Operating and capital expenditure quarterly report

Quarter Two FY26 ended 31 December 2025

Watercare

Contents

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.

Quarter 2 summary

Opex: Watercare's operating expenditure for FY26 is tracking well year to date with total operating expenditure $0.3m (0.1%) above budget. This result has been supported by Auckland's water supply dams reaching 100% capacity in July 2025 and remaining near this level throughout the first six months of the financial year. This has enabled a continued reduction in reliance on the Waikato River, our most expensive water source, resulting in lower energy and chemical costs associated with water treatment. The continued wet conditions have also contributed to deferral of planned maintenance activities at our southern water treatment plants. These lower operating and maintenance costs have been partly offset by higher levels of unplanned maintenance across the water and wastewater networks due to overflows and asset failures, as well as increased energy costs associated with ongoing high levels of wastewater pumping.

Indirect costs year to date are $2m unfavourable to budget, primarily due to two $1m payments to Aquaculture New Zealand as financial support for Mahurangi oyster farmers affected by the October 2025 wastewater overflow in the Mahurangi River. Watercare has also incurred additional one off professional and legal services costs associated with financial independence and long-term regulatory work.

The final Charter related project, Watercare's Operating Cost Efficiency Improvement Plan was delivered to the Crown monitor at the end of December 2025. Our smart sewer sensor roll-out continues and data is now being fed into our AI platform. This platform is developing a machine learning model to assist with identifying potential overflows and ensuring resolution of issues more quickly.

Capex: In Q2 FY26 Watercare invested $244.2m, ($477.3m YTD) 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. The Q2 investment was $40.2m (14%) below the $284.4m in the Operating and Capital Expenditure Plan (Plan) Watercare prepared under Clause 26 of the Charter for Q2.
Of the total investment, $151.1m 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 $59m was invested in water infrastructure, primarily focused on renewing and expanding network assets. $34.1m 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.

Key milestones in the period include the launch of the Warkworth growth-servicing pipeline—the final element of a $450m upgrade programme in the Warkworth area, works to connect the Northern Interceptor to the Rosedale Wastewater Treatment Plant, installing final switchgear at the Clarks Beach WWTP, and breaking ground on the Waiwera renewal programme.

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 internal board approved budget. 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	FY26 YTD Quarter 2			FY26 Full Year		
($000's)	Actual	Budget	Variance	Forecast	Budget*	Variance
DIRECT COSTS	**112,591**	**114,285**	**1,694**	**228,271**	**230,124**	**1,853**
WATER	**49,291**	**52,029**	**2,738**	**100,239**	**104,824**	**4,585**
Net Labour	6,075	6,195	120	12,383	12,404	21
Planned Maintenance	4,963	6,446	1,483	10,321	10,396	75
Unplanned Maintenance	18,378	15,899	(2,479)	34,948	31,801	(3,147)
Energy	5,628	6,884	1,256	11,920	16,506	4,586
Chemicals	4,873	6,816	1,943	11,325	14,152	2,827
Sludge Disposal	620	787	167	1,369	1,564	195
Other Operating Costs **	8,754	9,002	248	17,973	18,001	28

Operating Expenses	FY26 YTD Quarter 2			FY26 Full Year		
($000's)	**Actual**	**Budget**	**Variance**	**Forecast**	**Budget***	**Variance**
WASTEWATER	**63,300**	**62,256**	**(1,044)**	**128,032**	**125,300**	**(2,732)**
Net Labour	6,544	6,561	17	13,251	13,265	14
Planned Maintenance	10,108	10,400	292	21,637	21,005	(632)
Unplanned Maintenance	16,402	14,938	(1,464)	31,643	29,673	(1,970)
Energy	15,999	14,588	(1,411)	30,147	28,709	(1,438)
Chemicals	3,542	3,911	369	7,646	8,005	359
Sludge Disposal	3,633	3,836	203	8,225	8,370	145
Other Operating Costs **	7,072	8,022	950	15,483	16,273	790
INDIRECT COSTS	**83,421**	**81,385**	**(2,036)**	**178,816**	**165,307**	**(13,509)**
Asset Planning & Delivery	13,251	11,920	(1,331)	31,399	25,297	(6,102)
Digital Costs	26,695	30,648	3,953	57,813	60,506	2,693
Operations Oversight & Management	13,509	12,302	(1,207)	27,095	23,915	(3,180)
Insurance	4,067	3,706	(361)	8,238	7,414	(824)
Consent Related Costs	1,306	1,240	(66)	5,226	5,307	81
Business Support Services	24,593	21,569	(3,024)	49,045	42,868	(6,177)
TOTAL OPERATING COSTS	**196,012**	**195,670**	**(342)**	**407,087**	**395,431***	**(11,656)**

*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 is currently a net revenue position. For Auckland Council reporting, this contract is reflected gross in revenue and expenses.

** Other Operating Costs include laboratory testing, dam safety, land maintenance, compliance costs and plant operating expenses.

1.2 Financial commentary

Total operating expenditure

Total operating expenditure YTD to the end of December 2025 was $196m, which at $0.3m (0.2%) above budget is largely on plan, with favourable variances offsetting cost pressures in other areas. Lower water energy and chemical costs have been achieved through reduced reliance on the Waikato Water Treatment Plant reflecting sustained high dam levels. Ongoing wet weather has required the deferral of some planned water maintenance activities, including lagoon desludging, to later in the year. Delays and reprioritisation of some digital projects have also led to lower operating costs YTD. These favourable movements were offset by higher wastewater costs driven by wetter than average weather conditions, which increased energy usage for pumping and a rise in unplanned maintenance associated with overflows and network faults. Further pressures came from financial support payments and costs related to regulatory requirements and financial independence.

An updated full-year forecast for FY26 was completed in January 2026, incorporating actual results to the end of December 2025 and a forward-looking view through to June 2026. Full year operating expenditure is now forecasted at $407.1m, $11.7m above budget. This variance is largely attributed to a change in accounting treatment for third-party connections costs, several high value unplanned maintenance faults, the financial support payments and increased expenditure to support Watercare Charter projects and financial independence initiatives. YTD favourable results in water operations due to the reduced reliance on the Waikato Water Treatment Plant are expected to continue, supported by favourable energy rates negotiated to take effect from 1 February 2026. The underspend in planned water maintenance YTD will reverse over the remainder of the year as deferred works are delivered.

New water pipelines are being installed along La Veta Avenue in Mt Albert as part of the Wesley works programme.

Direct costs

Water costs – Water expenditure YTD to the end of December 2025 was $49.3m, $2.7m favourable to budget. The full year forecast is expected to be $4.6m favourable to budget at $100.2m.

The YTD result was impacted by lower planned maintenance at our southern water treatment plants while energy and chemical costs were also favourable as referenced above. Unplanned maintenance was higher than anticipated with transmission watermain faults on Lake Rd and State Highway 16 totalling $0.5m, while Howick Main flushing and Bush Rd Reservoir repairs also contributed an additional $0.3m in costs. Network faults, particularly in the northern and southern regions made up the balance. Our pipeline renewals programme to minimise pipe breaks is now well underway with more than $20m spent this year and over $50m in contract works issued to the market before Christmas.

The favourable trend in energy and chemical costs is expected to continue throughout the year, driven primarily by the reduced reliance on the Waikato River and supported by advantageous energy rates effective from February 2026. The current favourable variance in planned maintenance is anticipated to reverse as scheduled maintenance programs are executed in the coming months.

Wastewater costs – Expenditure YTD to the end of December 2025 was $63.3m, $1.0m unfavourable to budget. The full year forecast is expected to be $2.7m unfavourable to budget.

The major driver of the result YTD was the volume of unplanned maintenance and energy costs associated with additional pumping as mentioned above. There were a number of large value faults due to damage caused by third parties (which are recharged to perpetrators), as well as a fault on the Sylvia Park Rising Main, which is due for renewal later in the calendar year.

The full year forecast reflects the year to date overspend on unplanned maintenance, catchup of planned maintenance schedules, and engine overhaul major maintenance at the Māngere WWTP for the rest of the year.

Indirect costs – YTD expenditure was $2.0m unfavourable to budget while full year is expected to be $13.5m unfavourable to budget.

Asset Planning and Delivery – YTD costs are $1.3m unfavourable to budget while full year is expected to be $6.1m unfavourable to budget reflecting a change in accounting treatment relating to the recognition of third-party connections costs.

Digital – YTD costs were $4.0m favourable due to lower spend on Software as a Service (SaaS) projects and savings and rationalisation of software licencing costs.

The full year forecast is expected to be $2.7m favourable with the re-phasing of a number of SaaS projects include the GIS re-platform project which is now expected to continue through to 2027.

Operations Oversight & Management – Expenditure YTD was $1.2m unfavourable to budget while full year is expected to be $3.2m unfavourable predominantly due to additional wastewater tankering costs due to higher than anticipated volumes. These are individual agreements with certain developers and are on-charged.

Business Support Services – YTD costs were $3m unfavourable to budget while full year is expected to be $6.2m unfavourable to budget. The year-to-date result is due to financial support payments as well higher than budgeted professional services and legal fees associated with financial independence and bond issuance costs and lower labour capital recoveries reflecting the lower capital spend to date. The full year forecast reflects the increase in our professional services due to the Charter related projects to be delivered, additional costs associated with payroll system enhancements to ensure compliance going forward as well as additional doubtful debt provisions taken due to increased aged debtor balances on specific accounts.

1.3 Operating expenditure project commentary

Key projects undertaken in the quarter.

- The **Human Resources Information System (HRIS)** project (**Workday**) went live in late July 2025 and is performing well. Phase two of the implementation, including learning management, workforce planning and capability and competency tracking has been approved and is in the design and delivery phase.

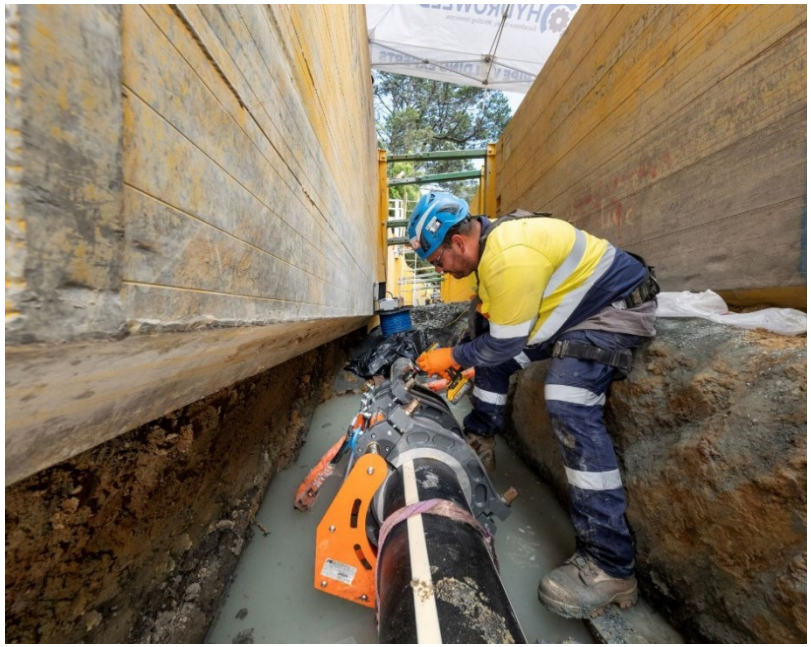
- The **Network Improvement Efficiency Programme** including pressure management and pipeline renewals continues with poor condition water and wastewater network assets prioritised for delivery under our renewal programme for FY26. The relining of sewer pipelines in Beachlands and Maraetai has been completed and will help reduce the level of groundwater entering our sewers. 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.

- The **Donesafe** initiative is now well underway and expected to go live in July 2026. This 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 is a SaaS project with the

majority of costs recognised in the profit and loss. This project has integration requirements that are shared with the HRIS project mentioned above, which has resulted in some amendment to timelines.

- The **Watercare Charter** required 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. All three of these plans and reviews were completed with a number of internal staff and external advisors engaged to assist. Implementation planning is underway.

- **Smart sewer** equipment was purchased in early June 2025 as part of our flushing optimisation programme. To date, approximately 2,500 sensors have been installed with over 1,000 already feeding data into our AI platform which is developing a machine learning model. We expect 5,000 sensors to be installed by the end of June 2026. While the sensors will be capitalised, we expect to realise some significant savings in unplanned overflow maintenance and planned sewer flushing costs in the coming years given the insights the smart sewer data will provide.



Crews are installing a new wastewater pipeline along Hibiscus Coast Highway.

- 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 and is being delivered collaboratively with Auckland Council's group shared services. The development and test environments have already been delivered by council and work is ongoing between council and Watercare to refine the solution to support future capability uplift.

- The FY26 advancement of the **insurance strategy workplan** is well underway with Aon appointed to complete the loss modelling by 31 March 2026 and captive feasibility in April 2026.

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 has experienced high price volatility in recent years driven by record low hydro lake levels in early 2025 and a significant gas supply shortfall. Watercare has partially mitigated this risk by splitting electricity supply needs across three contracts with staggered expiries, securing two-year supply agreements to smooth pricing, and generating energy through biogas, solar and hydro assets. However, as we remain reliant on the market for a portion of our energy needs, we are still exposed to volatility. Energy costs increased significantly in FY25, with a further increase budgeted for FY26.

Short-term risk has been partially reduced through a new energy contract signed in August 2025 (effective February 2026), but material long term risk remains. Through the Charter Operating Cost Efficiency Improvement Plan, Watercare has identified behind-the-meter opportunities (solar panel generation, battery storage systems, biogas turbines and hydro generation) and is progressing work on longer term market arrangements including power purchase agreements.

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. Production at the Ballance Agri-Nutrients Mount Maunganui plant ceased in late 2025, driving higher costs for alum and HFA – both of which depend on sulphuric acid as a key raw material. Remaining stock from the plant is nearly exhausted. From August 2026, long term New Zealand supply is expected to come from Christchurch at approximately 2.5 times the cost of historic local cost due to freight to Auckland. In the interim, imported HFA will be used for the remainder of FY26 at around 4 times the cost of historic local supply. These increases have been incorporated into the full year forecast.

2 Capital expenditure

2.1 Capital expenditure introduction

The capital expenses report covers all capital costs incurred in the quarter and year to date (YTD). It has been split by programme and sorted by water, wastewater, and programmes that support both water and wastewater.

Commentary for capital expenditure YTD 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 of all projects, so this report shows the performance of the whole delivery programme/portfolio for the reporting periods.

TABLE 2: CAPITAL EXPENDITURE SUMMARY

Programme	Allocation			FY26 Q2 (Quarter ended Dec 25) ($000's)			YTD ($000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
Supporting Water and Wastewater				**34,075**	**32,351**	**1,724**	**63,670**	**59,731**	**3,939**
Business Assets	25%	16%	59%	12,774	11,987	787	23,198	21,382	1,816
Digital Assets	6%	42%	52%	4,058	3,934	124	8,111	10,713	(2,602)
Projects supporting Kainga Ora	60%	17%	23%	17,243	16,430	813	32,361	27,636	4,725
WATER				**59,025**	**72,378**	**(13,353)**	**108,986**	**134,750**	**(25,764)**
Ardmore Water Treatment Plant	0%	22%	78%	726	3,547	(2,821)	1,370	5,897	(4,527)
Huia Water Supply	43%	16%	41%	7,560	5,538	2,022	13,737	13,667	70
North Harbour 2 Watermain	100%	0%	0%	3,815	5,483	(1,668)	5,889	7,569	(1,680)
Waikato Water Supply	79%	4%	17%	3,571	4,934	(1,363)	6,020	7,748	(1,728)
Water Collection & Treatment Assets	37%	31%	32%	7,576	4,955	2,621	13,147	10,944	2,203
Water Network Assets	31%	5%	64%	35,777	47,921	(12,144)	68,823	88,925	(20,102)

Programme	Allocation			FY26 Q2 (Quarter ended Dec 25) ($000's)			YTD ($000's)		
	Growth %	LoS %	Renewal %	Actual	Plan	Variance	Actual	Plan	Variance
WASTEWATER				**151,114**	**179,668**	**(28,554)**	**304,616**	**364,443**	**(59,827)**
Central Interceptor	48%	41%	11%	37,307	43,659	(6,352)	75,958	93,387	(17,429)
Hingaia / Southern Auckland WW Servicing Scheme	100%	0%	0%	1,077	1,595	(518)	1,707	2,953	(1,246)
Mangere Wastewater Treatment Plant	12%	15%	73%	17,793	17,380	413	38,335	33,328	5,007
North East Wastewater Programme	80%	9%	11%	10,633	8,026	2,607	24,151	27,010	(2,859)
Otara Wastewater Network	73%	7%	20%	546	663	(117)	1,003	884	119
Pukekohe Wastewater Scheme	92%	1%	7%	808	3,739	(2,931)	1,615	5,350	(3,735)
Queen Street Wastewater Network	0%	0%	100%	6,460	14,912	(8,452)	18,328	35,436	(17,108)
Rosedale Wastewater Treatment Plant	31%	10%	59%	9,492	11,617	(2,125)	16,647	20,586	(3,939)
Southwest Wastewater Scheme	77%	17%	6%	15,375	10,075	5,300	29,674	24,445	5,229
Waitematā Water Quality Improvement	50%	50%	0%	7,087	12,335	(5,248)	16,554	20,809	(4,255)
Wastewater Network Assets	32%	12%	56%	33,476	42,035	(8,559)	59,930	73,686	(13,756)
Wastewater Treatment Plant Assets	51%	17%	32%	9,167	8,432	735	16,135	17,347	(1,212)
Whenuapai & Redhills Wastewater Scheme	100%	0%	0%	1,893	5,200	(3,307)	4,579	9,222	(4,643)
TOTAL				**244,214**	**284,395**	**(40,181)**	**477,272**	**558,924**	**(81,652)**

*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.

2.2 Commentary

2.2.1 Cost

Watercare's capital expenditure for the quarter was $244.2m, which is $40.2m (14%) below the planned budget of $284.4m. Year to date (YTD), Watercare's capital expenditure is $81.7m (15%) below the planned budget.

The key drivers of this underspend are outlined below.

Water Network Assets: Quarterly 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.

Central Interceptor: The underspend for the quarter reflects a change in programme phasing relative to the budget, primarily associated with the Grey Lynn Wastewater Tunnel. The overall programme cost and the scheduled completion date of December 2026 remain on track.

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: The underspend reflects a delay in contracting for the Herne Bay Branch 5 upgrade. Governance processes identified design issues that needed addressing, resulting in scope refinement, which will soon be presented for Board approval.

Wastewater Network Assets: The underspend within the Wastewater Network Assets programme is mainly driven by a two-month delay in the construction start of the Waiwera Servicing project due to protracted tender negotiations, and an ambitious cost ramp-up in the original plan, and delays in the purchase of land required for the Silverdale West pump station.

The underspend was partially offset by the following:

South-West 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 a project to maintain reliable, compliant water to west and central Auckland, replacing an end-of-life asset with a more resilient configuration.

Other substantial spends include:

Māngere Wastewater Treatment Plant which is mainly renewals and safety projects at the plant to support safe and efficient operation of the plant.

2.2.2 Delivery

Most capital projects in Quarter 2 progressed as planned. Notable milestones included:

North East Wastewater Programme: the launch of the Warkworth growth-servicing pipeline. The final element of a $450 million upgrade programme in the Warkworth area, the Warkworth Growth Servicing pipeline, provides bulk wastewater capacity to service planned greenfield growth in Warkworth and helps mitigate existing wet-weather wastewater overflows, improving environmental outcomes in the Mahurangi River.

Rosedale Wastewater Treatment Plant: complex sub-surface works to connect the Northern Interceptor to the Rosedale Wastewater Treatment Plant. This project will reduce wet-weather wastewater overflows and improve environmental outcomes by strengthening the connection between the Northern Interceptor and the Rosedale Wastewater Treatment Plant, allowing flows to be managed more reliably during peak conditions. It will also improve network resilience and enable future growth in Auckland's north and north-west**,** by making better use of existing infrastructure and unlocking capacity for planned development with minimal disruption to surrounding communities.

Switchgear boxes are being installed to power the upgraded Clarks Beach Wastewater Treatment Plant.

Southwest Wastewater Scheme: installing final switchgear at the $38.3 million Clarks Beach WWTP.

Network Assets: breaking ground on the $45 million Waiwera renewal programme.

2.2.3 Opportunities

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

2.2.4 Issues

Improvements in technology and approach to surveying transmission pipelines have provided enhanced information on the wastewater interceptors. This has highlighted critical risk in some of the main interceptors. This work was not included in the Charter plan. Feasibility studies are in progress and some costs for these studies have been approved and added to the AMP. Cost for remediation required will be assessed and prioritised and then included in the next published asset management plan (July 2027).

2.3 Programmes/projects completed during the quarter

During Quarter 2, Watercare completed several capital projects to support the resilience, performance, and future capacity of Auckland's water and wastewater networks.

The **Southwest Wastewater Outfall** was completed, delivering a new buried treated effluent pipeline from the Clarks Beach Wastewater Treatment Plant to the marine receiving environment. The outfall enables treated wastewater to be discharged in accordance with environmental and consent requirements, supporting protection of the receiving environment. The project improves the resilience and long-term capability of the treatment plant and supports anticipated growth in the southwest area.

In addition, a number of smaller renewal projects were completed to maintain and improve the reliability and performance of existing assets across the water and wastewater networks. These included renewals to primary settling tanks at the Māngere Wastewater Treatment Plant, which support ongoing operational performance and system resilience.

2.4 Programmes/projects started during the quarter

During Quarter 2, 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.

Inspections

Projects that support building models and future renewals programmes.

- **Remote visual inspections of inaccessible wastewater network assets** – Improves understanding of asset condition in hard-to-access locations, supporting risk-based renewal planning and safer inspection practices.
- **Non-intrusive inspections of critical watermains** – Enables early identification of condition issues in critical water assets, reducing the likelihood of failures and unplanned outages.

Feasibility

Projects that commenced feasibility activities during the quarter focus on identifying preferred solutions, reducing uncertainty, and informing future investment decisions. These initiatives will improve long-term planning certainty, network resilience, and asset stewardship:

- **Infrastructure easements for wastewater assets** – Secures legal access and protection for pump stations on private land, ensuring ongoing maintenance capability and reducing operational and legal risk.
- **New Waitematā Harbour Crossing** – Investigates long-term options to improve potable water supply resilience to the North Shore and address a key network vulnerability.
- **Northern Redhills wastewater to Brigham Creek Pump Station** – Supports future wastewater servicing of the Red Hills growth area by identifying options to increase network capacity and divert flows to higher-capacity infrastructure.

Design

Projects that entered the design phase during the quarter aim to develop fit-for-purpose solutions that support growth, improve compliance, and address asset condition and capacity constraints:

- **Army Bay WWTP upgrades** – Develops solutions to support population growth on the Hibiscus Coast and maintain compliance with discharge consent requirements.
- **Rosedale WWTP biogas and co-generation expansion** – Enables increased use of biogas to reduce reliance on grid electricity, minimise flaring, and improve energy resilience as future inflows increase.
- **Local wastewater pipe bridge inspection and design** – Assesses high-risk pipe bridges and develops designs to address aging assets, reducing the likelihood of failures in environmentally sensitive locations.
- **Wesley–Paerata watermain** – Supports growth in the Southern Growth Area by improving water supply resilience and providing a future cross-connection between Waikato watermains.

Design and Build

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

- **Southwest Wastewater tidal storage** – Improves compliance with tidal discharge requirements and enhances wastewater system resilience for the southwest region.
- **Huia Water Treatment Plant resilience and continuity works** – Addresses high-risk aging assets to ensure reliable water production until the new replacement plant is operational.
- **Inline metering and transmission model validation** – Improves network visibility and hydraulic modelling, enabling faster fault detection, better loss management, and more informed capacity planning.
- **Faults, Defects and Engineering Notices programme** – Reduces uncontrolled wastewater overflows by addressing priority fault drainage issues and establishing a more structured, long-term response framework.
- **Trunk pump station planned replacements** – Improves reliability and safety at pump stations in very poor condition, reducing the risk of failures and service disruptions.

Construction

Projects that commenced construction activities during the quarter 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:

- **Western Headworks slip remediation (flood response)** – Remediates flood and landslip damaged sites to protect critical raw water infrastructure and improve access for operations.
- **Dunkirk Stage 2 rising main** – Increases wastewater network capacity in the Tāmaki area and reduces the frequency of wastewater overflows.
- **Coronation Road wastewater renewal** – Replaces badly damaged local sewers to improve network reliability and reduce maintenance issues.
- **West Boost pumping / May Road booster pump station** – Strengthens resilience of Auckland's western water supply by reducing reliance on single supply routes and enabling operational flexibility.
- **Silverdale West Water Phase 3** – Expands potable water infrastructure to support rapid residential and commercial growth in the Silverdale West and Milldale areas.

Together, these programmes and projects demonstrate Watercare's continued focus on enabling growth, strengthening resilience, improving asset stewardship, and positioning the network to meet Auckland's long-term water and wastewater needs.

2.5 Programmes/projects added during the quarter

The following projects were added to the programme during the quarter. While low-cost, these projects respond to emerging growth pressures and service risks and ensure future investment is aligned with safety, resilience, and level-of-service requirements:

- **Northside Drive Bulk Supply Point** – Enables servicing of growth in the Red Hills and Whenuapai areas by increasing bulk water supply capacity and supporting new and upgraded developer-installed watermains.
- **Māngere East Precinct Upgrades** – Addresses aging infrastructure, high leakage, and increasing burst frequency to maintain levels of service and support Kāinga Ora and other planned developments over the next decade.

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 2.

There have also been no additional significant opportunities or additional risks identified in Quarter 2.

Approvals

Management approvals

Prepared and reviewed by the following Watercare executive team members:

Approved by:

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

Board approvals

Approved by the board on 25 February 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 Feb 2026

Before me:

_____ Barrister and Solicitor of the High Court of New Zealand, 27 Feb 2026

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. Costs 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.