HWI DELIVERS ON FORECAST GROWTH

Housewares International delivers a solid earnings increase; successfully completing the integration of its SABCO acquisition, the restructure of its Homewares business unit and gears up for growth in North America.

The Board of Directors of Housewares International Limited ("HWI") is pleased to announce that the Group's net profit before tax and specific items for the year ended 30 June 2004 increased by 15% to $35.5m (2003: $30.8m).

The Group's reported net profit after tax and specific items for the year ended 30 June 2004 increased by 9.1% from $20.9m to $22.89m. Adjusting for the after tax effect of the significant items ($1m) pro-forma profit after tax of $23.9m is 14.4% higher than last year's comparative profit after tax of $20.9m.

The group incurred specific costs of $1.5m, in the form of redundancy and recruitment expenses, as part of the restructure of its Homewares division. The restructure has been successfully completed and will serve to strengthen the company's competitive position in the retail supply chain.

The profit result has been underpinned by operating cash flows of $20m, highlighting the Group's commitment to generate positive cash flow for its shareholders.

The Board has declared a final fully franked dividend of 3.5c per share, bringing the total dividend for the year to 10.5c per share, fully franked, which is up 5% on last year's dividend (2003: 10.0c per share) and represents a pay-out ratio of 52% of earnings after tax (adjusted for the after tax effect of specific items). The final dividend will have a record date of 17 September 2004 and will be payable on 22 October 2004. The Company will keep its Dividend re-investment plan operative at a discount of 2.5% to the weighted average market price of HWI shares at the record date.

The profit result has been delivered against a particularly challenging business environment, where the strong Australian dollar has driven down retail price points and encouraged direct import programs particularly at the lower price entry points. Conversely the appreciating dollar helped offset increased stainless steel prices and inbound freight rates.

During the year, the Group completed the restructure of its Homewares division from a "purchasing push" to a "marketing pull" model and successfully integrated the SABCO acquisition into the Homewares division. The SABCO product range has also been re-invigorated to take advantage of incremental seasonal and promotional sales opportunities. The additional working capital investment for SABCO is to support a national spring sales campaign.

The Homewares restructure and SABCO acquisition have been well received by our retail customers, and are expected to strengthen the Homewares division and drive future profit improvement, both locally and internationally.

Offsetting the comparative weakness in the Homewares result is a strong profit contribution from the Electrical division and also from Metro Marketing in the USA. The Electrical division's profits have increased in all its markets, including an outstanding result from its export base (Hong Kong). The commitment to strengthen innovation in the divisions' product offering is already generating positive returns and will support future earnings growth potential, both locally and internationally.

The USA division (Metro Marketing) recorded a healthy 25% US$ increase in its net profit after tax. The improved profitability results from profit contributions from the Breville project and focused cost and supply chain management. The improvement however did not flow through in Australian dollar terms, due to a higher translation rate.

The Breville North American project is being successfully driven on the strength of Breville's excellence in design and innovation. After only eighteen months in the North American market, Breville products now have listings in over 2,500 retail shop fronts.

The Group's balance sheet is healthy with a net debt to capital employed ratio of 28.5% and EBITA to interest cover of 8.4 times. The increase in debt, net of positive operating cash flows of $20m, reflects funding applied to the SABCO acquisition, capital expenditure and the payment of dividends.

The increase in capital expenditure relates principally to tooling costs in Breville and leasehold improvements at the Botany site to house the Group's new Design Centre and showroom. The increase in working capital is in support of a national SABCO spring selling campaign and the Breville project in North America.

In conclusion, despite a challenging business environment and the integration of SABCO and restructure of Homewares, the business has delivered a credible financial result and is now poised to deliver additional shareholder value through organic growth and assessing further acquisition opportunities which compliment the Company's growth strategy.

For further information, please contact:

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