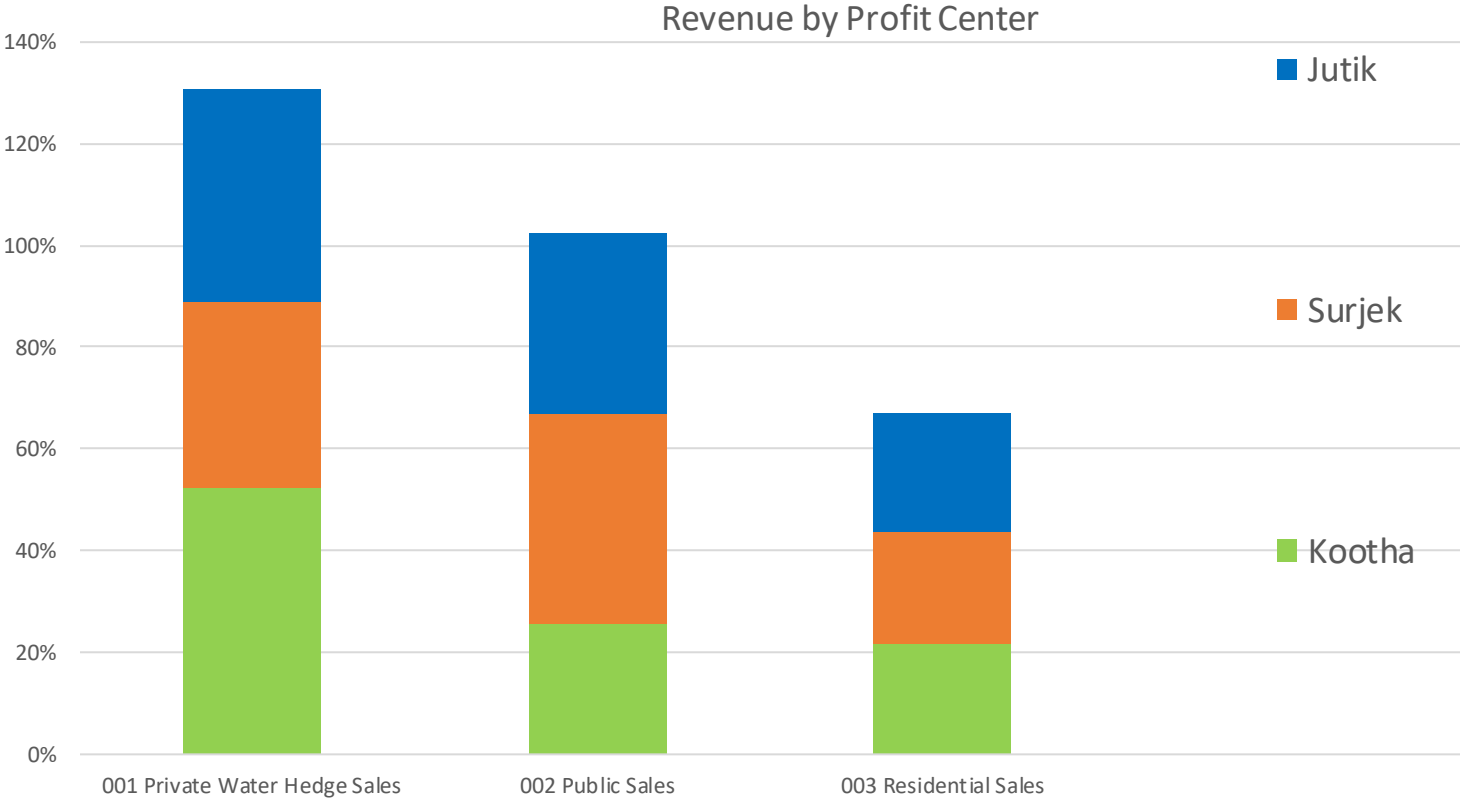




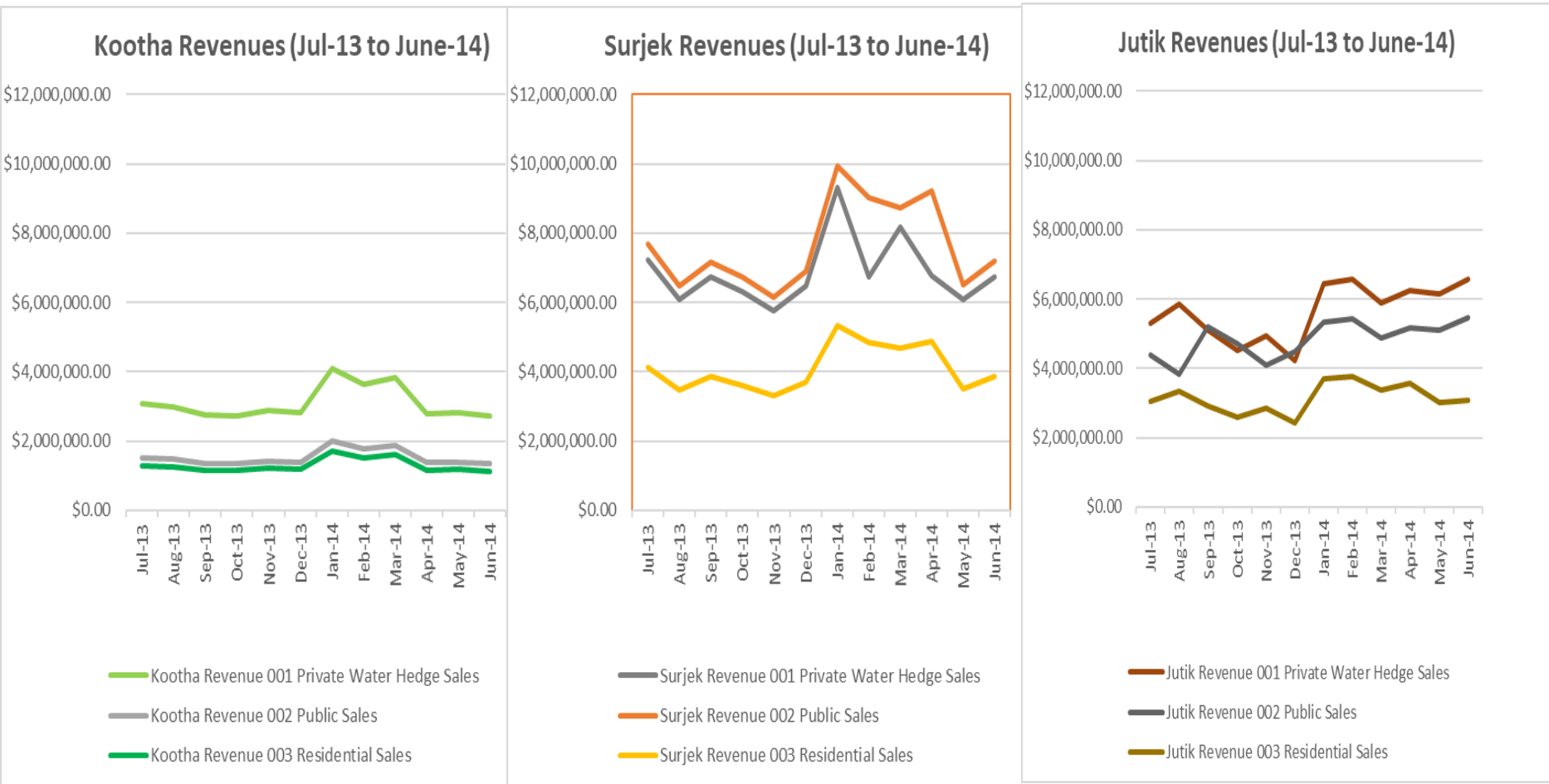
With increased revenues, has Southern Water Corp seen production costs increase significantly?

A Case Study Analysis by Marie Vrablic

Segmentation of the revenues by unit, reveals that of the three (3) customer segments, Private Water Hedge Sales (\$187 M) are the most popular, followed by Public Sales (\$168 M) and lastly Residential Sales (\$102 M).

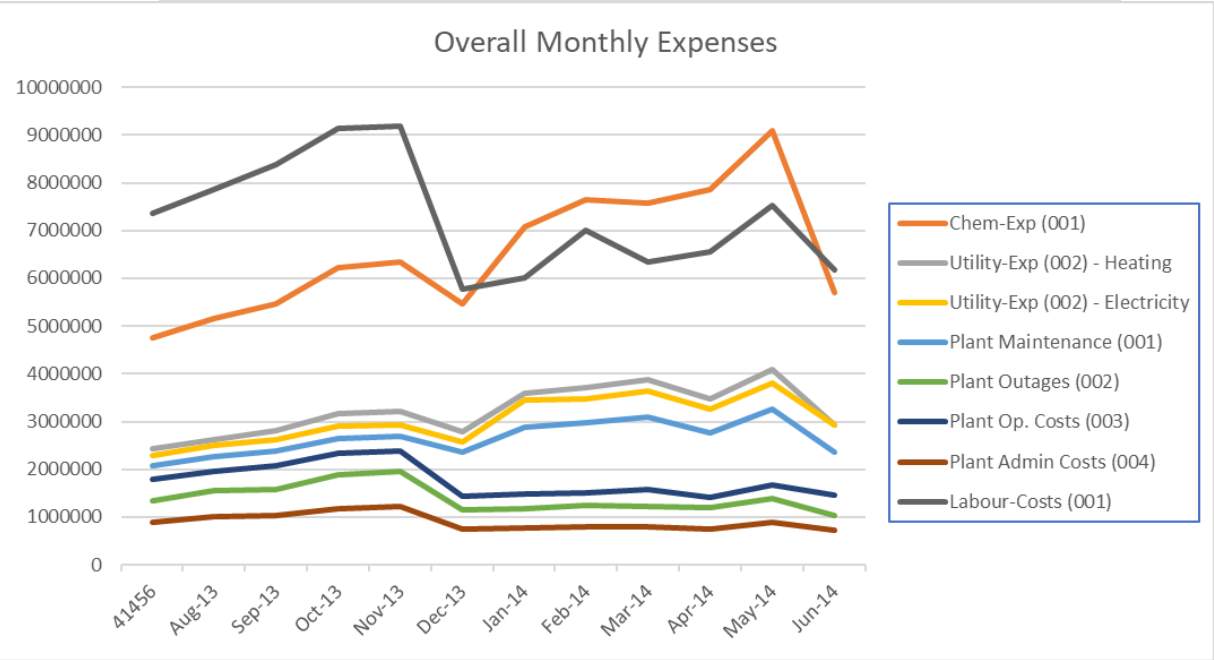
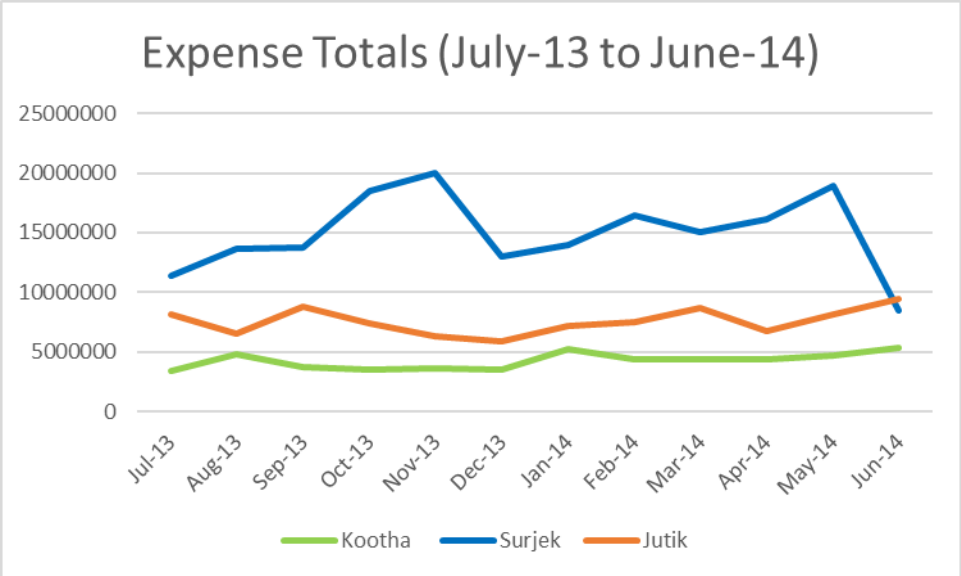


Of the (\$458 M)¹ in Revenue Sales over the July-2013 to June-2014 Period, Surjek provides close to 50% of Sales Volumes (\$223 M), with Jutik (\$ 163.7 M) and Kootha (\$71 M) providing the remaining.



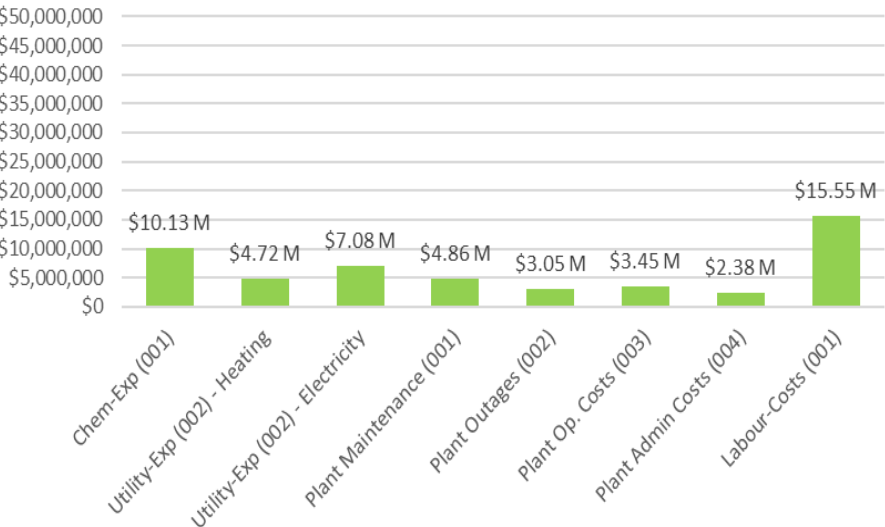
Note: This refers to the Total Sales for all 3 Units (Kootha, Surjek and Jutik)

Targeted Expense Analysis reveals an interesting trend; Overall Costs sharply increase from December, with chemical expenses, contributing \$78.4 M (24%) towards the overall cost-base.

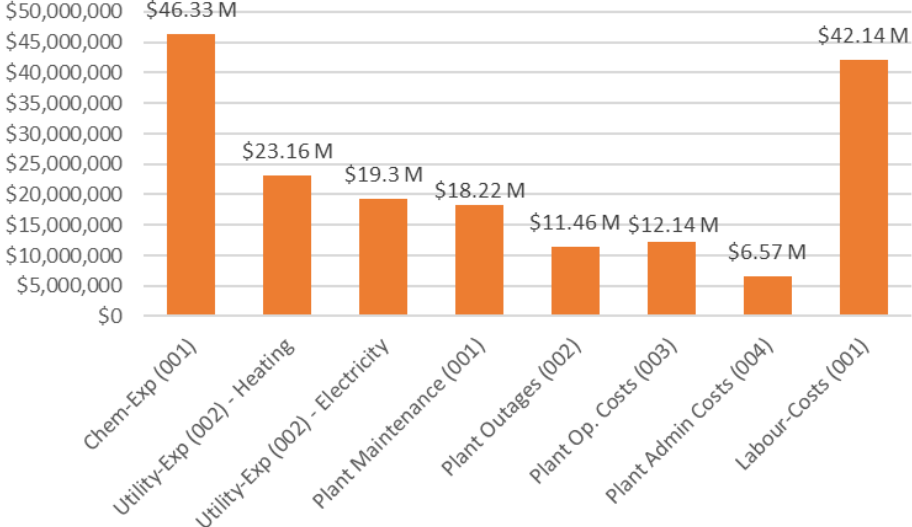


Further analysis singles-out Surjek with \$179.3 M (56%) worth of expenses, contrasted to a much lower spend from Kootha (\$51 M) and Jutik (\$90.7 M), largely due to lower Chemical and Labour Expenditure.

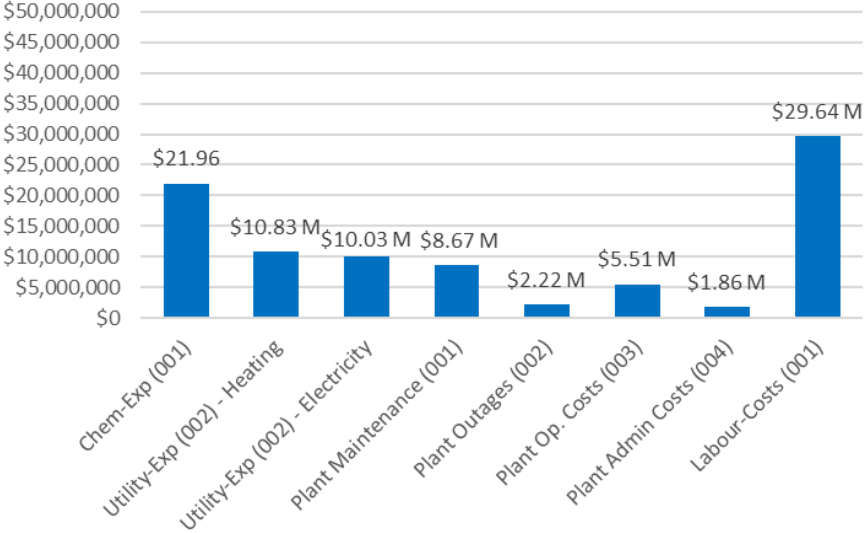
Kootha Expenses (July-13 to June 14)



Surjek Expenses (July-13 to June 14)

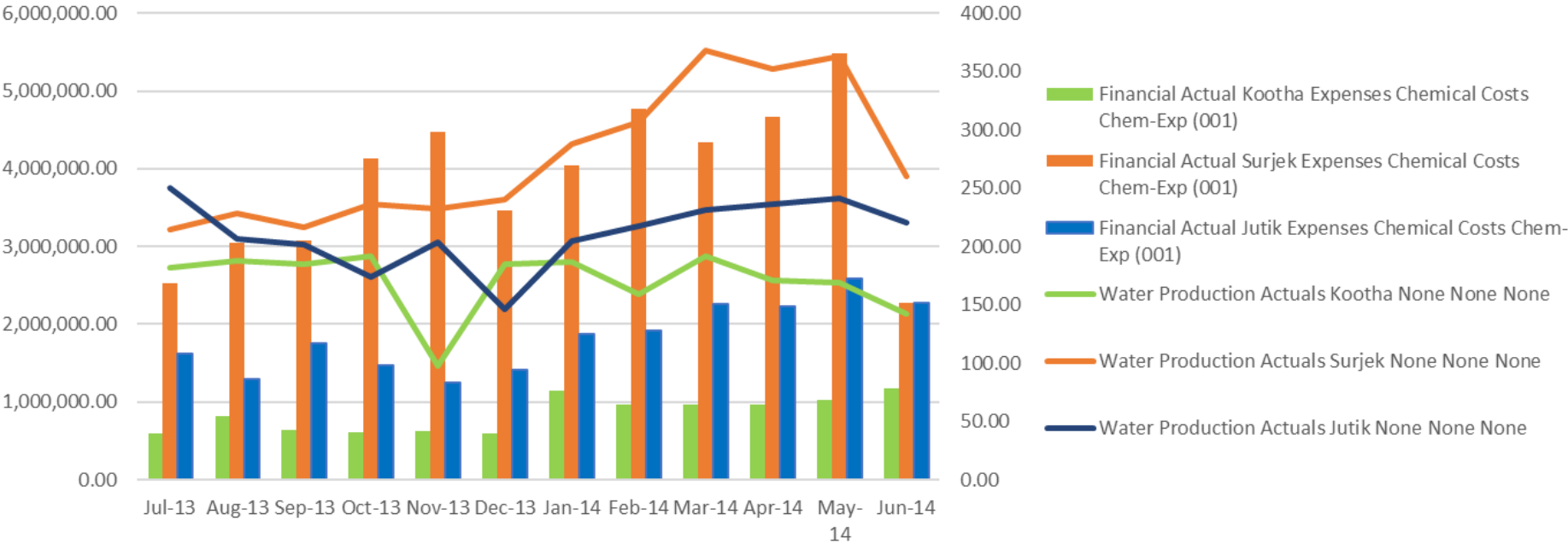


Jutik Yearly Expenses (July-13 to June 14)

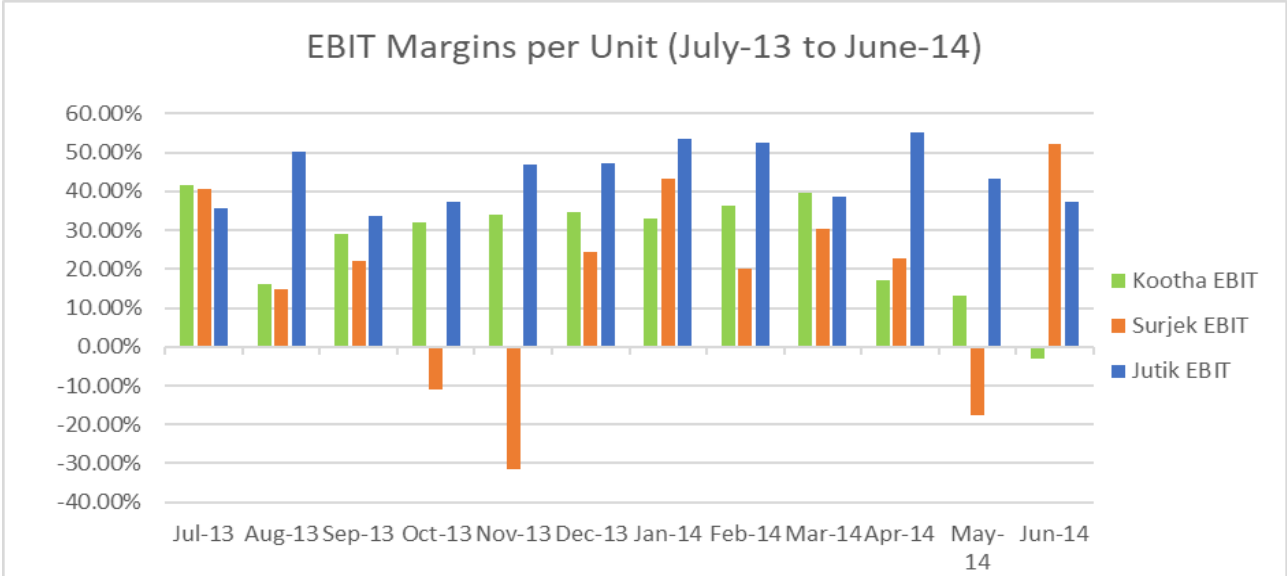
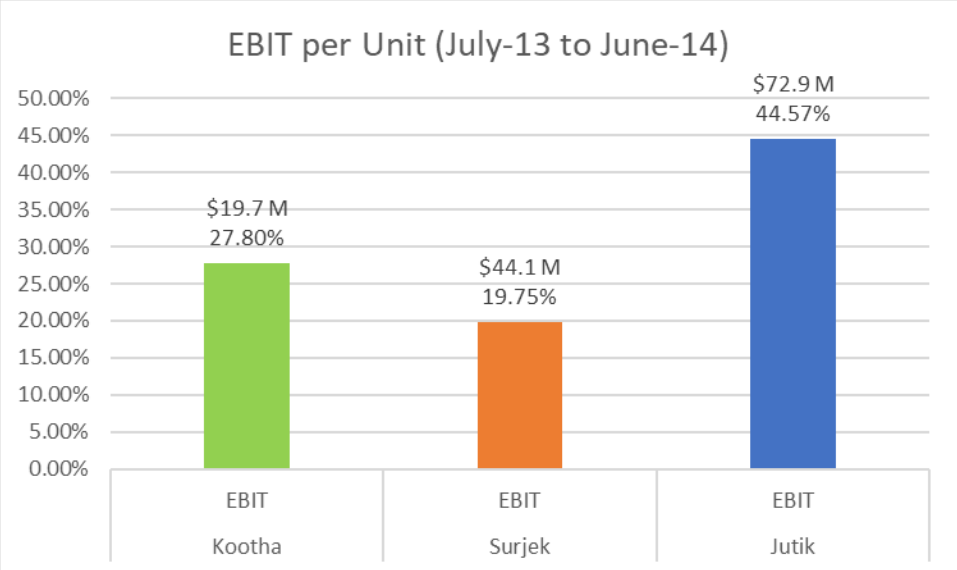


Drilling-down to the cost-element level, reveals an indicative relationship between water production and chemical expenditure with this being particularly pronounced for the Surjek Unit which coincidentally has the highest rate of water production.

Chemical Expenditure vs. Water Production Actuals



Concluding our analysis, Jutik has the highest overall EBIT contributions (\$72.9M), followed by Surjek(\$44.1M) , and lastly Kootha (\$19.7 M). However, from an EBIT Margin (%) perspective, Kootha has a higher margin than that of Surjek, indicative of a lower revenue-to-expense ratio.¹



Note:¹ We can clearly see for Surjek over the October, November and May Periods – expenses were far higher than revenues which contributed to this lower revenue-to-expense ratio.