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

HALF YEAR REPORT ANNOUNCEMENT

28 February 2007

FOR THE HALF YEAR ENDED 31 DECEMBER 2006

The Board of Housewares International Limited today announced the financial results of the company for the half year ended 31 December 2006.

- GROUP Sales increased to $238.1m (2005: $236.2m).
  - International sales increased 11% to $88.8m (2005: $79.9m).
- GROUP Underlying profit after tax $8.1m (2005: $14.1m).
  - Core Electrical and International PAT $14.2m (2005: $15.0m) (2).
  - Australian Homewares PAT loss -$6.1m (2005: loss -$0.9m) (1)
- Reported Loss after tax and significant items -$29.1m (2005: profit $11.7m).
  - Significant items $37.2m, primarily write down of assets of Australian Homewares (2005: $2.4m).
- Notwithstanding Australian Homewares losses and significant items of $37.2m (after tax), the net debt to capital employed ratio remains conservative at 38.8% (2005: 35.9%)
- An interim dividend could not be considered due to the significant write downs being applied against distributable reserves.

Group summary result

Abridged Income Statement $m	GROUP 1H07	GROUP 1H06	ELECTRICAL AND INTERNATIONAL (2) 1H07	ELECTRICAL AND INTERNATIONAL (2) 1H06
Sales	**238.1**	**236.2**	**198.5**	**196.5**
Australia	149.3	156.3	109.7	116.6
International	88.8	79.9	88.8	79.9
EBIT	**14.1**	**23.1**	**22.1**	**23.7**
Underlying PAT	**8.1**	**14.1**	**14.2**	**15.0**
Australia	2.1	8.7	8.2	9.6
International	7.8	7.0	7.8	7.0
Corporate	-1.8	-1.6	-1.8	-1.6
Significant Items	**(37.2)**	**(2.4)**		**(0.7)**
Fair value adjustment (3)	(36.5)			
Other	(0.7)	(2.4)		(0.7)
Reported PAT	**(29.1)**	**11.7**	**14.2**	**14.3**
Capital Employed	202.2	257.9		
Debt/Capital Employed	38.8%	35.9%		
Basic EPS (cents)	(23.5)	9.7	11.4	11.8
Div per share (cents)	Nil	9.5		

Sales performance

Sales $ m	GROUP			ELECTRICAL AND INTERNATIONAL (2)		
Business Segment	1H07	1H06	% Chng	1H07	1H06	% Chng
Australia	**149.3**	**156.3**	**-4.5%**	**109.7**	**116.6**	**-5.9%**
Electrical	109.7	116.6		109.7	116.6	
Homewares	39.6	39.7				
International	**88.8**	**79.9**	**11.1%**	**88.8**	**79.9**	**11.1%**
Total	**238.1**	**236.2**	**0.8%**	**198.5**	**196.5**	**1.0%**

Total sales approximate LY at $238.1m (LY $236.2m).

Australian Homewares sales also approximated LY at $39.6m (LY $39.7m) driven by significant discounting and clearance activity.

Australia Electrical sales of $109.7m decreased by 5.9% in a very competitive marketplace characterised by slow sell through in the Christmas period and the unexpected demise of Retravision in NSW.

International sales increased by 11.1% to $88.8m (LY $79.9m) driven primarily by the Breville brand. In US$ terms, USA sales increased by a pleasing 19% notwithstanding the temporary supply problems experienced as referred to at the November 2006 AGM.

Underlying Profit after tax

Underlying PAT $ m	GROUP			ELECTRICAL AND INTERNATIONAL (2)		
Business Segment	1H07	1H06	% Chng	1H07	1H06	% Chng
Australia	**2.1**	**8.7**	**-75.9%**	**8.2**	**9.6**	**-14.6%%**
Electrical	8.2	9.6		8.2	9.6	
Homewares	-6.1	-0.9				
International	**7.8**	**7.0**	**11.4%**	**7.8**	**7.0**	**11.4%**
Corporate	-1.8	-1.6	12.5%	-1.8	-1.6	12.5%
Underlying PAT	**8.1**	**14.1**	**-42.6%**	**14.2**	**15.0**	**-5.3%**

The primary cause for the decrease in underlying profit after tax to $8.1m (1H06 $14.1m) was the -$6.1m (1H06 -0.9m) after tax loss of the Australian Homewares business. This followed an Australian Homewares loss in 2H06 of -$5.3m.

Australian Homewares
These continuing losses primarily resulted from fierce market competitiveness, in particular significant direct importing by major customers and associated discounting.

Electrical and International
Underlying PAT for 1H07 was $14.2m (1H06 15.0 m). Continuing international growth partly offset the twin effects of difficult Australian trading conditions and the cost of continued investment in the group's USA operations and product innovation platform.

The strength of the A$ had varying effects on underlying profit after tax. It had the impact of diminishing international reported A$ earnings whereas in Australia, the positive effect on import prices, was more than offset by rising commodity prices.

For an analysis of the above segment's Underlying EBIT, refer Addendum - Table 1.

Funds employed

Funds Employed ($ millions)	31 DEC 06	31 DEC 05
Receivables	101.2	113.0
Inventories	56.7	96.8
Fair value net assets – Australian Homewares (4)	20.6	
Other net assets/(liabilities)	(59.0)	(62.0)
Fixed assets and other non current assets	28.6	29.4
Intangibles	54.1	80.5
Net Assets Employed	**202.2**	**257.7**
Borrowings (net)	78.4	92.6
Shareholders' funds	123.8	165.1
Capital Employed	**202.2**	**257.7**

Strict working capital management resulted in a reduction in net borrowings despite the Australian Homewares losses. Accordingly, net borrowings to capital employed at 38.8% approximated that of last year (35.9%).

The primary cause of the reduced shareholders' funds of $41.3m was the write down associated with the Australian Homewares business. (refer Addendum – Table 3).

Outlook

As announced on 21 February 2007, HWI is engaged in discussions with a number of parties that have indicated they are interested in making an offer for the company. This, together with the ongoing review by Gresham Advisory Partners in evaluating options for the Australian Homewares business, does not make it appropriate at this stage to provide guidance for the remainder of the year.

For further information, please contact:
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Table of reference notes

(1) *The Group's rationalisation and restructure plans relating to the Australian Homewares business culminated in reviewing all options in respect of that business. The Australian Homewares business has been classified as a disposal group and held for sale. Accordingly, as required by AIFRS (Accounting Standards), Australian Homewares has been treated as a Discontinued Operation and its results separated for reporting purposes from the results of the group's core Electrical and International business (2).*

(2) *"Electrical and International", being the Continuing Operations comprising the group's core Electrical and International business, including corporate head office.*

(3) *Being loss on recognition of fair value of assets related to the Australian Homewares business (see Addendum – Table 3).*

(4) *Fair value of net assets of Australian Homewares business, "Net assets held for sale" (refer Addendum – Table 2).*

(5) *31 December 2005 figures are presented for comparison purposes only. Balance sheet at 31/12/05 is not restated.*

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ADDENDUM

Table 1 **Underlying EBIT**

Underlying EBIT $m	GROUP 1H07	1H06	% Chng	ELECTRICAL AND INTERNATIONAL (2) 1H07	1H06	% Chng
Underlying EBIT	**14.1**	**23.1**	**-39.0%**	**22.1**	**23.7**	**-6.8%**
Australia	3.7	13.7		11.7	14.3	
International	11.8	10.9		11.8	10.9	
Corporate	-1.4	-1.5		-1.4	-1.5	

Table 2 **Australian Homewares: Fair value of assets and liabilities at 31 December 2006 as "held for sale".** (1)

$ millions	31 December 2006	31 December 2005 (5)
Inventories	18.9	33.6
Plant and equipment	3.0	4.1
Intangible assets	0.3	29.8
Assets classified as held for sale	**22.2**	**67.5**
Trade and other payables	(0.9)	(0.8)
Provisions	(0.7)	(0.8)
Liabilities classified as held for sale	**(1.6)**	**(1.6)**
Net Assets classified as held for sale	**20.6**	**65.9**

Table 3 **Australian Homewares: Assets written down on recognition of fair value.** (3)

$ millions	
Trade and other receivables	0.9m
Inventories	7.2m
Other assets	0.5m
Plant and equipment	0.7m
Intangible assets	13.7m
Intangible assets – goodwill	15.9m
Discontinuation of hedge accounting	0.6m
Loss on fair value recognition before tax	**39.5m**
Tax	(3.0m)
Loss on fair value recognition after tax	**36.5m**