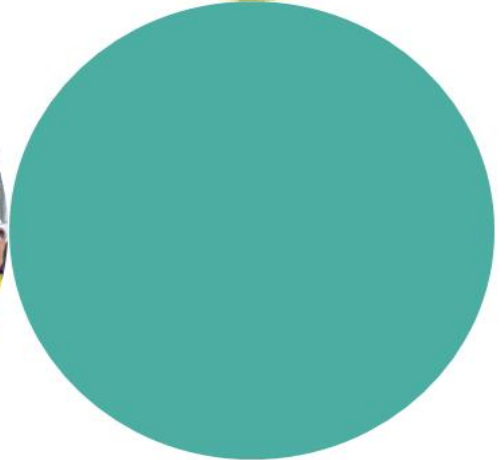
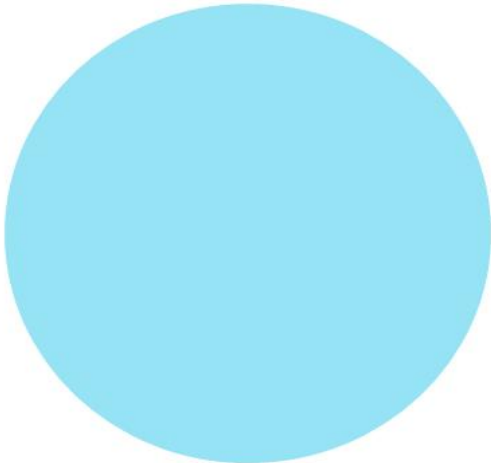


Quarterly Performance Report

March 2020



Financial Performance



Financial Results (\$'000s)

	9 months to March 2020			*PCP Last Year	Full Year 2019/20 SCI Budget
	Actual	Budget	Variance		
Operating revenue	2,044,853	2,031,565	13,288	1,937,661	2,742,288
Direct operating expenses	690,194	672,195	(17,999)	641,522	984,511
Depreciation / amortisation	382,578	383,639	1,061	367,152	530,426
Earnings before interest & tax (EBIT) ⁽¹⁾	972,081	975,731	(3,651)	928,986	1,227,352
less: Net interest expense	161,145	188,660	27,516	183,136	255,262
add: Developers' contribution	105,899	148,645	(42,746)	127,619	223,100
Operating surplus before tax	916,835	935,716	(18,881)	873,469	1,195,190
Income tax expense	274,676	281,543	6,867	261,564	358,102
Operating surplus after tax ⁽²⁾	642,159	654,173	(12,013)	611,905	837,088
Capital expenditure	423,178	435,541	12,363	474,580	719,810
Borrowings taken (repaid)	-	-	-	-	110,000
Net debt	5,842,685	6,003,143	160,458	5,851,801	6,320,002

Financial Performance Measures

	Full Year June 2019/20			Last Year Actual
	Forecast	Target	Variance	
Return on assets (%)	6.9	7.3	(0.4)	7.1
Debt to total assets (%)	34.9	35.0	0.1	34.9
Return on equity (%)	7.2	7.7	(0.5)	7.4

Net Accruals to Government (\$m)

	Forecast	Target	Variance	Last Year Actual
Represented by:				
Tax equivalents	348.3	360.9	(12.6)	360.7
Dividends provided	617.9	620.1	(2.2)	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
Net Accrual to Government ⁽³⁾	535.3	528.2	7.1	545.3

Comments

Year to date operating surplus after tax is \$12.0m lower than budget for the 9 months to 31 March 2020.

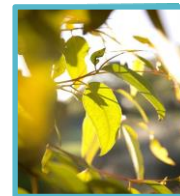
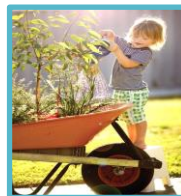
(1) EBIT is lower than budget as a result of greater direct operating expenses related to increased water production and a higher level of operations & maintenance. This has been partially offset by slightly higher revenue from water sales due to warmer seasonal temperatures and lower average rainfall.

(2) Lower developers' contribution is attributed to reduced subdivision and development activity in the market, combined with lower net interest, income tax and the unfavourable EBIT result, has returned an unfavourable Operating surplus after tax position of \$12.0m.

(3) Net Accrual to Government is projected to be \$7.1m higher than budget due to the net impact of a lower Operating Subsidy payment received from Government.

*PCP - Prior Comparative Period.

Business Targets & Information



Performance Indicators

	Forecast	Full Year 2019/20		Status
			Target	
Our Customers and Stakeholders				
Customer Performance Index ⁽¹⁾	7.03	>=	7.20	Worse Than Target
Perth-Peel total per capita consumption (kL) ⁽²⁾	127	<=	126	Worse Than Target
Our Business				
Total cost per property (\$) ⁽³⁾	2,012	<=	1,999	Worse Than Target
Net Accruals to Government (\$m) ⁽⁴⁾	535.3	>=	528.2	Better Than Target
People & Culture				
Safety Index	92.5	>=	92.5	On Target

Business Information

	Year to Date March	
	2020	2019
Water Properties Connected - Residential	1,006,337	994,842
- Non-Residential	126,404	125,767
Water Supplied - Metro (ML)	199,707	191,564 ^(a)
Wastewater Treated - Metro (ML)	115,974	107,523 ^(b)

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 during the year and replaced it with the new Customer Value Survey (CVS). This has been created to provide a more holistic view of customer feedback. However, results from the new methodology are still compared against the previously set Customer Performance Index target of 7.20.

2) The 127kL forecast is predominately due to the unseasonably hot weather and lower average rainfall experienced state-wide.

3) Total cost per property is expected to increase by \$13 – primarily driven by the compounding effect of a lower level of actual / forecast growth than budgeted in the number of properties connected to a water service (from 1.5% to 1.0%), in 2018/19 and 2019/20 respectively.

4) Net Accruals to Government – Is expected to be better than Target based on Quarter 3 Forecast. However, this hasn't taken into consideration the potential impacts of COVID19.

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

(b) 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	March 2020			Notes
	Forecast	Target	Variance	
Water Services				
Drought response (number of schemes on temporary restrictions) ⁽¹⁾	0	n/a	-	(See note below)
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) Denmark: Stage 5 water restrictions for Denmark were in place from 1 October 2019 until 31 December 2019 (short term); bore owners were not included.

The Corporation has established infrastructure to expand the Great Southern temporary water carting program to Denmark and supplement local water supply if required. While Infrastructure is now in place, any decision to begin carting will depend on rain received in Denmark over the coming months and the final delivery of the new Denmark pipeline.

A proposed pipeline route has been identified to connect Denmark to the Lower Great Southern Towns Water Supply Scheme. The construction tender has recently closed and the head contractor is expected to be appointed in late May. Subject to final approvals, we expect to begin construction in July 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.