



Quarter One FY26 performance report

For the quarter ended 30 September 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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Operating context

Watercare is New Zealand's largest water utility, delivering essential water and wastewater services to 1.7 million Aucklanders every day. Our purpose is grounded in a Māori whakataukī that reflects our deep commitment to the wellbeing of our communities and the environment we serve:

Purpose **Ki te ora te wai, ka ora te whenua, ka ora te tangata.**
When the water is healthy, the land and the people are healthy.

We manage an extensive network of 20,013¹ kilometres of water and wastewater pipes, supported by 100 water reservoirs, 19 water treatment plants, 18 wastewater treatment plants, and more than 665 pump stations. This infrastructure enables the daily delivery of 440 million litres of safe drinking water and the treatment of 439 million litres of wastewater, ensuring public health and environmental protection across the region.

Over the next decade, we will invest \$13.8 billion in more than 1,000 infrastructure projects to increase capacity, enhance resilience, and support Auckland's projected 13% population growth. Key projects include major upgrades to the Māngere and Rosedale wastewater treatment plants, the Central Interceptor tunnel, and the replacement of critical watermains such North Harbour 2.

Our services extend beyond metropolitan Auckland to Papakura, Tūākau and Pōkeno through strategic partnerships. We are also contracted to provide water, wastewater and stormwater services for Waikato District Council until June 2028. We have 492,000 connections across Auckland: 93% are residential, with the remainder serving vital sectors such as healthcare, education, and manufacturing. We play a central role in supporting Auckland's economy, which contributes 38% of New Zealand's GDP.

Guided by a comprehensive performance framework, including our Statement of Intent and the Watercare Charter, we are committed to delivering safe, reliable, and affordable services 24/7. We are legislated to operate efficiently to keep the total cost of water supply and wastewater services for customers as low as possible, while ensuring effective service delivery and safeguarding the long-term integrity of our assets. Our work is shaped by a strong understanding of customer needs, meaningful engagement with mana whenua, and a continuous drive for improvement, ensuring we serve Aucklanders with integrity, care, and purpose.

¹ This includes water service leads previously not reported by Watercare

Executive Summary

We began a new era of financial independence on 1 July 2025, following a year of strategic preparation and a successful debt capital raise (with a Moody's Aa3 credit rating). This plan allocates \$13.8 billion over 10 years for infrastructure, focusing on asset upgrades and replacements while maintaining stable water charges in the long term.

This milestone was underpinned by a strong financial position, including securing \$3.4 billion in bank funding at competitive rates – the largest corporate debt capital raise in New Zealand's history. We also completed our first \$400 million bond issue in September 2025, which positions us as a regular participant in the debt capital markets.

July 2025 saw Auckland's water supply dams reach 100% capacity for the first time since September 2023, following consistent rainfall. This underscores the dynamic nature of weather patterns and the importance of resilient supply systems.

We are committing a record \$500 million investment over the next 18 months to replace and upgrade ageing water and wastewater infrastructure across Auckland. This represents a 44% increase compared to the previous renewals programme spend of \$347 million. Approximately two-thirds of the investment will be directed towards pipes and smaller assets, with the remainder allocated to treatment plant infrastructure.

We have achieved several major milestones. The Snells Beach Wastewater Treatment Plant is now operational as part of a \$450m programme for Warkworth and Snells/Algies, replacing ageing facilities and reducing discharges to the Mahurangi River. The Smart Network Programme



Watercare's wastewater network smartens up with rollout of 5,000 sensors

continues its \$12m rollout of AI-enabled sensors, with more than 1,000 installed and 5,000 planned to improve real-time monitoring and prevent overflows. Other key projects include the Queen Street Wastewater Diversion (\$115m) that's now halfway through micro-tunnel boring, and the completion of a \$30m upgrade of the Raglan/Whāingaroa Wastewater Treatment Plant with advanced treatment technology.

In August 2025, the passage of Bill 3 (Local Water Done Well) completed the water reform policy framework. The legislation introduces immediate and long-term changes, including new requirements for landowner consent before entering private property. We are proactively updating field practices to ensure compliance and are preparing for further regulatory changes that will affect long-term strategy and reporting.

We have completed our largest Hūnua planting season, adding half a million native trees this winter as part of our regeneration programme. The initiative, one of New Zealand's biggest, aims to restore 2,200 hectares of former forestry land in dam catchments to reduce landslip risks and protect Auckland's water supply. This milestone brings the total to over one million trees planted, with the programme continuing until 2035.

The Water NZ and International Water Association IWA-Aspire Conference offered an excellent opportunity for some of our leaders to meet and network with those working in the New Zealand and Australian water services sector, with a strong focus on implementing the New Zealand government's Local Water Done Well programme. We were proud to receive top honours at the conference, for the Warkworth to Snells Transfer Pipeline project and our technology innovation manager Kevan Brian, who won the Ronald Hicks Memorial Award for pioneering work in wastewater treatment.

Issues and risks

- The new Elizabeth Street bridge (Warkworth) bypass pipeline – operational since mid-August – has prevented significant wastewater overflows in the Mahurangi within this quarter.
- New requirements for landowner consent before entering private land require operational adjustments and compliance monitoring.
- Supporting growth and development remain key priorities for Watercare. We're actively working with stakeholders across the housing sector – from contributing to Auckland Council's spatial planning to connecting new homes to our water and wastewater networks.

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

Despite the severe weather event in July and the increase in contacts to our faults team, we met all service response times and minimised disruption throughout the quarter—delivering better outcomes for customers and maintaining our net satisfaction score. 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. 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 was achieved across all Water Treatment Plants (WTPs) for Q1 2025/2026. In the distribution network, microbiological compliance was met in 38 of the 40 zones, with isolated *E. coli* detections (1 cfu/100 mL) recorded in the Clevedon High Head zone on 10 September and the Buckland zone on 18 September. Investigations confirmed that these results did not reflect the actual supply, and public health was never at risk. Watercare worked closely with Taumata Arowai throughout the process. Residual disinfection compliance was achieved in 39 of the 40 zones, with one low chlorine sample (≤ 0.1 mg/L) recorded in Warkworth during September.

Targets not met are:

- Residual disinfection (chlorine) water quality - Compliance for July and August was 100%, and September achieved 98%, resulting in a 12 month rolling compliance of 97.4% as at September 2025. Public health was not at risk. All other water treatment and distribution zone compliance requirements were met for the quarter.



Waitakere dam at full capacity spilling into catchment area

Number	Source	Performance measure	Target	Q1 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 days
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)	≤10	7
4	Charter clause 9	The number of wastewater overflows, expressed per 1000 wastewater connections (rolling 12 month)	≤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	2.9 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	119.4 l/c//d
Measures reported in accordance with Charter Section 28 are as follows:				
7	TA ²	Compliance with Taumata Arowai Quality Assurance Rules T3 – Chemical water quality . The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%

Number	Source	Performance measure	Target	Q1 Results (green = met; red= not met)
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%	97.4%
10	TA	Compliance with Taumata Arowai Quality Assurance Rules D3 – Disinfection by-products water quality . The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	100%
11	TA	Compliance with Taumata Arowai Quality Assurance Rules D3 – Plumbosolvent metals water quality . The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	100%
12	TA & DIA ²	Compliance with Taumata Arowai Quality Assurance Rules T3 – Bacterial water quality . The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%
13	TA & DIA	Compliance with Taumata Arowai Quality Assurance Rules T3 – Protozoal water quality . The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules T3. (rolling 12 month)	100%	100%
14	TA & DIA	Compliance with Taumata Arowai Quality Assurance Rules D3 – Microbiological water quality . The extent to which the local authority's drinking water supply complies with Drinking Water Quality Assurance Rules D3. (rolling 12 month)	100%	100%
15	DIA	The total number of complaints received by the local authority about any of the following: a) drinking water clarity b) drinking water taste c) drinking water odour d) drinking water pressure or flow e) continuity of supply f) the local authority's response to any of these issues	≤ 10	8

Number	Source	Performance measure	Target	Q1 Results (green = met; red= not met)
expressed per 1000 connections to the local authority's networked reticulation system (rolling 12 month)				
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 day
20	DIA	The percentage of real water loss from the local authority's networked reticulation system (rolling 12 month average)	≤13%	12.95%
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%)	259
22	DIA	Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of: a) abatement notices b) infringement notices c) enforcement orders d) convictions received by the territorial authority in relation to those resource consents (rolling 12 month)	≤2 ≤2 ≤2 0	0 0 0 0
23	DIA	The total number of complaints received by the territorial authority about any of the following: a) sewerage odour b) sewerage system faults	≤ 50	17

Number	Source	Performance measure	Target	Q1 Results (green = met; red= not met)
		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)		
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	74 mins P1: 46 mins P2: 93 mins
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	2.9 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	0.3
27	NDC ²	Average number of wet weather overflows per engineered overflow point per discharge location (rolling 12 month average)	≤ 2 overflows per year	0.6

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.

In Q1, Watercare made substantial progress in infrastructure delivery. The organisation successfully opened the new Snells Beach Wastewater Treatment plant, marking a significant milestone in our \$450m investment programme to transform wastewater services for the Warkworth and Snells/Algies communities.

Our micro-tunnel boring machine completed its halfway mark down Queen St to lay new wastewater pipe as part of the \$115m Midtown Wastewater Diversion project.

We completed key milestones in the Clarks Beach wastewater outfall installation and plant upgrade, installing the final section of the outfall and the final part of the treatment process, and the ultraviolet filtration units, at the plant. These upgrades are part of our programme to deliver essential wastewater infrastructure to support projected growth in Auckland south-west.

Watercare progressed the construction of wastewater infrastructure to support growth in Auckland north-west and connect stage one of the Northern Interceptor to our Rosedale Wastewater Treatment plant. We also announced a \$500m investment in replacing and upgrading crucial ageing infrastructure in the next 18 months.

Watercare is currently working with Auckland Council and a number of applicants on 55 private plan changes, and 7 fast track applications, in various stages of processing. Additionally, Auckland Council recently agreed to notify a plan change to the Auckland Unitary Plan (Plan Change 120) which



Clarks Beach Wastewater Treatment Plant upgrade will allow it to treat wastewater for up to 6,000 people, which is expected to cover growth through to 2030.

replaces Plan Change 78, aiming to significantly increase the plan enabled capacity in central Auckland, focusing on transport corridors. We are assessing the implications on water and wastewater capacity for all of these proposed plan changes and consents, on a case-by-case basis. We are working with developers and council to understand timeframes and staging of possible development and looking at capacity constraints and planned infrastructure. This work is necessary as there are some deviations from our previous approach to planning for growth and Watercare are working to ensure that we are supporting growth in an efficient and effective manner, while not compromising our levels of service to our existing customers. Our current policies and approaches are being reviewed to ensure we are able to adapt to the fast-paced legislative change occurring at the moment.

Targets not met are:

- Q1 capex was \$41.5m below the \$274.5m plan, driven by timing and scoping delays and risks not materialising. Central Interceptor had a timing delay but remains on track for December 2026. Orakei Sewer Main was delayed 3½ months due to high sewer levels, while Queen Street Wastewater Network underspent after descoping and unrealised relining/tunnelling risks. Northeast Wastewater Programme also underspent as Snells Wastewater Treatment Plant and saline intrusion risks did not eventuate; some unspent risk funds will support increased WWTP scope later. Offsetting progress came from Mangere WWTP and Kāinga Ora projects, which are ahead of plan.

Number	Source	Performance measure	Target	Q1 Result (green = met red= not met)
28	SOI	Capital expenditure (target is annual with year-to-date quarterly performance updates)	Year to date target \$0.275b	Year to date actuals \$0.233b
			Full year target \$1.05b	Full Year Forecast \$1.06b

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 is firmly committed to delivering safe, reliable, and cost-effective water and wastewater services to the Auckland region. Central to this commitment is our continued focus on managing controllable costs and driving operational efficiency across all areas of the organisation. Efficiency expectations are embedded within our annual business planning and budgeting processes, ensuring that targets for controllable costs are consistently set, monitored, and reported.

This disciplined approach to efficiency is articulated through our Statement of Intent (SOI), Business Plan, and is a defined obligation under the Watercare Charter. Collectively, these documents establish clear expectations for prudent financial management and sustainable service delivery for our customers and stakeholders.

In accordance with the Watercare Charter, we are developing a comprehensive Operating Cost Efficiency Improvement Plan, which will provide greater transparency regarding how Watercare intends to achieve and evidence efficiency improvements. To date we have identified a strong pipeline of opportunities including energy savings, digital licencing rationalisation, water network pressure management and in-housing of third-party contractors. The final plan to be submitted to the Commerce Commission will outline the key strategies, programmes, and initiatives designed to enhance operational performance, reduce costs, and optimise resource utilisation.

Furthermore, the plan will form the basis for measuring and reporting progress against defined efficiency objectives, thereby strengthening accountability and demonstrating Watercare's commitment to continuous improvement and fiscal responsibility. Through this approach, Watercare will ensure that efficiency is not only a financial target but an integral part of our culture, planning, and decision-making processes.

Asset delivery and improvement plan:

The independent verification of Watercare's Infrastructure Delivery and Asset Management Improvement Plan is complete, and the plan is being reviewed by the Commerce Commission. The independent verifier confirmed that Watercare's Plan, based on the assessment undertaken by an external independent expert, was "credible, well-structured, and responsive to the identified gaps". Based on feedback from the independent verifier and the opportunities for immediate improvement, Watercare is taking action to implement several recommendations outlined in our improvement plan.

Priority 4: Strengthening relationships

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

Watercare's customer service levels remain strong, even as the first quarter saw price increases take effect from 1 July 2025. The Customer Net Satisfaction Score remains steady at 55, exceeding the SOI target, and 99% of customer complaints were resolved within 10 days. With economic uncertainty and cautious spending, there's likely a heightened focus on value and reliability from essential services like water. This is reflected in our trust score of +52 from our voice of the city survey. Trust is a perception-based score from a representative sample of Aucklanders and can be influenced by both internal factors which we can control and external factors which we cannot.

In Q1, engagement efforts gained momentum with the Metropolitan Servicing Strategy featuring in the Auckland Water Strategy report under the key area: Empowered Communities, reflecting strong community support for early investment, resource recovery, and climate resilience. Engagement activity intensified this quarter with strong focus on elected members and strategic stakeholders. More than 60 stakeholder interactions were recorded, including National Infrastructure Funding and Financing (NIFF) site tours and renewed collaboration with major developers. Watercare also leveraged the Water NZ and IWA-Aspire Conference to strengthen sector relationships and advance the government's 'local water done well' programme.

We built stronger connections with mana whenua through meaningful cultural experiences, including hīkoi and shared kai with Ngāti Whātua Ōrākei, and extended whakawhanaungatanga to multiple iwi via site visits. Recurring hui are now confirmed with 14 iwi, ensuring consistent engagement and trust. We also hosted Ngā Mātārae from Auckland Council to align on shared priorities and deepen collaboration. We committed to reducing reliance on the Waikato River as a proportion of total supply by advancing alternative water sources and recognising tangata whenua rights. A five-year water management plan will be submitted to Waikato Regional Council and shared



Kevan Brian won the Ronald Hicks Memorial Award for pioneering work in wastewater treatment at the Water NZ Conference

with iwi. The Board also endorsed a dedicated committee to progress the Waikato River vision with iwi representation.

Targets not met are:

- Community trust score: Challenging macroeconomic conditions are influencing trust levels across utilities and the wider public sector, and we are no exception. Rising living costs, high unemployment, and economic uncertainty are driving cautious spending and a stronger focus on affordability, value, and reliability from essential services like water. We have held our trust score stable at 52% despite these challenges. Our decline in trust mirrors a broader trend in New Zealand, where recent surveys show declining confidence in key public institutions. As a comparison to previous benchmarking has shown that this result is comparable or higher than other sectors including electricity, supermarkets, banks and telcos.

Number	Source	Performance measure focus	Target	Q1 Results (green = met; red= not met)
29	SOI	Community Trust Score (rolling 12 month average)	≥55%	52%
30	SOI	Customer Net Satisfaction Score (rolling 12 month average)	≥45	55
31	SOI/DIA	Residential per capita per consumption (PCC): The average consumption of drinking water per day per resident within the territorial authority district (*litres plus/minus 2.5%) (12-month rolling average). Note: Calculation is based on bulk supply minus real water loss and commercial consumption, divided by connected population (Residential PCC)	165 (+/- 2.5%)	161
32	SOI	Percentage of customer complaints resolved within ten days of notification (rolling 12 month)	≥95%	99%

Priority 5: Improving organisational performance

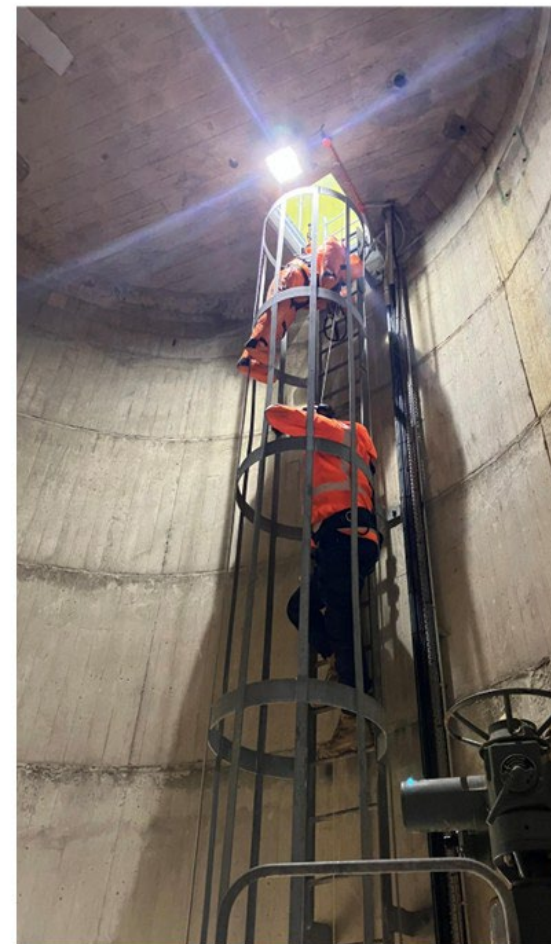
Improving our organisational performance in relation to our core strategic outcomes, namely: Climate Change (including drought resilience and supply); the health, safety and wellness of our kaimahi; and Māori Outcomes.

Strong safety leadership remains a core focus of our approach to health, safety and wellbeing at Watercare. Measurement of key lead indicators such as leadership engagement, learning and recognition, and critical risk management, all remain significant and effective during Q1. New company performance goals focused on leadership conversations were issued to all people leaders during this quarter. On average of 149 leadership walks were recorded each month over the quarter. A project to implement a new digital safety system was started in July and will be deployed into service mid-2026. This digitisation of safety processes will enable improved consistency and reliability of risk management and safety improvements.

A Māori Outcomes plan that aligns to Auckland Councils Tāmaki Ora plan (launched early October) is now finalised and will be submitted to the Board in November. Key focus areas are, exploring investment opportunities for mana whenua, supporting marae to ensure their water and wastewater needs are being managed, building cultural capability across the organisation and achieving a 5% Māori business procurement target.

Additional highlights include:

- Biosolids: engagement with mana whenua will include a series of wānanga clusters, three will be delivered by the end of the 2025. There has been a great response from mana whenua.
- Organisational Māori outcomes survey: A survey to measure cultural knowledge has been developed alongside people and capability. Data from this survey will a baseline for professional development.
- Auckland Council's Tāmaki Ora launch and CCO Collaboration Working Group is focused on fostering cross-organisational support and identifying collaborative opportunities.



The headworks team testing our emergency response procedures within a valve tower.

GHG Emissions for the first quarter of FY26 are approximately 30% of annual FY25 emissions, marginally above the estimated 25%. This appears to be due to total wastewater volumes, influent total nitrogen loads and influent biochemical oxygen demand loads being greater than 25% for our largest sites. Potentially this has been driven by high rainfall during the first quarter of the year. Over 99% of electricity used in Q1 was zero carbon purchased through Ecotricity.

Targets not met are:

- While the 5% target for procurement through Māori-owned businesses was not met in Q1, improvements continue to be made. The total spend for Q1 was \$10.3M, which is comparable to Q1 FY25. We are developing a plan to address how we meet this target through Initiatives such as Ngā Kākū Paraha (Māori Business Network) and the Asset Upgrade and Renewal panel are contributing to ongoing progress in this area.

Number	Source	Performance measure focus	Target	Q1 Results (green = met; red= not met)
33	SOI	Ratio of procurement sourced through Māori owned businesses (rolling 12 month)	5%	3.5%
34	SOI	<p>We will implement Mitigation measures in line with our emissions reduction targets (scope 1 and 2)</p> <p>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)</p>	<p><108,000 tonnes CO2e (including emissions from Te Motu a Hiaroa (Puketutu Island))</p> <p><85,000 tonnes CO2e (excluding emissions from Puketutu Island)</p>	<p>32,500 tonnes CO2e (including emissions from Te Motu a Hiaroa (Puketutu Island))</p> <p>25,300 tonnes CO2e (excluding emissions from Puketutu Island)</p>

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.

Watercare successfully achieved financial separation from Auckland Council on 1 July 2025, supported by a competitive bank debt capital raising process and a strong investment grade Aa3 credit rating from Moody's. In September, we completed our first bond issue in the capital markets, raising \$400 million at very competitive rates. This was a very successful outcome and set us up well as we become a regular participant in the debt capital markets.

This quarter, we launched a New Zealand Commercial Paper programme, issuing multiple tranches totalling approximately NZ\$149 million. This initiative enhances short-term funding flexibility and broadens our investor base.

We are executing our investor engagement strategy as we prepare our Australian and European bond programme, with plans to present at ANZ Asia and CBA Australia investor roadshows, reinforcing Watercare's profile as a credible and sustainable issuer. These steps, alongside enhancements to our treasury governance and risk management frameworks, underscore our commitment to prudent financial management and long-term funding resilience.

Number	Source	Performance measure focus	Target	Q1 Results (green = met; red= not met)
36	Clause 14	Maximum Allowable Revenue from prices for providing water supply and wastewater supply services ¹	\$845.10m	Reported annually
37	Clause 17	Minimum allocable average increase in average infrastructure growth charges ¹	15.5%	Reported annually
38	Clause 30	Credit rating	Maintain	Maintained

¹ These measures are reported on an annual basis only

Appendix 1 – Changes to methodology or assumptions used to measure our performance targets and measures as required by Clause 28(2)(e)

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

Minimum allowable average increase in average infrastructure growth charges

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

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

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

Revised methodologies

Gross Per Capita Consumption

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

Change introduced

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

Calculation basis

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

Targets

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

This change improves alignment with the Auckland Water Strategy.

Results

Revised methodology: 259

Previous methodology: 254

Impact: 5

Approvals

Management approvals

Prepared and reviewed by the following Watercare executive team members:

Michael Webster – Acting Chief Financial Officer



Approved by:

Jamie Sinclair – Chief Executive Officer



Board approvals

Approved by the board on 25th November 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, 25/11/2025

Before me:

 Barrister and Solicitor of the High Court of New Zealand, 25/11/2025

Matthew Stephen Hill
Solicitor
Auckland



Shareholder Supplement - Auckland Council

For the quarter ended 30 September 2025

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






Section 1: Watercare Charter progress

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

Plan	Due date	Progress update
Operating Cost Efficiency Improvement Plan	Draft 31 Dec 2025	<ul style="list-style-type: none"> Preparing a comprehensive efficiency improvement plan with a prioritised list of initiatives with clearly defined benefits, measurable outcomes and implementation timelines demonstrating balance between service delivery, risk management and long-term value for money. Benchmarking with Australian utilities is underway through the Water Services Association of Australia, with final report due late November. Working with Council to identify shared efficiency opportunities including utilising the Council treasury services, shared resources on the GIS re-platform project and developing a joint strategic options assessment for energy for the Council group.
Infrastructure Delivery and Asset Management Improvement Plan	Submitted	<ul style="list-style-type: none"> The draft infrastructure delivery and asset management improvement plan was submitted to the Crown monitor on 29 August 2025. The independent verifier has completed their verification of our current statement assessment score and have also completed their draft verification report. A delivery lead has been appointed from within the business and other delivery team members identified as the plan starts to move into a delivery phase
Infrastructure Growth Charge (IGC) Policy Review and Redesign	Submitted	<ul style="list-style-type: none"> The Pricing Review Plan was submitted to the Crown monitor on 30 September 2025. We expect feedback from the Crown monitor to be received by late December 2025 with the final Plan then to be completed and published on our website in March 2026. A delivery lead has been appointed from within the business and other delivery team members identified as the Plan starts to move into a delivery phase. Modelling of pricing (both growth charges and recurring tariff) is in progress.

Section 2: Financial performance

 Operating performance						
\$ million	FY25	FY25	FY26 YTD Q1			FY26
	Q1 Actuals	Full Year Actuals	Actual	Budget	Variance	Long Term Plan/Annual plan
Net direct expenditure	178	657	180	181	(1)	684
Direct revenue	280	1,098	294	299	(5)	1148
Fees and user charges	185	732	188	201	(13)	828
Other direct revenue	95	366	106	98	8	320
Direct expenditure	102	441	114	118	4	464
Employee benefits	32	130	33	33	0	129
Repairs and maintenance	22	92	23	25	2	94
Cost of goods and services	1	3	1	(2)	(3)	(9)
Other direct expenditure	47	216	57	62	5	250
Other key operating lines						
Vested asset revenue	23	92	29	17	12	66
Capital grants and insurance revenue	7	31	4	6	(2)	32
Depreciation and amortisation	98	461	170	109	(61)	429
Finance costs	44	172	49	53	4	222
Net other gains (losses)	(10)	12	(1)	3	3	13
 Capital investment						
Capital expenditure	237	1,002	233	275	(42)	1,050

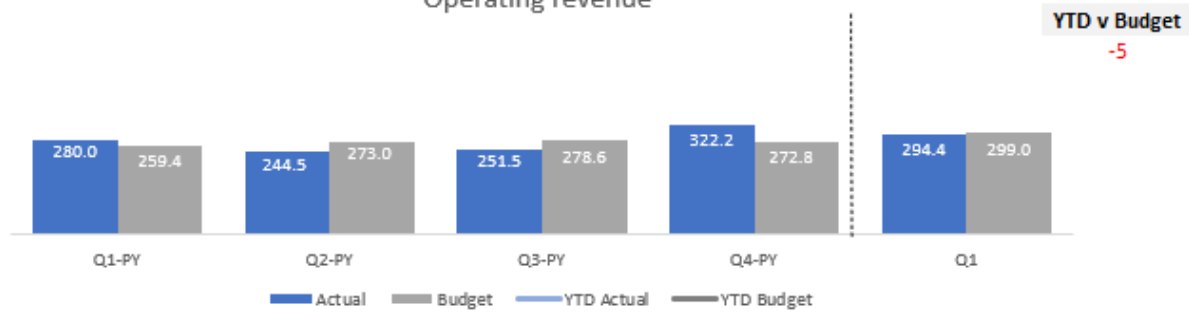
 Revenue and expenditure detail						
\$ million	FY25	FY25	FY26 YTD Q1			
	Q1 Actuals	Full Year Actuals	Actual	Budget	Variance	
Direct revenue	280	1,098	294	299	(5)	
Fees & User Charges	185	732	188	201	(13)	
Water Revenue	58	225	57	61	(4)	
Wastewater Revenue	127	507	131	140	(9)	
Other direct revenue	95	366	106	98	8	
Infrastructure Growth Charges	62	218	69	60	9	
Other key revenue	33	148	37	38	(1)	
Capital grants, intercompany capital funding and insurance revenue	7	31	4	6	(2)	
Grants from KO	7	28	4	6	(2)	
Intercompany capital funding	-	-	0	0	0	
Insurance proceeds for storm recovery	-	3	0	0	0	
Direct expenditure (\$m)	32	130	33	33	0	
Employee benefits	38	153	41	43	2	
Salaries and wages	5	21	6	5	(1)	
Contractors	3	15	3	3	0	
Other staff costs	(14)	(59)	(17)	(18)	(1)	
Labour recoveries						

Difference to statutory reporting

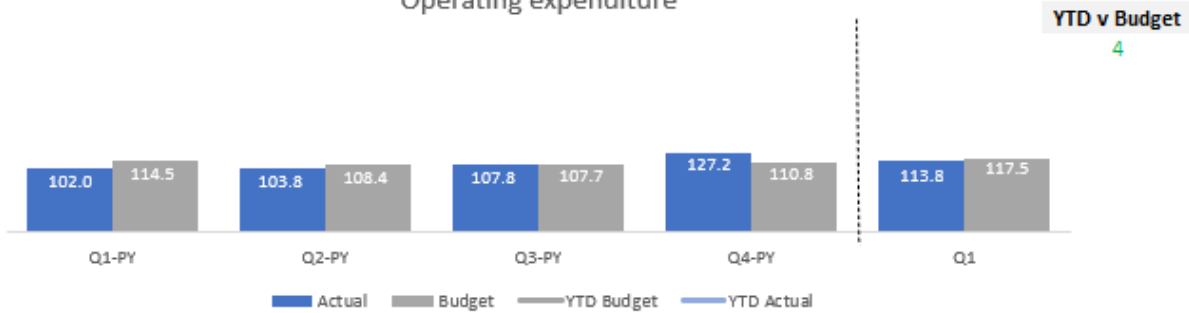
The financial results are aligned with the Council's annual plan and differ in presentation from Watercare's statutory reporting and internal governance reporting. Under this format, all receipts and costs associated with the Waikato District Council contract are reported as revenue and expenditure. 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

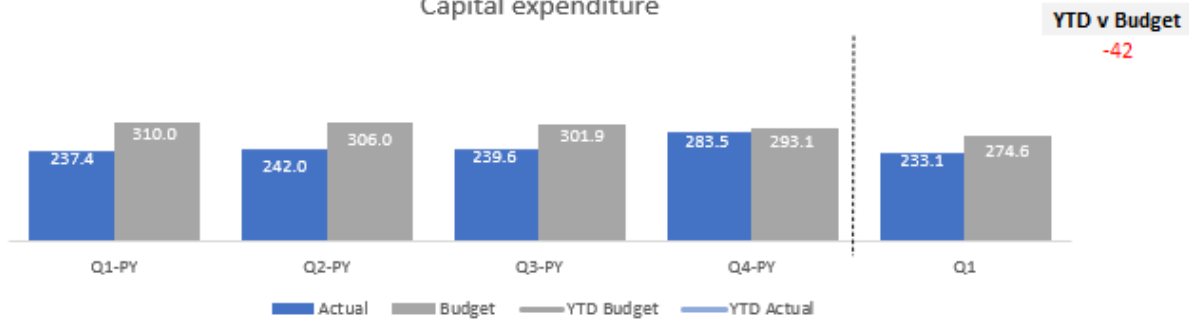
Operating revenue



Operating expenditure



Capital expenditure



The new Northern Interceptor wastewater pipe that will connect Redhills to our network

Financial commentary

Watercare's FY26 financial year commenced with net direct expenditure tracking \$1m unfavourable to plan as at the end of September. While revenues are currently \$5m below budget; direct expenditure is \$4m favourable.

Year to date consumption has been lower than expected due to persistent wet weather and lower than anticipated demand from commercial customers. These wet conditions have also led to dam levels remaining close to 100% for the first three months of the year 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 \$5m below plan, with fees and user charges down \$13m 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 \$8.5m favourable to plan with a higher than anticipated volume of applications processed in the quarter. This is also positively impacting new development revenues with inspections and approvals are also ahead of plan YTD. Interest income and third-party damage revenue is also favourable to plan.
- WDC contract revenue YTD is \$2.3m below plan, with lower than anticipated project revenues.

Direct expenditure

- Direct expenditure YTD is \$4m favourable to plan, with the following notable items:
- Repairs & maintenance: Favourable \$2m due to planned maintenance at our Water Treatment Plants and Transmission Reservoirs rephased to later in the year due to weather conditions. This has been partially offset by additional costs incurred relating to third party damages recovered via revenue and additional wastewater faults incurred. Plan also included a coding error which has subsequently been reclassified against cost of goods sold as part of our Q1 forecast.
- Cost of goods sold: YTD \$3m unfavourable due to plan coding error as mentioned above.
- Other direct expenditure: Favourable \$4m with the key driver being lower capital project work on WDC contract as mentioned above. Chemical and energy costs are also \$0.5m lower than plan due to lower flows at Waikato treatment plant and high dam levels. Other favourable variances are Professional services \$0.8m, \$0.4m digital managed services due to rephasing of digital opex projects, \$0.7m

software licencing due to phasing of budget spend and subscriptions, consumables, land maintenance and solids handling making up the balance.

- Employee benefits: in line with plan.

Capital programme

- **Milestones met:** Watercare officially opened the new Snells Beach Wastewater Treatment Plant in September. Watercare's micro-tunnel boring machine has broken through the halfway point down Queen Street laying a new wastewater pipe as part of the midtown Wastewater Diversion halfway Work on the Orakei Main Sewer project in Parnell has resumed after 3.5 months of not being able to work due to sewer levels being too high to work safely. This work is largely expected to be completed by Christmas.
- **Delays:** Huia 1 and Nihotupu Replacement – 30 properties identified that will fall below the minimum pressure standard which may require the construction of a booster pump station.
- **Renewals programme:** There has been a steady start to the year in delivery of the renewal programme, with some delays in contract award and refinement of detailed design. Additional resource has now been diverted into resolving these delays with rapid ramp up of delivery expected from early in the new year. Investment in smart network technologies continues with approval of smart meter installations for our commercial customers.

Other key operating lines

- **Capital subsidies:** Below plan – \$2m due to phasing of milestone invoicing. Good progress continues to be made on shovel ready projects.
- **Vested assets:** \$12m favourable YTD, inherently difficult to forecast.
- **Depreciation:** YTD \$61m higher than plan. \$54m 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.

Section 3: Statement of Intent Priorities

3.1: Operational compliance

- Water supply: Rainfall in the catchments has rebounded over winter with our dams reaching 100% in July. As a result, total system storage is now 99.5%, approximately 9% above historical average for this time of the year. Accordingly, water production is prioritising dam sourced water, rather than the more expensive Waikato River sourced water.
- Water quality: Microbiological and chemical compliance was achieved across all Water Treatment Plants (WTPs) for Q1 2025/2026. In the distribution network, microbiological compliance was met in 38 of the 40 zones, with isolated E. coli detections (1 cfu/100 mL) recorded in the Clevedon High Head zone on 10 September and the Buckland zone on 18 September
- Non-compliance with resource consents: eight non-compliant consents at the end of Q1; of these 5 were classified as technical non-compliances, while three 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: Smart meters being installed on new connections and replacing broken mechanical meters. Work is underway to replace the commercial fleet and upgrade Watercare's digital smart metering systems.
- Leak Management: 2,900 km surveyed in Q1 FY26, identifying 630 leaks; 11 MLD saved since FY23 through district metering and pressure management. Analysis has been undertaken showing pressure management is reducing leakage numbers in the pressure-managed areas.
- Operational Performance: We experienced an increase in overflows due to above normal rainfall in July; however, staff and contractors were able to attend and resolve issues in a timely manner.

- Community Engagement: Watercare launched extensive engagement to shape Auckland's Metropolitan Servicing Strategy, a 70-year plan to deliver safe, reliable, and affordable water and wastewater services across the region. From March to June, we connected with communities, mana whenua, elected members, and stakeholders through hui, workshops, pop-ups, webinars, and online feedback. Key themes included early investment, climate resilience, resource recovery, and sustainable solutions. The feedback summary and full engagement report are now available on [Watercare's website](#).

3.3 A water management plan by March 2026

The water management plan required for the second water take from the Waikato River is currently being prepared. The original plan was submitted during the Board of Inquiry hearings in 2020. We have started collecting and analysing data to monitor average and peak demand. An updated version must be lodged with Waikato Regional Council by March 2026 and will also be shared with Waikato Tainui.

3.4 Planning and delivery to regional growth plans

Watercare is responding to a sharp increase in Private Plan Changes (PPCs) and Fast Track Approvals (FTAs) by developing a clear, consistent approach to spatial planning decisions. 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:

- Risk-based servicing for out-of-sequence developments to protect existing customers and live-zoned capacity.
- Alignment with Auckland Council's Future Development Strategy (FDS) and the Mayor's Letter of Expectation.
- Efficient planning and delivery of infrastructure to meet growth demands.
- Proactive engagement with developers to provide early advice and reduce uncertainty.

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. Currently the Information Sharing Agreement and the work on Office Cleaning Contracts is nearing completion. The GIS development environment has been delivered by council, and the test environment is on track for delivery by the end of November 2025.

3.6: Customers/community/developers

Customers

We continue to deliver a consistent customer experience with our customer net satisfaction score maintained at +55. Our faults and field crews delivered a consistently high-quality experience in Q1, with wait times to reach the faults team at their lowest in the past 12 months. This reflects meaningful gains in responsiveness and operational efficiency, reinforcing our commitment to customer service. Customer feedback shows the chat service is widely appreciated for being helpful, efficient, and easy to use.

Community

Community satisfaction (Voice of the Community) with Watercare infrastructure projects remains relatively high, at 61% in Q1 FY26. While perceptions of professionalism and site safety remain steady, emerging concerns around timelines and noise highlight the importance of sustained engagement to maintain overall satisfaction as we increase delivery in communities.

Developers

The Growth and Development Improvement Programme (GDIP) is progressing well. Key activities include engagement with South Australia Water, UDINZ, Property Council, Water NZ partners, and iwi/hapū developers through Te Rua Whetū. Process discovery workshops and developer engagement planning are underway, alongside legal scoping for accountability measures. Education initiatives, event planning, and digital enhancements such as website portal development and automation are also in progress to strengthen industry capability and improve developer experience.

3.7: Elected members/engagement summary

The elected member relationship team regularly engages with 200 elected members (21 councillors incl. 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

- Provided update following Watercare's financial separation and capital raise.
- Briefed all local board members on the Watercare Charter and Water Services Reform.
- Shared a copy of the Watercare annual report.
- Distributed the engagement summary for the Metropolitan Servicing Strategy.



Snells Beach wastewater treatment plant opening September 2025

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

Decarbonisation roadmap

We continue to develop our decarbonisation road map given the challenges we face. We are focused on developing our understanding of emissions associated with Nitrous Oxide emissions and their potential impacts on our pathway. The scale of the potential/additional opportunities and interventions will take time to assess and be incorporated into our future programmes of work. This includes the provisions for adaptation to the impacts of any increase in 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)

Achieving Māori Outcomes plan that aligns to Auckland Council's Tāmaki Ora plan (launched early October 2025) is now finalised and will be submitted to the Board in November 2025. Key focus areas for Watercare are advancing our procurement target of Māori business direct spend to 5%, exploring investment opportunities for mana whenua, supporting marae to ensure their water and wastewater needs are being managed and building cultural capability across the organisation. The plan sees the adoption of three ora outcomes that align to Tāmaki ora- Whai Rawa Ora, Marae Ora and Te Taiao Ora. The plan will be rolled out across the organisation in early December.

Additional highlights include:

- Biosolids: engagement with mana whenua will include a series of wānanga clusters, three will be delivered by the end of the 2025 year.
- Organisational Māori outcomes survey: A survey to measure cultural knowledge has been developed. Data from this survey will be a baseline for professional development. Auckland Council's Tāmaki Ora launch and the CCO collaboration working group are focused on fostering cross-organisational support and identifying shared opportunities.



Engagement with Mana Whenua on Biosolids