

**Hills Industries Limited**  
**Analysis of Key Financial Indicators**

<b><u>Earnings</u></b>	<b>FY 05</b>					<b>FY06</b>
	<b>FY03 (\$000)</b>	<b>FY04 (\$000)</b>	<b>FY05 (\$000)</b>	<b>H1 (\$000)</b>	<b>H2 (\$000)</b>	<b>H1 (\$000)</b>
<b>Sales</b>	660,600	713,643	810,156	404,392	405,764	469,554
<b>Other Revenue</b>	8,810	5,023	6,910	3,150	3,760	2,718
<b>Total Revenue</b>	<b>669,410</b>	<b>718,666</b>	<b>817,066</b>	<b>407,542</b>	<b>409,524</b>	<b>472,272</b>
<b>EBITDA</b>	69,078	77,903	84,246	42,595	41,651	44,865
<b>Depreciation</b>	15,840	17,427	18,763	9,396	9,367	7,816
<b>EBITA</b>	53,238	60,476	65,483	33,199	32,284	37,049
<b>Amortisation</b>	2,202	2,296	1,554	819	735	426
<b>EBIT</b>	51,036	58,180	63,929	32,380	31,549	36,623
<b>Interest</b>	4,348	4,539	3,308	1,957	1,351	2,622
<b>Profit before Tax</b>	46,688	53,641	60,621	30,423	30,198	34,001
<b>Income Tax</b>	14,700	15,409	18,694	9,623	9,071	9,900
<b>Profit after Tax</b>	31,988	38,232	41,927	20,800	21,127	24,101
<b>Minority Interests</b>	4,673	6,972	6,183	3,704	2,479	2,727
<b>Attributable Profit</b>	27,315	31,260	35,744	17,096	18,648	21,374
<b>Earnings Per Share (cents)</b>	20.8	22.6	23.5	12.1	11.4	12.9
<b>Dividends Per Share (cents)</b>	21.0	22.5	24.0	12.0	12.0	13.0
<b>Franking (%)</b>	100%	100%	100%	100%	100%	100%
<b>Cash Flow from Operations</b>	47,656	36,803	32,594	15,232	17,362	28,317
<b>Cash Flow Per Share (cents)</b>	36.15	26.63	21.15	10.79	10.36	17.03
<b>Capital Expenditure</b>	30,469	23,432	20,514	11,570	8,944	14,139
<b>Excluding Individually Significant Items</b>						

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<u>Ratios</u>	FY03	FY04	FY05	H1 FY05	H2 FY05	H1 FY06
<b><u>Profitability Ratios:</u></b>						
EBITDA/Revenue	10.32%	10.84%	10.31%	10.45%	10.17%	9.50%
EBIT/Revenue	7.62%	8.10%	7.82%	7.95%	7.70%	7.75%
Net Profit/Revenue	4.78%	5.32%	5.13%	5.10%	5.16%	5.10%
<b><u>Return Ratios:</u></b>						
Return on Assets	12.2%	12.5%	10.4%	14.0%	10.4%	11.4%
Return on Equity	22.7%	22.9%	19.5%	25.2%	19.4%	21.2%
EBIT/Capital Employed	19.4%	19.6%	16.2%	21.0%	15.9%	17.7%
<b><u>Balance Sheet Ratios:</u></b>						
Current Assets/Total Assets	52.1%	53.7%	53.1%	54.7%	53.1%	51.8%
Current Liabilities/Total Liabilities	62.3%	59.1%	61.1%	60.4%	61.1%	62.3%
Current Assets/Current Liabilities	181.7%	200.2%	186.0%	204.0%	186.0%	180.2%
<b><u>Gearing:</u></b>						
Interest Cover (times)	11.7	12.8	19.3	16.5	23.4	14.0
Net Debt/Equity	27.9%	26.9%	27.2%	27.9%	27.2%	29.1%
<b><u>Valuation:</u></b>						
Share Price (\$)	3.48	3.86	4.50	4.30	4.50	4.70
Market Capitalisation (\$m)	471.7	540.6	743.4	611.1	743.4	786.4
Enterprise Value (\$m)	529.1	603.6	828.0	678.5	828.0	879.9
Price Earning Ratio (times)	16.7	17.1	19.1	17.7	19.8	18.3
EV/EBITDA (times)	7.7	7.7	9.8	8.0	9.9	9.8
EV/EBIT (times)	10.4	10.4	13.0	10.5	13.1	12.0
<b>Excluding Individually Significant Items</b>						

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<b>Segment Analysis</b>				<b>FY 05</b>		<b>FY 06</b>
	<b>FY03 (\$000)</b>	<b>FY04 (\$000)</b>	<b>FY05 (\$000)</b>	<b>H1 (\$000)</b>	<b>H2 (\$000)</b>	<b>H1 (\$000)</b>
<b>Revenue</b>						
Electronic Security & Entertainment	163,572	170,262	206,311	98,169	108,142	132,315
Home & Hardware	167,335	161,774	164,928	89,435	75,493	89,877
Building & Industrial	331,902	378,763	440,358	217,737	222,621	246,483
Other	6,601	7,867	5,469	2,201	3,268	3,597
<b>Total Revenue</b>	<b>669,410</b>	<b>718,666</b>	<b>817,066</b>	<b>407,542</b>	<b>409,524</b>	<b>472,272</b>
<b>EBIT</b>						
Electronic Security & Entertainment	14,610	18,618	23,544	10,983	12,561	15,528
Home & Hardware	13,562	13,392	9,560	6,296	3,264	6,779
Building & Industrial	21,654	25,281	31,028	15,498	15,530	14,591
Other	1,210	889	(203)	(397)	194	(274)
<b>Total EBIT</b>	<b>51,036</b>	<b>58,180</b>	<b>63,929</b>	<b>32,380</b>	<b>31,549</b>	<b>36,624</b>
<b>Segment - Ratios</b>						
	<b>FY03</b>	<b>FY04</b>	<b>FY05</b>	<b>H1</b>	<b>H2</b>	<b>H1</b>
<b>EBIT/Revenue</b>						
Electronic Security & Entertainment	8.9%	10.9%	11.4%	11.2%	11.6%	11.7%
Home & Hardware	8.1%	8.3%	5.8%	7.0%	4.3%	7.5%
Building & Industrial	6.5%	6.7%	7.0%	7.1%	7.0%	5.9%
<b>EBIT/Total Assets</b>						
Electronic Security & Entertainment	20.5%	24.9%	21.3%			
Home & Hardware	12.7%	12.5%	9.1%			
Building & Industrial	12.7%	14.0%	13.4%			
<b>EBIT/Net Assets</b>						
Electronic Security & Entertainment	26.3%	30.7%	29.2%			
Home & Hardware	15.2%	14.6%	12.1%			
Building & Industrial	17.0%	18.4%	19.1%			
<b>Excluding Individually Significant Items</b>						

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### Analysis of Key Financial Indicators

<b>Balance Sheet</b>	FY03 (\$000)	FY04 (\$000)	FY05 (\$000)	FY 05 H1 (\$000)	FY 06 H1 (\$000)
<b>Current Assets</b>					
Cash	6,297	21,835	21,287	11,959	15,234
Receivables	109,020	118,884	154,188	128,556	157,093
Inventory	83,613	89,610	133,986	97,178	136,014
<b>Total Current Assets</b>	<b>198,930</b>	<b>230,329</b>	<b>309,461</b>	<b>237,693</b>	<b>308,341</b>
<b>Non-Current Assets</b>					
Receivables	1,918	6,399	1,222	5,540	-
Investments	14	104	102	102	2
Property, Plant & Equipment	147,279	156,821	154,940	155,484	160,066
Intangibles	17,539	15,388	91,347	14,320	99,200
Deferred Tax	16,208	20,042	26,204	21,067	27,843
<b>Total Non-Current Assets</b>	<b>182,958</b>	<b>198,754</b>	<b>273,815</b>	<b>196,513</b>	<b>287,111</b>
<b>Total Assets</b>	<b>381,888</b>	<b>429,083</b>	<b>583,276</b>	<b>434,206</b>	<b>595,452</b>
<b>Current Liabilities</b>					
Payables	71,865	69,369	117,495	77,637	121,564
Interest bearing	7,959	10,501	10,528	10,394	16,686
Tax	8,048	9,286	8,599	3,962	4,774
Provisions	21,600	25,866	29,787	24,499	28,052
<b>Total Current Liabilities</b>	<b>109,472</b>	<b>115,022</b>	<b>166,409</b>	<b>116,492</b>	<b>171,076</b>
<b>Non-Current Liabilities</b>					
Interest bearing	55,742	74,336	95,405	68,956	92,048
Deferred Tax	1,464	1,002	3,689	3,147	4,903
Provisions	9,097	4,390	6,721	4,196	6,495
<b>Total Non-Current Liabilities</b>	<b>66,303</b>	<b>79,728</b>	<b>105,815</b>	<b>76,299</b>	<b>103,446</b>
<b>Total Liabilities</b>	<b>175,775</b>	<b>194,750</b>	<b>272,224</b>	<b>192,791</b>	<b>274,522</b>
<b>Net Assets</b>	<b>206,113</b>	<b>234,333</b>	<b>311,052</b>	<b>241,415</b>	<b>320,930</b>
<b>Equity</b>					
Contributed Equity	60,109	68,300	159,071	72,105	164,638
Reserves	26,008	33,876	30,414	32,143	27,007
Retained Profits	89,752	97,340	105,613	101,695	114,206
<b>Total Company Interest</b>	<b>175,869</b>	<b>199,516</b>	<b>295,098</b>	<b>205,943</b>	<b>305,851</b>
Minority Interests	30,244	34,817	15,954	35,472	15,079
<b>Total Equity</b>	<b>206,113</b>	<b>234,333</b>	<b>311,052</b>	<b>241,415</b>	<b>320,930</b>
Shares on Issue (Year End)(000)	135,560	140,047	165,190	142,116	167,319
Shares on Issue (Average)(000)	131,811	138,203	154,117	141,121	166,307
Shareholders (number)	14,263	17,125	20,270	19,228	21,086
<b>Net Assets per Share (cents)</b>	<b>129.74</b>	<b>142.46</b>	<b>178.64</b>	<b>144.91</b>	<b>182.80</b>
<b>Capital Employed</b>	<b>263,517</b>	<b>297,335</b>	<b>395,698</b>	<b>308,806</b>	<b>414,430</b>