



May 6, 2026

## **ANNUAL REPORT TO THE SOLE SHAREHOLDER**

Dear Shareholder:

The Annual Meeting of Pennichuck Corporation (“Pennichuck” or the “Company”) will be held at 8:30 a.m. on Friday, May 29, 2026, at The Event Center at Courtyard Marriott, 2200 Southwood Drive, Nashua, NH.

***Background on the City’s Acquisition and Our Corporate Structure.*** The City’s acquisition of the shares of Pennichuck Corporation was completed on January 25, 2012. As part of the acquisition, the corporate structure of Pennichuck Corporation and its subsidiaries was retained. Under the structure, the City of Nashua is the sole shareholder of Pennichuck Corporation. Under the Company’s By-Laws, the City in its capacity as shareholder makes its decisions through actions by its Board of Aldermen, in accordance with the City’s Charter. No single person – the Mayor or any individual member of the Board of Aldermen – is him or herself a shareholder; rather, the entity of the City itself is the sole shareholder of Pennichuck Corporation represented by the Board of Aldermen and the Mayor.

Prior to March 1, 2025, Pennichuck Corporation owned five corporate subsidiaries, including three regulated utilities Pennichuck Water Works, Inc. (PWW), Pennichuck East Utility, Inc. (PEU), and Pittsfield Aqueduct Company, Inc. (PAC), an unregulated service company Pennichuck Water Service Corporation (PWS), and a former land-holding company The Southwood Corporation (TSC). On March 1, 2025, the three regulated subsidiaries were consolidated with PWW as the sole surviving utility, as further described in the section below “*Consolidated Rate Case & Merger of Subsidiaries–Pennichuck Water Works, Inc. (PWW), Pennichuck East Utilities, Inc. (PEU), and Pittsfield Aqueduct, Inc. (PAC)*”

As unanimously approved by the City’s Board of Aldermen at the time of the acquisition, the corporate structure was retained for several reasons.

First, the City’s Mayor and Board of Aldermen desired to maintain some stability and continuity for all of the customers and employees of the Pennichuck companies. Retaining the existing corporate structure minimized the need for any radical changes to the utility companies and operations and encouraged support by all of the communities served by the utilities.

Second, retaining the corporate structure provided continuity for the regulatory and financial status of the companies and their respective businesses. The New Hampshire Public Utilities Commission continues to provide regulatory oversight for the utility companies, and banks, lenders and other contract parties continue to be able to rely on existing contracts and other rules with respect to financing and other operations.

Third, the Mayor and Board of Aldermen unanimously agreed to establish a corporate governance system for the purposes of managing Pennichuck Corporation. This corporate governance system relies upon well-established principles of corporate law and is established pursuant to Pennichuck Corporation's Articles of Incorporation and By-Laws, as adopted by the City and the Company at the time of the acquisition pursuant to the Merger Agreement.

This well-known corporate governance model, which incorporates well-established principles regarding fiduciary obligations of board members, was structured to provide assurances to the City's rating agencies, potential lenders, the New Hampshire Public Utilities Commission, and the many communities we serve that decisions are based on sound business and financial analysis, and in a manner that minimizes political considerations.

***Operations, Communities and Customers.*** Our companies provide water service to a wide range of communities and customers. The following section describes the five subsidiaries under Pennichuck Corporation, prior to March 1, 2025.

*Pennichuck Water Works, Inc.* (hereinafter referred to in this report as "Pennichuck Water Works") provides water service to approximately 30,000 customers in 11 communities which include Amherst, Bedford, Derry, Epping, Hollis, Merrimack, Milford, Nashua, Newmarket, Plaistow and Salem.

*Pennichuck East Utility, Inc.* (hereinafter referred to in this report as "Pennichuck East Utility") provides water service to approximately 9,260 customers in 19 communities which include Atkinson, Barnstead, Bow, Chester, Conway, Derry, Exeter, Hooksett, Lee, Litchfield, Londonderry, Middleton, Pelham, Plaistow, Raymond, Sandown, Tilton, Weare and Windham.

*Pittsfield Aqueduct Company, Inc.* (hereinafter referred to in this report as "Pittsfield Aqueduct") provides water service to approximately 650 customers in Pittsfield.

*Pennichuck Water Service Corporation* (hereinafter referred to in this report as the "Service Company") provides service in connection with the management of water operations services for 1 community; water operations, billing, collection, and customer services for 2 communities; billing services for 4 communities; and water meter testing services, as well as contracted water services at various levels, for approximately 18 small independently owned water systems.

*The Southwood Corporation* previously owned various parcels of land in the Town of Merrimack, which were all transferred to ownership by Pennichuck Corporation as of the end of 2019. Since that time Southwood had remained as a "corporate shell" due to its inactive status, until its dissolution on February 24, 2025.

*“The Company’s mission is to be a premier supplier of water in New Hampshire by providing reliable, high quality and affordable water in sufficient quantities, and be New England’s premier supplier of water related contract services by providing high quality solutions to meet our customers’ needs.”*

Strategies supporting the corporate mission have been developed relative to our water resources, employees, financing, customer services and Company assets. These strategies are available on the Company’s website, [www.pennichuck.com](http://www.pennichuck.com), under the “Management and Financial Information” caption, and the sub-caption of “Strategic Plan.”

The Company currently has 140 employees. The employees are committed to supporting the Company’s mission. Each of our managers has goals and objectives to support the strategies supporting the mission. Pennichuck is an Equal Opportunity/Affirmative Action Employer. It is the policy of the Company to hire, train, promote, and otherwise provide terms and conditions of employment without regard to race, color, religion, sex, sexual orientation, gender identity, national origin, ancestry, age, marital status, pregnancy, disability, or veteran status. All employment and promotion decisions are based solely on valid requirements, in accordance with the principles of equal employment opportunity and affirmative action.

*Financial Performance During the Last Year.*

	(\$ Millions)			
	4 <sup>th</sup> Quarter		Year-to-Date	
	2025	2024	2025	2024
Revenues	\$13.8	\$13.5	\$60.8	\$56.8
Operating Expenses	<u>(13.0)</u>	<u>(11.8)</u>	<u>(50.9)</u>	<u>(46.0)</u>
Operating Income	0.8	1.7	9.9	10.8
Interest Expense	(2.5)	(3.4)	(11.7)	(13.1)
Other Income	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Pre-Tax Income (Loss)	(1.7)	(1.7)	(1.8)	(2.3)
Income Tax Provision (Benefit)	<u>(1.6)</u>	<u>5.7</u>	<u>(1.4)</u>	<u>5.9</u>
Net Income (Loss)	(0.1)	(7.4)	(0.4)	(8.2)
Dividends Paid to the Shareholder	0.1	0.1	0.3	0.3
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)	3.3	3.3	19.8	20.3

- Consolidated revenues for the fourth quarter increased by \$0.3 million from \$13.5 million in 2024 to \$13.8 million in 2025.
- Consolidated year-to-date revenues increased by \$4.0 million, from \$56.8 million in 2024 to \$60.8 million in 2025. Year-to-date revenues from the regulated utilities increased primarily due to the full-year impact of Pennichuck Water Works, Inc.'s rate increase, approved by the PUC on July 27, 2024, under Order No. 26,862. Additionally, the Service Company’s 2025 revenues increased \$0.2 million due to the contract service requirement

associated with the new Town of Contoocook contract, which became effective on January 1, 2025.

- Consolidated operating expenses for 2025 increased by \$4.9 million, or 11.0%, compared to 2024. This rise was primarily driven by more frequent filter media replacement to address PFAS and water quality issues, higher production costs for fuel and power, increased employee benefit costs, and general liability insurance expenses.
- Interest expense decreased in 2025 when compared to 2024 due to the decrease in debt amortization costs associated with the write-off to maturity of the 2015 escrow deposits, which were required to facilitate the advanced refunding of the existing debt. This was the direct result of the issuance of \$73.6 million of taxable bonds by Pennichuck Water Works in September of 2020. Interest expense also decreased due to the capitalization of two years' worth of fixed asset line of credit interest for assets placed in service in 2024 and 2023. This was due to the delayed receipt of the NHPUC QCPAC Order 28,121, for 2023's capital recovery, so the Commission could address the Company's previously filed merger petition in Order #27,098
- Pre-tax loss for the fourth quarter remained unchanged at \$1.7 million in 2025 versus \$1.7 million in 2024. above.
- The pre-tax loss for the year decreased to \$1.8 million in 2025, from \$2.3 million in 2024, or 22.2%. This was due to the overall increase in revenues and a decrease in interest expense compared to 2024 results, as previously discussed.
- Dividends paid to the sole shareholder in both 2025 and 2024 were consistent with and were paid pursuant to the CBFRR structure provided for in the New Hampshire Public Utilities Commission's Order approving the City's ownership of the Company.
- The Income Tax Benefit in the current year reflects the tax accounting for the amortization of the Municipal Acquisition Regulatory Asset, which is not deductible for tax purposes, and as such, constitutes a permanent difference in the deductibility of those amortization expenses for tax purposes, as opposed to their inclusion in the GAAP based financial statements. As such, the year-to-date results reflect a tax provision of approximately 75.5% of pre-tax income for 2025, as compared to the statutory tax rate expense of 26.93%.
- Earnings Before Interest, Taxes, Depreciation and Amortization remained unchanged in the fourth quarter at \$3.3 million in 2025 when compared to 2024, as noted above.
- Earnings Before Interest, Taxes, Depreciation and Amortization for the full year 2025 decreased from 2024 by approximately \$0.5 million, or 2.5%, again due to the increase in operating expenses, over and above the noted revenue gains, year-over-year.

**Unaudited Balance Sheet**

**(\$000's)**

	As of <u>December 31, 2025</u>	As of <u>December 31, 2024</u>
<i>Assets</i>		
Property, Plant & Equipment, Net	\$ <u>272,598</u>	\$ <u>266,865</u>
Current Assets:		
Cash	3,425	304
Restricted Cash <sup>Note 1</sup>	5,484	8,930
Investments – Bond Project Funds	253	234
Accounts Receivable <sup>Note 2</sup>	10,327	8,823
Inventory	1,354	1,386
Other Current Assets <sup>Note 3</sup>	<u>1,761</u>	<u>1,620</u>
Total Current Assets	<u>22,604</u>	<u>21,297</u>
Other Assets:		
Acquisition Premium <sup>Note 4</sup>	55,910	58,318
Other Assets	<u>8,468</u>	<u>7,688</u>
Total Other Assets	<u>64,378</u>	<u>66,006</u>
TOTAL ASSETS	\$ <u>359,580</u>	\$ <u>354,168</u>
<i>Shareholders' Equity and Liabilities</i>		
Shareholders' Equity	\$ <u>(19,711)</u>	\$ <u>(19,012)</u>
Bonds, Notes and Mortgages <sup>Note 5</sup>	<u>249,413</u>	<u>241,464</u>
Current Liabilities:		
Lines of Credit	8,872	8,833
Current Portion of Long-Term Debt	8,264	7,832
Other Current Liabilities	<u>5,219</u>	<u>7,990</u>
Total Current Liabilities	<u>22,355</u>	<u>24,655</u>
Other Long-Term Liabilities:		
CIAC, net	65,922	64,507
Deferred Income Taxes	18,556	19,853
Accrued Pension Liability <sup>Note 6</sup>	0	3,542
Other Long-Term Liabilities	<u>23,045</u>	<u>19,159</u>
Total Other Long-Term Liabilities	<u>107,523</u>	<u>107,061</u>
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	\$ <u>359,580</u>	\$ <u>354,168</u>

## **Notes to Balance Sheet**

Note 1 (Restricted Cash) – At December 31, 2025, the balance of \$5.5 million represents a decrease of \$3.4 million from the end of 2024, mainly due to the variation in revenue and operating expense levels recognized for the year-to-date.

Note 2 (Accounts Receivable) – At December 31, 2025, the balance in Accounts Receivable increased approximately \$1.5 million from the year-end total at December 31, 2024 of \$8.8 million. Attributed to the year-over-year revenue increase, as previously discussed.

Note 3 (Other Current Assets) – At December 31, 2025, approximately \$1.0 million of this balance is comprised of prepaid property taxes, which will be expensed in the first quarter of 2026, relating to taxes paid in November and December of 2025 for the second half of the property tax year ended March 31, 2025.

Note 4 (Acquisition Premium) – In accordance with GAAP, the Acquisition Premium is being written-off over the 30-year life of the principal of the City Acquisition Debt. This amortization will continue until the full value of this asset is written off in January 2042.

Note 5 (Bonds, Notes and Mortgages) – At December 31, 2025, the balance in Bonds, Notes and Mortgages increased approximately \$7.9 million from the year-end total at December 31, 2024 of \$241.5 million. This is mainly attributed to additional financed amounts for capital projects which have been incurred for ongoing infrastructure replacement in conformity with the Company's key mission objectives.

Note 6 (Accrued Pension Liability) – During 2025, approximately \$1.5 million was contributed into the Pension Plan, while approximately \$1.3 million in benefit payments were made to participants, and approximately \$3.7 million of net investment gains were recorded, attributed to changes in market values.

**Unaudited Cash Flow Statement**

Cash Flow on a GAAP basis for the fourth quarter of 2025 as compared to the fourth quarter of 2024, and the year-to-date 2025 versus 2024, are as follows:

	(\$000's)			
	Quarter Ended		Year-to-Date	
	December 31, 2025	December 31, 2024	December 31, 2025	December 31, 2024
<b>Operating Activities:</b>				
Net Income (Loss)	\$ <u>153</u>	\$ <u>(7,260)</u>	\$ <u>(439)</u>	\$ <u>(8,162)</u>
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:				
Depreciation and Amortization	2,471	2,181	9,961	9,519
Provision for Deferred Taxes	(1,759)	5,720	(1,321)	6,022
(Gain) on Disposition of Property	0	333	0	333
Other	(8)	(8)	(33)	(33)
Changes in Assets and Liabilities:				
(Increase) Decrease in Accounts Receivable	3,300	711	(1,496)	(287)
(Increase) Decrease in Inventory	59	(12)	32	(192)
(Increase) Decrease in Other Assets	(326)	653	197	1,952
Increase (Decrease) in Accounts Payable	(2,639)	241	(2,335)	902
Increase (Decrease) in Other Liabilities	<u>618</u>	<u>(51)</u>	<u>(971)</u>	<u>(314)</u>
Net Cash Provided by (Used in) Operating Activities	<u>1,869</u>	<u>2,508</u>	<u>3,595</u>	<u>9,740</u>
<b>Investing Activities:</b>				
Purchases of Property, Plant & Equipment, including the Debt Component of AFUDC	(5,384)	(5,116)	(12,595)	(15,362)
(Increase) Decrease in Restricted Cash/Investments	0	0	0	0
Proceeds from Sale of Property	0	0	0	0
Change in Deferred Land Costs	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Cash Provided by (Used in) Investing Activities	<u>(5,384)</u>	<u>(5,116)</u>	<u>(12,595)</u>	<u>(15,362)</u>
<b>Financing Activities:</b>				
Borrowings (Repayments) on Line of Credit, Net	4,427	3,492	38	630
Payments on Long-term Debt	(1,414)	(1,346)	(7,835)	(7,406)
Contributions in Aid of Construction	15	15	870	47
Proceeds from Long-term Borrowings	1,086	1,936	16,480	11,643
Debt Issuance Costs	(18)	(17)	(582)	(407)
Dividends Paid	<u>(69)</u>	<u>(69)</u>	<u>(277)</u>	<u>(278)</u>
Net Cash Provided by (Used in) Financing Activities	<u>4,027</u>	<u>4,011</u>	<u>8,694</u>	<u>4,229</u>
Increase (Decrease) in Cash and Cash Equivalents	512	1,403	(306)	(1,393)
Cash and Cash Equivalents at Beginning of Period	<u>8,650</u>	<u>8,065</u>	<u>9,468</u>	<u>10,861</u>
Cash and Cash Equivalents at End of Period	\$ <u>9,162</u>	\$ <u>9,468</u>	\$ <u>9,162</u>	\$ <u>9,468</u>

**Capital Expenditures**

Capital expenditures in the fourth quarter of 2025 were \$4.8 million compared to \$5.8 million in the fourth quarter of 2024. For the year 2025, capital expenditures were \$11.9 million as compared to \$14.6 million in 2024.

The major expenditures for 2025 were as follows:

Chemical Feed Plant	\$2,189,862
Route 101A Boston Post Road Pennichuck Square	\$742,940
Farley Street Water Main Improvements	\$451,543
Radio Project	\$436,812

**Rate Case Activity**

**Consolidated Rate Case & Merger of Subsidiaries—Pennichuck Water Works, Inc. (PWW), Pennichuck East Utilities, Inc. (PEU), and Pittsfield Aqueduct, Inc. (PAC)**

On November 21, 2024, the Company’s regulated subsidiaries, Pennichuck Water (PWW), Pennichuck East Utilities (PEU), and Pittsfield Aqueduct (PAC) filed a joint petition with the NHPUC seeking approval of a consolidation of allowed water rates, inclusive of the water rates and revenues for each of the utilities. The proposed structure for the consolidated rates is the same as the current rate structure for PWW. Additionally, on December 15, 2024, PWW, PEU, and PAC filed a joint petition with the NHPUC seeking the approval of a merger of these three entities into one surviving entity, Pennichuck Water Works.

On January 28, 2025, the NHPUC issued Order No. 27,098 in docket DW 23-101 approving the Mergers and an associated consolidated tiered rate structure for all customers of PWW, PEU, and PAC as presented in the Settlement Agreement (the “NHPUC Mergers Order”). Prior to the issuance of the NHPUC Mergers Order, PWW, PEU, and PAC obtained approvals from the City of Nashua, lenders or contracting parties as necessary for the Mergers. This order became effective March 1, 2025.

**Financing**

**Pennichuck Water Works**

On April 25, 2025, the Company’s Pennichuck Water Works, Inc. subsidiary issued approximately \$9.5 million of tax-exempt and taxable bonds through the NH Business Finance Authority as reimbursement for its 2024 capital improvements in Pennichuck Water Work’s water supply, distribution, and support systems. The bond issuance was approved by the Pennichuck Board of Directors and the Sole Shareholder, as the fourth issuance under its multi-year bonding authority approved by these key stakeholders in 2020. This issuance had previously received NHPUC approval on Order No. 26,459, dated March 2, 2021, which authorized up to \$57.5 million in bonds via multiple issuances for the years 2021 – 2025.

On September 4, 2025, the Company's Pennichuck Water Works, Inc. subsidiary filed a petition with the NHPUC for approval and authority to issue up to \$99.0 million in aggregate principal amount of tax-exempt/taxable bonds and /or bond anticipation notes as part of its five-year plan of financing for 2026 through 2030. This would provide long-term financing for its QCPAC eligible projects during the years 2025 – 2029; as well as providing additional capacity to potentially refinance \$13.5 million of currently outstanding CoBank debt, which the Company had assumed after the approved merger of its Pennichuck East Utility and Pittsfield Aqueduct sister subsidiaries in the first quarter of 2025.

On February 5, 2026, the NHPUC issued Order No. 28,204 in docket DW 25-058 approving the issuance in aggregate principal amount of up to \$99.0 million in securities as part of a five-year plan of financing for the years 2026 – 2030.

Pennichuck Water Works – On October 21, 2025, Pennichuck Water Works filed a petition with the NHPUC for approval of financing to amend a NHDES PFAS Remediation Grant and Loan up to \$17.5 million, for upgrades to its Nashua Water Treatment Facility. The commission had previously authorized the Company to borrow up to \$11.4 million from this program to fund the design and construction of the project on November 20, 2024. However, due to higher than anticipated bids from pre-qualified contractors, the Company sought an amendment to the loan for an additional \$6.1 million to complete the project.

On February 5, 2026, the NHPUC issued Order No. 28,205 in docket DW 25-069 approving the amended PFAS Remediation Grant and Loan for up to \$17.5 million. This order became effective February 23, 2026.

### **Qualified Capital Project Adjustment Charge (QCPAC)**

#### Pennichuck Water Works

On March 27, 2025, the NHPUC issued Order Nisi No. 28,121, approving a combined Pennichuck Water Works, Inc. and Pennichuck East Utility, Inc. QCPAC surcharge of 2.06% for all capital projects placed in service in 2023. This Order became effective with services rendered back to the April 24, 2024, bond and October 30, 2024, CoBank loan closing dates, which allowed for recovery in the form of a monthly recoupment surcharge. This is to be collected over a four-month period from the date of the Order.

On September 12, 2025, the NHPUC issued Order Nisi No. 28,180, approving a Pennichuck Water Works, Inc. QCPAC surcharge of 2.49% for all capital projects placed in service in 2024. This Order became effective with services rendered back to the April 29, 2025, bond closing date which allowed for recovery in the form of a monthly recoupment surcharge. This is to be collected over a three-month period from the date of the Order.

## **Other Events**

### **PFOA Contamination Issues**

The Company continues to work with the NHDES and the communities that the Company services as it relates to PFAS issues that are being addressed in southern NH. The Company is working closely with the NHDES and the Town of Hudson on an additional pipeline crossing of the Merrimack River. The pipeline will convey 100% of Hudson's current demand and future demand projections due to the PFAS contamination of their existing groundwater wells in Litchfield. In addition, the State of NH is requiring the pipeline to have sufficient capacity to support public water system expansions to address PFAS contamination of private wells in the south central region of NH. This project is funded by the State of NH and by the Town of Hudson.

The Town of Londonderry, NH continues to pursue public water system expansion outside of the Saint Gobain consent area. The water system expansion projects that Londonderry have identified and have funded will continue in 2026 and into 2027 and probably 2028. Separately from Londonderry, Saint Gobain is initiating the expansion of the public water system within the consent decree area of Londonderry. This expansion may take until 2029 to complete. All of these expansions are being funded by the State of NH, the Town of Londonderry, the Town of Hudson, and Saint Gobain in accordance with the Company's existing regulated tariffs.

As of March 26, 2026, the EPA has released a standard for PFAS Chemicals. The Company is working internally, to ensure compliance with those standards for water produced from all of our water systems including the Company's treatment facility in Nashua. Compliance will require additional capital projects to be completed related to treatment, which will or already has resulted in increased treatment costs.

### **Company Goals – 2026**

The Company entered 2026 with the following strategic goals and initiatives that have been used to establish departmental strategies reflective of the desired functions and performance of the Company.

- Banking and Finance Assessments and Optimization Post Merger
- Water Operations: Operational Compliance and Performance Benchmarking
- Asset Management: System Advancement
- Environmental: Emergency Preparedness Vulnerability Assessment and Planning
- Human Resources: Organizational Development, Training, and Succession Planning
- Communications: External Affairs and Stakeholder Engagement
- Information Systems: Security, Data Structures and System Platforms

Sincerely,

John J. Boisvert  
Chief Executive Officer