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Investor Presentation
February 2009



Hills – The Headlines

- Record Sales
- Record EBITDA
- Margins under pressure due to higher steel prices and currency devaluation
- Profit improvement plans in place
 - Margin improvement
 - Overhead reductions
 - Supplier initiatives
- Portfolio review
- Funding in place until November 2010

Group operating performance

Half year ended 31 December 2008 (A\$m)	2008	2007	%	↕
Sales and other revenue	657.6	555.7	18.3%	↑
EBIT	41.2	42.7	-3.5%	↓
NPAT attributable to members before unusual items	21.6	24.1	-10.4%	↓
NPAT attributable to members after unusual items	15.8	23.1	-31.6%	↓
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Operating cash flow	9.4	12.7	-26.0%	↓
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Earnings per share (cents) before unusual items	11.5	13.9	-17.3%	↓
Earnings per share (cents) after unusual items	8.4	13.3	-36.8%	↓
Dividends per share (cents)	8.0	13.5	-	
Gearing (D/E) (%)	47.9%	45.9%		↑



Building and Industrial



Electronic Security and Entertainment



Home, Hardware and Eco



Significant brand equity across three divisions

Hills – division profiles

Electronic Security & Entertainment (ES&E)

- Largest importer and wholesaler of security alarms, CCTV and integrated access control systems
- Leading supplier of a range of TV reception and distribution equipment
- Dominant player in the commercial and professional audio market

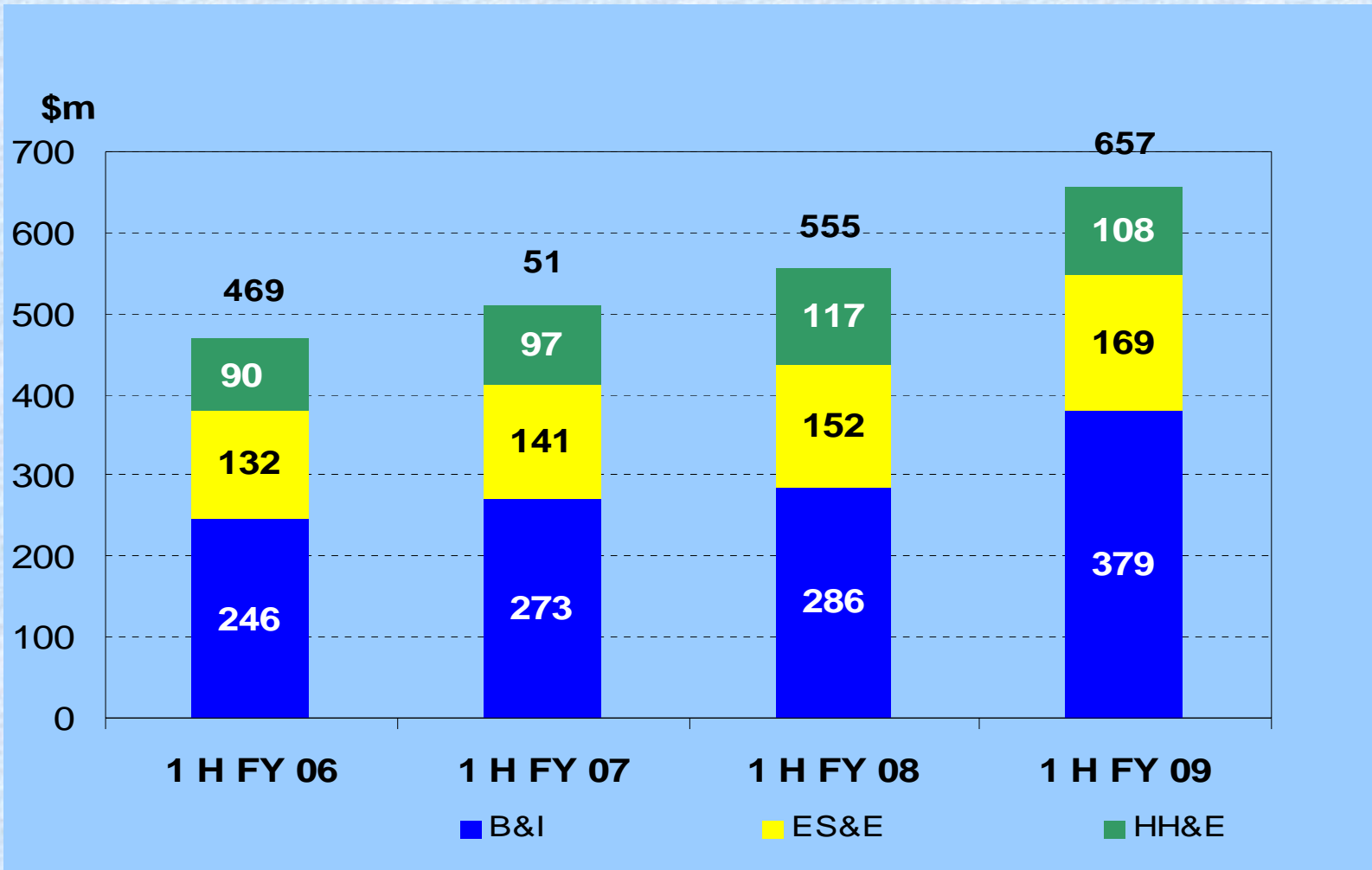
Home, Hardware & Eco (HH&E)

- Global market leader in outdoor drying products
- Largest ladder and scaffolding manufacturer in Australia
- Niche aged care, mobility and rehabilitation business
- Significant presence in rural and urban water storage systems

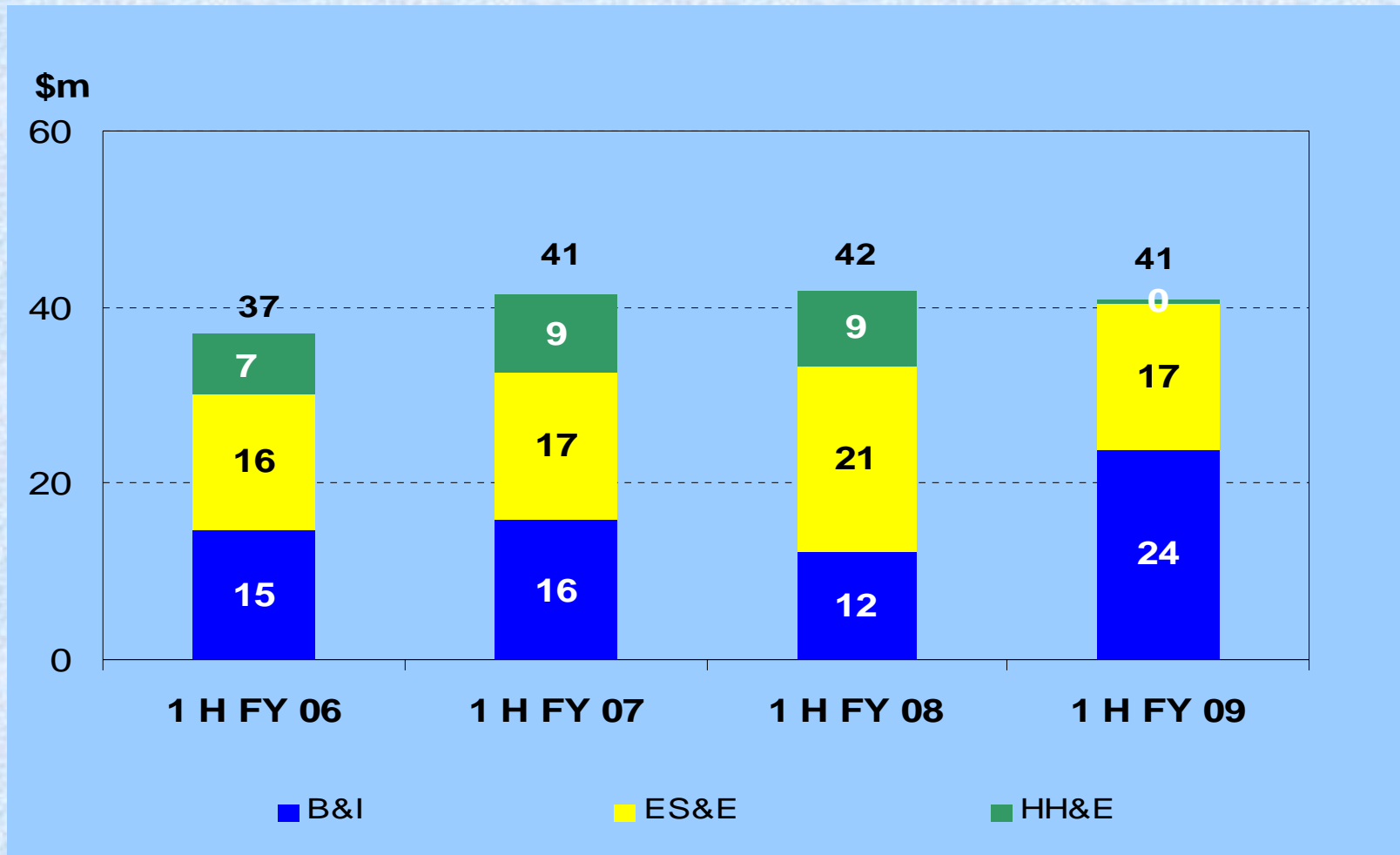
Building & Industrial (B&I)

- Manufacturer of steel tube & pipe with distribution strength and service excellence
- Extensive range of rollformed products using proprietary technology and custom engineered solutions.

Sales by division



EBIT by division



Electronic Security & Entertainment

Half year ended 31 December 2008 (A\$m)	2008	2007	%	↕
Sales	169.5	151.8	11.6%	↑
EBIT	16.8	21.0	-19.9%	↓
EBIT margin (%)	9.9%	13.8%		↓



Electronic Security



- Electronic Security & Surveillance Equipment



Trading Update

- Satisfactory sales in volatile environment
- \$A devaluation reduced margins and EBIT
- Slow down in large projects

Strategy

- Investment in emerging technologies and controlling product IP
- Superior customer service and geographic reach

Outlook

- Continued evolution of product offer
- Bolt-on opportunities in emerging security markets
- Margin recovery will take time

Antenna & TV Systems

- Domestic and commercial audio, video, data and entertainment products and services



Trading Update

- Sales growth but EBIT decline due to input cost increase
- Geographic expansion into FNQ with AUSTAR
- Opticomm rollout continues but not yet contributing

Strategy

- Leading supplier of hardware to Foxtel and AUSTAR
- Early position in the FTTN/FTTH space through Opticomm
- Range extension

Outlook

- Opticomm nearing critical mass
- Expand our push into Consumer Electronics market
- Margins to remain subdued

Hills SVL



- Sound, Vision & Lighting Equipment



Trading Update

- EBIT improved
- Crestron gaining market share

Strategy

- Digital Signal Processing an emerging technology
- Development of Crestron range
- Overseas sales of Australian Monitor

Outlook

- Continual sales and earnings growth
- Digital revolution

Building & Industrial

Half year ended 31December 2008 (A\$m)	2008	2007	%	↕
Sales	379.0	285.9	32.6%	↑
EBIT	23.7	12.3	93.6%	↑
EBIT margin (%)	6.3%	4.3%		↑



Orrcon

- Precision, Structural and Large Pipe & Tube



Trading Update

- Much improved result
- Steady volume of Major Project work
- Benefits from industry rationalisation

Strategy

- Improve capacity of structural mills
- Fill gaps in range with imported product

Outlook

- Steel price declining
- Slow down in mining related infrastructure build
- Uncertain demand for steel



Fielders

- Roll-formed roofing, cladding, flooring, purlins, door frames and sheds



60% owned

Trading Update

- Pleasing sales and earnings
- Sale to Fletcher did not proceed

Strategy

- New product development
- Broaden geographic footprint

Outlook

- Improvement in Eastern States operations
- Building activity outlook a concern

Korvest

EzyStrut



KORVEST LTD

- Cable and Pipe Support systems, Hot Dip Galvanising and Industrial Grating



47% owned

Trading Update

- Solid trading result
- Significant improvement in galvanising business
- EzyStrut benefits from infrastructure activity

Strategy

- Supply chain improvement
- Grating system growth

Outlook

- Expand push into resource sector
- Ongoing review of acquisition opportunities

Home, Hardware & Eco

Half year ended 31December 2008 (A\$m)	2008	2007	%	↕
Sales	108.3	117.5	-7.8%	↓
EBIT	0.4	8.7	-95.1%	↓
EBIT margin (%)	0.4%	7.4%		↓



Consumer products



- Home & Hardware products



Trading Update

- Sales and earnings result below expectations
- High supply chain costs
- Margin squeeze due to input costs (steel and AUD)

Strategy

- Supply chain improvement
- Focus on design and speed to market
- Product range rationalisation
- Margin recovery

Outlook

- Subdued earnings expected in tough trading conditions
- Supply chain cost reduction
- New product releases

Hills Eco



- Polyethylene water tanks, solar hot water and water storage solutions



Trading Update

- Severe market contraction

Strategy

- Improve the logistics model
- Upgrade our product offering

Outlook

- Industry rationalisation is required
- Broaden our Eco offer
- Water remains an issue

Hills Healthcare



- Homecare, Rehabilitation, Hospital and Nursing Home Equipment



Trading Update

- Earnings result flat due to margin squeeze
- Excellent market response to new nursing home bed

Strategy

- New product development
- Develop supply chain and low cost sourcing
- Broaden distribution network

Outlook

- Demographics shaping demand
- Steady earnings expected

Capital management – key measures

Half year ended 31 December 2008	2008	2007
Net debt (A\$m)	210.6	164.1
Net interest expense (A\$m)	7.2	6.4
Interest cover (times)	5.7	6.7
Operating cash flow	9.4	12.7
Gearing (D/E) (%)	47.90%	45.90%

- We are comfortably within banking covenants
- Long term bank facilities of A\$225m secured until November 2010

Other matters

- Significant improvement in safety across the Group
- Safety remains a top priority with zero harm the Group goal
- Carbon emissions compliance by 2010 – project team established
- Fielders sale did not proceed
- Mark to market
- Share Purchase Plan

Business strategy

Electronic Security & Entertainment

Growth through emerging technologies

Creates ownership of product IP

Building and Industrial

Maximise sales in difficult environment

Steel price likely to decline

Home, Hardware and Eco

Product range extension using the Hills' brand

Improvement in supply chain

Expansion in healthcare

FY09 Outlook

- Macroeconomic conditions poor
- First half EBIT margin reductions will take some time to recover
- Diversification reduces earnings risk
- Improvement in underperforming businesses
- Renewed focus on our portfolio of businesses
- Improved operating cash flows

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