Half Yearly Report

2025-26

Contents

Acknowledgement of Country

Our work with First Nations people is important to us. We have a great appreciation for the knowledge and connection that First Nations people have with water and land, and we are committed to building, supporting and strengthening our partnerships with First Nations peoples across our operations.

Executive summary

The first half of 2025-26 has been an exceptionally challenging period for WaterNSW as we commenced a significant transformation to become a leaner, more focused business.

This ongoing process is essential to ensure we can operate within IPART-determined allowances while continuing to meet our statutory obligations. Our approach has centred on resetting priorities, refocusing on our core purpose, simplifying how we operate, and positioning the organisation to deliver efficiently and sustainably in a constrained funding environment.

IPART's Final and Interim Pricing Determinations left WaterNSW with a $63 million funding gap. Given labour is our largest cost, our initial focus has been on reducing labour expenditure by around $40 million p.a. This has required a difficult but necessary reduction of our workforce by about 25 percent through a combination of voluntary and non-voluntary redundancies. While this period has been challenging for our people, we are pleased to be on track to achieve our targeted labour cost savings.

In the second half of the financial year attention will shift to further non-labour cost reductions. To date, we have achieved non labour savings through reprioritisation of expenditure. We will continue to close the remaining gap through additional initiatives including reducing our digital footprint, unlocking value from land and assets and reviewing fleet and property requirements to align with operating as a leaner organisation.

Alongside this transformation, we have continued to progress renewable energy opportunities across our land and assets to support a secure, sustainable and affordable energy future for NSW. Early pre-feasibility studies have identified several viable options, including pumped hydro, and investigations are currently underway at Blowering, Burrendong and Hume Dams. These investigations include comprehensive community consultation.

We continued to deliver our Corporate Strategic Plan, with strategic priorities and initiatives aligned to our vision and purpose. Strategic initiatives are reviewed annually to ensure organisational focus, and during the next half of the year Management and the Board will be reviewing our Corporate Strategic Plan to determine any adjustments required to perform effectively in our changed operating environment.

Peter Duncan AM
Chair

Andrew George
Chief Executive Officer and Managing Director

We are also addressing increased Operating Licence requirements, including enhanced water quality monitoring and expanded science and education roles across NSW despite the absence of associated IPART approved funding. We continue to work with government and water sector agencies to provide input on legislative and policy reforms that will shape water management in the state through our water reform readiness strategic initiative, noting these matters are complex and will take time to resolve.

Our commitment to safety remains unwavering. Throughout this period of significant change we have supported our people to work safely and effectively, with a strong emphasis on psychological safety and the safety of the community who use our assets. A range of programs and resources has been made available to support the wellbeing of our people and their teams.

Dam storage levels across much of the state remain half to full capacity. WaterNSW continues to monitor seasonal conditions closely and remains prepared to respond to potentially drier conditions ahead, particularly as levels in some southern storages begin to decline.

Protecting source water quality and the Greater Sydney drinking water catchment remains central to our role as custodians of the state's water. We continue to work closely with key government agencies and the community on both short- and long-term responses to the detection of low levels of per- and polyfluoroalkyl substances (PFAS) in a storage located in the Blue Mountains.

Jason Conroy was appointed to the WaterNSW Board in August 2025 for a three-year term. Jason brings significant experience in governance, finance and infrastructure transformation, strengthening the Board's capacity to provide effective leadership and oversight.

We thank our people at WaterNSW for their professionalism, resilience and continued commitment during a period of uncertainty and change, and for ensuring we continue to deliver, water when and where it matters.

Overview

We're the people taking care of the state's water at the source –

capturing, storing, delivering.

WaterNSW operates the state's dams, capturing and storing water, and then supplying it ready for distribution – for the environment, agriculture, industry and the community.

With 41 major dams and hundreds of waterways across the state, we play a vital role at the source of the state's water, delivering two thirds of all water used in NSW.

Our people are dam safety specialists, operators, engineers, catchment protectors, water quality experts, hydrologists, scientists, and licensing and customer service experts, amongst a range of other expertise.

WaterNSW has several functions involved in capturing, storing and delivering water:

- ✔ We manage dams like Warragamba, Burrinjuck and Burrendong and protect the Greater Sydney drinking water catchment
- ✔ We supply water to customers, communities and the environment
- ✔ We build, maintain and operate essential infrastructure
- ✔ We service customers – from farmers to local councils – providing support for water licensing and approvals, trades and billing, to meet their water needs
- ✔ We own and operate the largest surface and groundwater monitoring network in the southern hemisphere

We're proud custodians and **expert operators** of a vital natural resource. We are driven to use our knowledge, passion and expertise to manage water responsibly and support the resilience of NSW.

We're local partners. We live and work side-by-side with our customers and communities across NSW.

WaterNSW is a State-Owned Corporation and one of the main government agencies tasked with managing water in NSW. We follow the government rules and regulatory frameworks, implementing the rules to deliver water when and where it's needed. In this sense, we follow the rules, we don't make the rules.

Our work with First Nations people is important to us. We have a great appreciation for the knowledge and connection that First Nations people have with water and land, and we are committed to building, supporting and strengthening our partnerships with First Nations peoples across our operations.

Our objectives

WaterNSW is established under the *Water NSW Act 2014* and the *State Owned Corporations Act 1989*.

WaterNSW operates under an Operating Licence granted by the Independent Pricing and Regulatory Tribunal (IPART).

Our principal objectives under the *Water NSW Act 2014* are to

a) Capture, store and release water in an efficient, effective, safe and financially responsible manner.

b) Supply water in compliance with appropriate standards of quality.

c) Ensure that declared catchment areas and water management works in such areas are managed and protected so as to promote water quality, the protection of public health and public safety, and the protection of the environment.

d) Provide for the planning, design, modelling and construction of water storages and other water management works.

e) Maintain and operate works efficiently and economically and in accordance with sound commercial principles.

WaterNSW's role in the water sector

We're at the source of the state's water

WaterNSW is one of the main government agencies tasked with managing water in NSW. We follow the government rules and regulatory frameworks, implementing the rules to deliver water when and where it's needed.

The NSW Department of Climate Change, Energy, the Environment and Water (DCCEEW) makes the rules, we implement the rules and the Natural Resources Access Regulator (NRAR) enforces the rules.

While we deliver the state's water for use by communities, farmers, the environment and industry, it's ultimately our customers, like local councils and Sydney Water, that treat and supply the water to households.

In this sense, we follow the rules, we don't make the rules. We're at the dams and waterways, we're not at the taps.

DCCEEW

Makes the rules

Governed by the *NSW Water Management Act 2000*.

Responsibilities

- Planning and policy development.
- Establishing regulatory frameworks for regional and metropolitan water in NSW.
- Setting of mandatory licensing conditions resulting from water sharing plans.

WaterNSW

Implements the rules

Established under the *Water NSW Act 2014*.

Responsibilities

- Supply of the state's water from the source.
- Licensing and approvals for most customers.
- Water allocation and licence trades.
- Water resource information.
- Water monitoring services on behalf of other agencies, such as DCCEEW and the Bureau of Meteorology.
- Operation of state's river systems.

NRAR

Enforces the rules

Established under the *NSW Natural Resources Access Regulator Act 2017*.

Responsibilities

- Compliance and enforcement of regulatory framework for water.
- Management rules.

Strategy

Our vision

To support the resilience of NSW communities through our leadership in delivering water services, for generations to come.

Our purpose

Water, delivered when and where it matters.

Our strategic priorities

- **Delivering operational excellence**
- **Developing our people and capabilities**
- **Respected by the customers and communities that we serve**
- **Working together in partnership**
- **Building a sustainable future**

Underpinned by our strategic initiatives

Everyday activities to support our strategic priorities.

Our values

Think customer | Drive change | Deliver excellence | Achieve together | Value our people | Own it

Strategic initiatives

WaterNSW is focussed on two strategic initiatives in 2025-26

Be reform ready: Water reform readiness

The objective of this initiative is to shape and understand WaterNSW's long-term operating position by working with Government on regulatory reforms and the prioritisation and options for the delivery of policy initiatives and outcomes.

Get match-fit: Business transformation

The objective of this initiative is to clarify our core business and drive enterprise-wide programs that will fundamentally uplift our capability and allow us to reduce our cost to serve in FY26, with a view to embed practices and a refreshed Operating Model by FY27.

The initiative remains on track to deliver $63 million in operating expenditure savings, including $40–45 million in labour-related reductions through the departure of approximately 280 employees, alongside a number of non-labour savings.

Financial performance

Notes to financial performance

Reporting entity

WaterNSW as a reporting entity (the Consolidated entity) comprises all the entities under its control, namely Water NSW (the parent entity) and WaterNSW Infrastructure Pty Ltd (the controlled entity).

Water NSW is a statutory State Owned Corporation domiciled in Australia and constituted under the *Water NSW Act 2014*.

WaterNSW Infrastructure Pty Ltd is a wholly owned subsidiary of Water NSW established in November 2018 under the *Corporations Act 2001.*

The principal activity of WaterNSW Infrastructure Pty Ltd is to provide transportation services for the supply of raw water to Essential Water (an operating division of Essential Energy) in Broken Hill as the local water provider.

Unaudited financial information

The financial information in this report has not been audited.

Reporting period

This report presents the financial performance and cash flows for the Consolidated entity for the half year (1 July 2025 to 31 December 2025) and its financial position at 31 December 2025.

Presentation currency

Financial information is presented in Australian dollars. All values are rounded to the nearest tenth of a million dollars ($0.0m).

Forecast

The 2025-26 forecast incorporates the final IPART pricing determinations for Greater Sydney and the Water Administration Ministerial Corporation (WAMC), which were received after the Statement of Corporate Intent was finalised.

The forecast has also been updated to include the operating expenditure benefits and one-off restructuring impacts from the Business Transformation initiative.

Financial performance

Statement of profit or loss

Actual revenue was favourable to budget due to higher water sales volumes in Rural Valleys (primarily the Lachlan and Macquarie valleys) and Greater Sydney. This was partly offset by lower revenue recognised from government grants and insurance proceeds.

Forecast revenue is favourable to budget, mainly due to the difference between the draft and final pricing determinations for Greater Sydney and WAMC. Other revenue is also forecast to increase due to several large projects being undertaken on behalf of the Murray-Darling Basin Authority.

Actual operating expenditure was favourable to budget due to tighter financial discipline and savings identified through the Business Transformation initiative. The half year result includes $29.3 million of one-off restructuring costs, primarily for salary and wages, which were not included in the budget.

Forecast operating expenditure reflects savings expected to be achieved through our Business Transformation initiative net of one-off restructuring costs and a reduction in capitalised overheads due to lower forecast capital expenditure.

Actual depreciation and amortisation were broadly in line with budget, with the favourable forecast position driven by lower capital expenditure focused on essential renewals and in-flight projects.

Actual net financing costs were broadly on budget, with the forecast improving due to lower expected borrowings from reduced capex and stronger operating cash flows.

	Half year actual	Half year budget	Half year variance	2025-26 forecast	2025-26 budget	2025-26 variance
Greater Sydney	122.5	119.6	2.8	250.3	239.3	11.0
Rural Valleys	75.5	65.4	10.1	137.4	137.4	0.0
WAMC	23.3	25.5	(2.2)	53.0	51.1	1.9
Broken Hill pipeline	12.3	12.2	0.1	24.4	24.4	0.0
Other	30.8	35.5	(4.7)	75.3	71.1	4.2
Total revenue	**264.4**	**258.3**	**6.1**	**540.3**	**523.2**	**17.1**
Salary and wages	(85.4)	(92.2)	6.8	(154.2)	(179.5)	25.4
Other employee related	(6.3)	(5.0)	(1.3)	(3.4)	(9.8)	6.4
Contractors and consultants	(19.2)	(48.8)	29.6	(91.6)	(101.2)	9.5
Administration	(13.6)	(18.3)	4.7	(30.2)	(36.7)	6.5
Materials plant and equipment	(15.7)	(16.6)	0.9	(29.7)	(33.2)	3.6
Gain/(loss) on disposal	1.6	0.0	1.6	0.0	0.0	0.0
Capitalised overhead	7.6	10.6	(3.0)	6.5	21.0	(14.5)
Total operating expenditure excluding restructuring costs	**(130.9)**	**(170.3)**	**39.4**	**(302.5)**	**(339.4)**	**36.9**
EBITDA excluding restructuring costs	**133.5**	**88.0**	**45.5**	**237.8**	**183.8**	**54.1**
Restructuring costs	(29.3)	0.0	(29.3)	(32.4)	0.0	(32.4)
EBITDA including restructuring costs	104.1	**88.0**	**16.1**	**205.5**	**183.8**	**21.7**
Depreciation and amortisation	(57.1)	(57.7)	0.6	(110.6)	(115.4)	4.8
Net financing costs	(50.2)	(49.8)	(0.3)	(99.0)	(101.7)	2.7
Net profit/(loss) before tax	**(3.1)**	**(19.5)**	**16.4**	**(4.1)**	**(33.2)**	**29.1**
Income tax	0.9	5.5	(4.6)	0.5	9.2	(8.7)
Net profit after tax excl fair value	**(2.2)**	**(14.0)**	**11.8**	**(3.6)**	**(24.0)**	**20.4**
Fair value adjustment	0.2	0.0	0.2	0.0	0.0	0.0
Income tax on fair value adjustment	(0.1)	0.0	(0.1)	0.0	0.0	0.0
Net profit after tax	**(2.1)**	**(14.0)**	**11.9**	**(3.6)**	**(24.0)**	**20.4**

Financial performance

Statement of financial position

The variances in **property plant and equipment**, **deferred tax** and **asset revaluation reserve** were driven by differences between WaterNSW's pricing submissions for Greater Sydney, Rural Valleys and WAMC used to prepare the budget, and the fair value gain recognised at 30 June 2025 which was based on the final determination for Rural Valleys and the draft pricing determinations for WAMC and Greater Sydney.

Property, plant and equipment was also lower than budget due to reduced capital expenditure ($32.1 million), which is forecast to be $59.4 million lower than the 2025-26 budget of $169.1 million as non-critical expenditure is deferred to align with lower capital expenditure allowances in pricing determinations.

Total borrowings (current and non-current) at 30 June 2026 are forecast to be lower than budget due to improved cash flows from the Greater Sydney and WAMC final determinations, realisation of cost savings through the Business Transformation initiative, and reduced capital expenditure.

Contributed equity – primarily due to certain Greater Sydney drought planning desalination project costs reported as property, plant and equipment being transferred from WaterNSW to Sydney Water at a fair value of $21.4 million on 7 August 2025. The transfer was made in accordance with the Assets, Rights and Liabilities (Sydney Water Corporation) Transfer Order 2025 signed by the Minister for Water.

	Half year actual	Half year budget	Half year variance	2025-26 forecast	2025-26 budget	2025-26 variance
Cash and cash equivalents	4.1	4.3	(0.2)	24.0	5.0	19.0
Trade and other receivables	104.0	106.9	(2.9)	92.5	109.7	(17.2)
Income tax	0.8	9.1	(8.3)	12.9	15.8	(2.9)
Total current assets	**109.0**	**120.4**	**(11.4)**	**129.4**	**129.8**	**(0.4)**
Trade and other receivables	3.2	0.0	3.2	3.4	0.0	3.4
Property plant and equipment	3,949.3	4,193.4	(244.1)	4,135.3	4,381.3	(246.0)
Intangible assets	15.7	20.7	(5.0)	20.0	23.0	(3.0)
Right-of-use assets	5.5	13.3	(7.7)	4.9	12.3	(7.4)
Total non-current assets	**3,973.7**	**4,227.3**	**(253.6)**	**4,163.6**	**4,416.6**	**(253.0)**
Total assets	**4,082.7**	**4,338.6**	**(255.9)**	**4,292.9**	**4,546.4**	**(253.5)**
Trade and other payables	63.4	82.3	(18.8)	116.8	103.8	13.0
Contract liabilities	4.5	0.0	4.5	0.0	0.0	0.0
Borrowings	365.8	286.7	79.2	338.7	338.7	0.0
Provisions	130.7	130.1	0.6	137.0	130.8	6.2
Dividend payable	0.0	0.0	0.0	40.0	0.0	40.0
Other	34.1	11.5	22.6	19.4	11.7	7.7
Total current liabilities	**598.6**	**510.5**	**88.0**	**651.8**	**584.2**	**67.6**
Borrowings	1,735.3	1,831.1	(95.9)	1,748.8	1,832.4	(83.6)
Deferred tax	417.8	479.1	(61.4)	455.7	514.2	(58.5)
Provisions	47.7	49.1	(1.4)	53.5	49.1	4.4
Other liabilities	86.4	116.0	(29.6)	115.9	124.1	(8.2)
Total non-current liabilities	**2,287.2**	**2,475.4**	**(188.2)**	**2,373.9**	**2,519.8**	**(145.9)**
Total liabilities	**2,885.8**	**2,976.8**	**(91.0)**	**3,025.7**	**3,088.2**	**(62.4)**
Net assets	**1,196.9**	**1,361.8**	**(164.9)**	**1,267.2**	**1,442.4**	**(175.2)**
Contributed equity	342.4	363.1	(20.7)	342.4	363.1	(20.7)
Asset revaluation reserve	736.9	897.6	(160.7)	850.1	988.1	(138.0)
Retained profits	117.6	101.1	16.5	74.7	91.1	(16.4)
Total equity	**1,196.9**	**1,361.8**	**(164.9)**	**1,267.2**	**1,442.4**	**(175.2)**

Financial performance

Statement of cash flows

Actual net cash flow from operating activities was below budget due to one-off restructuring costs linked to the Business Transformation initiative. The forecast improves with higher customer receipts from the final IPART determinations for Greater Sydney and WAMC, and lower supplier and employee payments from expected transformation savings.

Actual net cash used in investing activities was less than budget due to lower capital expenditure as a result aligning the expenditure to lower pricing determinations allowances. This trend continues in the forecast.

Actual cash used in financing activities was substantially in line with budget. The **forecast** result is expected to be lower than budget, mainly due to lower net borrowings (proceeds less repayments) required to service operating and investing activities due to projected lower operating and capital expenditure.

	Half year actual	Half year budget	Half year variance	2025-26 forecast	2025-26 budget	2025-26 variance
Receipts from customers and other	263.7	268.4	(4.8)	555.2	548.2	6.9
Payments to suppliers and employees	(207.5)	(172.4)	(35.1)	(335.8)	(343.5)	7.7
Interest received	0.1	0.1	(0.1)	0.3	0.2	0.1
Interest and other costs of finance paid	(44.3)	(43.1)	(1.1)	(64.1)	(63.8)	(0.4)
Income taxes refunded/(paid)	0.0	(11.4)	11.4	(13.8)	(18.1)	4.3
Net cash from operating activities	**12.0**	**41.7**	**(29.7)**	**141.6**	**123.0**	**18.6**
Payments for property, plant and equipment	(91.9)	(112.4)	20.5	(169.1)	(228.6)	59.4
Proceeds from disposal of property, plant and equipment	1.9	0.0	1.9	0.0	0.0	0.0
Net cash used in investing activities	**(90.0)**	**(112.4)**	**22.4**	**(169.1)**	**(228.6)**	**59.4**
Proceeds from borrowings	243.0	74.6	168.4	225.1	109.4	115.7
Repayment of borrowings	(165.0)	0.0	(165.0)	(178.8)	0.0	(178.8)
Repayment of lease liabilities	(1.1)	0.0	(1.1)	0.0	0.0	0.0
Dividends paid	(40.0)	(40.0)	0.0	(40.0)	(40.0)	0.0
Net cash used in financing activities	**36.9**	**34.6**	**2.3**	**6.3**	**69.4**	**(63.1)**
Net increase/(decrease) in cash and cash equivalents	**(41.1)**	**(36.2)**	**(4.9)**	**(21.2)**	**(36.2)**	**15.0**
Cash and cash equivalents at the beginning of the financial year	45.2	41.2	4.0	45.2	41.2	4.0
Cash and cash equivalents at the end of the financial year	**4.1**	**5.0**	**(0.9)**	**24.0**	**5.0**	**19.0**

Performance targets

Each year WaterNSW agrees on a Statement of Corporate Intent with our shareholders. The Statement outlines the objectives, business strategy and performance targets for key financial and non-financial measures. The Statement is available at waternsw.com.au.

Non-financial measures	2025-26 target	Half year actual
Safety - incident severity rate (employees & contractors)	Zero class 4 and no more than one class 3	Zero class 3, 4, or 5 incidents
Safety - incident severity rate (general public)	Zero class 4 and no more than one class 3	Zero class 3, 4, or 5 incidents
Quality of water available for supply	Meets agreed standards >97.5% of the time	99.2%
Water delivery	Operational losses are no more than 3% of total sales volumes	4.7%
Customer service	Aggregate performance against customer KPIs is on track	Assessed and reported annually
Employee engagement	Maintain or improve 2024-25 score	Assessed and reported annually
Deliver the Strategic Plan	100% of strategic initiatives meet expectations	Assessed and reported annually
Environment	Establish emissions reduction target and pathways	Assessed and reported annually

The **incident severity rate** measures incidents with potential for severe harm and classifies them on a scale of one to five[1] based on the actual harm observed. There were no incidents that resulted in moderate harm or above during the half year, and there are no incidents under investigation that are likely to fall within this category.

Quality of water available for supply is a key performance requirement under the Operating Licence and other supply agreements.

Water delivery aligns with our purpose of water, delivered when and where it matters and is calculated as an average over 24 months. The half year result was impacted by several high-loss months during the 2023-24 irrigation season, mainly due to water orders being rejected after their release due to rainfall in the Southern region. Average losses are expected to decrease as these outlier months fall out of the 24 month assessment period.

Customer service is assessed through a survey that measures performance against our key customer performance indicators – ease of doing business, trust, value and service delivery.

Employee engagement is assessed once a year through a survey.

Deliver the Strategic Plan assesses progress in delivering our strategic initiatives.

Environment aligns with our strategic priority of delivering a sustainable future.

1 Incident severity classifications: Class 1 Fatality, Class 2 Severe (irreversible or life-threatening injury), Class 3 Moderate (admission to hospital or temporary disablement/incapacitation, Class 4 Minor (treated by a registered medical practitioner, no incapacitation), Class 5 Insignificant (basic medical and First Aid).

Performance targets

Financial measures	Half year actual	Half year target	2025-26 forecast	2025-26 target
Returns to shareholders[1]	$11.5m	$11.4m	$64.8m	$23.2m
Regulated operating expenditure[2]	$135.8m	$144.3m	$290.4m	$284.7m
Regulated capital expenditure[2]	$70.5m	$105.8m	$156.9m	$207.5m
Capital structure[3]	53.7%	53.5%	51.0%	53.5%
New borrowings	$78.0m	$74.6m	$60.1m	$148.3m
EBITDA[4]	$104.1m	$88.0m	$205.5m	$183.8m

1. Returns to shareholders is calculated on an accrual basis. This measure includes current income tax, government guarantee fee (GGF), dividend and return of capital. GGF is paid to NSW Treasury in accordance with competitive neutrality principles. It is based on the differential between the market rate of borrowings for a private business of a similar risk and WaterNSW's cost of debt obtained from TCorp, which borrows using the State's credit rating.
2. WaterNSW's regulated business comprises monopoly activities related to bulk water infrastructure and water delivery. Revenue for these activities is regulated by IPART.
3. Capital structure is calculated as net debt to regulated asset base (RAB).
4. Earnings before interest, taxation, depreciation and amortisation.

Actual returns to shareholders were on target. Forecast returns include a $40.0m dividend ($0.0 million target), reflecting improved forecast net profit after tax and cash flows.

Actual regulated operating expenditure was lower than target due to tighter financial discipline and savings identified through the Business Transformation initiative, partly offset by one-off restructuring costs which were not included in the target. The **forecast** result includes restructuring costs, net of savings expected to be realised through our Business Transformation initiative.

Actual regulated capital expenditure was lower than target as non-critical expenditure was deferred to align with lower capex allowances in pricing determinations. Deferral of non-critical expenditure is also **forecast** to result in lower spend for the full financial year.

Actual capital structure was substantially in line with target. The **forecast** result is expected to be lower than target, mainly due to improved cash flows reducing the level of debt required.

Actual new borrowings were substantially in line with target. Improvements in cash flows from increased revenue under the Greater Sydney and WAMC determinations, combined with savings expected to be realised through the Business Transformation initiative and lower capital expenditure are **forecast** to reduce new borrowings required for the full financial year.

Actual EBITDA was favourable to target due to favourable revenue ($6.1 million) and favourable operating expenditure ($10.1 million). **Forecast EBITDA** is higher than target from increased revenue due to higher revenue allowances from the final pricing outcomes for Greater Sydney and WAMC. Reductions in operating expenditure are also expected to be delivered through the Business Transformation initiative.

For more information

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