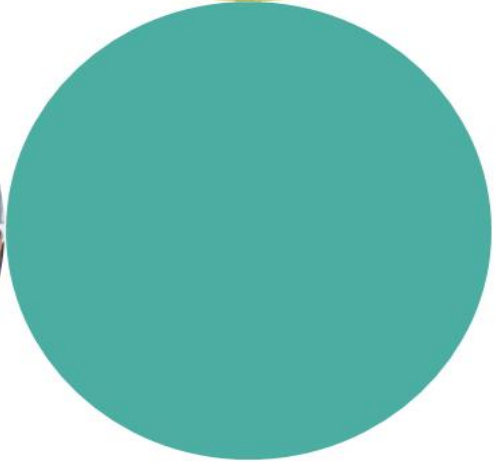
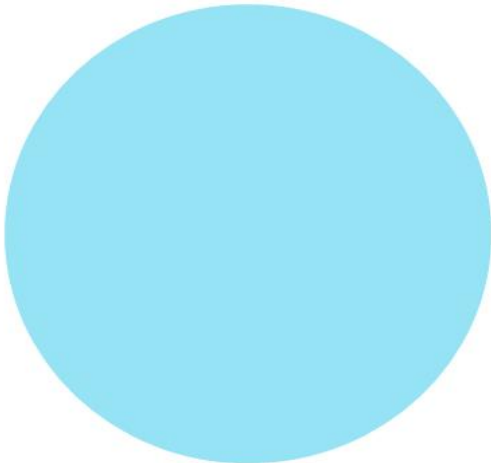


# Quarterly Performance Report

December 2019



# Financial Performance



## Financial Results (\$'000s)

	6 months to December 2019			*PCP	Full Year 2019/20
	Actual	Budget	Variance	Last Year	SCI Budget
Operating revenue	1,318,743	1,316,017	2,725	1,257,439	2,742,288
Direct operating expenses	449,474	442,844	(6,630)	430,217	984,511
Depreciation / amortisation	254,434	254,481	47	245,823	530,426
<b>Earnings before interest &amp; tax (EBIT) <sup>(1)</sup></b>	<b>614,835</b>	<b>618,692</b>	<b>(3,857)</b>	<b>581,399</b>	<b>1,227,352</b>
less: Net interest expense	110,476	124,684	14,208	124,340	255,262
add: Developers' contribution	75,744	97,448	(21,704)	95,503	223,100
<b>Operating surplus before tax</b>	<b>580,103</b>	<b>591,456</b>	<b>(11,353)</b>	<b>552,562</b>	<b>1,195,190</b>
Income tax expense	173,641	177,219	3,578	165,829	358,102
<b>Operating surplus after tax <sup>(2)</sup></b>	<b>406,462</b>	<b>414,237</b>	<b>(7,775)</b>	<b>386,732</b>	<b>837,088</b>
Capital expenditure	267,030	263,964	(3,066)	330,700	719,810
Borrowings taken (repaid)	-	-	-	-	110,000
Net debt <sup>(3)</sup>	6,042,157	5,998,033	(44,125)	5,940,470	6,320,002

## Financial Performance Measures

	Full Year June 2019/20			Last Year
	Forecast	Target	Variance	Actual
Return on assets (%)	6.8	7.3	(0.5)	7.1
Debt to total assets (%)	35.1	35.0	(0.1)	34.9
Return on equity (%)	7.1	7.7	(0.6)	7.4

### Net Accruals to Government (\$m)

	Forecast	Target	Variance	Actual
Represented by:				
Tax equivalents	339.0	360.9	(21.9)	360.7
Dividends provided	596.8	620.1	(23.3)	604.6
Operating Subsidies				
Non-Commercial Country Services	272.1	280.6	8.5	254.6
Revenue Concessions	156.8	171.1	14.3	166.0
Metropolitan Operations	2.0	1.1	(0.9)	(0.6)
Total Operating Subsidies	430.9	452.8	21.9	420.0
<b>Net Accrual to Government <sup>(4)</sup></b>	<b>504.9</b>	<b>528.2</b>	<b>(23.3)</b>	<b>545.3</b>

## Comments

Year to date operating surplus after tax is \$7.8m lower than budget for the 6 months to 31 December 2019.

(1) EBIT is lower than budget resulting from greater direct operating expenses due to greater expenditure from property, infrastructure and maintenance. This has been partially offset by slightly higher revenues resulting from warmer seasonal temperatures and lower average rainfall.

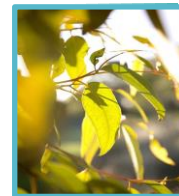
(2) Lower developers' contribution is attributed to reduced subdivision and development activity in the market and combined with lower net interest, income tax and the unfavourable EBIT result, has returned an unfavourable operating surplus after tax position of \$7.8m.

(3) Net debt is higher than budget due to lower cash received for government grants, operating subsidies and developers' contributions.

(4) Net Accrual to Government is projected to be lower than budget due to lower profitability.

\* PCP - Prior Comparative Period.

# Business Targets & Information



## Performance Indicators

	Forecast	Full Year 2019/20		Status
			Target	
<b>Our Customers and Stakeholders</b>				
Customer Performance Index <sup>(1)</sup>	6.95	>=	7.20	Worse Than Target
Perth total per capita consumption (kL) <sup>(2)</sup>	129	<=	126	Worse Than Target
<b>Our Business</b>				
Total cost per property (\$) <sup>(3)</sup>	2,005	<=	1,999	Worse Than Target
Net Accruals to Government (\$m)	504.9	>=	528.2	Worse Than Target
<b>People &amp; Culture</b>				
Safety Index	92.5	>=	92.5	On Target

## Business Information

	Year to Date December	
	2019	2018
Water Properties Connected - Residential	1,003,746	991,631
- Non-Residential <sup>(4)</sup>	125,960	126,468
Water Supplied - Metro (ML)	122,840	115,620 <sup>(a)</sup>
Wastewater Treated - Metro (ML) <sup>(5)</sup>	67,813	70,720 <sup>(b)</sup>

## Comments

1) The current forecast is under Target largely due to a change in survey methodologies. The Water Corporation conducted a review of the prior methodology and replaced it with the new Customer Value Survey (CVS). This has been created to provide a more holistic view of customer feedback.

2) The 129kL forecast is predominately due to the unseasonably hot weather experienced state-wide.

3) The total cost per property is expected to be marginally higher due to additional costs related to commercial contracts in the North West Region (offset by increases in Revenue) together with increased production (10GL) at our Southern Seawater Desalination Plant.

4) A portion of Non-Residential connections each year convert to Residential through the rezoning / development of land.

5) Wastewater treated has decreased over the same period last year due to lower rainfall and subsequently less water infiltration into the wastewater system.

<sup>(a)</sup> Water Supplied - Metro (ML) is adjusted downwards as a result of the Annual Principal Statistics review.

<sup>(b)</sup> Wastewater Treated - Metro (ML) is adjusted upwards as a result of recalculation of flow data due to availability of new information.



# Water Services Licence Compliance



The Water Corporation is required to comply with performance standards in our Water Services Licence. The table below summarises our expected performance against key Water Services Licence requirements.

Water Services Licence Measures	December 2019			Notes
	Forecast	Target	Variance	
<b>Water Services</b>				
Drought response (number of schemes on temporary restrictions) <sup>(1)</sup>	1	n/a	-	Denmark (Stage 5)
Services provided by agreement and farmlands - annual notification of conditions	95.0%	≥ 95.0%	-	Reported Annually (Last result 97.7%)
Drainage - Design of new urban infrastructure	100.0%	= 100.0%	-	Reported Annually (Last result 100.0%)
Farmlands area water systems - pressure and flows are kept within the acceptable range	99.8%	= 99.8%	-	Reported Annually (Last result 100.0%)

## Comments

1) Stage 5 water restrictions for Denmark were in place from 1 October 2019 to 31 December 2019. The regular two-day-a-week sprinkler roster for summer and autumn now applies.

We have built infrastructure to expand the Great Southern temporary water carting program to Denmark to supplement the local water supply if needed. Carting will not be required this summer (2019/20) but may be needed before the pipeline is finished, dependent upon rainfall, streamflow and the salt levels at Denmark Dam.

Water Corporation has spent the last few months working with various stakeholders, including local landowners, to determine the best route for a pipeline to connect Denmark to the Lower Great Southern Towns Water Supply Scheme.

These investigations have taken into account the impact of any potential route on the local environment, and have also included comprehensive flora and fauna studies which were carried out during spring 2019. More details will be announced on the pipeline in the coming months, with construction expected to begin in June 2020.

The Water Corporation is committed to a high level of compliance in accordance with the Water Services Licence.

There are no indications that these annual licence measures would not be achieved.