HILLS HOLDINGS

HALF YEAR RESULTS FY2013

Hills Holdings

TODAY

KEY HIGHLIGHTS

OUR FY13 FIRST HALF RESULTS

GROUP PERFORMANACE

FIRST HALF NPAT[1] $8.2M IN LINE WITH NOVEMBER AGM GUIDANCE.

STRONG MANAGEMENT OF WORKING CAPITAL AND CASH – CASH FLOW FROM OPERATIONS UP 295%.

GROUP RESTRUCTURE ON TRACK, SAVINGS AS EXPECTED.

FURTHER COST-OUT IDENTIFIED.

SOME BUSINESSES NEED STRONGER PERFORMANCE IMPROVEMENT.

1. Net profit after tax (NPAT) attributable to owners before CGU impairment, restructure and closure costs and other associated impairments for the half-year ended 31 December 2012 of $8.2M, a non-IFRS measure calculated as: NPAT loss attributable to owners of ($73.6M) adjusted for impairment and restructuring costs of $81.8M after tax. For further details, see the 'Summary of Financial Results' and 'Financial Overview' slides.

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FY13 FIRST HALF FINANCIAL RESULTS

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SUMMARY OF FINANCIAL RESULTS

(A$M)	1H FY13	1H FY12	
Sales and other revenue	551.3	552.6	▼
EBIT before CGU impairment, restructuring and closure costs and other associated impairments[1]	15.7	24.5	▼
NPAT attributable to owners before CGU impairment, restructuring and closure costs and other associated impairments[2]	8.2	15.0	▼
Impairment and restructure costs	(110.3)	-	▼
Cash Flow from operating activities	31.7	8.0	▲
Dividends per share (cents)	-	5.0	▼

1. EBIT before CGU impairment, restructure and closure costs and other associated impairments for the half-year ended 31 December 2012 of $15.7M is a non-IFRS measure calculated as: EBIT loss for the year of ($94.6M) adjusted for impairment and restructure costs of $110.3M.

2. Net profit after tax (NPAT) attributable to owners before CGU impairment, restructure and closure costs and other associated impairments 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 impairment and restructuring costs of $81.8M after tax.

The non-IFRS measures used by the Company are relevant because they are consistent with measures used internally by management to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

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OUR CHALLENGES AS OUTLINED AT THE AGM

CHALLENGES

- ROE/ROC
- HIGH FIXED COSTS
- DIVERSIFIED AND CYCLICAL EXPOSURE
- MARKET SHARE
- REVENUE

FOCUS

- TRANSFORMATION
- INNOVATION

OUTCOMES

- IMPROVE MARGINS
- IMPROVE ROC/TSR
- SHIFT TO GROWTH SECTORS
- EXPLOIT TRENDS IN TECH AND COMMS

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TRANSFORMATION PLAN

FOCUS	H2FY2013	FY2014	FY2015
TRANSFORMATION	TARGETED CLOSURES	EMBEDDED SALES DISCIPLINE	CONTINUOUS IMPROVEMENT
	EXITS	VERTICAL INTEGRATION	BENCHMARKS
	DEEP COST OUT	SUPPLY CHAIN IMPROVEMENTS	
	WORKING CAPITAL, MANAGE FOR CASH	PRODUCT/ CHANNEL PROFITABILITY	

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TRANSFORMATION SCORECARD AT H1 FY2013

FOCUS	H2FY2013	PROGRESS TO DATE
TRANSFORMATION	TARGETED CLOSURES	• Water tank business restructured • Fielders QLD closed • Orrcon branches
	EXITS	• Healthcare sale completed • Solar HW units exited
	DEEP COST OUT	• Fielders • ATS • Orrcon • Structural costs
	WORKING CAPITAL, MANAGE FOR CASH	• Cash inflow from operations increased by $23.7m

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INNOVATION AS OUTLINED AT THE AGM

FOCUS	H2FY2013	FY2014	FY2015
INNOVATION	BRAND RE-ENERGISED	NEW DEVELOPMENT PARTNERS	CATEGORY LEADING POSITIONS
	NEW SUPPLIERS	NEW CHANNELS	INNOVATION CULTURE EMBEDDED
	ACCELERATED PRODUCT RELEASES	NEW PRODUCTS NEW MARKETS NEW SEGMENTS	TALENT & SUCCESSION
	RECRUIT DESIGN COMPETENCIES	ACQUISITIONS	

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INNOVATION AS OUTLINED AT THE AGM

FOCUS	H2FY2013	PROGRESS TO DATE
INNOVATION	BRAND RE-ENERGISED	• Banjo Advertising engaged • Branding/repackaging • Targeting marketing cost reduction
	NEW SUPPLIERS	• ATICO China sourcing engaged for price and quality
	ACCELERATED PRODUCT RELEASES	• Design & Industry, industrial designers engaged on projects
	RECRUIT DESIGN COMPETENCIES	• IDEO, global design company on board

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SUMMARY OF STATUTORY RESULTS

(A$m)	1H FY13	1H FY12	▲▼
SALES AND OTHER REVENUE	551.3	552.6	▼
EBIT	(94.6)	24.5	▼
NPAT ATTRIBUTABLE TO MEMBERS	(73.6)	15.0	▼
CASH FLOW FROM OPERATING ACTIVITIES	31.7	8.0	▲
DIVIDENDS PER SHARE (CENTS)	-	5.0	▼
GEARING (Net Debt / ((Net Debt + Equity)) (%)	22.6%	18.7%[1]	▲

Note

1. Gearing in the comparative reflects the position as at 30 June 2012.

Hills Holdings

FINANCIAL OVERVIEW

(A$m)	1H FY13	1H FY12	▲▼
Sales and other revenue	551.3	552.6	▼
EBIT before CGU impairment, restructuring and closure costs and other associated impairments[1]	15.7	24.5	▼
NPAT attributable to owners before CGU impairment, restructuring and closure costs and other associated impairments[2]	8.2	15.0	▼
Cash Flow from operating activities	31.7	8.0	▲
Earnings per share (cents)[3]	3.3	6.1	▼
Dividends per share (cents)	-	5.0	▼
Gearing (Net Debt / ((Net Debt + Equity)) (%)	22.6%	18.7%[4]	▲

1. EBIT before CGU impairment, restructure and closure costs and other associated impairments for the half-year ended 31 December 2012 of $15.7M is a non-IFRS measure calculated as: EBIT loss for the year of ($94.6M) adjusted for impairment and restructure costs of $110.3M.
2. Net profit after tax (NPAT) attributable to owners before CGU impairment, restructure and closure costs and other associated impairments 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 impairment and restructuring costs of $81.8M after tax.
3. Before CGU impairment, restructure and closure costs and other associated impairments(as disclosed in note 9 (c) of the 31 December 2012 Appendix 4D).
4. Gearing in the comparative reflects the position as at 30 June 2012.

The non-IFRS measures used by the Company are relevant because they are consistent with measures used internally by management to assess the operating performance of the business. The non-IFRS measures have not been subject to audit or review.

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TRADING RESULT BY SEGMENT

Sales (A$m)	1H FY13	1H FY12	%	
Electronics & Communications	181.8	161.2	12.8%	▲
Lifestyle & Sustainability	65.6	72.6	(9.7%)	▼
Building & Industrial (including Korvest)	303.4	318.4	(4.7%)	▼
Other	0.5	0.4	-	
TOTAL	551.3	552.6	(0.2%)	▼

EBIT* (A$m)	1H FY13	1H FY12	%	
Electronics & Communications	11.8	15.5	(23.7%)	▼
Lifestyle & Sustainability	0.6	6.3	(90.0%)	▼
Building & Industrial (including Korvest)	3.5	2.4	47.8%	▲
Other	(0.2)	0.3	-	
TOTAL*	15.7	24.5	(36.1%)	▼

* Before CGU impairment, restructure and closure costs and other associated impairments (as reconciled on the Financial Overview slide)

RESTRUCTURING

SEGMENT	COURSE OF ACTION	IMPAIRMENT (per AGM)	IMPAIRMENT (1/2 Year)
BUILDING & INDUSTRIAL	Orrcon: Structural adjustments and branch consolidations. Fielders: Consolidation of plants and closure of non performing branches.	$71M to $75M	$75.3M
LIFESTYLE & SUSTAINABILITY	Hills Solar: Withdraw from the Solar Hot Water specific product range. Poly-ethylene business: Restructure. Consolidate activities into fewer premises.	$17M to $19M	$19.7M
ELECTRONICS & COMMUNICATIONS	Simplify the division structure. Supply chain procurement improvements.	$5M to $6M	$5.7M
TRANSFORMATION	Supply Chain. Facilities rationalisation. Support activities re-alignment.	$7M to $10M	$9.6M
	TOTAL	$100M to $110M	$110.3M

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POTENTIAL SAVINGS (pre-tax)

SAVINGS ACTIVITY	FY13 $M RANGE	FY14 $M RANGE
Reduced Depreciation charges (after impairments and site consolidation)	$2.8M - $3.2M	$5.6M - $6.4M
Reduced Facilities charges (rent & lease costs after impairments and site consolidation)	$1.6M - $2.2M	$3.2M - $4.2M
Headcount, Overhead and fixed cost reduction (mainly staff costs)	$3.0M - $6.5M	$16.0M - $20.4M
Supply Chain (consolidation and structural changes excluding staff cost and facility cost reductions shown above)	$2.6M - $3.1M	$5.2M - $9.0M
TOTAL	$10M - $15M	$30M - $40M

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BALANCE SHEET

As at (A$m)	31 Dec 12	30 Jun 2012
Receivables and other assets	176.4	183.2
Inventory	143.7	165.3
Assets held for sale	13.2	-
Current Assets (excluding cash)	333.3	348.5
Non Current Assets (analysed in later slide)	237.9	275.4
Total Assets (excluding cash)	571.2	623.8
Payables and provisions	171.1	130.5
Net Debt	90.5	92.4
Total Equity	309.6	400.9
Net debt/equity	29.2%	23.0%
Net debt/(net debt + equity)	22.6%	18.7%[1]

Note

1. Gearing in the comparative reflects the position as at 30 June 2012.

Hills Holdings

TRADING WORKING CAPITAL

As at (A$m)	31 Dec 2012	30 Jun 2012
Trade Debtors	166.5	169.5
Inventory	143.7	165.3
Trade Creditors	(58.0)	(51.1)
Sundry Other	-	1.6
Trading Working Capital	252.2	285.3

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NON CURRENT ASSETS

Non Current Assets (A$m)	Note	31 Dec 12	30 Jun 12
Land and buildings	a	97.0	105.8
Plant and equipment	b	34.7	82.2
Other non-current assets (deferred tax assets and other intangibles)	c	106.2	87.4
Total Non Current Assets		237.9	275.4

Notes

a. Land and buildings decreased by a net $8.8m including Independent Valuation write-downs.
b. Plant and equipment decreased by a net $47.5m including $40m in impairments.
c. Other non-current assets increased by $18.8m including the capitalisation of Project Primus costs:
   - Primus costs to date - $21M
   - Expected to be spent in total - $27M
   - Original budget - $32.9M
   - Planned completion - 3rd quarter of FY2015
   - Corporate and Lifestyle & Sustainability first to go-live in 3rd quarter of FY2013

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CASHFLOW

Half year ended 30 June (A$m)	1H FY13	1H FY12
Profit / (loss) before tax	(96.9)	21.6
Add back:		
Depreciation and amortisation	10.6	10.3
Impairment of goodwill and other assets	76.4	0.0
Increase in restructure provisions	28.7	-
Other non-cash items	(1.6)	(1.9)
Profit / (loss) before tax adjusted for non-cash items	17.2	30.0
Decrease / (increase) in working capital	11.7	(17.1)
Tax received / (paid)	2.8	(4.9)
Net cash from operating activities	**31.7**	**8.0**
Dividends paid	(12.3)	(11.2)
Payment on share buy-back	-	(3.1)
Proceeds from sale of property, plant and equipment	0.5	0.3
Acquisitions of businesses	(4.9)	0.0
Capex	(12.2)	(15.0)
(Repayment)/Proceeds of borrowings	(10.2)	29.3
Other non operating cash flow	(0.9)	(0.2)
Net cash (reduction) / increase	**(8.3)**	**8.1**

KEY RATIO MOVEMENTS

	1H FY 13	1H FY12	% change from prior comparable period*
Revenue	$551.3m	$552.6m	(0.2%)
EBIT #	$15.7m	$24.5m	(36.1%)
NPAT #	$8.2m	$15.0m	(45.5%)
EBIT/Revenue #	2.8%	4.4%	▼
NPAT/Revenue #	1.8%	3.0%	▼
Return on Assets #	4.6%	6.7%	▼
Return on Equity #	8.7%	10.7%	▼

Before CGU impairment, restructure and closure costs and other associated impairments (as reconciled on the Financial Overview slide).

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HILLS HOLDINGS

HALF YEAR RESULTS FY2013

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