



1 November 2012

## **Hills announces restructuring and strategic settings for the future**

**Hills Holdings Limited (ASX: "HIL")** today at its Annual General Meeting announced a series of restructuring initiatives across the Group's diversified businesses, and the setting of new strategic objectives.

### ***Restructuring***

In light of the future market outlook and the Company's current performance, Hills will undertake the consolidation of selected manufacturing activities, the exit of certain products, businesses and sites and some reductions in staffing levels.

The elements of the restructuring the Company intends to take at the half year to 31 December 2012 are as follows:

- **Building & Industrial division:**
  - In Orrcon we will make structural adjustments and undertake branch consolidations
  - In Fielders we will undertake the consolidation of plants and the closure of underperforming branches.
- **Lifestyle & Sustainability division:** we will shift market focus and consolidate activities around premises
- **Electronics & Communications division:** we will simplify the division structure and our supply chain;
- **Transformation** we will make changes to procurement, facilities and support services

In total, and subject to finalisation of the accounts for the current 31 December 2012 half year, Hills will take between \$100m-\$110m in impairments and restructuring charges.

The Company expects this action will allow it to achieve some significant ongoing cost savings throughout the business.

### ***Cost Initiatives***

Hills expects pre-tax savings of \$10m-\$15m for the second half of FY13, rising to a total of \$30m-\$40m in FY14. Subject to market conditions and assuming demand does not deteriorate, the Company expects the after-tax effect of these savings to flow through to the NPAT line in those periods.

## ***New Strategic Settings***

The Company also announced an overall plan to focus on revenues from higher growth sectors such as communications and home and industrial technologies.

The intent is that by 2015, over 75% of total Group revenues will come from non-steel activities and the Company's ROE and trading valuation will be above the midpoint of Hills' peer group.

Hills Chairman Ms Jennifer Hill-Ling said:

“Our Board and management team are most enthusiastic about the opportunities available to Hills as we progress into the New Year in a restructured and more appropriate operational mode.

We are more than ever focused on the things we can control and the operational performance improvement initiatives now being implemented to maximise our earnings in the medium term while maintaining a strong Hills balance sheet, low debt levels and solid cash flow.”

Group Managing Director, Mr Ted Pretty, said:

“The steps we are taking today are intended to ensure the Hills Group is better placed to weather the current cyclical down-turn in the building and construction sector and is repositioned to take advantage of opportunities in higher growth sectors in the future.

“We remain committed to creating long term value for shareholders.”

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Media contact:-

**John Field**

**Field Public Relations**

**08-8234 9555 or 0418 819 527**