

we are HILLS.TM

**Hills 2.0 HY14
Results**

Results highlights – Key numbers

Statutory Results



- H1 FY14 statutory NPAT attributable to owners of \$14.1M
- Compares to H1 FY13 loss of (\$73.6M)
- No further impairments or write-downs



Underlying¹ Results



- H1 FY14 underlying¹ NPAT attributable to owners of \$16.2M
- Up 98% on a PCP basis²
- Underlying continuing revenue³ of \$215M (up 20%)
- Underlying continuing EBIT³ of \$19.1M (up 74%)



Returns



- 3.25cps dividend (fully franked) paid in Sep 2013
- 3.40cps dividend (fully franked) to be paid in Mar 2014
- Net debt low at \$68M (post acquisitions and buybacks)
- Approximately \$80M steel proceeds expected in Q3 FY2014



1. Underlying NPAT attributable to owners for the half-year ended 31 December 2013 of \$16.2M is a non-IFRS measure calculated as: NPAT attributable to owners of \$14.1M adjusted for business combination acquisition transaction costs of \$2.1M after tax as disclosed in note 9(c) of the Interim Financial Report.

2. Underlying NPAT attributable to owners for the half-year ended 31 December 2012 of \$8.2M is a non-IFRS measure calculated as: NPAT loss attributable to owners of (\$73.6M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$81.8M after tax) as disclosed in note 9(c) of the Interim Financial Report.

3. Underlying continuing revenue and underlying continuing EBIT are non-IFRS measures calculated with reference to slide 10. These measures adjust continuing revenue and continuing EBIT for the effect of business sold or closed which could not be accounted for as Discontinued Operations under IFRS as a result of their not being separate operating segments or not being major separate lines of business. These measures enhance the comparability of continuing operations between periods.

4. 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.

we are HILLS.TM

Steel Update

Sale of Orrcon and Fielders to Bluescope



- Deal announced 19 August 2013
- ACCC approved Orrcon on 5 December 2013
- ACCC approved Fielders on 30 January 2014
- Completion expected 28 February 2014
- Gross cash proceeds of \$87.5M. Net cash proceeds approximately \$80.0M expected to be received in Q3 FY2014
- The divestments will result in the recovery of the fair value of the assets held for sale as at 31 December 2013

we are HILLS.TM

**Group Financials &
Segment Results**







Statutory and underlying group results



(\$M)	H1 FY14	H1 FY13		H1 FY14	H1 FY13	Revenue adjustment details (see slide 10)
Sales and other revenue from continuing operations ¹	225.7	247.9				
Profit/(Loss) after tax from continuing operations	12.5	(24.7)	▲	215.2	179.8	Underlying continuing revenue, an increase of \$35.4M (19.7%) ▲
Profit/(Loss) after tax from discontinuing operations	2.6	(47.3)	▲			
NPAT attributable to owners	14.1	(73.6)	▲			
Add back: CGU impairments, restructuring and closure costs & other associated impairments offset by profit on sale of businesses	-	81.8		7.7	29.0	Discontinuing E&C revenue but not shown as such under IFRS ▼
Add back: Acquisition transaction costs expensed during the period	2.1	-		2.8	39.1	Discontinuing L&S revenue but not shown as such under IFRS ▼
Underlying NPAT attributable to owners ^{2,3}	16.2	8.2	▲	225.7	247.9	Continuing under IFRS ¹

1. Sales and other revenue from continuing operations per the Statutory Accounts. Certain businesses that were closed or sold during the periods covered by the table above were either not separate operating segments or were not separate major lines of business to allow for reclassification as discontinued operations in the financial statements with corresponding adjustments to comparatives. This reclassification has been made in slide 10 to enhance comparability of the continuing businesses.
2. Underlying NPAT attributable to owners for the half-year ended 31 December 2013 of \$16.2M is a non-IFRS measure calculated as: NPAT attributable to owners of \$14.1M adjusted for business combination acquisition transaction costs of \$2.1M after tax as disclosed in note 9(c) of the Interim Financial Report.
3. Underlying NPAT attributable to owners for the half-year ended 31 December 2012 of \$8.2M is a non-IFRS measure calculated as: NPAT loss attributable to owners of (\$73.6M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$81.8M after tax) as disclosed in note 9(c) of the Interim Financial Report.
4. 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 – continuing & discontinuing

Continuing and discontinuing in total (A\$M)	H1 FY14	H1 FY13	Change	
Sales and other revenue¹	446.3	551.3	19%	
Underlying EBIT²	24.6	15.7	57%	
% to revenue	5.5%	2.8%		
Underlying NPAT attributable to owners^{3,4}	16.2	8.2	98%	
% to revenue	3.6%	1.5%		
Underlying EPS (cents)⁵	6.7	3.3	103%	
Return on assets (%)⁷	6.6%	2.9%		
Return on equity (%)⁸	12.4%	5.3%		

1. Total continuing and discontinuing revenue per note 3 of the Interim Financial Report.

2. Underlying EBIT is a non-IFRS measure but it is equivalent to the Group's Segment EBIT as disclosed in the Segment Note in the Interim Financial Report and is reconciled to the appropriate IFRS measures in note 2(c)(ii). This measure is used by management to assess the operating performance of the business. It excludes the impacts of: CGU impairments, restructuring costs, closure costs and associated impairments, profits or losses on the sale of businesses or properties, and business combination acquisition transaction costs.

3. Underlying NPAT attributable to owners for the half-year ended 31 December 2013 of \$16.2M is a non-IFRS measure calculated as: NPAT attributable to owners of \$14.1M adjusted for business combination acquisition transaction costs of \$2.1M after tax as disclosed in note 9(c) of the Interim Financial Report.

4. Underlying NPAT attributable to owners for the half-year ended 31 December 2012 of \$8.2M is a non-IFRS measure calculated as: NPAT loss attributable to owners of (\$73.6M) adjusted for CGU impairment, restructuring and closure costs and other associated impairments offset by profit on sale of businesses (totalling a net cost of \$81.8M after tax) as disclosed in note 9(c) of the Interim Financial Report.

5. Underlying Earnings Per Share (EPS) is a non-IFRS measure calculated using Underlying NPAT as described above and in note 9(c) of the Interim Financial Report.

6. 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.

7. Calculated as (Underlying NPAT attributable to owners) divided by (total assets excluding cash) at the end of the period (see slide 11) and multiplied by 2 to arrive at an annualised return rate.

8. Calculated as (Underlying NPAT attributable to owners) divided by (total equity) at the end of the period (see slide 11) and multiplied by 2 to arrive at an annualised return rate.

Summary of financial results – continuing



Continuing only (A\$M)	H1 FY14	H1 FY13	Change (A\$M)	Change %	
Sales and other revenue ¹	215.2	179.8	35.4	19.7%	▲
Underlying EBIT ²	19.1	11.0	8.1	73.6%	▲
Underlying EBIT ² % to revenue	8.9%	6.1%			▲
Trading working capital ³	104.5	90.2	14.3	15.9%	▲

1. Continuing revenue per slide 10 adjusting for businesses closed or sold which could not be disclosed as discontinued operations in the financial statements.
2. Underlying EBIT is a non-IFRS measure but it is equivalent to the Group's Segment EBIT as disclosed in the Segment Note in the Interim Financial Report and is reconciled to the appropriate IFRS measures in note 2(c)(ii). This measure is used by management to assess the operating performance of the business. It excludes the impacts of: CGU impairments, restructuring costs, closure costs and associated impairments, profits or losses on the sale of businesses or properties, and business combination acquisition transaction costs. Underlying EBIT split between continuing and discontinuing business is calculated with reference to slide 10 which adjusts for businesses closed or sold which could not be disclosed as discontinued operations in the financial statements.
3. Trading working capital is stated with reference to slide 12 where working capital categorised as held for sale in prior periods has been restated to enhance comparability throughout the period.
4. 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 – discontinuing

Discontinuing only (A\$M)	H1 FY14	H1 FY13	Change (A\$M)	Change %	
Sales and other revenue ¹	231.1	371.5	(140.4)	(37.8%)	▼
Underlying EBIT ²	5.5	4.7	0.8	17.0%	▲
Underlying EBIT ² % to revenue	2.4%	1.3%			▲
Trading working capital ³	99.2	162.0	(62.8)	(38.8%)	▼

1. Continuing revenue per slide 10 adjusting for businesses closed or sold which could not be disclosed as discontinued operations in the financial statements.
2. Underlying EBIT is a non-IFRS measure but it is equivalent to the Group's Segment EBIT as disclosed in the Segment Note in the Interim Financial Report and is reconciled to the appropriate IFRS measures in note 2(c)(ii). This measure is used by management to assess the operating performance of the business. It excludes the impacts of: CGU impairments, restructuring costs, closure costs and associated impairments, profits or losses on the sale of businesses or properties, and business combination acquisition transaction costs. Underlying EBIT split between continuing and discontinuing business is calculated with reference to slide 10 which adjusts for businesses closed or sold which could not be disclosed as discontinued operations in the financial statements.
3. Trading working capital is stated with reference to slide 12 where working capital categorised as held for sale in prior periods has been restated to enhance comparability throughout the period.
4. 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.

Underlying segment revenue and EBIT by half



	Sales (A\$M) ²					Underlying EBIT (A\$M) ^{1,2}				
	H1 FY14	H2 FY13	H1 FY13	\$ Change H1 FY14- H1 FY13	% Change H1 FY14- H1 FY13	H1 FY14	H2 FY13	H1 FY13	\$ Change H1 FY14- H1 FY13	% Change H1 FY14- H1 FY13
Electronics & Communications	186.8	194.3	181.8			19.1	15.9	11.8		
Continuing	179.1	168.4	152.8	26.3	+17.2%	17.9	15.4	11.8	6.1	+51.7%
Discontinuing ²	7.7	25.9	29.0			1.2	0.5	-		
Lifestyle & Sustainability	38.2	51.1	65.6			1.6	0.7	0.6		
Continuing	35.4	26.6	26.5	8.9	+33.6%	1.1	(0.1)	(0.6)	1.7	+283.3%
Discontinuing ²	2.8	24.5	39.1			0.5	0.8	1.2		
Building & Industrial (discont.)	220.6	221.4	303.4			3.8	1.0	3.5		
Other (cont.)	0.7	0.3	0.5	0.2	+40.0%	0.1	0.1	(0.2)	0.3	NA
Subtotal continuing	215.2	195.3	179.8	35.4	+19.7%	19.1	15.4	11.0	8.1	+73.6%
Subtotal discontinuing	231.1	271.8	371.5			5.5	2.3	4.7		
GRAND TOTAL	446.3	467.1	551.3			24.6	17.7	15.7		

- Underlying EBIT is a non-IFRS measure but it is equivalent to the Group's Segment EBIT as disclosed in the Segment Note in the Interim Financial Report and is reconciled to the appropriate IFRS measures in note 2(c)(ii). This measure is used by management to assess the operating performance of the business. It excludes the impacts of: CGU impairments, restructuring costs, closure costs and associated impairments, profits or losses on the sale of businesses or properties, and business combination acquisition transaction costs.
- Certain businesses that were closed or sold during the periods covered by the table above were either not separate operating segments or were not major separate lines of business that would allow for reclassification as discontinued operations in the financial statements with corresponding adjustments to comparatives. This includes businesses such as: Healthcare, Baileys, Solar, LW Gemmell, and ATS. This reclassification has been made in the table above to enhance comparability of the continuing businesses.
- 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.

Statutory balance sheet



As at (A\$M)	31 Dec 2013	30 Jun 2013	31 Dec 2012	30 Jun 2012
Receivables and other assets	92.1	85.3	176.4	183.2
Inventory	50.7	42.5	143.7	165.3
Assets held for sale	149.2	146.1	13.2	-
Current assets (excluding cash)	292.0	273.9	333.3	348.5
Non-current assets (analysed in later slide)	201.3	184.0	237.9	275.4
Total assets (excluding cash)	493.4	457.9	571.2	623.9
Payables and provisions	112.5	107.0	170.1	130.5
Liabilities held for sale	51.1	75.9	1.0	-
Net debt	67.9	4.0	90.5	92.4
Total equity	261.8	271.0	309.6	401.0
Net debt/(net debt + equity)	20.6%	1.4%	22.6%	18.7%

Trading working capital

As at (A\$M)	31 Dec 2013	30 Jun 2013	31 Dec 2012
Trade debtors	146.9	148.9	166.5
Continuing businesses	79.1	73.0	65.3
Discontinuing, sold or closed ¹	67.8	75.9	101.2
Inventory	107.1	97.6	143.7
Continuing businesses	50.7	38.8	46.6
Discontinuing, sold or closed ¹	56.4	58.8	97.1
Trade creditors	(50.3)	(44.5)	(58.0)
Continuing businesses	(25.3)	(12.7)	(21.7)
Discontinuing, sold or closed ¹	(25.0)	(31.8)	(36.3)
Sundry other	-	0.1	-
Trading Working Capital	203.7	202.1	252.2
Continuing businesses	104.5	99.2	90.2
Discontinuing, sold or closed ¹	99.2	102.9	162.0

1. Trading working capital categorised between continuing businesses and discontinuing, sold or closed businesses has been restated to enhance comparability throughout the period in this slide. Specific trading working capital balances related to discontinuing, sold or closed business have moved on a case by case basis in arriving at the analysis above.

Non-current assets

As at (A\$M)	31 Dec 2013	30 Jun 2013	31 Dec 2012	Change Dec 13 to Jun 13
Property, plant and equipment ¹	69.3	78.8	131.7	(9.5)
Intangible assets	79.5	44.8	56.4	34.7
Deferred tax assets	52.5	60.4	49.8	(7.9)
Total non-current assets	201.3	184.0	237.9	17.3

1. The closing balance of Property, Plant and Equipment at 31 December 2013 included Land of \$27.0M and Buildings of \$26.9M.

Net debt



	A\$M
Debt facilities earliest maturity is in FY15	
Net debt – reported as at 30 June 2013	4.0
Net debt – as at 31 Dec 2013 (well within covenants)	67.9
Total facilities (subject to specific covenant limitations)	202.7

- The movement in Net Debt during the half included the following significant outflows:

On-market share buybacks	\$18.1M
Acquisitions	\$40.4M
Dividends	\$8.0M
Restructure provision settlements	\$10.6M
Total	\$77.1M

- Net cash proceeds from the steel divestments of approximately \$80.0M will place the Company in a surplus cash position.
- Capacity for further acquisitions and or buy backs in line with the Company's strategic and financial objectives.

Cash flow statement

(A\$M)	H1 FY14	H1 FY13	Change \$
Profit/(loss) before tax	21.4	(96.9)	
Add back: Non-cash items (mostly impairments, depreciation)	5.6	114.1	
Profit/(loss) before tax adjusted for non-cash items	27.0	17.2	
Utilisation/(payout) of restructure provisions	(10.6)	-	
(Increase)/decrease in working capital	(25.8)	11.7	
Tax received/(paid)	(0.5)	2.8	
Net cash flow from operating activities	(9.9)	31.7	(41.6)
Acquisitions of businesses	(38.3)	(4.9)	
Capex	(8.2)	(12.2)	
Proceeds from the disposal of businesses	8.1	-	
Proceeds from sale of property, plant and equipment	9.7	0.5	
Other investing cash-flow	0.7	0.4	
Net cash flow from investing activities	(28.0)	(16.2)	(11.8)
Dividends paid	(8.0)	(12.3)	
Payment on share buy-back	(18.1)	-	
Proceeds/(repayment) of borrowings	17.1	(10.2)	
Other financing activities	(0.1)	(1.3)	
Net cash flow from financing activities	(9.1)	(23.8)	14.7
Net cash (reduction)/increase	(47.0)	(8.3)	(38.7)

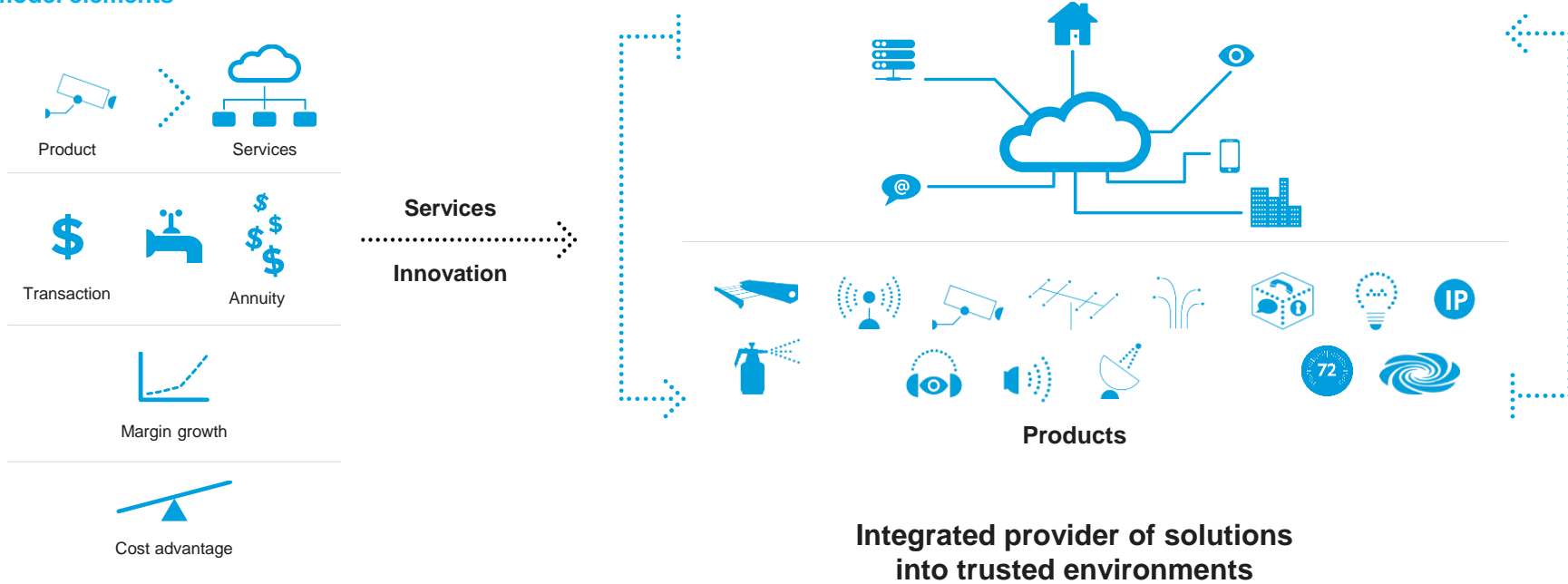
Includes \$12.8m net cash outflow from operating activities in respect of discontinuing operations (note 11(c)(ii) of the Interim Financial Report).

we are HILLS.

Hills 2.0
Strategy & Business Model

Hills 2.0 strategy & business model

Core business model elements



Hills 2.0 priorities

Target higher value end segments & markets

Segments



Government



Enterprise



Small business



Home

Markets



Health



Security & Access Control



Automation



Networking



Sustainable organic growth

- Strong brands and partners
- Large installed base
- Unmatched value-added distribution network
- Web 2.0 enablement



Customer value proposition

- Technical expertise
- Blue-chip products
- New services
- Differentiated solutions



Sales growth potential

- New best in class tools and CRM
- Supply chain and E-enablement of channel
- Focus on growth sectors



Technology solutions lab

- Prototyping
- Detailed design
- Verification testing
- Network and solutions demonstrations
- Advanced technical support

