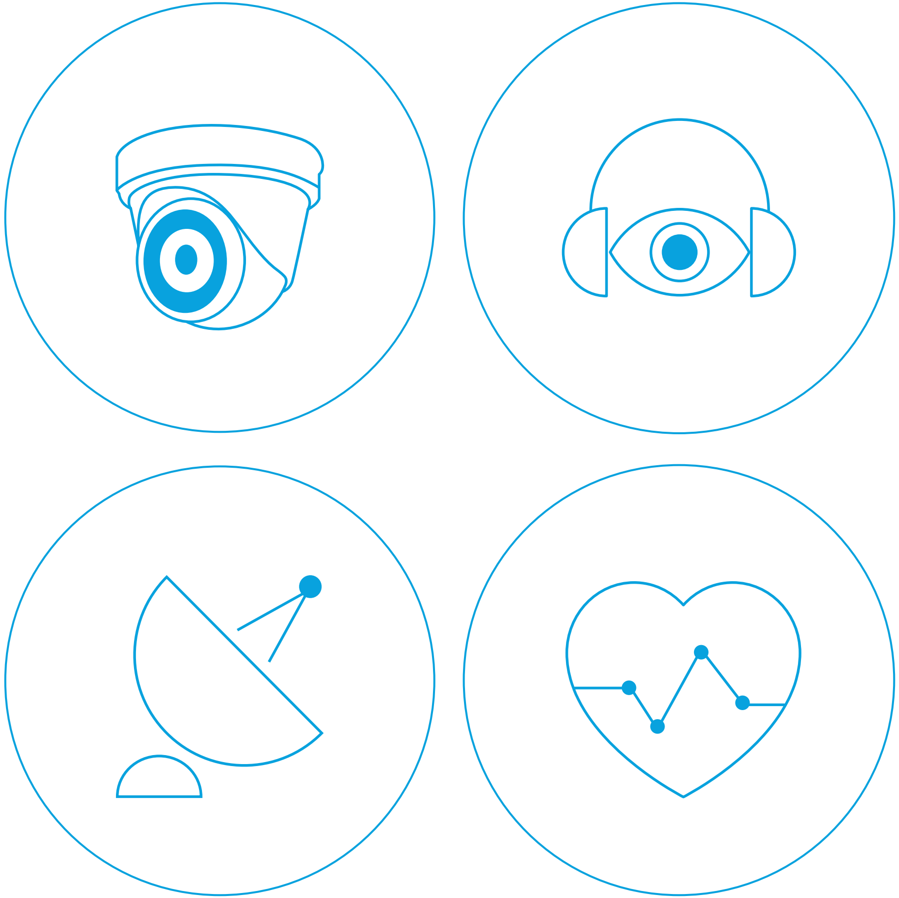


FY15 PRESENTATION

Full year results announcement
24 August 2015

GRANT LOGAN
Chief Executive Officer

GARETH TURNER
Chief Financial Officer

HILLS™

TOPICS TO COVER

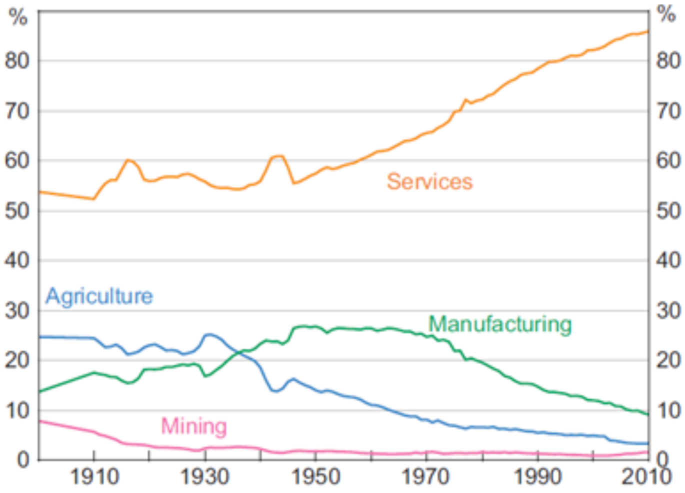
- Where have we come from?
- Hills today
- Financial results
- Recap & outlook

WHERE HAVE WE COME FROM?

WHERE HAVE WE COME FROM?

- Hills celebrates its 70th year in business
- Founded in 1945 – Hills manufactured the Hills Hoist and later products involving metal fabrication
- The story of Hills reflects the evolution of Australian industry and the structural change in Australian manufacturing
- Steady decline of manufacturing as East Asia emerges as the major producer of manufactured goods – reflecting the region's low labour costs

Employment by Industry*
Share of total



* Data are interpolated between 1900 and 1910
Sources: ABS; RBS Withers, Endres and Perry (1985)

** RBA September 2010 Quarterly Bulletin "Structural Change in the Australian Economy" by Connolly and Lewis

HILLS REINVENTS ITSELF

- Like all Australian manufacturers, Hills needed to reinvent itself to enable sustainable growth
- In 2012 the reinvention began
- Our objective was to exit businesses which could no longer compete with imports from low cost manufacturing countries
- Our objective was to exit capital hungry businesses – our manufacturing businesses – and reduce our debt
- Our objective was to generate earnings from services, distribution and health rather than manufacturing, effectively de-risking our earnings base

Key data over the transformation period 2012-2015

	2012	2015
Annual rental expense	$27.2M	$9.3M
Site numbers	124	39
Employees	2,642	862
Working Capital	$283.7M	$110.6M
Net Debt , bank guarantees and letters of credit	$129.3M	$40.9M
Annual capex spend	$28.9M	$10.9M
Foreign exchange exposure	$51.4M	$24.1M
Total reportable workplace injuries	67	9
Underlying NPAT to revenue	2.7%	2.6%
Underlying EBITDA to revenue	6.1%	6.8%
Underlying EBITDA per employee	$24.9K	$33.6K

WHY WE TRANSFORMED: DE-RISKING

- Move from manufacturing to services & distribution – manufacturing income suffered from competitors utilising cheap low-cost imports
- Manufacturing income more cyclical, amplified by exchange rate fluctuations
- Moved into market leading positions in higher growth sectors such as technology and health
- Debt reduction & reduced working capital to be more nimble
- Move away from businesses where we had one or very few customers
- Exit JVs where we had limited customers
- Licensing relationship with Woolworths which is capital-light and where profits are assured

WHAT HAS HAPPENED

- Our recent acquisitions are in line with strategy but we have not managed all facets of the integrations well
- Our amalgamation of sites has caused supply chain issues, impacting adversely on our customers
- Crestron's decision to take over local distribution itself will hurt us in FY16
- We have brought on new vendors such as Tyco and Vivotek but these will take time to grow
- The restructure and divestment programme is now complete and the transformation is continuing

HILLS TODAY

HILLS TODAY: **WHO ARE WE?**

HILLS™

SECURITY

We protect and save lives

Providing people with peace of mind that their most valued assets are safe and secure

AUDIO VISUAL

We enhance lives, captivate audiences and astound people

Providing people with the next generation of audio, visual and lighting technology

COMMUNICATIONS

We enable people to keep in touch and enjoy their lives

Providing people with the best products in the market

NURSE CALL

We keep people alive in emergency situations

Providing critical communication systems in hospitals and aged care facilities

PATIENT ENTERTAINMENT

We keep people engaged while they are unwell and recovering

Providing better health outcomes for our community through patient engagement services

HILLS TODAY: WHAT WE DO

HILLS BUILDING TECHNOLOGIES

SECURITY

- Security systems including cameras and software, alarm panels, monitoring services and access control for office buildings, homes, residential developments, government facilities and shopping centres

AUDIO VISUAL

- Audio, visual and lighting systems for offices, restaurants, lecture theatres and bars including microphones, speakers and video screens

COMMUNICATIONS

- Antenna and communication systems including satellite dishes, Wi-Fi networks for shopping centres, offices, schools, indoor or outdoor
- Professional, installation and technical advice services across all product offerings

Vendors / suppliers

SECURITY	CCTV / IT	AV
interlogix	AXIS COMMUNICATIONS	SAMSUNG
tyco Security Products	Panasonic	AUSTRALIAN MONITOR INTEGRATION INTELLIGENCE
HID	Ruckus WIRELESS	MIPRO
ASSA ABLOY	PACOM	BIAMP
OPTEX	Genetec	HITACHI Inspire the Next

HILLS TODAY: WHAT WE DO

VALUE ADDED SERVICES

INSTALLATION

- Solution design, specification and integration
- Staging and testing
- Implementation of solutions

TRADE CENTRES

- Sales & pick up
- Face to face advice and support to customers
- Demonstration of products

TRAINING

- Training & certification of customers

CUSTOMER SUPPORT

- Provide phone & onsite support
- Spare parts, repairs and warranty support

HILLS CONNECTION SOLUTIONS

- High quality end user installations
- Training, certification of installers
- Project management and installation services
- Quality inspections and oversight
- Maintenance of installed base

HILLS TODAY: WHAT WE DO

HILLS HEALTH SOLUTIONS

NURSE CALL

- Critical communication systems in hospitals and aged care facilities

PATIENT ENTERTAINMENT

- Patient entertainment such as subscription TV and rental services and installation in hospitals and aged care facilities
- Customised systems that provide both clinical access and patient entertainment needs on one interface
- 350 hospital facilities
- 800 aged care facilities

The businesses we acquired

HTR

merlon

HosTel

QUESTEK INTEGRATED HEALTHCARE SOLUTIONS

FINANCIAL RESULTS

2015 FULL YEAR RESULTS SUMMARY

HILLS.

- Underlying[1] Net Profit After Tax attributable to owners of $11.1M in line with guidance
- Dividend of 2.1c per share (fully franked) was paid during the financial year. No final dividend in respect of FY15
- Revenue of $427.8M for the year (2014: $737.2M included eight months of Steel)
- Net Loss After Tax attributable to owners of $85.9M
- Net non-operating items (including impairments) totaled $97M for the year
- New segment reporting enhances visibility of key components of the business
- Balance sheet gearing remains conservative with net debt of $32M
- $110M 3-year core banking facility in place; significant headroom to covenants remains
- Restructure and divestments complete and transformation continuing

1. Underlying Net Profit After Tax attributable to owners is a non-IFRS measure used consistently by the Company over time. The measure is relevant because it is consistent with measures used internally by management and by some in the investment community to assess the operating performance of the business in light of its change program. It is calculated by removing the effect of non-operating items such as business combination transaction costs, impairments, the cost of disposing of freehold properties and one-off income tax credits. It is calculated as detailed in note 22 (c) to the Annual Report. Non-IFRS measures are not subject to audit or review.

KEY NUMBERS FROM THE ANNUAL REPORT

HILLS.

A$M	FY2015	FY2014
Revenue and other income from continuing businesses	**427.8**	**415.5**
Revenue of businesses closed or sold	-	32.8
Sub-total (face of income statement in accounts)	**427.8**	**448.3**
Revenue of discontinued operations	-	288.9
Total revenue and other income (note 3 of the accounts)	**427.8**	**737.2**
EBITDA from continuing businesses	**29.0**	**42.9**
EBITDA of discontinued operations	-	8.0
Total EBITDA (note 2(b) of accounts)	**29.0**	**50.9**
NPAT attributable to owners	**(85.9)**	**24.8**
Items not considered part of underlying profit (note 22(c) of accounts)	97.0	2.5
Underlying NPAT attributable to owners (note 22(c) of accounts)	**11.1**	**27.3**

Continuing business revenue and EBITDA is broken down into key components of the business in the following slides to enhance visibility

Prior period totals included 8 months of Steel as well as other businesses closed or sold

ITEMS NOT CONSIDERED PART OF UNDERLYING NPAT

HILLS.

A$M	FY2015	FY2014
Impairment of goodwill	55.4	-
Impairment of other intangible assets	5.7	-
Impairment of tangible assets	4.3	-
Costs relating to acquisitions (completed and terminated)	3.9	5.0
Loss on sale of properties and businesses	1.7	0.9
Other	2.0	-
Impact before tax	**73.0**	**5.9**
Non-underlying tax charges/(benefits)	24.0	(3.4)
Impact on NPAT (note 22(c) of accounts)	**97.0**	**2.5**

Impairments

- Hills share price decline meant that a market capitalisation deficit to accounting carrying values was evident
- This is an indicator of impairment per accounting standards
- 'Value in Use' calculations were updated and discount and growth rates in the models were re-assessed
- These are non-cash charges that have no impact on the future cash flows or economics of the business

Deferred tax asset de-recognition

- Hills has significant carry-forward tax losses and deductible timing differences
- Accounting standards require that the related assets recognized should be recoverable over a reasonable period
- Hills has de-recognized $26M of deferred tax assets
- Other net income tax credits of $2M were not considered part of the underlying NPAT result
- These tax benefits are **still available** and will be used to offset future taxable earnings
- When the benefits are utilized, this will generate credits to the income tax expense line in future years

HILLS SEGMENT REPORTING: TECHNOLOGY & HEALTH

Revenue (A$M)	2HFY15	1HFY15	FY2015	2HFY14	1HFY14	FY2014
Building Technologies	173.9	174.5	**348.4**	162.3	165.0	**327.3**
Health	15.9	17.6	**33.5**	16.5	6.1	**22.6**
Home	5.4	37.4	**42.8**	30.2	35.4	**65.6**
Corporate	3.1	0.0	**3.1**	1.8	0.0	**1.8**
Segment Revenue	**198.3**	**229.5**	**427.8**	**210.8**	**206.5**	**417.3**
Discontinued	0.0	0.0	**0.0**	78.8	241.1	**319.9**
Total Revenue	**198.3**	**229.5**	**427.8**	**289.6**	**447.6**	**737.2**

EBITDA (A$M)	2HFY15	1HFY15	FY2015	2HFY14	1HFY14	FY2014
Building Technologies	11.9	14.9	**26.8**	22.1	14.4	**36.5**
Health	0.6	3.5	**4.1**	4.1	1.2	**5.3**
Home	0.4	6.0	**6.4**	(1.1)	6.5	**5.4**
Corporate	(4.3)	(4.0)	**(8.3)**	(4.3)	(0.0)	**(4.3)**
Segment EBITDA	**8.6**	**20.4**	**29.0**	**20.8**	**22.1**	**42.9**
Discontinued	0.0	0.0	**0.0**	1.9	6.1	**8.0**
Total EBITDA	**8.6**	**20.4**	**29.0**	**22.7**	**28.2**	**50.9**

Building Technologies

- Aggressive competition and impact on margins of lower exchange rate
- Crestron ended 30 June 15; Tyco distributorship comes online
- Operating costs increased as the transformation program caused disruption and loss of revenue
- FY16 focus: back to basics, settle the supply chain and win back customers

Health

- Full integration of the 4 acquisitions still has some way to go
- Major project slippage and some lost opportunities hurt the revenue and EBITDA results for the Segment
- FY16 focus: back to basics, integrate the acquisitions and grow/manage the sales pipeline forward

Home

- 7-year licensing agreement with Woolworths Limited (extendable to 19 years)
- Converts original manufacturing and distribution business into a brand licensing annuity with guaranteed $2M p.a. in net margin from FY16.
- Included the Polymers business; 1HFY15 was before the licensing agreement

Corporate

- Gross costs have reduced significantly but net costs have increased as overheads that were recovered from businesses sold have been stranded
- Capability was retained to implement strategy and operate transitional services agreements (TSA) with buyers of the legacy businesses
- FY16 focus: deliver further improved efficiencies, close-out TSAs

Discontinued

- Businesses closed or sold whether treated as discontinuing under IFRS or not

This slide has been prepared with reference to the Segment Note (Note 2) to the Annual Report

OPERATING EXPENSES

Functional operating expenses

A$M	FY2015	FY2014
Sales and marketing expenses	78.0	73.0
Distribution expenses	20.7	23.2
Administration expenses	38.3	44.2
Total	**137.0**	**140.4**

- Sales and marketing costs have increased with a view to rebuilding sales capabilities
- Distribution expenses have decreased as a result of the transformation program
- Admin function for operations and Corporate - gross costs have decreased as businesses have been closed or sold

Other expenses

A$M	FY2015	FY2014
Other expenses (non-underlying)	72.8	20.5

Other expenses

- FY14 was predominantly acquisition costs
- FY15 was predominantly impairment

Key message

→ Tight operating expense control

→ Focused on reduction of headquarter expenses

OUR STRONG BALANCE SHEET

All in A$M	30 June 2015	30 June 2014
Receivables and other assets	92.7	104.4
Inventory	72.4	59.4
Assets held for sale	-	7.8
Current assets (excluding cash)	165.2	171.6
Non-current assets (analysed in later slide)	103.5	186.8
Total assets (excluding cash)	268.7	358.4
Payables and provisions	100.1	121.7
Net debt / (net cash)	32.0	(8.5)
Total equity	136.6	245.2
Net debt/(net debt + equity)	**19%**	**0%**

Working capital analysed in the next two slides

$7.8M asset held for sale was a property under contract at the time

Non-current assets analysed in the next two slides

Change in total equity consists of:

NPAT	($86M)
Dividends paid	($13M)
Revaluation decreases	($5M)
Share buyback	($3M)
Other changes	($2M)
Total	**($109M)**

TRADING WORKING CAPITAL

A$M	30 June 2015	30 June 2014	Change June 14 to June 15
Trade receivables	79.6	87.3	(7.7)
Inventory	72.4	59.4	13.0
Trade and other payables	(67.7)	(75.8)	8.1
Net trading working capital	**84.3**	**70.9**	**13.4**

Increase of 18.9% is largely driven by increased inventory as a result of Crestron and Tyco overlap

Key message

→ Opportunity to reduce working capital further

NON-CURRENT ASSETS

A$M	30 June 2015	30 June 2014	Change June 14 to June 15
Property, plant and equipment	32.8	47.6	(14.8)
Intangible assets	39.2	83.2	(44.0)
Deferred tax assets	30.8	56.0	(25.2)
Non-current receivables	0.7	-	0.7
Total non-current assets	**103.5**	**186.8**	**(83.3)**

Includes impairments of goodwill ($55M) and other intangible assets ($5.7M), amortisation of $5.4M and other acquisitions during the year of $22.1M

The closing balance of Property, Plant and Equipment at 30 June 2015 included Land and Buildings of $9.5M

Hills is not expected to be in a tax paying position in the near term due to significant carry forward tax losses

Key message

- The 3 year property sale programme is almost complete
- Impairments are booked in the current year

FINANCING PROVIDES GROWTH OPPORTUNITIES

HILLS™

Net Debt	A$M
As at 30 June 2014	(8.5)
As at 30 June 2015	32.0

- Hills refinanced its banking facilities during the year with a new 3-year $110 million core facility
- The lenders are the NAB, CBA and Westpac with each broadly holding a third of the new core facility
- The core facility consists of a $90 million cash revolver tranche and a $20 million multi-option facility tranche
- The new facility is on substantially better terms and pricing than the previous one
- Hills has significant headroom against all of its banking covenants

CASH FLOWS

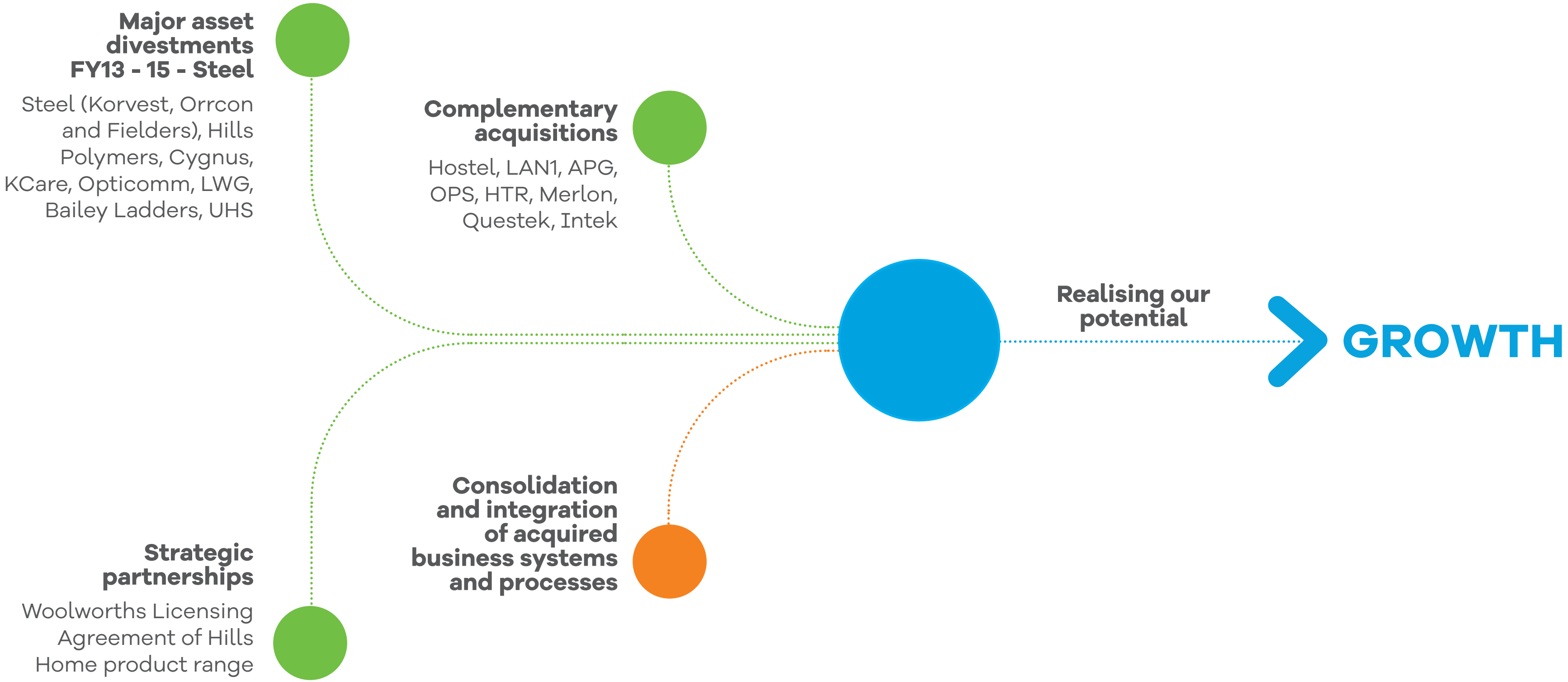
HILLS

A$M	FY15	FY14
Profit/(loss) after tax	(85.9)	26.4
Add back: Non-cash items (mostly depreciation, amortisation)	98.8	7.0
Profit after tax adjusted for non-cash items	12.9	33.4
(Decrease) / increase in restructure provisions	(12.5)	(20.9)
(Increase) / decrease in working capital	(13.4)	(27.8)
Net cash flow from operating activities	**(13.0)**	**(15.3)**
Acquisition of businesses	(26.7)	(56.6)
Acquisition of intangible assets (acquired intangibles and software)	(3.5)	(4.7)
Capex	(10.9)	(14.0)
Proceeds from the disposal of businesses and PP&E	27.6	144.0
Other investing cash-flow	3.1	1.8
Net cash flow from investing activities	**(10.4)**	**70.5**
Dividends paid	(13.3)	(16.0)
Payment for shares bought-back on-market	(3.2)	(22.3)
(Repayment) of/proceeds from borrowings	15.7	(29.8)
Other financing activities	(0.7)	(5.3)
Net cash flow from financing activities	**(1.5)**	**(73.4)**
Change in gross cash balance	**(24.9)**	**(18.2)**

Prior period totals included 8 months of Steel as well as other businesses closed or sold.

RECAP & OUTLOOK

THE STORY SO FAR



OUR FOCUS TO REALISE OUR POTENTIAL

OUR CUSTOMERS

- Rebuild and align the Sales team
- Re-establish the Contact and Support team
- Rebuild trade centre teams
- Set specific supply chain metrics
- Back-to-Basics improvement processes

OUR VENDORS

- Build and support their businesses
- We offer a national footprint
- We grow they grow
- Work to replace Crestron

OUR PEOPLE

- Improve employee engagement
- Attract and retain the best
- Rebuild teams

CAPITAL

- Smart employment of capital
- Capital light

PROFIT

- Focus on margin, not just revenue
- "Right size" our cost structure
- Achieve budget

FUTURE GROWTH

- Sustainable earnings growth, organically and by acquisition in ANZ
- Optimise shareholder value

FY16 FULL YEAR EBITDA OUTLOOK

- Back to basics programme to stabilise the business is showing results
- Work to replace the profit from the loss of the Crestron distributorship
- "Right size" our cost structure
- Deploy the strong balance sheet

It will take further time to return to the profit levels we expect. A full update will be given at the AGM in November.

DISCLAIMER

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements.

Thank you