

WATERCO LIMITED HALF YEAR REPORT

for the six months ended 31 December 2017

REVIEW OF OPERATIONS

For the six months ended 31 December 2017 (this half-year) Waterco Limited reported a Net Profit After Tax of \$3.34 million, against \$2.51 million for the previous corresponding period (PCP). This is the sixth consecutive half-year, for which we have registered improved profitability over PCP.

Earnings Before Interest & Tax (EBIT) for this half-year were \$5.12 million (PCP \$4.08 million).

Total Revenue was \$47.76 million (PCP \$44.25 million).

DIVISIONAL EBIT PERFORMANCE

Detailed below is a breakdown of EBIT contributions by Division for the half-year ended 31 December 2017:

	Dec 2017 (\$000)	Dec 2016 (\$000)	% Change
Australia and New Zealand	3,787	3,130	+21.0%
Asia	1,813	1,766	+2.7%
North America and Europe	(478)	(814)	+41.3%
Consolidated Reported EBIT	5,122	4,082	+25.5%

AUSTRALIA AND NEW ZEALAND

In Australia and New Zealand (ANZ), sales were steady throughout the quarter, and registered satisfactory growth. Margins also improved over PCP, despite a volatile AUD in the second quarter.

ASIA

In Asia, sales were encouraging, registering significant growth. This was somewhat mitigated on the EBIT line by the weakness in the US dollar, causing US dollar assets to be valued downwards. Asia is the group's centre for exports to countries, where we do not have a physical presence. Hence, there is a significant level of assets denominated in US dollar.

The manufacturing operations in WFE continue to grow. Necessary changes are constantly made in response to this in order to ensure that this manufacturing entity provides excellent support for the group into the future.

NORTH AMERICA AND EUROPE

In Northern America and Europe - namely Canada, the USA and Europe - sales were steady, compared with PCP. The EBIT loss was significantly reduced by 41%, to \$0.48 million, as a result of improved management of

costs. The main business season for this Division is in the second half of the financial year. Trading conditions in the US remain challenging but we expect that the ground-work done in the past year will enable us to yield improved results in the second half-year.

PRODUCT DEVELOPMENT & WATER TREATMENT

In this half-year, Waterco invested approximately \$0.72 million on research and development, which was fully expensed. The group continues to respond to market demands for innovative, durable and energy-efficient products and will continue its vigorous efforts in this area.

The group continues to develop water filtration products in Australia and overseas. This is an area which Waterco has specialised in over the years. We also hold several patents in a chlorine-free system of sanitisation which uses ozone and hydrogen peroxide as an alternative to the traditional methods of using chlorine in various forms.

WORKING CAPITAL

	Dec 2017 (\$000)	Dec 2016 (\$000)
Inventory	33,841	31,309
Debtors	17,354	15,516
Creditors	(15,729)	(14,802)
TOTAL	35,466	32,023

The group's working capital as at December 2017 saw an increase of \$3.44 million, with increase in all the components. This is consistent with increased activity, as reflected in the growth in total revenue.

DIVIDEND

Based on this half-year result, the Board is pleased to declare a fully-franked interim dividend of 2 cents per share payable on 15 June 2018.

OUTLOOK

The Board considers this half-year's results as encouraging.

The second half-year represents a smaller contribution to the results for the year because of seasonal factors. It will be more dependent on North America and Europe, which is expected to perform better than PCP. We are optimistic that this would translate into a better result for the group for the full year.

PERFORMANCE SUMMARY

- Net profit after tax (NPAT) of \$3.34m, compared with \$2.51m in the previous corresponding period
- Earnings before interest and tax (EBIT) was \$5.12m compared with the previous corresponding period of \$4.08m.
- An interim dividend of 2 cents per share (PCP - 2 cents)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(extracted from the Financial Report for the half-year)

For the half-year ended 31 December 2017

	2017	2016
	\$M	\$M
Profit before income tax	4.644	3.610
Income tax expense	(1.301)	(1.097)
Net profit after income tax	3.343	2.513
Non-controlling interest	(0.079)	(0.081)
Net profit attributable to members of the parent entity	3.264	2.432
Basic earnings per share (cents)	8.7	6.5
Diluted earnings per share (cents)	8.7	6.5

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(extracted from the Financial Report for the half-year)

At 31 December 2017

	2017	2016
	\$M	\$M
Current assets	58.146	55.156
Non-current assets	53.701	52.466
Total Assets	111.847	107.622
Current liabilities	30.484	20.173
Non-current liabilities	13.947	23.206
Total liabilities	44.431	43.379
Net assets	67.416	64.243
Issued capital	38.719	39.820
Reserves	13.919	12.312
Retained profits	14.104	11.507
Parent entity interest	66.742	63.639
Non-controlling interest	0.674	0.604
Total equity	67.416	64.243

REGISTERED OFFICE

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SHARE REGISTRY

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