

we are HILLS.™
integrated solutions into trusted environments

Full year results FY2013

TODAY

Overview

Subsequent Events – Steel Assets

Financial Performance

Group Results

Segment Results

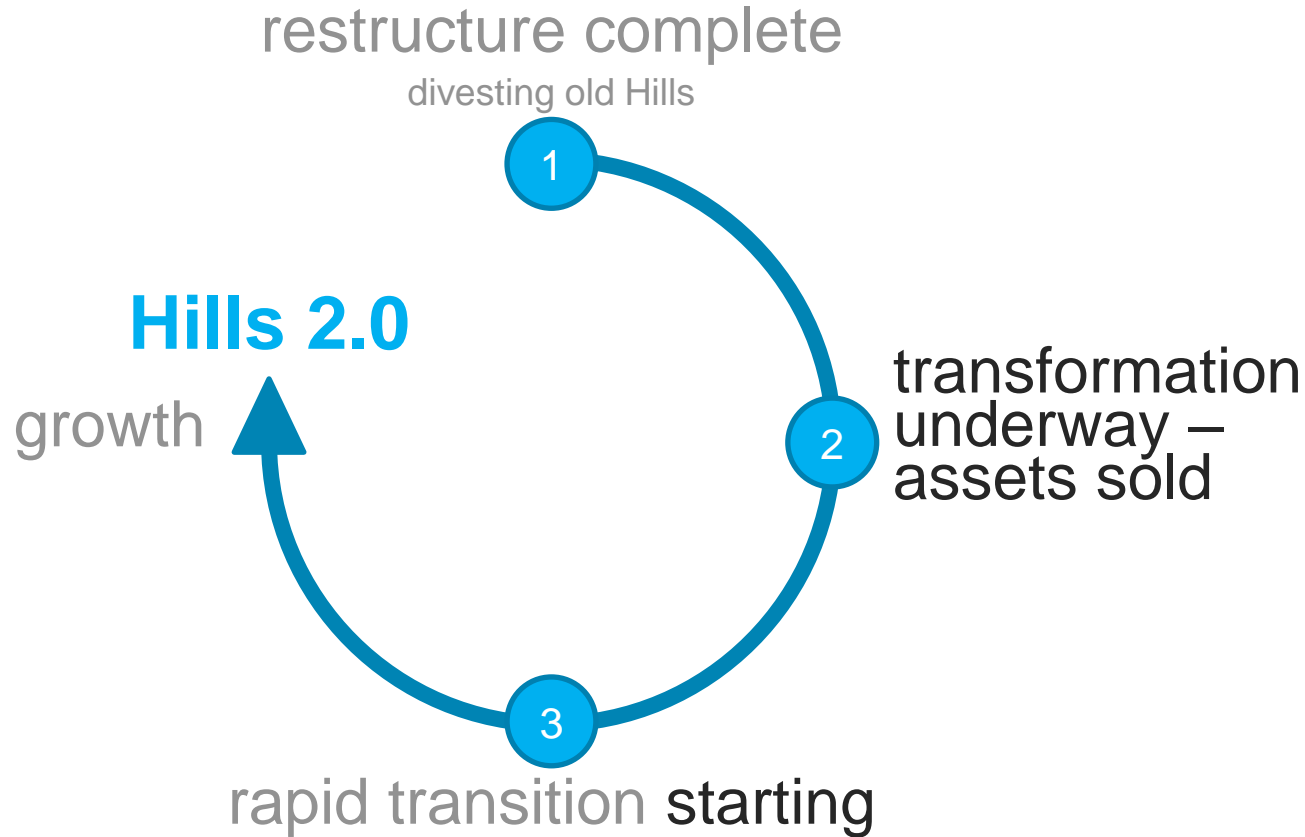
Restructure & Transformation

Strategy & Outlook

Your Questions

Overview

THE CURRENT STATUS OF OUR JOURNEY



KEY NUMBERS

Statutory Performance

- Total impairment and restructuring charges of \$154.6m
- FY13 statutory NPAT result of a loss of \$94.1m attributable to owners

Underlying¹ Performance

- FY13 (underlying¹) NPAT of \$19.2m – consistent with market consensus
- Dividends of 3.25c per share (fully franked) to be paid in September 2013
- Strong operating net operating cash flows at \$81.4m
- Net debt at \$4m
- On market buy back refreshed

1. Underlying NPAT attributable to owners for the year ended 30 June 2013 of \$19.2M is a non-IFRS measure calculated as: NPAT loss attributable to owners of (\$94.1M) adjusted for impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$113.3M after tax) as disclosed in note 5 of the Annual Report).

2. The non-IFRS measures used by the Company are relevant because they are 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. The non-IFRS measures have not been subject to audit or review.

KEY MESSAGES

Restructure & Transformation

- Additional non-core businesses sold: Health/assistive equipment and Bailey Ladders. Sold land: Wiri (NZ) site
- Fielders, Orrcon re-classified as assets held for sale and contract signed to sell to BlueScope
- Supply chain cost and operating expense reductions remain on track, third party logistics (3PL) rollout commencing 4th quarter CY14

Strategy & Outlook

- Strategy focused on building and acquiring businesses with advantages in trusted environments
- Re-invigorating core business units for a subdued economic environment and to support new strategy

Subsequent Events

SUBSEQUENT EVENTS

SALE OF ORRCON AND FIELDERS TO BLUESCOPE

- Agreement to sell Fielders and Orrcon



- Price and Proceeds

- Fielders and Orrcon will be acquired by BlueScope Steel for gross cash proceeds of \$87.5m (before costs to sell including but not limited to completion adjustments, transaction costs and other costs to prepare the assets for sale). Net cash proceeds are expected to be approximately \$80.0M.
- Proceeds from the divestments will be used for future acquisitions and capital management initiatives

- Conditions

- The transactions are subject to customary conditions including ACCC approval and are targeted to complete in the December quarter

- Financial Impact

- The divestments will result in the recovery of the fair value of the assets held for sale. This is accounted for in Hills full year results for the period ending 30 June 2013 as an adjusting post balance date event.

Financial Performance

A YEAR OF CHANGE FINANCIAL REPORTING IMPACTS

- Restructuring and Transformation in FY13 has had a material impact on the Hills Financial Reports
- Assets classified as '**held for sale**' - individual balance sheet line items are moved into the 'held for sale' category and carried at fair value. This was the case for: Orrcon, Fielders, LW Gemmell, UHS and some properties. Orrcon and Fielders fair values as at 30 June 2013 were adjusted with reference to the contract with BlueScope.
- Orrcon, Fielders and Korvest were individually material operations and classified as **Discontinued Operations** with their results in current and prior periods stripped out
- A number of smaller **Lifestyle & Sustainability** businesses were closed or sold but could not be reclassified as Discontinued Operations

SUMMARY OF STATUTORY RESULTS

(A\$m)	FY13	FY12	
Sales and other revenue	507.6	476.2	▲
(Loss)/profit from continuing operations	(28.9)	26.1	▼
(Loss)/profit from discontinuing operations	(62.5)	2.8	▼
NPAT attributable to members	(94.1)	26.0	▼
Cash flow from operating activities	81.4	52.7	▲
Gearing (Net debt/(net debt + equity))	1.4%	18.7%	▼

1. The statutory results are as per the consolidated income statement, prepared with Orrcon, Fielders and Korvest classified as discontinued operations. Results of Healthcare, Bailey Ladders, Team Poly Water Tanks and Hills Solar remain within continuing operations despite ceasing to contribute towards the continuing operations result as these businesses were not individually material to allow for reclassification.

2. The statutory results are as per the consolidated income statement and inclusive of restructuring and impairment charges of \$154.6m (pre tax)








SUMMARY OF STATUTORY AND UNDERLYING RESULTS

(A\$m)	FY13	FY12	
Sales and other revenue	507.6	476.2	▲
(Loss)/profit from continuing operations	(28.9)	26.1	▼
(Loss)/profit from discontinuing operations	(62.5)	2.8	▼
NPAT attributable to members	(94.1)	26.0	▼
Add back: CGU impairments, restructuring and closure costs and other associated impairments offset by profit on sale of businesses	113.3	-	▼
Underlying NPAT attributable to owners ¹	19.2	26.0	▼

1. Underlying NPAT attributable to owners for the year ended 30 June 2013 of \$19.2M is a non-IFRS measure calculated as: NPAT loss attributable to owners of (\$94.1M) adjusted for impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$113.3M after tax) as disclosed in note 5 of the Annual Report).

















2. The non-IFRS measures used by the Company are relevant because they are 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. The non-IFRS measures have not been subject to audit or review.

SUMMARY OF FINANCIAL RESULTS

(A\$m)	FY13	FY12	
Sales and other revenue (continuing and discontinuing)	1,018.4	1,082.3	
Underlying EBIT ¹	33.4	44.7	
% to Revenue	3.3%	4.1%	
Underlying NPAT attributable to owners ²	19.2	26.0	
% to Revenue	1.9%	2.4%	
Earnings per share (cents) ³	7.8	10.5	
Return on assets (%)	6.4%	6.9%	
Return on equity (%)	12.3%	11.1%	

















- Underlying EBIT for the year ended 30 June 2013 of \$33.4M is a non-IFRS measure calculated as: EBIT loss for the year of (\$121.2M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$154.6M before tax) as disclosed in note 5 of the Annual Report).
- Underlying NPAT attributable to owners for the year ended 30 June 2013 of \$19.2M is a non-IFRS measure calculated as: NPAT loss attributable to owners of (\$94.1M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$113.3M after tax) as disclosed in note 5 of the Annual Report).
- Calculated before CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (as disclosed in note 22 (c) of the Annual Report).
- The non-IFRS measures used by the Company are relevant because they are 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. The non-IFRS measures have not been subject to audit or review.

SUMMARY OF FINANCIAL RESULTS

(A\$m)	FY13	FY12	
Sales and other revenue	1,018.4	1,082.3	
- continuing ¹	479.9	449.5	
- discontinuing ¹	538.5	632.8	
Underlying EBIT ²	33.4	44.7	
- continuing ¹	28.4	36.6	
- discontinuing ¹	5.0	8.1	
Trading Working Capital	202.1	285.3	
- continuing ¹	103.1	138.8	
- discontinuing ²	99.0	146.5	
Underlying EBIT % to revenue	3.3%	4.1%	
- continuing	5.9%	8.1%	
- discontinuing	0.9%	1.3%	
Return on Trading Working Capital	16.5%	15.7%	
- continuing	27.5%	26.4%	
- discontinuing	5.1%	5.5%	

- Continuing and discontinuing: Sales and other revenue; Underlying EBIT and Trading Working Capital (all non-IFRS measures) are taken from the segment note in the Annual Report and the Results by Trading Segment slides in this presentation and are calculated by classifying all of the Building & Industrial segment and part of the Lifestyle & Sustainability segment related to the Healthcare disposal as discontinuing in the analysis.
- Underlying EBIT for the year ended 30 June 2013 of \$33.4M is a non-IFRS measure calculated as: EBIT loss for the year of (\$121.2M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$154.6M before tax) as disclosed in note 5 of the Annual Report).
- The non-IFRS measures used by the Company are relevant because they are 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. The non-IFRS measures have not been subject to audit or review.

SUMMARY OF FINANCIAL RESULTS

(A\$m)	2 nd Half FY13	2 nd Half FY12	
Sales and other revenue	467.1	529.7	
- continuing ¹	244.3	228.4	
- discontinuing ¹	222.8	301.3	
Underlying EBIT ²	17.7	20.2	
- continuing ¹	17.1	16.2	
- discontinuing ¹	0.6	4.0	
Trading Working Capital	202.1	285.3	
- continuing ¹	103.1	138.8	
- discontinuing ²	99.0	146.5	
Underlying EBIT % to revenue	3.8%	3.8%	
- continuing	7.0%	7.0%	
- discontinuing	0.3%	1.3%	
Return on Trading Working Capital	17.5%	14.2%	
- continuing	33.2%	23.3%	
- discontinuing	1.2%	5.5%	

1. Continuing and discontinuing: Sales and other revenue; Underlying EBIT and Trading Working Capital (all non-IFRS measures) are taken from the segment note in the Annual Report and the Results by Trading Segment slides in this presentation and are calculated by classifying all of the Building & Industrial segment and part of the Lifestyle & Sustainability segment related to the Healthcare disposal as discontinuing in the analysis.

2. Underlying EBIT for the year ended 30 June 2013 of \$33.4M is a non-IFRS measure calculated as: EBIT loss for the year of (\$121.2M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$154.6M before tax) as disclosed in note 5 of the Annual Report).

3. The non-IFRS measures used by the Company are relevant because they are 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. The non-IFRS measures have not been subject to audit or review.






FULL YEAR SEGMENT RESULT






Sales (A\$m)	FY13	FY12	Change	
Electronics & Communications	376.1	337.1	39.0	▲
Lifestyle & Sustainability	116.7	138.1	(21.4)	▼
- continuing	103.0	111.6	(8.6)	
- discontinuing (Healthcare) ²	13.7	26.5	(12.8)	
Building & Industrial (discontinuing)	524.8	606.3	(81.5)	▼
Other	0.8	0.8	-	
Total	1,018.4	1,082.3	(63.9)	▼

EBIT ¹ (A\$m)	FY13	FY12	Change	
Electronics & Communications	27.7	29.4	(1.7)	▼
Lifestyle & Sustainability	1.3	10.5	(9.2)	▼
- continuing	0.8	7.5	(6.7)	
- discontinuing (Healthcare) ²	0.5	3.0	(2.5)	
Building & Industrial (discontinuing)	4.5	5.1	(0.6)	▼
Other	(0.1)	(0.3)	0.2	
Total	33.4	44.7	(11.3)	▼

1. Before CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (as reconciled on the summary of financial results slides).
2. Healthcare is shown here as a discontinuing component of the Lifestyle & Sustainability segment. This business was not individually material enough to allow for reclassification as a discontinued operation in the financial statements.

SECOND HALF SEGMENT RESULT

Sales (A\$m)	2H 13	2H 12	Change	
Electronics & Communications	194.3	175.9	10.5%	
Lifestyle & Sustainability	51.1	65.5	(22.0%)	
- continuing	49.7	52.1		
- discontinuing (Healthcare) ²	1.4	13.4		
Building & Industrial (discontinuing)	221.4	287.9	(23.1%)	
Other	0.3	0.4	-	
Total	467.1	529.7	(11.8%)	

EBIT ¹ (A\$m)	2H 13	2H 12	Change	
Electronics & Communications	15.9	13.9	14.4%	
Lifestyle & Sustainability	0.7	4.2	(83%)	
- continuing	1.1	2.9		
- discontinuing (Healthcare) ²	(0.4)	1.3		
Building & Industrial (discontinuing)	1.0	2.7	(62.9%)	
Other	0.1	(0.6)	-	
Total	17.7	20.2	(12.4%)	

1. Before CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (as reconciled on the summary of financial results slides).
2. Healthcare is shown here as a discontinuing component of the Lifestyle & Sustainability segment. This business was not individually material enough to allow for reclassification as a discontinued operation in the financial statements.

SEGMENT RESULTS BY HALF









Sales (A\$m)	1 st Half		2 nd Half		Full Year FY13	Full Year FY12
	1H 13	1H 12	2H 13	2H 12		
Electronics & Communications	181.8	161.2	194.3	175.9	376.1	337.1
Lifestyle & Sustainability	65.6	72.6	51.1	65.5	116.7	138.1
- continuing	53.3	59.5	49.7	52.1	103.0	111.6
- discontinuing (Healthcare) ²	12.3	13.1	1.4	13.4	13.7	26.5
Building & Industrial (discontinuing)	303.4	318.4	221.4	287.9	524.8	606.3
Other	0.5	0.4	0.3	0.4	0.8	0.8
Total	551.3	552.6	467.1	529.7	1,018.4	1,082.3

EBIT ¹ (A\$m)	1 st Half		2 nd Half		Full Year FY13	Full Year FY12
	1H 13	1H 12	2H 13	2H 12		
Electronics & Communications	11.8	15.5	15.9	13.9	27.7	29.4
Lifestyle & Sustainability	0.6	6.3	0.7	4.2	1.3	10.5
- continuing	(0.3)	4.5	1.1	2.9	0.8	7.4
- discontinuing (Healthcare) ²	0.9	1.8	(0.4)	1.3	0.5	3.1
Building & Industrial (discontinuing)	3.5	2.4	1.0	2.7	4.5	5.1
Other	(0.2)	0.3	0.1	(0.6)	(0.1)	(0.3)
Total	15.7	24.5	17.7	20.2	33.4	44.7















1. Before CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (as reconciled on the summary of financial results slides).

2. Healthcare is shown here as a discontinuing component of the Lifestyle & Sustainability segment. This business was not individually material enough to allow for reclassification as a discontinued operation in the financial statements.

BALANCE SHEET

As at (A\$m)	30 Jun 2013	31 Dec 2012	30 Jun 2012		Change FY12 to FY13
Receivables and other assets	85.3	176.4	183.2		(97.9)
Inventory	42.5	143.7	165.3		(122.8)
Assets held for sale	146.1	13.2	-		
Current assets (excluding cash)	273.9	333.3	348.5		
Non-current assets (analysed in later slide)	183.9	237.9	275.4		(91.5)
Total assets (excluding cash)	457.9	571.2	623.9		
Payables and provisions	107.0	171.1	130.5		(23.5)
Liabilities held for sale	75.9	-	-		
Net debt	4.0	90.5	92.4		(88.4)
Total equity	271.0	309.6	401.0		(130.0)
Net debt/(net debt + equity)	1.4%	22.6%	18.7%		

TRADING WORKING CAPITAL

As at (A\$m)	30 Jun 2013	31 Dec 2012	30 Jun 2012	 Change FY12 to FY13
Trade debtors	148.9	166.5	169.5	 (20.6)
- continuing businesses	79.6	87.4	86.3	 (6.7)
- classified within held for sale assets ¹	69.3	79.1	83.2	 (13.9)
Inventory	97.6	143.7	165.3	 (67.7)
- continuing businesses	42.5	61.1	75.5	 (33.0)
- classified within held for sale assets ¹	55.1	82.6	89.8	 (34.7)
Trade creditors	(44.5)	(58.0)	(51.1)	 (6.6)
- continuing businesses	(19.1)	(30.4)	(24.6)	 (5.5)
- classified within held for sale liabilities ¹	(25.4)	(27.6)	(26.5)	 (1.1)
Sundry other	0.1	-	1.6	 (1.5)
Trading Working Capital	202.1	252.2	285.3	 (83.2)
- continuing businesses	103.1	118.1	138.8	 (35.7)
- classified within held for sale liabilities ¹	99.0	134.1	146.5	 (47.5)

1. Trading working capital categorized as held for sale in prior periods has been restated to enhance comparability throughout the period in this slide.

NON-CURRENT ASSETS

As at (A\$m)	30 Jun 2013	31 Dec 2012	30 Jun 2012	Change FY12 to FY13
Property, Plant and equipment ¹	78.7	131.7	188.0	(109.3)
Intangible assets	44.8	56.4	65.4	(20.6)
Deferred tax assets	60.4	49.8	21.9	38.5
Total non-current assets	183.9	237.9	275.4	(91.5)

CASH FLOW

(A\$m)	FY13	FY12	Change \$	Change %
Profit/(loss) before tax	(87.8)	28.8		
Add back: Non-cash items (mostly impairments, depreciation)	124.5	19.6		
Profit/(loss) before tax adjusted for non-cash items	36.7	48.4		
(Increase)/decrease in working capital	39.8	9.9		
Tax received/(paid)	4.9	(5.6)		
Net cash flow from operating activities	81.4	52.7	28.7	55%
Acquisitions of businesses	(5.2)	(2.0)		
Capex	(22.8)	(28.9)		
Proceeds from the disposal of businesses	38.4	-		
Proceeds from sale of property, plant and equipment	9.1	4.5		
Other investing cash-flow	0.9	0.8		
Net cash flow from investing activities	20.4	(25.6)	46.0	180%
Dividends paid	(13.7)	(25.2)		
Payment on share buy-back	-	(3.1)		
(Repayment)/proceeds of borrowings	(50.2)	25.0		
Other financing activities	-	(1.1)		
Net cash flow from financing activities	(63.9)	(4.4)	(59.5)	
Net cash (reduction)/increase	37.9	22.7	15.2	67%

CASH FLOW HAS STRENGTHENED NET DEBT IS NOW AT \$4M

	A\$m
Debt facilities renewed, earliest maturity is FY15	
Net debt – reported as at June 2012	92.4
Net debt – reported as at December 2012	90.5
Net debt – as at June 2013 (well within covenants)	4.0
Total facilities (subject to specific covenant limitations)	202.7

Restructure and Transformation

RESTRUCTURING OF NON-CORE ASSETS IS LARGELY COMPLETE

Previously reported restructurings

Targeted Closures	FIELDERS QLD	●	○	○	Closed
	FIELDERS ADELAIDE	●	○	○	Consolidated sites
	ORRCON BRANCHES	●	○	○	Closed
Exits	SOLAR HW	●	○	○	Exited
	TEAM POLY (Water Tanks)	●	○	○	Sold; crushing business profitable
	KORVEST	●	○	○	Stake sold via book build

Updated restructurings

Exits	HEALTHCARE	●	○	○	Sold
	BAILEY (Ladders)	●	○	○	Sold
	LW GEMMELL	●	○	○	Selling
	FIELDERS	●	○	○	Sold subject to conditions
	ORRCON	●	○	○	Sold subject to conditions

FINALISATION OF FY13 IMPAIRMENTS AND RESTRUCTURING CHARGES

	Course of action	Impairment charges (A\$m)
RESTRUCTURE	BUILDING & INDUSTRIAL Orrcon: Structural adjustments and branch consolidations Fielders: Consolidation of plants and closure of non performing branches	75.3
	LIFESTYLE & SUSTAINABILITY Hills Solar: Withdraw from the Solar Hot Water specific product range Poly-ethylene business: Restructure Consolidate activities into fewer premises	19.7
	ELECTRONICS & COMMUNICATIONS Simplify the division structure	5.7
TRANSFORMATION	Supply Chain Facilities rationalisation Support activities re-alignment	14.1
	Total as noted at 27 March 2013	114.8
FURTHER RESTRUCTURE & TRANSFORMATION COSTS*	Revision of market value on Steel Assets, other impairments and restructuring costs and profit on sale of businesses	35.5
	Further supply chain and other transformation charges	4.3
	Total for FY13 (pre tax)	154.6

FY13 SAVINGS IN LINE WITH EXPECTATIONS

	Savings activity	FY13 Impact (\$m)
RESTRUCTURE ¹	Facilities Depreciation charges Headcount Overhead	10
TRANS-FORMATION ²	Supply chain and transformation	2
	Total gross savings (pre-tax)	12
	Less discontinued margin ³	(4)
	Total savings (pre-tax)	8
	Re-investment in innovation and organic growth	(3)

- FY13 Savings in line with plan
- FY14 Savings on track

Notes

1. Mainly staff costs
2. Consolidation and structural changes excluding staff costs and facility cost reductions shown above.
3. Expected direct margin impact of site consolidations or closures

Strategy and Outlook

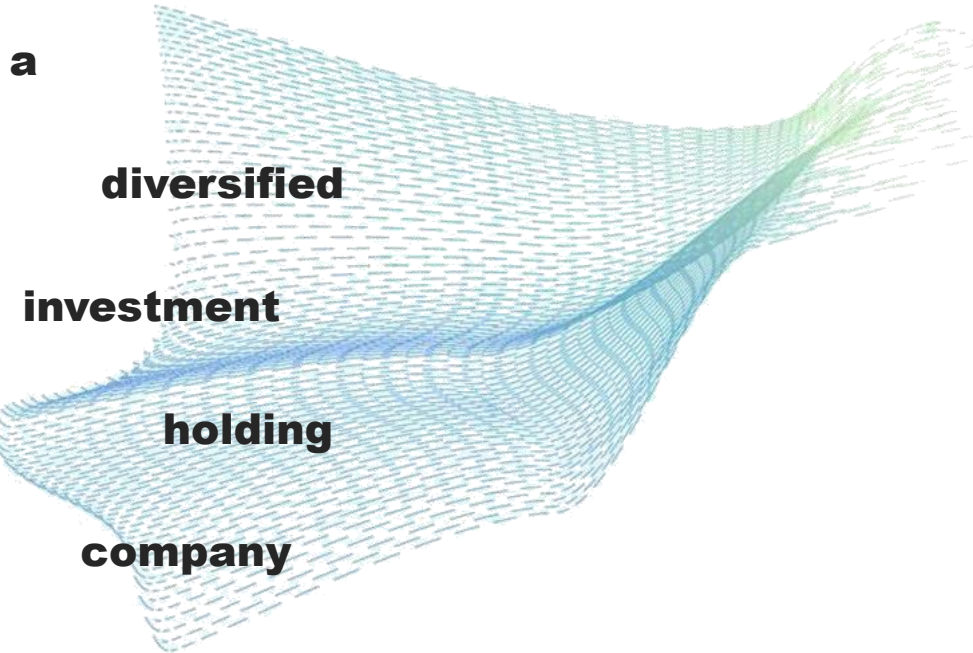
OUR VISION
HILLS 2.0

A trusted Hills' innovation in every business, enterprise, government and home



OUR TRANSITION

FROM HILLS 1.0

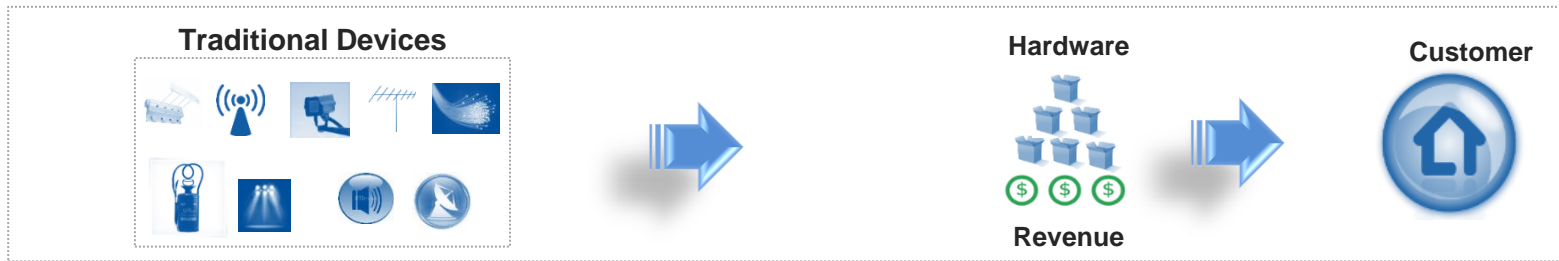


TO HILLS 2.0

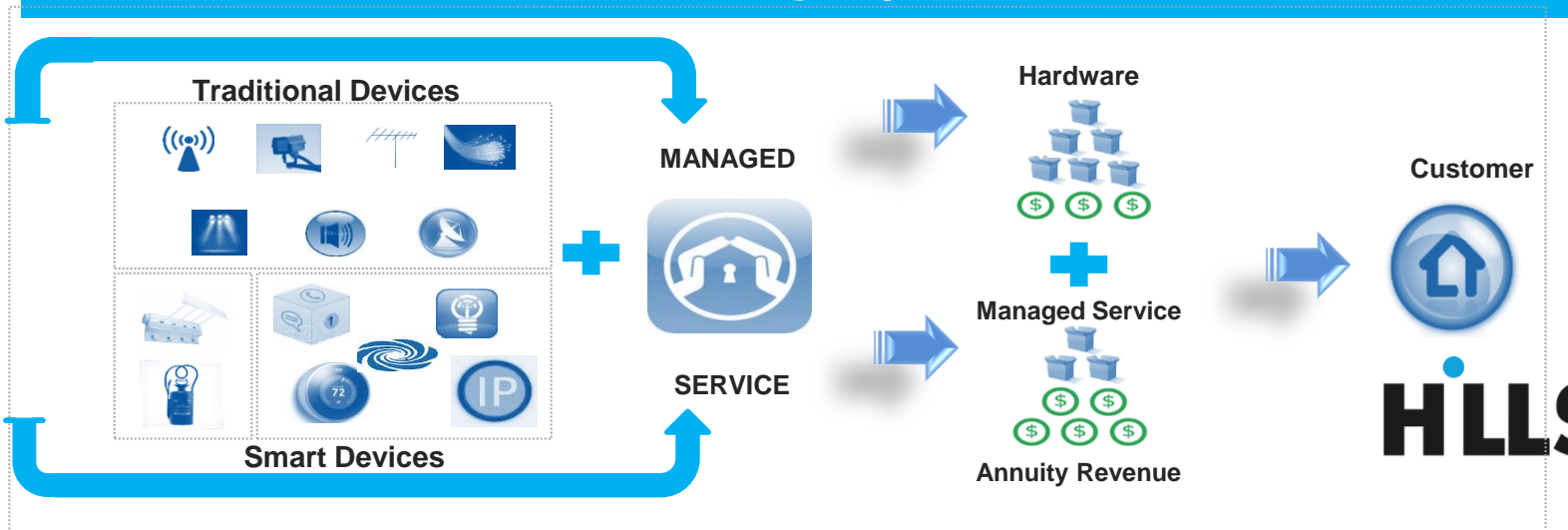
**an integrated
provider of
technology and
communications
solutions
into trusted
environments**

HILLS 2.0 PRODUCT TO SERVICE BASED MODEL

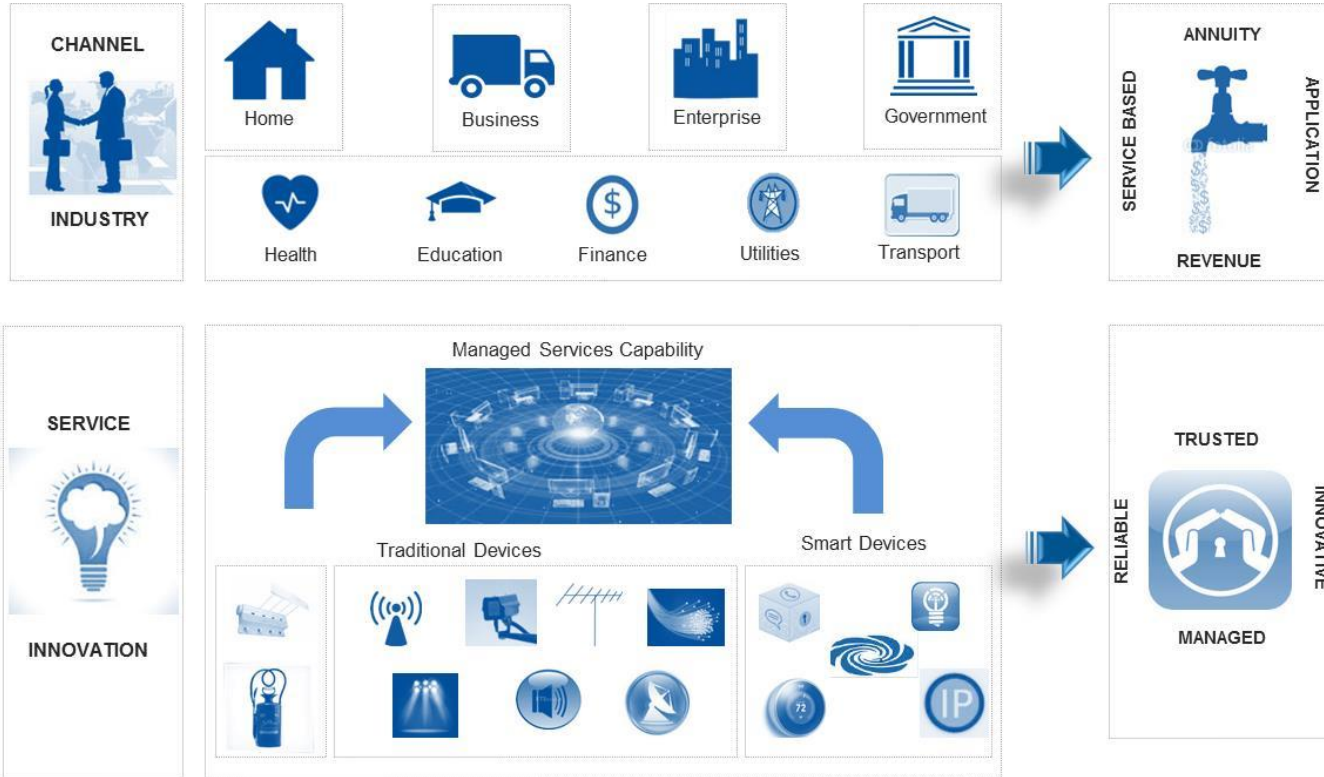
Hills 1.0



Hills 2.0



HILLS 2.0 INTEGRATED PROVIDER OF SOLUTIONS INTO TRUSTED ENVIRONMENTS



HILLS 2.0 IN FY16

Strategic

- We have grown by complementary acquisitions
- We are #1 or #2 in our chosen markets
- 75% of revenues from electronics and communications
- 15 – 25% of revenue from services

Financial and Risk

- Sustained EPS growth
- Return on funds employed > 13 – 15
- Net debt / net debt + equity <40%
- Dividend payout ratio of 50 – 75% (fully franked)
- Managing the risk reward trade off - increased return can require increased risk

Acquisition Criteria

- #1 or #2 position in growth market
- Trusted Brand
- Product/Solution/Service IP and differentiation
- Annuity revenue streams
- Service revenue mix – 20 to 50%
- EBIT minimum 10%
- ROIC 13% to 15%
- EPS accretive year 1 to 2

OUTLOOK FOR FY14

- Economic activity likely to remain below trend
- Hills well positioned – little net debt, expect to build positive momentum
- Focus on operating efficiency for assets held for sale and satisfying conditions precedent for sale contracts
- Executing new strategy
 - Complete divestment of non-core assets and businesses
 - Acquisition of businesses with ‘trusted’ solutions and capabilities
 - Focussed on sustainable earnings

we are HILLS.™
integrated solutions into trusted environments

Full year results FY2013