	2,620	2,970	(350)
TOTAL				287,709	292,686	(4,977)

*Capital expenditure 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.

2.2 Commentary

2.2.1 Cost

Watercare's capital expenditure for the quarter was \$287.7m, which is \$5.0m (1.7%) below the plan budget of \$292.7m. Key drivers of the underspend included:

- Land acquisition settlement delay in the **North East Wastewater Programme**, which will not affect overall programme delivery.
- Construction delays at **Queen Street Diversion**, where challenging ground conditions above the Ōrakei Main Sewer required deeper piloting of piles. This impacted productivity in June and delayed excavation in July. Encouragingly, excavation progressed well in August, recovering some of the lost time.
- A minor timing variance in the **Central Interceptor Programme** (5%), which remains on track for completion in December 2026.

These were partly offset by advanced progress of the following:

- Herne Bay, under the **Waitematā Water Quality Improvement Programme**, site enabling works and design and construction by Ghella were accelerated.
- Early ramp-up of local network renewals within the **Water Networks Programme**, supporting Watercare's strategic goals.

2.2.2 Delivery

Most capital projects in Quarter 4 progressed as planned. Notable milestones included:

- **North Harbour 2 Watermain** moved from the feasibility phase to the design phase. This was a big step forward, which will result in a 33km-long treated water pipeline from Titirangi to Albany. This project supports growth for up to 250,000 people in west and north Auckland, enhances resilience by duplicating the existing North Harbour 1 Watermain (NH1), and enables operational flexibility by allowing parts of NH1 to go offline for maintenance.



Wellsford Wastewater Treatment

This project is aligned with Watercare's strategic goal to improve security of supply, asset lifecycle management and network redundancy. The project is forecast to be completed in September 2033.

- The **Wellsford Wastewater Treatment Plant upgrade**, part of the **Wastewater Treatment Plant Asset Programme** progressed well, introducing advanced treatment processes to meet stricter resource consent requirements and accommodate population growth in Wellsford and Te Hana.
- For the **Southwest Wastewater Scheme**, Watercare presented its preferred long-term solution for wastewater servicing in the southwest, which involves expanding and upgrading the existing treatment plants at Clarks Beach and Waiuku.
- **Strategic Land Purchases** - during Quarter 4 we bought land for a future reservoir in West Harbour. In the meantime, the land will serve as a construction site office and laydown area for future Northwest projects, particularly North Harbour 2. We also bought land to support the future Patumahoe pump station and future Snells Beach Wastewater Treatment upgrades.
- **Rosedale Solid Stream Upgrade (Themo Hydrolysis)** was approved by the board to move into the design phase.
- **Local Network Renewals** - 12.5km of local network renewals were delivered in the quarter, often in difficult geotechnical conditions, providing increased efficiency and resilience of our water supply to our customers.

2.2.3 Opportunities

There have been no significant opportunities, cost savings, or accelerations identified.

2.2.4 Issues

- **Queen Street Diversion** - Auckland Transport's request that Watercare exit the Queen Street-Mayoral Drive area by March 2026 has prompted a strategic shift in the Queen Street Wastewater Diversion programme. To mitigate delays from deferring works at Vincent-Cook-Mayoral, Watercare proposes accelerating Marmion Street construction. This will relieve pressure on the ageing Bledisloe sewer, improve tunnel flow performance, and reduce stakeholder disruption by consolidating works into a single phase. It also secures land access ahead of potential third-party occupation, ensuring continuity of delivery.

2.3 Programmes/projects completed during the quarter

The following projects were completed during quarter 4:

- **Huia 1 Watermain Replacement Project** – this project has delivered a futureproofed 15.5km pipeline that replaces ageing infrastructure nearing the end of its life, securing the continuous delivery of essential water services. Designed to carry 30 million litres of treated water daily, the new pipeline enhances network resilience and supports long-term population growth. Its alignment through reserves, roads, and footpaths improves accessibility for future maintenance. This asset ensures reliable drinking water supply to western and central communities for generations to come.
- **Warkworth to Snells Transfer Pipeline** – this project is a key component of the North-East Sub-Regional Wastewater Scheme, designed to support long-term growth and improve service levels across the Warkworth and Snells-Algies catchments. Spanning approximately 13.5km, the pipeline connects the Warkworth Pump Station to the Snells Beach Wastewater Treatment Plant, enabling high-standard wastewater treatment and reducing environmental impact. The infrastructure is sized to accommodate 35 years of projected population growth, while also contributing to network reliability and overflow reduction.
- **Judges Bay Wastewater Upgrade** – this project delivered a new underground wastewater pump station and two wastewater pipelines, forming a permanent solution to the broken pipeline beneath the Parnell Rose Gardens – damage believed to have been caused by the extreme flooding during the 2023 summer storms. This upgrade increases the capacity of the local wastewater network and reduces the frequency of wet weather overflows into Judges Bay. These improvements mark a major step forward in our effort to remove the Safeswim black pin status at Judges Bay.
- **Pukekohe East Bulk Supply Point (BSP)** – this BSP helps us service the new development north of Pukekohe East Road and will support future growth in the Kitchener and Buckland water supply zones.

2.4 Programmes/projects started during the quarter

All key capital expenditure programmes and projects scheduled to commence in quarter 4 have successfully started, reflecting Watercare's continued focus on timely delivery and proactive planning.

The following initiatives have entered either the **feasibility** or **construction** phase during the reporting period:

- **Feasibility phase:**
 - *Waitematā Water Quality Improvement Programme* – targeting improvements in Avondale and Point Chevalier.
 - *Waikato Arsenic Removal Process Improvements* – aimed at enhancing water treatment processes.
- **Construction phase:**
 - A range of **smaller renewal projects** have commenced, contributing to ongoing infrastructure resilience and service reliability.

These starts mark important progress in Watercare's capital delivery programme and demonstrate our commitment to advancing projects that support long-term environmental and operational outcomes.

2.5 Programmes/projects added during the quarter

The following new project has been added to the Charter period during the quarter.

- **Ōrākei Sewer Main** - Watercare is undertaking urgent rehabilitation works, not previously in the plan, on the Ōrākei Main Sewer within the Auckland Zoo precinct to address asset condition and reduce long-term risk. The work is located in an area not accessible to the public and is being closely coordinated with zoo management to ensure safety and minimal disruption. This project supports broader renewal objectives and strengthens the resilience of one of Auckland's oldest transmission assets.

2.6 Significant changes to deliverability risk

In the plan, Watercare identified several risks to deliverability. There have been no significant changes to the project specific risks identified in the plan in quarter 4.

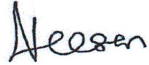
There have also been no additional significant opportunities or additional risks identified in quarter 4.

Approvals

Management approvals

Prepared and reviewed by the following Watercare executive team members:

Angela Neeson – Chief Financial Officer



Approved by:

Jamie Sinclair – Chief Executive Officer



Board approvals

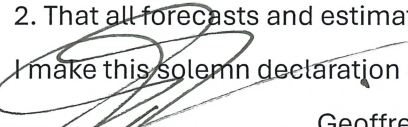
Approved by the board on 22 September 2025.

Statutory declaration

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

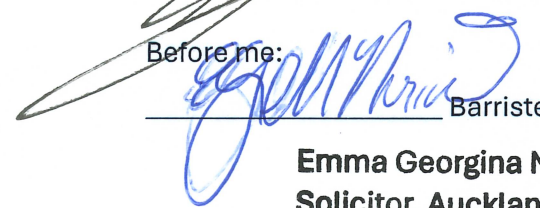
1. That the following information in this report is true and accurate:
 - all historical information disclosed in this report; and
 - all historical information from which that disclosed information is derived; and
2. That all forecasts and estimates in this report are demonstrably reasonable.

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, 30/09/ 2025

Before me:



Barrister and Solicitor of the High Court of New Zealand, 30/09/ 2025

Emma Georgina McBride
Solicitor, Auckland

Glossary

Direct costs

Direct costs are those costs directly attributable to the delivery of Water and Wastewater Services to our customers. In this report, we have divided these costs into Water and Wastewater costs.

Water costs

Water costs include all costs for the following functions:

Headworks – Costs associated with management and oversight of the infrastructure that captures and conveys raw water from our dams in the Hunua and Waitakere Ranges through to water treatment plants. Cost include labour, maintenance, energy associated with pumping water to the treatment plants and other operating costs such as land maintenance, laboratory testing, raw water quality management, and dam safety. It also includes costs associated with the management of the Hunua Forest catchment area.

Water treatment – The regulated process designed to ensure the safe, reliable and high-quality supply of drinking water to Auckland communities. The water treatment process includes screening, filtration, sedimentation, disinfection, and pumping of treated water into the supply system. Costs include labour, maintenance, energy, chemicals, sludge disposal and other operating costs such as laboratory testing, cleaning, plant operating expenses, and compliance operating and training costs.

Water transmission – The large-scale movement of treated water from water treatment plants to bulk supply points, reservoirs and local distribution networks that serve customers across Auckland. The transmission system is distinct from local networks as they are the large pipes that do not provide direct service to customers. Costs include labour, maintenance, energy, and other operating costs such as laboratory testing.

Water networks - Network water pipes are part of Watercare's reticulated water supply system. While transmission mains move bulk water between treatment plants and reservoirs, network water pipes, deliver water from bulk supply points to local distribution zones and include smaller-diameter mains that connect to customer service lines. Costs incurred include labour, maintenance, energy and other operating costs such as laboratory testing.

Wastewater costs

Wastewater costs include all costs for the following functions:

Wastewater networks – Network wastewater pipes are generally local network sewers, gravity-fed, under 375mm in diameter, and serving residential and commercial areas. Costs include labour, maintenance, energy, chemicals and other operating costs such as laboratory testing.

Wastewater transmission mains - larger pipes that carry higher volumes through pipes with diameters greater than 375mm from local networks to wastewater treatment plants. Not all these are gravity fed and may include pressure rising mains used in conjunction with pumping stations to move wastewater uphill. Costs include labour, maintenance, energy and other operating costs.

Wastewater treatment - Refers to the comprehensive process of treating wastewater to a high standard before safely discharging it into the environment. The treatment process includes primary treatment, where solids are separated from liquids, secondary treatment, where biological processes break down organic matter, tertiary treatment (in some plants) where further filtration and disinfection is included to meet environmental standards, disposal where treated water is discharged into waterways or reused and biosolids are disposed of separately such as at the Puketutu Island rehabilitation site. Costs include labour, maintenance, energy, chemicals, sludge disposal and other operating costs including laboratory charges, land maintenance, cleaning and other plant operating costs.

Indirect costs

Indirect and overhead costs are expenses not directly attributable to the production of Water and disposal of Wastewater for customers but includes all other operating cost attributable to the operation of Watercare. These include:

Asset planning and delivery costs – including planning, designing, and delivering capital projects across water and wastewater services. Managing infrastructure assets from feasibility through to design, construction, commissioning, and handover. Costs include predominantly labour and professional services charges.

Digital costs – including management of all Watercare digital platforms and implementation of smarter technology to improve efficiency and resilience across the Watercare business. Costs include labour, software and digital managed service charges.

Operations oversight and management – including faults management, asset protection, integrity and oversight, property and fleet management, trade waste management, environmental care, maintenance management and water quality. Costs include labour, professional services, rent and rates, vehicle costs and plant professional and technical costs.

Insurance costs – include traditional indemnity insurance for loss or damage to our physical assets as well as cover for public and professional liability, directors and officers liability, damage to property during construction contract works, travel, and vehicles. Watercare also pays annual premiums into the Auckland Council Group self-insurance fund, covering cyber, employer liability, statutory liabilities, and standing timber.

Consent related costs – include annual compliance monitoring charges payable to Auckland Council to cover our wastewater discharges and water take consents.

Business support services – including HR, Finance, Customer Billing, Treasury, Executive and Governance oversight, Regulation management, Corporate affairs, Procurement management, Enterprise Risk and Quality Management and Health and Safety. Costs include labour, professional services including legal services, stakeholder and iwi engagement, postage and printing, bank charges, audit fees and meter reading costs.