

2009 CHAIRMAN'S ADDRESS

Good Afternoon Ladies and Gentlemen. My name is Jennifer Hill-Ling and as Chairman of your Company I am pleased to welcome you to the 52nd Annual General Meeting of Hills Industries Limited.

There is a quorum of members present and I now declare the meeting open.

I will commence by introducing your other directors and our Company Secretary.

Geoff Hill

Roger Flynn

Ian Elliot and

Peter Stancliffe

Graham Twartz, - Managing Director.

Andrew Muir - Chief Financial Officer and Company Secretary.

I propose that the Notice of Meeting, which was sent to shareholders, be taken as read.

The Minutes of the last Annual General Meeting held on 31st October 2008 have been signed by me and are available for any interested shareholders to review.

Our new auditor, Neil Faulkner from KPMG is present today in accordance with the Corporations Act. Neil takes over from Gary Savage who retired from KPMG in June this year. Our thanks to Gary for the work he has done as auditor for Hills Industries Limited over a number of years.

Neil is available to answer questions relating to

- the conduct of the audit,
- the audit report,
- accounting policies of the Group,
- the preparation of the financial statements and
- auditor independence.

Before moving to the formal part of today's meeting I will comment on:

- The General Performance of the Group and the action taken by the Group in response to the current economic environment during the last 12 months
- The performance of the various businesses in the Hills Group and their recent activities; and
- The outlook for the Group for the year ahead.

The annual accounts of the Company and its controlled entities and the reports of the directors and auditors for the year ended 30 June 2009 have been published and distributed to shareholders.

THE YEAR IN REVIEW

The 2009 financial year was challenging and the Hills Group was not untouched by the impact of the rapid economic downturn.

Your Board and management took a number of initiatives during the year to

- reposition many of the Group's businesses,
- reduce costs and
- ensure the Company maintained a strong balance sheet .

This time last year, we witnessed the beginnings of an extraordinary 12 months. Lehman Brothers, an established investment bank in America, had collapsed, the Royal Bank of Scotland had to be bailed out and AIG, one of America's largest insurance companies, was seeking US Federal Reserve assistance.

In Australia, we began to feel the effect of the US Sub-prime crisis with the collapse of world financial markets. Credit markets froze rapidly, equity markets across the world fell significantly and we witnessed a slowdown in the worldwide economy which some commentators have compared to the Great Depression of 1930s.

Most Western economies experienced negative growth in the past year, and, while Australia has been more successful than most others in managing the downslide, New Zealand, Europe and the UK - where the Hills Group generates a proportion of its revenues - are in recession.

We responded rapidly to the marked decline in economic and financial conditions (including the decline in building activity and renovations) by

- restructuring underperforming businesses
- cutting discretionary expenditure,
- adjusting production to meet reduced demand,
- curtailing capital expenditure,
- reducing employee numbers across the Group, and
- reducing hours worked by employees

Hills profits dropped for the first time in a very long time. We experienced the rapid devaluation of the Australian Dollar and the volatility in steel pricing in the first half. These events were totally outside the control of the company and the very competitive market place prevented Hills from recovering these cost increases.

As reported

- Hills Group revenue (excluding financial revenues) increased by 2.2% to \$1,210.8 million.
- Group profit after tax and before unusual items decreased by 41.6% to \$28.052 million
- Profit from ordinary activities after tax and attributable to members after unusual items, decreased by 79.7% to \$9.5 million reflecting the costs of restructuring initiatives undertaken in response to weaker economic conditions and the mark to market adjustments in respect of interest rate swaps and foreign currency forward exchange contracts.
- Earnings per share before unusual items was down 46.5% to 14.6¢
- Earnings per share after unusual items was down 81.5% to 4.9¢

SIGNIFICANT AND UNUSUAL ITEMS

The total after tax cost of the restructuring initiatives undertaken during the year particularly in our HHE division with

- the closure of the Alquip business (the impairment of the goodwill associated with the Alquip business of \$5.38 million)
- the closure of the manufacturing operations of Team Poly in Toowoomba and
- the rationalisation of a number of under-performing product lines

was \$11.448 million, of which the cash cost was \$2.564 million.

We also booked a non-cash unusual item associated with the mark to market adjustment to record

- interest rate swaps and
- foreign currency forward exchange contracts

at market value.

The Group does not

- trade in these instruments OR
- speculate on movements in rates,

but accounting standards require that at the balance date these instruments be measured at market value.

In future, the Group will adopt hedge accounting, which will remove the need to book these unusual items to the profit-and-loss account .

CASH FLOWS

The Group's cash flows from operations were a record \$62.3 million resulting from a number of working capital reduction initiatives across the Group in the second half of the financial year.

Cash flows were also assisted by:

- lower interest rates on Group debt
- reduced debt levels
- a decline in the amount of tax paid; and
- receipt of \$20.85 million from the sale of the Edwardstown site.

BALANCE SHEET

Our gearing (measured as net debt divided by shareholders' equity) at 30 June 2009 was 36% and following our recent capital raising is around 20%.

Our issued capital increased during the last financial year by \$25.5 million with shares issued under the:

- Dividend Investment Plan and

- the Share Purchase Plan.

We have adequate bank facilities in place and we are well within our banking covenants. Our bank facilities with our major lenders are in place until November 2011.

DIVIDENDS

Like many other companies, your Directors reviewed the Company's dividend policy in the past year in light of the global financial crisis and we decided to discontinue paying 100% of after tax profits to shareholders as dividends.

Our current policy is to pay between 50% and 100% of after tax profits to shareholders as dividends having regard to:

- the prevailing economic conditions
- the level of profits and
- the cash requirements of the Group

at the time any dividend is declared.

While recognizing the impact of this decision on our shareholders, the fully franked dividend of 10 cents per share paid to shareholders for the 2008-09 financial year is considered a prudent response to uncertain financial markets.

We continued to provide shareholders with the opportunity of increasing their holdings by maintaining our Dividend Reinvestment Plan and the Share Investment Plan during the period.

SHAREHOLDERS AND SHARE PRICE

All Hills shareholders (including your directors and senior management team) have suffered at the hands of the sudden fall in global share prices and the continued volatility of trading on the Australian stock market.

Our shares traded at \$1.57 as at 30 June 2009 compared with \$3.19 at 30 June 2008. At the close of business on 22 October Hills shares were \$2.05.

I can assure you that we are focused on the things we can do to build shareholder value.

We continue our engagement with

- brokers,
- analysts and
- institutional investors

to ensure that Hills' diverse portfolio of businesses is properly understood and fairly rated by the market.

CAPITAL RAISING

In view of

- the unprecedented financial turmoil over past year and
- the need to strengthen the Hills Group for the future,

we announced our intention in August this year to raise a maximum of around \$50 million by way of

- an underwritten share placement to institutional and sophisticated investors and
- a Share Purchase Plan (SPP)

at an issue price of \$1.40 per share.

I will expand on our decision –in light of the changing share market conditions and some wide-ranging shareholder comments and questions.

Your Board deliberated long and hard in June and July this year on the most efficient manner to raise capital and considered a range of options. We were assisted in this matter by two prominent Australian Financial Institutions.

We unanimously agreed that it was in the best interests of the Company as a whole to:

- undertake the capital raising quickly; and
- gain certainty around the capital raising in what were volatile and uncertain markets at that time.

We also considered that

- there had been, and continued to be, a number of other companies also raising capital at that time – and at significant discounts to the market
- the Hills share price had been trending down on small sale volumes, reaching a low of \$1.45 on July 14

- we had offered Hills shareholders the opportunity to participate in a Share Purchase Plans in March this year and in May 2008, and the dividend reinvestment plan had been in place for many years.
- Shareholder support for the SPP in March this year at a price of \$1.45 per share had been approximately 14% - a level of applications that could not justify Directors assuming that participation in a further SPP in August/September this year would be at a higher level – especially given the further deterioration in the economy and the increasing number of capital raisings on offer in the market.
- the spread of shareholdings in the Company (a large number of small holdings) and the low level of participation in the SPP in March weighed against a successful rights issue.

In August this year when we announced the capital raising at a price of \$1.40 per share that price represented a discount of approximately:

- 13% to the 30 day Volume Weighted Average Price (VWAP) of \$1.59 and
- 17% discount to the 7 day VWAP of \$1.68

At the request of the Underwriters and the Company, Poplar was asked to participate in this Share Placement.

Under the ASX Listing Rules, Hills may only issue Shares to Poplar with Shareholder approval. To avoid the cost of an additional Shareholders Meeting, Directors delayed seeking shareholder approval until today's AGM.

The Board believes that it is in the best interests of the Company that the Conditional Placement to Poplar is approved for the following reasons:

- the Underwriters of the Placement, Commonwealth Securities Limited, considered that Poplar's participation was important to the success of the Placement and requested that the Company enter into the Placement Agreement with Poplar in August
- the shareholding of Poplar is an important and strategic holding, particularly given the shared history between Bob Hill-Ling and Hills;
- each of the Company's top 20 Shareholders who are not related parties of the Company were invited to participate in the

Unconditional Placement and an invitation would have been made to Poplar had it not been for the restrictions in the ASX Listing Rules.

The result is that the institutional placement has:

- strengthened the Hills' share register and
- added liquidity to the market for the Company's shares.

Due to the overwhelming response to the capital raising initiative, the allotment to institutions was scaled back by approximately 80% and the allotment of shares under the SPP was scaled back by 50%.

On advice from the Underwriters Hills had to advise the market of the amount of capital we intended to raise. That was around \$50 million and we made representations to the market and investors to that effect.

The Board did not consider that it was in shareholders interests to hold excess capital because of the depressing effect on return on equity, dividends and share price.

The proceeds from the capital raising were used to reduce drawn debt under Hills' existing debt facilities. The Company has adequate debt facilities to:

- weather the current trading conditions, and
- pursue acquisition opportunities that may arise in the future.

This is a good position for any Company to be in at this time and Hills appreciates the continuing support and confidence shown by our shareholders.

PEOPLE

Hills remains committed to the safety and well being of its people. We have further improved our safety record and we will continue to invest and strive to have an accident free workplace.

Last year was an extremely demanding year for the entire group and this does take its toll on our people. I know that our employees are working harder than ever on improving operational performance and driving efficiencies across all businesses in the Group and, on behalf of the Board and shareholders, I thank them for their continued focus and commitment.

We have a great team culture at Hills and on behalf of the Board I acknowledge those who have retired during the year and in particular:

Fred Gillbert
Colin Evers
Dorothy Harris
Barry Sharpe

Hills performance depends on the quality of its people and how it attracts, retains and motivates talented executives to deliver objectives. A reward system has been implemented to attain this goal, which is also aligned to shareholders' interests.

The Remuneration Committee obtains independent advice on the appropriateness of compensation packages for senior executives and directors of the Company. It reviews remuneration policies and makes recommendations to the Board, having benchmarked salaries against trends in comparable companies.

A portion of the senior executives' remuneration is "at risk" and dependent upon the performance of the Company. Hills financial performance in the 2009 financial year resulted in a decline in senior executive remuneration, which is appropriate given the Company's performance. The decline is not reflected in all figures provided in the Annual Report due to the timing of the payment of the prior year's short term incentives.

In keeping with our decision to contain costs, the Board took the following actions in relation to remuneration during the period:

- All Executive and management salaries were frozen at levels set at August 2008;
- Salaries and wages were frozen across the organisation, except in accordance with award or enterprise agreements, promotions or limited special circumstances;
- Non-executive directors fees were frozen at levels set in August 2008 and are regarded as being in line with fees paid in listed companies of a comparable size; and
- We discontinued the Executive Share Scheme.

The Board proposes to review the Executive Share Scheme during the current year when changes proposed by the Federal Government are clear.

OPERATING PERFORMANCE OF OUR 3 MAIN BUSINESS SEGMENTS

ELECTRONIC SECURITY & ENTERTAINMENT (ESE)

This segment continues to be a key contributor to the profit of the Group. ESE reported a record level of revenue increasing by 9.9% to \$343.3 million, but a 19% decrease in operating earnings before interest and tax (EBIT) to \$30.9 million resulting from:

- cost increases associated with a rapid devaluation of the Australian dollar late in the first half of the financial year
- increased competition
- a slowdown in the volume of projects awarded due to the general reduction in capital expenditure undertaken by Australian businesses and
- subdued export markets for the Hills Sound, Vision and Lighting Group due to economic conditions in the UK and Europe.

Competition for those projects that were awarded was intense but we have maintained our share of the diminished market.

We see great potential for this division and have made a strategic decision to continue to invest in this segment as a key component of future growth of your Company.

During the period we acquired a 51% interest in Ultra High Speed Pty Ltd (UHS). UHS is best known for its development of market leading products in the electronics and wireless communications market, particularly in security, telemetry and monitoring.

UHS has already achieved penetration into European and UK markets and with the financial support of Hills and the advantages of working with our Security division there are great prospects for this partly owned subsidiary.

Hills Electronic Security

Hills maintained its position as the leading supplier of commercial surveillance, access control and domestic alarm panels over the period.

Pacom undertook a number of important business development initiatives during the year including:

- the launch of its own EVO branded product range, and
- the commencement of the distribution of the Panasonic range of CCTV products.

In January this year DAS acquired the rights to the Intellectual Property of our core range of control panels. This action will enable us to develop products tailored to our markets and is key to the transition of DAS from a distributor of other people's products to a developer of its own range of products.

During the period we launched a new IP intercom and, in co-operation with Telstra, we launched Telstra Secure – a managed and dedicated back-to-base security monitoring service.

As a leader in the security industry DAS has an aggressive product development road map for the future which you will see launched over the next year and beyond.

Hills Antenna & TV Systems

This business performed very well. The Government's decision to progressively switch off analogue television signals across Australia over the next 4 years, resulted in increased demand for digital antennas and digital set top boxes.

The demand for hardware for subscription TV also remained buoyant.

During the period we:

- relocated our antenna and satellite dish manufacturing operations to Lonsdale in South Australia and
- released a number of new products related to the digital television and digital radio industry including digital antennas made to our own design and the new DGTEC set top box, which have been very well accepted.

The business enjoys a number of growth opportunities and I am pleased to report it has performed above our expectations during the first quarter of this current financial year.

Early this month Telstra awarded Cygnus, a joint venture company between Hills and Ursys, a contract to provide satellite services for their Corporate and Government customers. This will entail the design, construction and management of Satellite services for customers such as BHP Billiton, and Rio Tinto.

Opticomm

The Federal Government's National Broadband Network announcement to mandate the provision of a fibre network to all new developments in the future is a very positive development for Opticomm.

We expect this business to have substantial growth over the next few years. We have increased our market share in providing infrastructure services to the Fibre to the Node and Fibre to the Home developments during the period with 22 contracts covering some 60,000 homes to be completed over the next 5 years.

We continue to invest in this rapidly growing market and expect improved returns in future years

Access Television Services

During the period we launched our own call centre operations to service enquiries related to Opticomm products and Digital Radio Australia.

The continued success of AUSTAR marketing campaigns and the strong subscriber growth for Subscription TV also saw this business achieve record results.

The anticipated launch of AUSTAR's new high definition offer and approximately 20 new channels in November and the results of additional marketing initiatives will see strong activity over the balance of the year.

Hills SVL

Our Sound Vision and Lighting business increased its market share during the period, notwithstanding very difficult trading conditions.

SVL continued the development of its digital technology and new product developments under the Australian Monitor brand.

We have gained market share with our Crestron Control equipment and, late in the year we introduced the Crestron Lighting Control and Energy Management solutions, which will further enhance this business.

Hills Technology Solutions Group

HTSG continued to promote all Hills Group products and services to architects and engineers of large scale building developments including the

deployment of a converged fibre optic network, Hills Antenna and Satellite equipment, CCTV street surveillance and Hills SVL audio-visual equipment.

BUILDING AND INDUSTRIAL PRODUCTS

The Hills Building & Industrial Products division was the largest contributor to revenue and profit in the Group. All businesses in this division experienced a very strong first half but more subdued trading conditions in the second half.

Building and Industrial Products revenue excluding unusual items increased by 3.2% to \$663.4 million while operating EBIT decreased by 10.4% to \$31.8 million.

Orrcon

Steel prices, which had risen strongly in the first part of the financial year, declined steadily as world stockpiles increased and demand decreased.

In the second half, the industry reacted to the falling level of demand by reducing inventory at all levels. This resulted in reduced volumes of product sold.

In addition, volumes through our Unanderra Large Pipe & Tube Mill reduced with less project work available.

I am pleased to report that Orrcon has performed above expectations in the first quarter of the current year and we have recently achieved record production output from our structural mills at Salisbury.

Fielders

The Fielders roll forming business performed very well during the year with record revenues and profits.

We congratulate Keith Middleton on his appointment to the role of CEO of Fielders.

Commercial building activity was quite subdued in the second half and remains so, however the:

- Centenary Carport business
- Verandah business and

- Angle Cut roofing system

continue to grow market share particularly on the Eastern seaboard.

The relocation to our new state-of-the-art manufacturing facility in Perth was completed during the second half without any disruption to our customers.

During the period Fielders supplied the steel flooring material for BHP Billiton's City Square Building in Perth. This 46-storey building was the largest building project in Australia during 2009.

Korvest

Hills holds approximately 46% of the shares in Korvest Limited.

Korvest had record sales and profits during the period.

The Korvest business, comprises the market leading EzyStrut cable and pipe support business, Korvest Galvanisers and Indax.

HOME HARDWARE AND ECO

The Hills Home Hardware and Eco division is the smallest of the three Hills divisions. The results were most disappointing and well below our expectations with a decrease in revenue of 10.6% to \$203.3 million and the business recording an operating loss of \$3.1 million.

Hills Branded Products

The results for our traditional Home Hardware Products business, consisting of Hills Branded Products and the Bailey range of ladders, were very poor during the period.

Following a complete review and restructure of this business a number of product categories were discontinued where they could not meet our return on investment benchmarks.

The closure of the Alquip and Access business and the sale of Kelso were a consequence of this process.

The Home and Hardware business unit now has:

- a reduced and focused product range,
- improved supply chain and logistics;

- improved customer service;
- improved quality and product benchmarks;
- increased R&D focus; and
- reduced costs

We believe that these changes when fully implemented will deliver improved results from this business unit for Hills' shareholders.

During the period we released

- some new portable clotheslines and clothes stands;
- the Adda Garden Instant Garden Bed;
- some Aluminium doors; and
- various new ladders

Hills Eco

Changes to Government subsidies and rainfall in Queensland and New South Wales resulted in a dramatic reduction in demand for water tanks and several of our competitors experienced financial difficulties and insolvency.

In response to these market changes, we closed our Toowoomba branch and focused on the more profitable rural market in areas surrounding our three plants, in Bathurst, Ballarat and Adelaide.

Team Poly has now returned to profitability.

We have continued to experience growing demand for our solar products and our challenge is to add complimentary products to the Hills Solar range.

LW Gemmell

The LW Gemmell business performed in line with our expectations during the year. LW Gemmell is a specialist distributor of imported plumbing products. Although commercial building activity was lower towards the end of the year, LW Gemmell has a firm niche in the marketplace.

Woodroffe Equipment

After many years of poor performance we reached the view that we could not achieve our benchmark returns in the Woodroffe business and we closed this operation.

Hills Healthcare

This business unit performed in line with our expectations notwithstanding increasing competition from imports.

The previously mentioned steel price increase and Australian dollar devaluation caused some margin compression during the period but we responded by proactively managing variable costs and discretionary expenditure.

During the period we continued with further product development and were pleased with sales growth in our nursing beds and Air Comfort Seating products.

Our strategy this year and in the medium term will be to

- Consolidate our manufacturing in WA to one site
- further develop our product offering; and
- broaden our distribution network

THE ENVIRONMENT

Under the current proposed reporting regime for carbon emissions we will report in 2010 for the first time. We have established a task force to ensure that we meet all our obligations in this regard and we are committed to comply.

413 KING WILLIAM STREET

Given the current economic environment we have decided not to pursue the proposed office development at 413 King William Street, Adelaide. We are currently reviewing our options for both the site and the relocation of our Edwardstown offices.

CORPORATE GOVERNANCE

Ensuring high standards of corporate governance to protect and advance shareholder interest is a prime focus of the Board. Details of the Company's Corporate Governance statement are contained on pages 28 and 29 of the Concise Annual Report. Hills is committed to continuous improvement and we are reviewing and improving our risk management processes and identifying opportunities that will drive shareholder value.

GROUP STRATEGY AND OUTLOOK

Hills is committed to having a number of diverse businesses in different market sectors in order to minimise the impact of short-term changes to individual markets and economies and we also remain committed to our strategy of investing in those market segments that exhibit attractive growth potential.

We aim to be product innovators and market leaders and our objective over the next 12 months and beyond is to:

- maximise profit and earnings per share by investing in our businesses that show growth potential,
- further reduce operating costs;
- effectively manage the capital employed in the Group; and
- improve our development and retention rate of our prime resource – our people.

Leading forecasters continue to provide a wide range of views about the timing and speed of an economic recovery in Australia and New Zealand.

However we are encouraged by recent announcements relating to:

- consumer confidence,
- anticipated growth,
- a reduction in anticipated unemployment figures

and we are yet to see the full flow-on effect of government stimulus into the broader construction markets.

We are not anticipating the rate of project work in Security and SVL to return to its historic levels until consumer and business confidence are restored and we anticipate competition from imports to continue.

Nevertheless let me assure you that we are confident that our strategy properly addresses the current economic situation and will deliver the best results for shareholders in the current environment and we believe that there will be opportunities for the Group with the potential for further acquisitions at attractive prices.

I am pleased to report that our net profit results of the Hills Group for the first three months of this financial year are:

- above our expectations;

- in line with the same time last year; and
- above the last quarter of the last financial year.

This is a good start to the year and while we believe that the worst is behind us in terms of the external market place, you will appreciate that trading conditions remain unpredictable and the overall performance of the Hills Group this financial year will, in large part, be driven by the timing of the recovery.

It is clear, however, that Hills is reaping the benefits of our restructuring decisions over the past year and this will provide some buffer against any further weakening in trading conditions.

Your Directors remain of the opinion that our Net Profit results for the full year to 30 June 2010 will be ahead of those for last year.

SUMMARY

In summary the Hills Group is focused and confident in the Groups future with:

- capable management and employees
- a sound business strategy
- a strong balance sheet
- strong cash flows
- low debt levels and
- good customer and supplier relationships

and is well placed to meet the challenges of today and capitalise on the opportunities that will arise.

In closing I would like to thank my fellow Directors for their efforts and valuable input and on behalf of the Board express our appreciation to Graham Twartz and the executive management team for their dedication and hard work during the year.

Finally, I take the opportunity of thanking you, the shareholders, for your support over the past year.

I will now hand over to our Managing Director, Graham Twartz, who will provide you with more detail on the activities and developments within the business operations.

Good afternoon.