

## **Waterco strengthens North American operations with \$10.3 million acquisitions**

International water treatment and filtration products group Waterco Limited (ASX:WAT) has strengthened its North American presence and expanded its product range through the acquisitions of the business assets of Focus Temp International Inc, the Canadian market leader for swimming pool heat pumps, and Baker Hydro Filtrations Inc, a United States producer of filtration and water treatment products. The combined purchase price for both businesses is \$10.3 million.

These acquisitions complement Waterco's existing sales and distribution operation on the west coast of the United States, and will treble its North American sales. Importantly, as a result of the Baker Hydro purchase, Waterco will acquire a warehouse at Augusta, Georgia, which will also provide an assembly plant for pumps and commercial filters. This will enhance distribution of Waterco products on the east coast. The purchase of Focus Temp's operations at St-Hyacinthe, Quebec will provide Waterco with an operational base in Canada.

There will be no material impact on 2004/5 earnings, although the acquisitions will be earnings per share accretive in 2005/6.

Waterco will fund the acquisitions out of working capital, augmented by additional banking facilities. The company's gearing will increase to approximately 60 per cent, which the board considers an acceptable level in view of the potential of the North American market.

Waterco's managing director Soon Sinn Goh said that the acquisitions would increase Waterco's global footprint and shorten supply lines and delivery times.

"These acquisitions are a milestone in our strategy to establish Waterco as a global supplier of water treatment and filtration products, and will help us achieve critical mass in the key North American market. We will leverage Baker Hydro's and Focus Temp's distribution networks to increase sales of both their and Waterco products, and build brand awareness.

"Strengthening our United States operations will enable us to extract greater value from our manufacturing capabilities in Asia, as we develop balanced supply lines to meet demand in both northern and southern hemispheres. We anticipate that these acquisitions will help Waterco achieve group revenue exceeding \$90 million in the 2005/6 financial year."

Focus Temp International is a Quebec-based designer, manufacturer and marketer of highly energy-efficient swimming pool heat pumps with a dominant market share in Canada, and a growing presence in both the United States and international markets. Its strong dealer network will help Waterco introduce its products into the Canadian market.

Focus Temp's heat pumps are suitable for above-ground and in-ground swimming pools, as well as spas and have low operating costs. They maintain pool water at a comfortable temperature, and provide comfort, safety and efficiency. The company has invested heavily in research and development, and its heat pumps extend the Waterco product range.

Baker Hydro Filtrations has more than 50 years' experience in filtration and water treatment, and is well known in the United States and international swimming pool industries. Baker Hydro manufactures and markets cartridge and sand filtration systems used in agriculture, aquaculture, industrial and recreational markets, including waste water treatment and recycling, recreational facilities, irrigation and fish farms.

As part of the acquisition, Waterco will own eight acres of land and a 25,200 square foot warehouse at Augusta, Georgia.

The acquisition of Baker Hydro has been completed on 11 March 2005 and the acquisition of Focus Temp will be completed on 18 March 2005.

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#### **About Waterco**

Headquartered in Sydney, Australia, Waterco is a leading developer, manufacturer and marketer of domestic and commercial water treatment and filtration products. The company exports to more than 44 countries, and employs 470 staff at locations in Australia, China, Malaysia, New Zealand, the United Kingdom and the United States.

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