



Quarter Two - FY26 performance report

For the quarter ended 31 December 2025

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This report has been prepared in accordance with Clauses 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.

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Executive Summary

Watercare delivered major capital milestones and strengthened community engagement this quarter. We have also accelerated resilience improvements, began preparing for significant upcoming Resource Management reforms, while also responding to a disappointing overflow into the Mahurangi River.

Several major capital projects milestones were achieved, including the launch of the Warkworth growth-servicing pipeline—the final element of a \$450 million upgrade programme which will eliminate the bottleneck at the Elizabeth Street overflow point – and complex sub-surface works to connect the Northern Interceptor to the Rosedale Wastewater Treatment Plant. It also advanced key upgrades such as installing final switchgear at the \$38.3 million Clarks Beach WWTP, breaking ground on the \$45 million Waiwera renewal programme, and preparing to showcase progress on a \$95 million central Auckland upgrade, reinforcing long-term commitments to capacity, reliability, and cleaner waterways.

Community engagement was a major focus last quarter, Aucklanders were widely engaged on the future of biosolids, with more than 480,000 people reached across surveys, events, newsletters and social media. Feedback showed clear priorities: protect the environment, keep solutions affordable, ensure transparency, and safely manage contaminants as Watercare plans for long-term biosolids management.

Watercare has begun engagement with the Commerce Commission to develop our first price-quality proposal under enduring economic regulation. We will continue working closely with the Commission to achieve a financially sustainable outcome for Aucklanders, enabling us to borrow at reasonable rates to fund the investments needed for growth, asset renewal, and service levels.



Switchgear cabins installed as Clarks Beach Wastewater Treatment Plant prepares for commissioning

Major reforms to New Zealand’s resource management system are also underway, with new and updated national direction instruments already in effect and the replacement Natural Environment and Planning Bills still in draft. Watercare is providing feedback on the proposed changes and assessing how internal processes and ways of working will need to adapt under the new system.

Issues and risks

- Following the dry weather wastewater overflow in the Mahurangi River, Watercare has taken action to reduce the likelihood of recurrence and strengthen system resilience. This includes commissioning independent investigations into the October incident to identify the failures and begin process improvements to address the issues identified.
- We are committed to improving our relationship with developers by increasing transparency. We provided a network capacity update webinar in December that was well attended. We’ll continue to closely monitor progress across all projects and provide further capacity updates as milestones are achieved, ensuring developers have the clarity and confidence needed to plan ahead. Updates are published on our website - [Network Capacity Updates](#)

Our priorities

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

1. Delivering safe and reliable services
2. Renewing, building and maintaining infrastructure
3. Efficient service and infrastructure delivery
4. Strengthening relationships
5. Improving organisational performance
6. Embedding a sustainable financial model.

Priority 1: Deliver safe and reliable water and wastewater services

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

Watercare continues to see near normal or above normal rainfall contributing to total dam system storage which is approximately 10% above historical average. This gives us the flexibility to preferentially draw additional water from our gravity sources, reducing operational costs. Proactive management of water quality and operational performance meant that any issues were swiftly investigated and resolved without impact to public health or customer supply. We have had increased discolouration complaints in the Onehunga distribution zone. This is an aesthetic issue only and not a health concern. We are taking practical steps to improve the appearance of the water, including responding to individual complaints and progressing our long-term mains renewal programme for all of Onehunga. Close collaboration with the Water Services Authority, and timely completion of compliance activities, further reinforced service reliability. These efforts ensured customers experienced consistent, safe, and high-quality water services with minimal inconvenience.

Microbiological and chemical compliance has been achieved across all water treatment plants (WTPs) for Q2 2025/2026. Residual disinfection compliance was achieved in 39 of the 40 zones for each month of Q2, with one low chlorine sample (≤ 0.1 mg/L) recorded in Whenuapai distribution zone in October, two low chlorine samples recorded in Wellsford/Te Hana distribution zone in November, and one low chlorine sample recorded in High Head distribution zone in December. All distribution zones were compliant with all other requirements, including microbial compliance.



Waikato 1 Watermain successfully diverted to provide capacity for growth

Targets not met are:

- Residual disinfection (chlorine) water quality - Compliance for October, November, December was 97.5%, resulting in a 12-month rolling compliance of 97.1% as at December 2025. Public health was not at risk. All other water treatment and distribution zone compliance requirements were met for the quarter. All incidents of low chlorine were responded to by flushing, as per Watercare protocols. In the long term, Watercare has invested in the Water Age Modelling project which is already generating inputs into the Summer Free Available Chlorine strategy.

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)	≤5 hours	3.1 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)	≤6 days	1.0 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	7.0
4	Charter clause 9	The number of wastewater overflows, expressed per 1000 wastewater connections (rolling 12 month average)	≤5	0.6
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	2.8 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	116.3 l/c/d

Number	Source	Performance measure	Target	Results (green = met; red= not met)
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%
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%	97.1%
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%

Number	Source	Performance measure	Target	Results (green = met; red= not met)
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	7.9
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	39 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	3.1 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	0.8 days
19	DIA	Median response time for resolution 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	1.0 day
20	DIA	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 month average)	≤13%	12.9%
21	SOI	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%)	257
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

Number	Source	Performance measure	Target	Results (green = met; red= not met)
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	16
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	70 min P1: 45 min P2: 89 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) ³	≤ 5 hours	2.8 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) ³	≤ 5	0.6
27	NDC ²	Average number of wet weather overflows per engineered overflow point per discharge location (rolling 12 month average)	≤ 2 overflows per year	0.4

¹The 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.

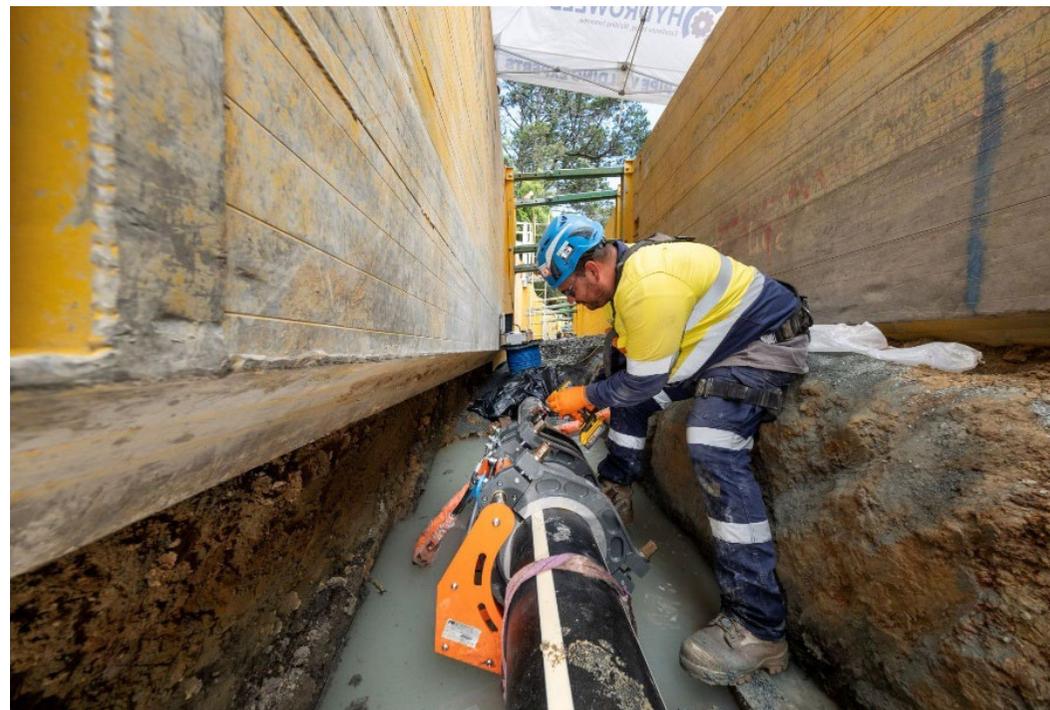
⁴ Watercare triages sewage overflows into two types: P1 faults (median target for attendance is 60 minutes) and P2 faults (median target for attendance is 4 hours).

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.

Watercare continues to demonstrate a strong commitment to delivering the infrastructure Auckland needs to support future growth and strengthen network capacity. With major programmes advancing across the region—from new pipelines that enable development in high-growth areas to significant upgrades of treatment plants and trunk wastewater assets—Watercare is ensuring Auckland’s water and wastewater networks remain resilient, reliable, and ready for the city's expanding communities.

- Major growth-servicing pipeline contract for Warkworth was signed, enabling us to complete the final stage of a \$450 million wastewater upgrade programme.
- Installation of final switchgear cabins at the \$38.3m Clarks Beach Wastewater Treatment Plant upgrade confirmed readiness for commissioning in early 2026.
- Watercare undertook complex excavation for the Northern Interceptor, connecting it to the Rosedale Wastewater Treatment Plant.
- Ground was broken on a \$45 million infrastructure programme in Waiwera, focused on water and wastewater renewals.
- Stage 2 of critical watermain repairs under the Auckland Harbour Bridge began in November.



Welding of the new wastewater raising main on Hibiscus Coast Highway in Waiwera

Watercare completed a complex 380-metre diversion of the Waikato 1 watermain over Christmas to support NZTA's P2D project, delivering the shutdown safely, on time, and with no customer impact. The works also enabled new connections for future growth areas. Intensive planning and coordination across operations, maintenance, infrastructure teams, contractors, and Veolia ensured stable supply throughout, with water treatment plants operating near capacity. Strong collaboration and disciplined execution underpinned the project's smooth delivery.

Despite great progress on projects, in late October, there was an isolated incident triggered by an unusual combination of factors, which resulted in a dry weather wastewater overflow at Warkworth pump station, compromising the Mahurangi River during peak oyster harvest season. By December, Watercare had implemented operational fixes, commenced investigations, and delivered \$2 million in interim financial support.

By the end of Q2, more than 2,500 sensors had been installed across the wastewater network as part of the Smart Sewers programme, with over 1,000 already feeding into our AI platform and progressing through the three-month machine learning model build. Our digital team is developing the system to integrate pumping station data into the AI environment, and installation has begun on sensors for unmonitored overflow points. These sensors are providing valuable insights into network performance during wet weather events and helping us identify and resolve issues more quickly.

Watercare is currently working with Auckland Council and various applicants on about 56 private plan changes and 16 fast-track applications. Council has also notified Plan Change 120 to the Auckland Unitary Plan, replacing Plan Change 78 and significantly increasing plan-enabled capacity across the region. We are assessing the water and wastewater capacity implications of these proposals on a case-by-case basis and working with major developers and Council to understand development timing, staging, available capacity, and required bulk infrastructure. This ensures we can support growth efficiently without compromising service levels for existing customers or planned, aligned growth. Our policies and approaches are being reviewed to ensure we can respond effectively to the current pace of legislative change.

Watercare has a significant programme of growth-supporting and service-lifting work scheduled for 2026, including:

- Lifting capacity limitations in southern Warkworth, Clarks Beach and Glenbrook as key wastewater upgrades come online.
- Central Interceptor entering service, delivering major improvements to network performance and environmental outcomes.
- Completion of the Waiwera Wastewater Treatment Plant upgrade, adding much-needed capacity for growth.
- Delivery of the \$95m Mt Roskill water upgrades, unlocking further development and strengthening local infrastructure.

Targets not met are:

- Year-to-date capital expenditure was \$81.7m below the Q2 target of \$558.9m. Central Interceptor experienced a timing delay but remains on track for December 2026. The Ōrākei Sewer Main works was held up by high sewer levels due to wet weather, while the Queen Street

Wastewater Network underspent after descoping and delays related to traffic management. Renewals, particularly local water networks, had a slow start as we retendered for proposals, with contracts to be awarded in Q3. The Herne Bay Branch upgrade, supporting the Wastewater Quality Improvement Programme, was also delayed in moving to construction. The Whenuapai & Redhill Wastewater Scheme (package 1) has been deferred, with consenting delays affecting other packages. The Northeast Wastewater Programme underspent as risks at Snells Wastewater Treatment Plant and saline intrusion did not eventuate.

- This lower spend was partly offset by:
 - Kāinga Ora projects running ahead of plan and a strategic land purchase. We are expecting to end the financial year slightly behind our full year budget as we will be ramping up renewals, strategic property purchases, and have more projects moving into construction.

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 \$558.9 m	Year to date actuals \$477.3m
			Full year target \$1.05b	Full Year Forecast \$1.02b

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 submitted its Operating Cost Efficiency Improvement Plan to the Commerce Commission and is now awaiting feedback. The plan outlines how Watercare will continue to deliver safe, reliable and cost-effective services while strengthening our focus on managing controllable costs and improving operational efficiency. It reflects our obligations under the Watercare Charter and is grounded in detailed analysis, benchmarking and workshops with experts across the business.

The plan identifies a strong pipeline of initiatives already underway, designed to provide enduring value for money while protecting service quality and resilience. These initiatives span both near-term operational improvements and longer-term structural efficiencies, supported by a clear framework for tracking, measuring and reporting progress.

Key areas identified for savings

- Energy – behind-the-meter solar and biogas generation, energy sourcing improvements, and efficiency optimisation across treatment assets.
- Maintenance – rebuilding Reliability-Centred Maintenance capability, reducing reactive maintenance, improving planning and data quality, and strengthening contracting models.
- Operations – chemical dosing optimisation, sludge treatment and recovery improvements, and consolidation of high-cost sites.
- Digital – platform simplification, cloud and licence rationalisation, improved service management, and workforce efficiency.
- Customer operations – commercial and residential smart-meter rollout, improved billing accuracy, and automation of retail processes.

Watercare's 2025–2028 Asset Management Improvement Plan sets out a focused three-year programme to lift infrastructure delivery and asset management performance, meet Clause 24 Charter requirements, and improve service reliability and value for Aucklanders. Feedback from the Commerce Commission has been received and did not require changes to the draft. The plan is now final and published on our website. With planning complete, Watercare now shifts its focus to disciplined execution.

Priority 4: Strengthening relationships

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

Customer service remains strong, with Q2 showing a clear recovery in trust scores alongside consistently high customer satisfaction and fast complaint resolution.

Engagement was undertaken to prepare Auckland for the future management of biosolids after the Puketutu Island rehabilitation project ends in 2035. Our biosolids programme aims to ensure solutions are environmentally, socially, and economically responsible.

- The engagement involved a wide range of activities, including community events, targeted digital campaigns, surveys, workshops, and ongoing partnership with mana whenua, to raise awareness, gather feedback, and understand community priorities.
- Our engagement revealed strong public support for innovative, environmentally responsible solutions that prioritise resource recovery and safety. While affordability is important, Aucklanders do not want cost savings to come at the expense of health or sustainability.
- There is a clear expectation for transparent decision-making, open communication about risks, and meaningful involvement of mana whenua and the wider community.
- The insights gained will directly inform the next phases of planning, ensuring Auckland's biosolids strategy reflects community values, technical requirements, and cultural considerations—ultimately driving better outcomes for customers, communities, and the environment.



Watercare Biosolids engagement – free public bus tours to Puketutu Island

We held a Beachlands Wastewater Treatment Plant open day, where locals explored the facility and learned about wastewater management through guided tours and interactive displays. Together, the biosolids and Beachlands engagements ensured diverse voices were heard and incorporated into planning, strengthening trust, and shaping solutions that better reflect community values and needs.

We launched the WonderWai Discovery Centre, a mobile, interactive hub that builds water literacy through school visits and community events, using games and models to explain the full water cycle. It supports Watercare’s wider programme, reaching up to 16,000 students each year and encouraging informed, responsible water use across Auckland.

Watercare’s strong, long-standing relationships with the Mayor, Governing Body, and Local Boards proved invaluable following the October 2025 local body elections. Because many connections were already well-established, we were able to welcome the Mayor and newly elected members and continue open, constructive engagement from day one. Communication and information sharing have resumed at pace, and we are now building the same level of trust and collaboration with new elected members as they come on board.

Targets not met are:

- Community trust score: Trust increased in Q2 (56%), increasing the 12-month rolling average to 53.5% due to strong gains in customer service and issue resolution are driving most of the uplift. There has also been an increase in awareness of our services driven by the large public engagement undertaken in Q2.

Number	Source	Performance measure focus	Target	Results (green = met; red= not met)
29	SOI	Community Trust Score (rolling 12 month average)	≥55%	53.5%
30	SOI	Customer Net Satisfaction Score (rolling 12 month average)	≥45	56
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).	165 (+/- 2.5%)	160
32	SOI	Percentage of customer complaints resolved within ten days of notification (rolling 12 month)	≥95%	98.8%

Priority 5: Improving organisational performance

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

Strong safety leadership remained a focus of health, safety and wellbeing success during Q2. That safety leadership extended outside of the organisation as Watercare hosted a working forum with key contractors and consultants launching updated general safety requirements and collaboratively drafting a set of health and safety leadership commitments. Critical risk control reviews were completed on two of Watercare's 14 identified critical risks, and the project to replace the digital safety system progressed against the implementation programme.

We advanced Watercare's Māori Outcomes programme this quarter while deepening key iwi partnerships and strengthening organisational cultural capability. Engagement and collaboration mechanisms across Tāmaki Makaurau are now more structured and predictable, supported by ongoing work with mana whenua to refine internal project onboarding and consenting processes. Rangatira-level engagement also progressed meaningfully, with CE-to-CE and CE-to-Governance kōrero with Te Kawerau ā Maki and Ngāti Manuhiri helping to clearly convey iwi aspirations and reinforce a shared pathway forward.

Momentum continued with Waikato Tainui, with the final governance hui advancing the Kawenata work programme and the six-month progress report identifying areas for improvement. Planning is now underway to accelerate delivery through 2026 and beyond.

Cumulative Q1 + Q2 GHG Emissions for FY26 are tracking slightly above our FY26 target (~58% at mid-year). Although Q2 emissions are lower than Q1, the largest portion of our portfolio is based on processing of wastewater received at our treatment plants and is not linear across the full year. We continue to purchase over 90% of our electricity through Ecotricity and we continually monitor our systems across the region: particularly the effectiveness of our treatment processes, facility energy efficiency and renewable energy generation.



Watercare health & safety conference with contractors - October 2025

Targets not met are:

- While our Māori procurement target is 5%, we are currently tracking at 3.3%. Total Spend YTD of \$19.9m is +\$1.1m above last year. To improve performance and strengthen Māori economic participation, we will review and evaluate the effectiveness of Ngā Kakau Paraha, our Māori business network; recruit additional Māori businesses into the Watercare procurement pathway; and deliver and assess wānanga and workshops aimed at increasing the number of Māori businesses we procure from.

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%	3.3%
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 (rolling 12 month)	<108,000 tonnes CO2e (including emissions from Te Motu a Hiaroa (Puketutu Island)) <85,000 tonnes CO2e (excluding emissions from Puketutu Island)	62,400 tonnes CO2e (including emissions from Te Motu a Hiaroa (Puketutu Island)) 49,600 tonnes CO2e (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.

We have now established our Australian and European bond programmes. We are continuing our investor engagement strategy presenting to Asian and Australian investors via roadshows in January and February, reinforcing Watercare’s profile as a credible and sustainable issuer.

Our New Zealand Commercial Paper programme has now been established and has settled into a steady cadence with this initiative supporting short-term funding flexibility and broadening our investor base. These steps, alongside enhancements to our treasury governance and risk management frameworks, underscore our commitment to prudent financial management and long-term funding resilience.

We have commenced work on our first price-quality proposal under enduring economic regulation. A fit for purpose price-quality path for the years after 2028 is essential for ensuring that Watercare can continue to borrow at reasonable rates to fund investments necessary to support growth, renewal and level of service. We continue to engage closely with the Commerce Commission to ensure a financial sustainable outcome for Auckland consumers.

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%	0.97%
36	Clause 14	Maximum Allowable Revenue from prices for providing water supply and wastewater supply services ¹	\$845.10m	
37	Clause 17	Minimum allocable average increase in average infrastructure growth charges ¹	15.5%	
38	Clause 30	Credit rating	Maintain	Maintain

¹ These measures are reported on an annual basis only

Approvals

Management approvals

Prepared and reviewed by the following Watercare executive team members:

Angela Neeson – Chief Financial Officer



Jamie Sinclair – Chief Executive Officer



Board approvals

Approved by the board on 25 February 2026

Statutory declaration

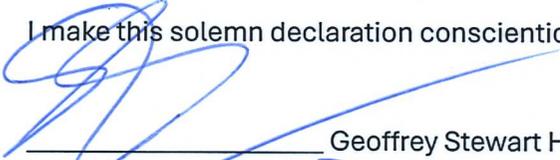
I, Geoffrey Stewart Hunt, Director and Chair of the Watercare Services Limited board, of Takapuna, Auckland, solemnly and sincerely declare:

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

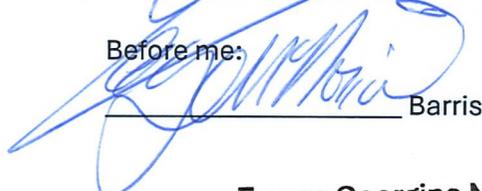
2. That all forecasts and estimates in this report are demonstrably reasonable.

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

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 31 December 2025

Section 1: Watercare Charter progress

The Watercare Charter came into effect on 1 April 2025. We have complied with timelines in Q2, and submitted the following plans:

Plan	Due date	Progress update
Operating Cost Efficiency Improvement Plan	Submitted	<ul style="list-style-type: none"> Our Operating Cost Efficiency Improvement Plan was submitted to the Crown Monitor on 22 December 2025 and we await feedback. The final 2025 benchmarking report from Water Services Association of Australia was issued in late December. Watercare benchmarked very well, however it also showed a number of areas where we can continue to improve, many of which are included in our Operating Cost Efficiency Improvement Plan. Watercare continues work with Council to identify shared efficiency opportunities. The GIS development and test environment has been delivered by Council. Work is ongoing between council and Watercare to refine the solution to support future capability uplift. The shared Office Cleaning Contract has also been signed.
Infrastructure Delivery and Asset Management Improvement Plan	Published	<ul style="list-style-type: none"> The Crown monitor confirmed on 24 November 2025 that the draft infrastructure delivery and asset management improvement plan meets Charter requirements. We have incorporated their feedback, along with the independent verifier's final report, into the final plan. This is published on our website - Infrastructure Delivery and Asset Management Improvement Pla 2025-2028. We are now moving into delivery, beginning with establishing the execution plan.
Infrastructure Growth Charge (IGC) Policy Review and Redesign	Submitted	<ul style="list-style-type: none"> Feedback on the draft Pricing Review Plan was received by the Crown monitor in late December 2025, which noted the Plan met the requirements of the Charter. We are working to incorporate their feedback and publish the final version of the Plan on our website in March 2026 An initial public stakeholder consultation period is planned for April – June 2026, however this may change to align with Development Levies consultations as needed.

Section 2: Financial performance

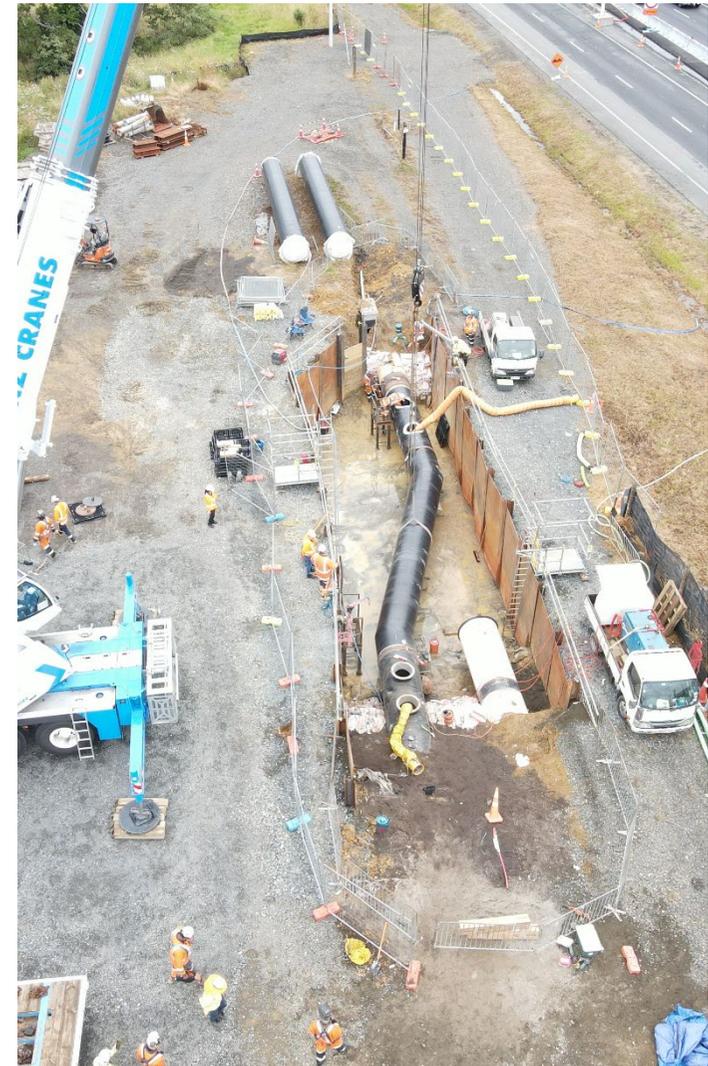
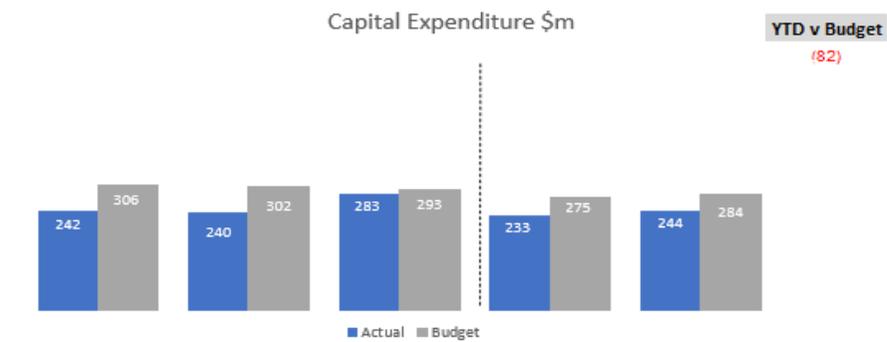
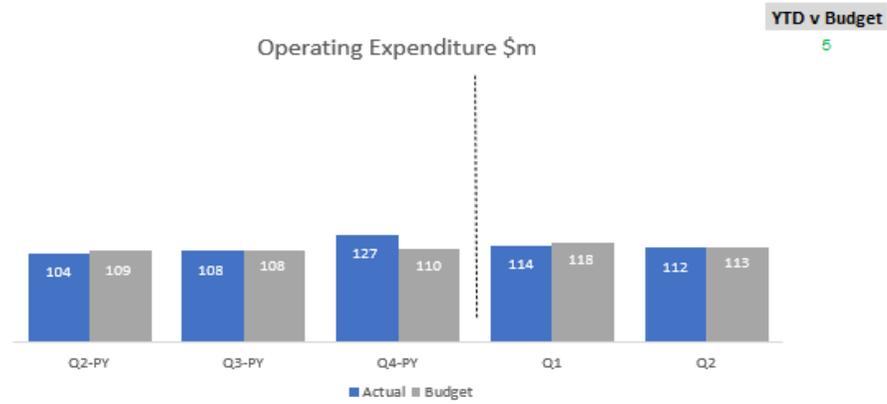
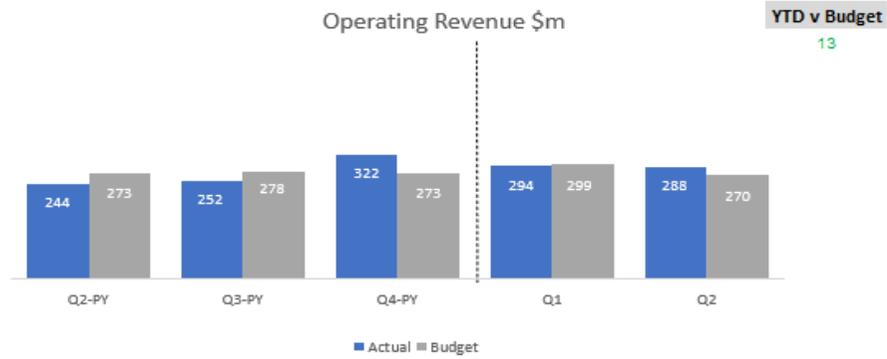
S million	Operating performance					FY26 Long Term Plan/Annual plan
	FY25	FY25	FY26 - YTD			
	YTD Actuals	Full Year Actuals	Actual	Budget	Variance	
Net direct expenditure	317	657	356	338	18	684
Direct revenue	523	1,098	582	569	13	1148
Fees and user charges	364	732	386	406	(20)	828
Other direct revenue	159	366	196	163	33	320
Direct expenditure	206	441	226	231	5	464
Employee benefits	63	130	66	65	(1)	129
Repairs and maintenance	44	92	46	49	3	94
Cost of goods and services	2	3	1	(5)	(6)	(9)
Other direct expenditure	97	216	113	122	9	250
Other key operating lines						
Vested asset revenue	47	92	55	33	22	66
Capital grants and insurance revenue	18	31	9	12	(3)	12
Depreciation and amortisation	209	470	320	217	(103)	429
Finance costs	90	172	98	107	9	222
Net other gains (losses)	(6)	12	6	8	(2)	13
Capital investment						
Capital expenditure	479	1,002	477	559	(82)	1,050

S million	Revenue and expenditure detail				
	FY25	FY25	FY26 - YTD		
	YTD Actuals	Full Year Actuals	Actual	Budget	Variance
Direct revenue	523	1,098	582	569	13
Fees & User Charges	364	732	386	406	(20)
Water Revenue	112	225	118	125	(7)
Wastewater Revenue	252	507	268	281	(13)
Other direct revenue	159	366	196	163	33
Infrastructure Growth Charges	96	218	115	92	23
Other key revenue	63	148	81	71	10
Capital grants, intercompany capital funding and insurance revenue	18	31	9	12	(3)
Grants from KO	18	28	9	12	(3)
Intercompany capital funding	-	-	-	-	-
Insurance proceeds for storm recovery	-	3	-	-	-
Direct expenditure (\$m)					
Employee benefits	63	130	66	65	(1)
Salaries and wages	76	153	81	84	3
Contractors	10	21	12	8	(4)
Other staff costs	6	15	5	7	2
Labour recoveries	(29)	(59)	(32)	(34)	(2)

Difference to statutory reporting

The financial results are aligned with the Council's annual plan and differ in presentation from Watercare's statutory reporting and internal governance reporting. Under this format, all receipts and costs associated with the Waikato District Council contract are reported as revenue and expenditure. In Watercare's annual report, and governance reporting this contract is treated as an agency arrangement, with receipts and payments offset in the income statement to reflect net impact.

Summary Financial Charts



New pipe in place at Flanagan Road, Drury

Financial commentary

Watercare's FY26 Q2 financial performance remains positive with net direct expenditure tracking at \$18m favourable to plan. Direct revenue and direct expenditure are \$13m and \$5m favourable to plan, respectively.

Year to date consumption has been lower than expected due to persistent wet weather and lower than anticipated demand from commercial customers. The continued wet weather conditions have kept dam levels remaining 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 YTD is \$13m above plan, with fees and user charges down \$20m 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 is \$23m favourable to plan with a higher than anticipated volume of applications processed YTD. This is also positively impacting new development revenues with inspections and approvals also ahead of plan YTD. Interest income and third-party damage revenue is also favourable to plan.
- WDC contract revenue YTD is \$5m below plan, with lower than anticipated project revenues.

Direct expenditure

- Direct expenditure YTD is \$5m favourable to plan, with the following notable items:
 - Repairs & maintenance: YTD \$3m favourable 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 \$6m which results in underlying Repairs and Maintenance being \$3m unfavourable to plan. The corrected unfavourability 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 breaks on SH16 and a Tomo at the Orewa East Pump Station causing failure of a 900mm gravity main.
 - Cost of goods sold: YTD \$6m unfavourable due to plan coding error as mentioned above, adjusted value in line with plan.
 - Other direct expenditure: YTD \$9m favourable with the key driver being lower capital project work on WDC contract, as mentioned above, and chemical and energy costs down \$2.1m due to lower flows at Waikato treatment plant and high dam levels. Other key

favourable variances are IS managed services \$2.1m due to phasing and reprioritisation of digital opex projects and software licencing \$1.7m due to favourable price negotiations, credits and phasing of spend. This favourability is offset by a \$2.0m financial support payment made to Mahurangi oyster farmers (via Aquaculture NZ) impacted by the wastewater overflows.

- Employee benefits: YTD \$1m unfavourable to plan driven by lower than anticipated capital project recoveries YTD.

Capital programme

Milestones achieved: Several major capital projects milestones were achieved last quarter referenced in priority two.

- **Delays/Deferrals:** Delays in the chemical storage and dosing project at Waikato treatment plant, contract being agreed and signed up for Herne Bay (WIWQ), Whenuapai & Redhill Wastewater scheme has seen a deferral 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 will ramp up in Q3, Q4. Delays in procuring smart meters has delayed the smart meter programme.

Other key operating lines

- **Capital subsidies:** YTD \$3m below plan due to phasing of milestone invoicing. Good progress continues to be made on the final shovel ready project with agreement reached on remaining payments.
- **Vested assets:** \$22m favourable YTD, inherently difficult to forecast.
- **Depreciation:** YTD \$103m higher than plan. \$51m relates to assets identified for retirement and associated accelerated depreciation. These include Hillsborough WWPS, Hunua 1 Watermain, Kahika Branch Sewer, Hillsborough and Glen Innes WWPS and local water and wastewater lines. The balance is due to the revaluation uplift booked against pipeline assets in June 2025 and additions.

Section 3: Statement of Intent Priorities

3.1: Operational compliance

- Updates on Water Supply and Water Quality is provided in priority one.
- Non-compliance with resource consents: there were nine non-compliant consents at the end of Q2; of these, three were classified as technical non-compliances, while six facilities had non-technical issues. 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: Our “Every Drop Counts” campaign reminds Aucklanders to use water wisely over summer. Although dam levels were strong heading into the season, hot weather can increase daily water use by up to 100 million litres, mostly from outdoor activities, placing pressure on treatment plants and the wider network. The campaign provides simple tips to help households reduce consumption without impacting summer enjoyment, while also encouraging Aucklanders to report leaks and check their own properties as leak volumes typically rise when the ground dries out.
- Leak Management: 5,600 km surveyed by end of Q2 in FY 26, identifying 1,100 leaks. District metering and pressure management installation is ongoing. Further development work is ongoing with the leakage management system software.
- Operational Performance: Water and wastewater job volumes in Q2 tracked closely to our expected annual run rate, and we are preparing for the usual uplift in faults as we head into Q3’s summer period. A key change in Q2 was the rise in higher-priority work: P1 and P2 jobs increased to 26% of total volumes, up from 23% last year, largely due to weather-related conditions. This indicates a shift toward managing more major bursts rather than smaller leaks, likely influenced by the mains renewal programme, targeted leakage-reduction activity, and ongoing pressure-management improvements, all of which are shaping the mix of faults being reported.

3.3: A water management plan by March 2026

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 version is on track to be filed with the Waikato Regional Council by March 2026. A copy of the updated management plan will be shared with Waikato Tainui.

3.4: Planning and delivery to regional growth plans

Watercare continues to respond to a large number of Private Plan Changes (PPCs) and Fast Track Approvals (FTAs). We have a clear, consistent approach to spatial planning decisions based on our policies and Council direction. Our goal is to manage service delivery risk, align with statutory obligations, and ensure safe, reliable water and wastewater services while supporting Auckland's growth strategy.

Key priorities include:

- Alignment with Auckland Council's Future Development Strategy (FDS) and the Mayor's Letter of Expectation.
- Efficient and transparent planning and delivery of infrastructure.
- Proactive engagement with developers to improve understanding of system capacity, and to provide early advice and reduce uncertainty.

With the proposed changes to resource management system, and our development of a Water Services Strategy under the Local Government (Water Services) Act 2025, there will be changes to the way we undertake strategic planning and consenting for our diverse project portfolio. It will take time for high-level legislation to cascade into local planning frameworks. Over the coming months, Watercare will continue working closely with Auckland Council to understand the operational impacts.

3.5: Group Shared Services (GSS)

Watercare continues to fully participate in GSS, where the benefits are clearly defined and supported by a sound business case that makes financial sense. The Information Sharing Agreement allowing the group to analyse potential areas for future combined working has been signed. The shared Office Cleaning Contract has also been signed. The GIS development and test environment has been delivered by council and the scope of work for the future operational capability is also nearing completion.

3.6: Customers/community/developers

Customers

Customer service performance remained strong this quarter, with service levels holding steady despite increased burst-main activity, proactive communication keeping customer sentiment high, and our Customer Net Satisfaction Score lifting to +56 (12-month rolling).

Community

We have made strides in engagement around wastewater and water infrastructure projects as outlined in our report above – refer to priority four-Strengthening Relationships.

Developers

Our growth development and improvement program is underway. We're strengthening our developer experience by learning from leading utilities, running internal discovery and co-design workshops, conducting one-on-one interviews, improving invoice clarity, and exploring automation and digital tools to streamline processes.

3.7: Elected members/engagement summary

The elected member relationship team regularly engages with 200 elected members (21 councillors including the mayor, 151 local board members, 28 Auckland-based MPs) and ~300 associated staff. Ten local board workshops shaped discussions on inclusive engagement, new water sources, and public education.

Quarterly engagement highlights

- Shared an update with all elected members on Watercare’s Metropolitan Servicing Strategy, following public consultation and community feedback.
- Delivered the latest progress on Watercare’s innovative biosolids programme, highlighting its role in sustainable resource recovery.
- Outlined the financial support payments related to the Warkworth overflow event.



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

Decarbonisation roadmap

We continue to develop our decarbonisation road map with a focus on the technology-related opportunities for long term biosolids solutions, wastewater process emissions and energy efficiency. We are also focused on reducing Nitrous Oxide emissions through improved monitoring and piloting innovative process improvements. The scale of the potential/additional decarbonisation opportunities and interventions will ultimately be incorporated into our future programmes of work. This includes improving our consideration of climate resilience (adaptation) to adverse weather events and sea level rise.

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

The Tāmaki Ora achieving Māori Outcomes Plan was refined, with further enhancements made to strengthen alignment with Auckland Council's Tāmaki Ora strategy, particularly in areas such as Māori economic development, Marae Ora, and cultural capability uplift. Major project engagement also progressed, with the biosolids wānanga clarifying expectations around partnership roles. Mana Whenua emphasised meaningful involvement in decision-making, Te Ākitai reinforced the distinction between governance and operational roles, and Waikato Tainui proposed embedding Mana Whenua roles directly within biosolids workstreams.



Engagement with Mana Whenua on biosolids