

## HOUSEWARES INTERNATIONAL DELIVERS A 28% EARNINGS INCREASE AND ACQUIRES THE SABCO BRAND

The Board of Directors of Housewares International Limited ("HWI") is pleased to announce that the Group's net profit after tax for the year ended 30 June 2003 rose by 28% to \$20.945m. (\$16.353M)

The profit result has been underpinned by operating cash flows of \$20.722m and disciplined capital management. These efforts have helped to deliver an EBITA to capital employed ratio of 19.5%, up from 16.4% for the previous corresponding period. This highlights the Group's continued commitment to the creation of positive value for its shareholders.

The Company also announces today the acquisition of the SABCO brand and the business operations of its Maximum Cleaning Division with effect from 26 September 2003. This acquisition fits the Group's strategic intent to grow its presence "within the home". SABCO enables HWI to extend its products into the kitchen and laundry, first with a cleaning offer and then with an extended laundry and soft storage offer.

The Board has declared a fully franked final dividend of 4c per share, bringing the total dividend for the year to 10c per share fully franked, which is 25% up on last year's dividend of 8c per share. This final dividend will be payable on 15 October 2003.

### SUMMARY INCOME STATEMENT

A\$ MILLIONS	JUNE 03	JUNE 02	CHANGE
SALES	455.9	374.9	+22%
EBITA	36.3	29.1	+25%
AMORTISATION	1.4	1.1	
EBIT	34.9	28.0	+25%
NET INTEREST	4.0	3.0	
NPBT	30.9	25.0	+24%
TAX	9.9	8.6	
NPAT	21.0	16.4	+28%

This strong result for the year ended 30 June 2003 has been achieved by:

- Sustained growth in earnings from the Breville acquisition with a strong operating performance in Australia and increased export revenues from Hong Kong. The Breville result would have been stronger but for the adverse effects

of the New Zealand operations due to a soft retail market and restructure costs of NZ\$1.0M necessitated by re-establishing third party logistics operations following the liquidation of the previous provider.

- A solid operating result from the Australian Homewares division with increased revenues being earned across the broad stable of brands.
- A commendable result from Metro Marketing despite continued challenges in the USA economy. Breville launch costs that have been written off as incurred and a stronger Australian dollar conversion have impacted on the USA result.
- An increased interest charge as a result of Breville acquisition funding being incurred for a full twelve month period.
- A reduced tax rate which results from a reweighting of earnings towards Australian based operations.

## SUMMARY BALANCE SHEET

The Group's commitment to a responsible capital management plan is reflected in the 30 June 2003 balance sheet. The rate of increase in net working capital has been kept well below the rate of increase in earnings which has helped boost the 30 June 2003 EBITA to capital employed ratio to 19.5%, well above the company's weighted average cost of capital.

The positive operating cash flow has been used to fund capital expenditure, pay dividends and reduce debt. At 30 June 2003, net debt totalled \$42.2m, which represents a 24% debt to capital employed ratio, well within the Group's guideline debt to capital employed ratio of 40%.

## IMPORTANT INITIATIVES

This year's financial result has been influenced by a number of strategic initiatives aimed at securing future growth opportunities for shareholders.

- Extension of the Design Centre, based in Sydney, to facilitate the design and development of innovative product offerings for the Group across both its Electrical and Homewares businesses. Innovative proprietary product developed for the Breville and Alex Liddy brands has attracted strong customer interest both locally and abroad.
- The Breville brand was successfully launched for the USA and Canada at the January 2003 Chicago Housewares Fair with a niche range of innovative product aimed towards the higher end retailer. As a result of the brand's positive showing at Chicago, the company was invited to present the product line to key retailers in the USA and Canada.  
These presentations have resulted in both confirmed listings and test listings with important retailers such as Bloomingdales, Bed, Bath & Beyond, Linens' n Things, AAEFS, General Mills, J C Penny and London Drugs in Canada.
- It is still too early to call a sales number for the Breville initiative in North America as orders are only expected towards the end of the calendar year and a marketing campaign aimed at stimulating consumer demand is still under way. However, the pedigree of retailer that has expressed an interest in the Breville brand provides the company with confidence that the strategy appears workable.

- The company is very conscious of the need to maintain strong management and robust business systems to support growth opportunities and acquisitions. Accordingly, management development and succession plan programs have been initiated and business processes and systems across the Group's homewares operations are being standardized and upgraded where required.
- The company was admitted to the ASX 200 index on 27 August 2003.

#### ACQUISITION OF SABCO

The cost of acquiring the brand and business operations is \$11m. Working capital investment is estimated at \$6m, which implies a total capital commitment of \$17m. At this time, base year EBITA earnings (annualized) for the 2004 year are estimated to be in the order of \$3.250m. This implies a base case EBITA return on capital of 19%, which exceeds the company's weighted average cost of capital. At this time EBITA contribution for the nine months to 30 June 2004 is estimated to be in the order of \$1.5M, after allowing for integration / restructure costs of \$500,000.

Product extension into the broader laundry and storage category, and integration opportunities should provide leverage to continue to grow the EBITA earnings attributable to this acquisition.

Acquisition will be funded by debt.

Completion of the acquisition is subject to certain conditions precedent, all of which need to be satisfied or waived by 25 September 2003.

<b>SABCO ESTIMATED EARNINGS A\$000's</b>	<b>9 MONTHS TO 30 JUNE 2004</b>	<b>BASE CASE 2004 ANNUALISED</b>
Gross Sales	16.000	25.000
EBITA	2.000	3.250
Restructure/Integration Costs	500	-
EBITA	1.500	3.250
Capital Employed		17.000
Goodwill / Brand		11.000
Working Capital		6.000
ROCE		19%

## DIVIDEND REINVESTMENT PLAN

The dividend reinvestment plan will remain operative for the final dividend payment. For the purposes of the final 4c per share dividend, shares will be issued under the DRP at a 2.5% discount to the weighted average market price of the company's shares for the five trading days up to and including the dividend record date of 19 September 2003.

Funds raised through the DRP will be used to repay debt.

For further information, please contact:

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