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MEDIA RELEASE
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Waterco Ltd announces stronger result

Australia and New Zealand a key driver – 6.4% increase in revenue; 30.7% increase in EBIT

International water treatment and swimming pool equipment manufacturer and distributor Waterco Ltd (ASX: WAT) has today announced a sound interim financial result that reflects a strong improvement in sales in Australia and New Zealand, as a result of more favourable weather conditions and an improvement in market share. Waterco is also franchisor of pool and spa retail network, Swimart.

Key highlights

- Revenue from operations up despite challenging trading conditions
- Key driver of revenue increase was stronger sales in Australia and New Zealand, which recorded a revenue of $29.37 million, a 6.4% increase on the previous corresponding period (pcp)
- Total revenue of $37.87 million, a 3.8% increase on the pcp
- Net profit after Tax (NPAT) of $1.70 million, an increase on the pcp of $1.63 million
- Earnings Before Interest & Tax (EBIT) of $3.38 million (pcp $3.28 million); 30.7% increase in EBIT from Australia and New Zealand operation
- Patents lodged for a chlorine-free system of sanitisation developed by Waterco, which is expected to drive sales in Australia and, subsequently, globally
- Successful delivery of Waterco's latest high pressure filter for a small desalination plant project was a key milestone, and helped boost sales in the United States
- The Board has declared a fully franked interim dividend of three cents per share, as per the 2012 interim dividend, payable on 14 June 2013 to shareholders registered as at 10 May 2013

Sales Revenue by Region

	Dec 2012 ($000)	Dec 2011 ($000)	% Change
Australia and New Zealand	$ 29,369	$ 27,599	+ 6.4%
Asia	$ 3,389	$ 3,674	- 7.8%
Northern Region	$ 4,893	$ 5,002	- 2.2%
Sales revenue	$ 37,651	$ 36,275	+ 3.8%
Other revenue	$ 221	$ 215	NA
Total	**$ 37,872**	**$ 36,490**	**+ 3.8%**

Commenting on the result, Waterco CEO Soon Sinn Goh said: "Whilst the first three months of the year were slow, Waterco's performance in the first half of the year was encouraging. In particular, the Australia and New Zealand division showed a strong increase, attributed to an improvement in market share combined with a return to regular weather patterns."

In the United States, sales showed a significant improvement, with increased presence in the water treatment sector. "A key milestone was the successful delivery of our latest high pressure seven-bar rated nozzle-plate filter for a small desalination plant project, and this helped boost sales," Goh said. "And whilst poor performance in Europe and Canada offset gains in this division, there are signs of continuing improvement in the US."

Goh also pointed to potential opportunities presented by its development of a new, environmentally-friendly, chlorine-free system of sanitisation, which he said is expected to drive sales at a local and international level (see Product Development and Water Treatment below).

PERFORMANCE BY REGION

Detailed below is a breakdown of EBIT contributions (after consolidation adjustments for unrealized forex gains/losses on intercompany loans and intercompany dividends) by region:

	Dec 2012 ($000)	Dec 2011 ($000)	% Change
Australia and New Zealand	$ 4,128	$ 3,158	+ 30.7%
Asia	$ 685	$ 1,355	- 49.4%
Northern Region	($ 1,429)	($ 1,229)	- 16.3%
Consolidated Reported EBIT	**$ 3,384**	**$ 3,284**	**+ 3.0%**

AUSTRALIA AND NEW ZEALAND

Despite a challenging and competitive business environment, profitability of the Australia and New Zealand operations was stronger. This was predominantly due to Waterco's focus on the pool builder sector, which resulted in increased activity.

ASIA

Waterco Far East (WFE) consolidated its position as the Group's principal manufacturing facility for pumps and filters for both the commercial and residential sectors, supplying all major overseas divisions, including Australia. Sales in Asia experienced a decline, mainly with performance in China dropping below expectations as a result of the slowdown in the property sector.

NORTHERN REGION

Despite continuing challenging trading conditions in the US, this entity has reported an increase in its quote register, leading to prospects of an improvement in the water treatment sector.

Trading conditions in Europe continued to be tough, in light of the weak business environment in the Eurozone and tighter margins. Waterco has set up a warehousing facility and a sales team in France, resulting in an increase in the operation expenses of this division. However, the Group expects that after an initial weak performance for a few years, this strategic move will result in a gradual improvement in the future as the business becomes more established.

PRODUCT DEVELOPMENT AND WATER TREATMENT

During the period, Waterco continued its investment in research and development, both in Australia and overseas. "We continue to believe that a strong company culture of delivering innovative, durable and energy efficient products is an important strategic measure, and a range of new products introduced in recent times have had satisfactory success," said Goh.

Waterco lodged a number of new patents in Australia, with some patents pending overseas. These were products related to filtration, which Waterco has strong expertise in. In particular, Waterco has several patents in a chlorine-free system of sanitisation, which uses ozone and hydrogen peroxide, as opposed to traditional methods using chlorine.

"This chlorine-free system extends Waterco's efforts in producing environmentally-friendly products, and it is expected to drive sales in Australia and, subsequently, globally," Goh said.

OUTLOOK

Waterco is confident the Australia and New Zealand division will continue to perform well, based on significantly strong sales early in the second half of the financial year (as at the date of this report).

The next half-year will be more dependent on the business of Waterco's Northern Hemisphere entities, particularly North America and Europe. Sales in the United States continue to look promising, although in Canada, sales are expected to be less than pcp.

The Group is also cautiously optimistic about the opportunities in the United States. "The availability of a range of large Waterco filters, which are made at our Augusta, Georgia facility, has been received positively, and we believe it should improve Waterco's position as a supplier to the local market. There are also plans to widen the filter range in Augusta in the near future," said Goh.

About Waterco Ltd – www.waterco.com

Established in 1981 and listed on the ASX in 1989, Waterco (ASX: WAT) manufactures and distributes a diverse range of products for the international swimming pool and water treatment markets. Waterco is also the franchisor of Swimart, Australia and New Zealand's largest network of pool and spa retail outlets, and is also the distributor of Zane Pool Heating solutions via a network of Australian dealerships.

Waterco delivers high quality, innovative products at exceptional value in over 40 countries. This includes a comprehensive range of swimming pool & spa equipment and chemicals as well as domestic and industrial water treatment equipment. The company's head office is in Sydney, Australia with international offices, manufacturing plants and warehouses located in Australia, New Zealand, Malaysia, Indonesia, Singapore, China, US, Canada, France and the UK.

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