



Housewares International Ltd
A.B.N. 90 086 933 431

22 May 2006

ASX Announcement

TRADING UPDATE

- **Strengthening international sales insufficient to offset recent, more than expected weakness in Australia and New Zealand market conditions. FY06 H2 sales growth remains ahead of last year.**
- **Underlying PAT expected to be in range \$16.0m to \$18.0m and in FY06 H2 is expected to be ahead of FY05 H2.**
- **Strong balance sheet allows expected full year dividend to be maintained at last year's fully franked 13 cents per share, as previously forecast (being 9.5 cents interim dividend already paid and an expected final dividend of 3.5 cents).**

Australian and New Zealand market conditions weakened considerably during March and April 2006 and the trend is now expected to remain weak for the balance of the 2006 financial year.

However, with the revitalization of Sabco, it is anticipated that mid single digit sales growth will be achieved for Australia in FY06 H2 versus a 12% sales decline in FY06 H1.

In stark contrast to local trading conditions, the company's North American and export business continues to strengthen further, with an expected sales growth in FY06 H2 in excess of the 28% growth in FY06 H1.

These trends continue to vindicate the company's strategy for a more global focus on specific international opportunities for key brands, whilst rationalizing, into a more sustainable long term form, its Australian businesses which are currently operating in extremely challenging conditions.

Given that approximately 60% of the company's current global sales remain in Australia and New Zealand, the strong offshore growth will not be enough, in the short term, to offset the lower than expected Australian and New Zealand earnings. Accordingly, the company is revising its underlying PAT expectations for the financial year to June 2006 to a range of \$16.0m to \$18.0m (previous expectation of underlying PAT of \$20.5m to \$22.5m).

Despite this revision, underlying PAT for FY06 H2 is still expected to be well ahead of the FY05 H2 comparative period last year and will assist in recovering the FY06 H1 underlying PAT decline of 21.1%.

The Australian and New Zealand consolidation and restructuring, together with focused working capital management in anticipation of a tough trading environment, has delivered a healthy balance sheet at the end of April 2006. With inventories and receivables lower than the previous corresponding period, the group's net debt to capital employed ratio has improved considerably.

CEO Joe Hersch said "The 2006 Chicago Homewares Fair was an absolute highlight for our company. Our innovative new products were well received by North American retailers and strong strategic alliances have been forged with some of the world's leading retail chains.

We will be expanding our new product development capability to meet increased demand for our products, and have already ramped up our USA sales structure.

Whilst both the Australian and New Zealand trading environments are challenging, I remain confident that we are well poised to grow our business in the future".



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A handwritten signature in black ink, appearing to read 'Paul Milburn'. The signature is fluid and cursive, with a prominent initial 'P' and a long, sweeping underline.

Paul Milburn
Company Secretary
Housewares International Limited

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