HILLS

GOLDMAN SACHS 4TH ANNUAL EMERGING COMPANIES CONFERENCE

SYDNEY MAY 2013

Hills Holdings

TODAY

EARLY HILLS

A NEW HILLS

RESTRUCTURE

TRANSFORMATION

GROWTH

OUTLOOK FOR FY13

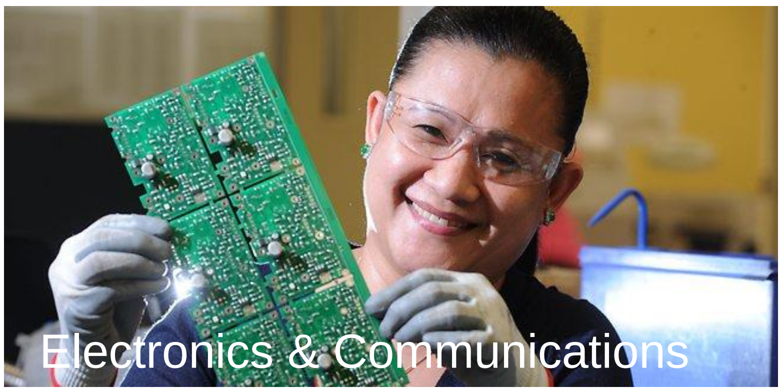
YOUR QUESTIONS

APPENDIX: RECENT FINANCIAL DATA

EARLY HILLS

HILLS UNTIL 2012. DIVERSIFICATION.

Business under pressure due to downturn in construction sector.



FY12 Snapshot

- **Revenue $1.1bn**
- **EBIT $45m, EBITDA $ 65m**
- **Net Debt $92M**
- **Market Cap $260m**

A NEW HILLS

HILLS FROM 2013.
RESTRUCTURE, TRANSFORM & SEEK GROWTH.

RESTRUCTURE

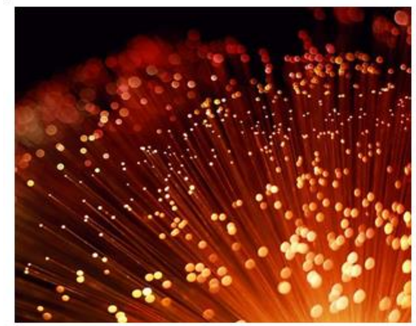
- EXIT STEEL
- SELL NON CORE ASSETS
- RESTRUCTURE BALANCE SHEET

TRANSFORM

- COST OUT
- SUPPLY CHAIN IMPROVEMENTS
- NEW IT SYSTEMS AND PROCESSES

SEEK GROWTH

- REDFINE STRATEGY AND FOCUS
- LEVERAGE BRAND
- BUILD IN TECHNOLOGY AND COMMUNICATIONS



FIRST STEP
RE-STRUCTURE

RESTRUCTURE LARGELY COMPLETE, WITH REMAINING EXITS ACTIVELY MARKETED

TARGETED CLOSURES	**FIELDERS QLD**	Green	Closed
	FIELDERS ADELAIDE	Green	Consolidated sites
	ORRCON BRANCHES	Green	Closed
EXITS	**SOLAR HW**	Green	Exited
	HEALTHCARE	Green	Sold
	TEAM POLY (Water Tanks)	Green	Tanks sold; crushing business retained
	KORVEST	Green	Stake sold via Book Build
	FIELDERS	Amber	Lazard engaged: IM issued
	ORRCON	Amber	Lazard engaged: IM issued

CASH FLOW STRENGTHENING AND NET DEBT BELOW $35M (MID-MAY)

	A$M
Debt facilities renewed, earliest maturity is now FY15	
Net Debt – reported as at June 2012	**92.4**
Net Debt – reported as at December 2012	**90.5**
Net Debt – as at May 2013 (well within covenants)	**<35.0**
Total Facilities (subject to specific covenant limitations)	**202.7**

Operating Cash Flow –improving but working capital in the Steel businesses can change materially through seasonal and other factors.

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RESTRUCTURE &TRANSFORMATION CHARGES BROADLY IN-LINE WITH EXPECTATIONS

	SEGMENT	COURSE OF ACTION	IMPAIRMENT CHARGES A$M
RESTRUCTURE	BUILDING & INDUSTRIAL	Orrcon: Structural adjustments and branch consolidations Fielders: Consolidation of plants and closure of non performing branches	75.3
	LIFESTYLE & SUSTAINABILITY	Hills Solar: Withdraw from the Solar Hot Water specific product range Poly-ethylene business: Restructure Consolidate activities into fewer premises	19.7
	ELECTRONICS & COMMUNICATIONS	Simplify the division structure	5.7
TRANSFORMATION	TRANSFORMATION 1H FY13	Supply Chain Facilities rationalisation Support activities re-alignment	9.6
		TOTAL AT 1H FY13	**110.3**
	TRANSFORMATION 2H FY13 (activities that could not be provided for at the half-year)	Supply Chain Facilities rationalisation Support activities re-alignment	4.5*
		TOTAL FOR FY13	**114.8***

*subject to finalisation of FY13 accounts and other restructuring charges

SECOND STEP
TRANS-
FORMATION

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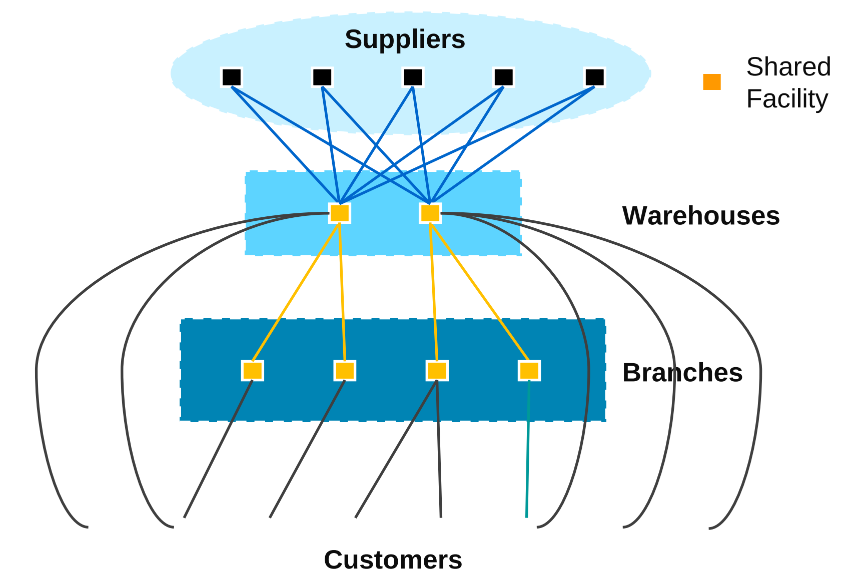
SUPPLY CHAIN TRANSFORMATION IS WELL UNDER WAY

Proposed Distribution Network Model



WAREHOUSE FACILITIES

- National Distribution Centres
- Less facilities saving rental and occupancy cost

INVENTORY

- SKUs for multiple business units in fewer places
- Consolidated and rationalised inventory
- Customer Service levels will improve

COSTS

- Reduced inventory holding costs
- Reduced freight movements and costs

POTENTIAL SAVINGS IN-LINE WITH EXPECTATIONS

	SAVINGS ACTIVITY	FY13 RANGE ($M)	FY14 RANGE ($M)
RE-STRUCTURE	Reduced depreciation charges[1]	3	6
	Reduced facilities charges[2]	2	3 - 4
	Headcount, overhead and fixed cost reduction[3]	5 – 6	5 - 10
TRANS-FORMATION	Supply chain[4]	2	16 - 20
	SUBTOTAL	**12 - 13**	**30 - 40**
	Other Transformation activities	-	4 - 5
	TOTAL GROSS SAVINGS (PRE-TAX)	**12 - 13**	**34 - 45**

Associated Impairment and Restructuring Costs of $110.3m recognised in 1H FY13 plus $4.5m* in 2H FY13 that could not be provided for in the half-year accounts, totalling $114.8m in FY13*

*subject to finalisation of FY13 accounts and other restructuring charges

1. After impairments and site consolidation.
2. Rent and lease costs after impairments and site consolidation
3. Mainly staff costs
4. Consolidation and structural changes excluding staff costs and facility cost reductions shown above.
5. Further supply chain restructuring and associated savings coming online from FY14

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SOME OF THE GROSS SAVINGS ARE OFFSET BY LOST MARGIN

SAVINGS ACTIVITY	FY13 RANGE ($m, pre tax)	FY14 RANGE ($m, pre tax)
Restructure (targeted savings)	10 – 11	14 – 20
Transformation[1]	2	20 – 25
TOTAL GROSS SAVINGS	**12 – 13**	**34 – 45**
Less discontinued margin[2]	(3) – (4)	(6) – (8)
TOTAL SAVINGS	**8 – 10**	**26 – 39**

1. Further supply chain restructuring and associated savings coming online from FY14
2. Expected direct margin impact of site consolidations or closures

RESTRUCTURE & TRANSFORMATION FACILITATES RE-INVESTMENT IN GROWTH & INNOVATION

	FY13 ($M, PRE TAX)	FY14 ($M, PRE TAX)
ANTICIPATED RE-INVESTMENT IN INNOVATION AND GROWTH	3	15

INNOVATION

- Ongoing investment of up to $15m in total per annum in design, innovation and development capabilities in E&C and L&S
- Payback on investment expected to phase in from the end of FY14

GROWTH

- Use of proceeds from asset sales used to fund acquisitions
- Focus is on complementary businesses that deliver scale and are earnings accretive

IN SUMMARY - WE ARE ON TRACK AND MAKING PROGRESS

OUR RE STRUCTURING IS LARGELY COMPLETE.

- Targeted closures and initial business exits completed.
- Korvest stake sold, initiated sales process for Orrcon and Fielders .

OUR FINANCIAL HEALTH IS GETTING BETTER.

- Cost and expense reduction on track but there is always more to do.
- Our Cash flow is strengthening.
- Net debt below $35m as at 13 May - we are in good shape.

OUR NEW STRATEGY IS BEING SHAPED AND NEW PLANS BEING DEVELOPED.

- Reinvigorating our business units to be the market leader in innovative solutions.
- New leadership team in place.
- FY14 Budget and FY14-16 Plan in preparation.

THIRD STEP
GROWTH

BY FY16 OUR INTENTION IS THAT OUR COMPANY WILL HAVE CHANGED

KEY STRATEGIC SETTINGS AS OUTLINED AT THE AGM.

- Move into higher growth sectors (e.g. communications and technology)
- 75% of revenue in non-steel activities by 2015
- Improve our returns to shareholders and valuation
- Reposition the Hills brand

TARGETED FY16 SETTINGS.

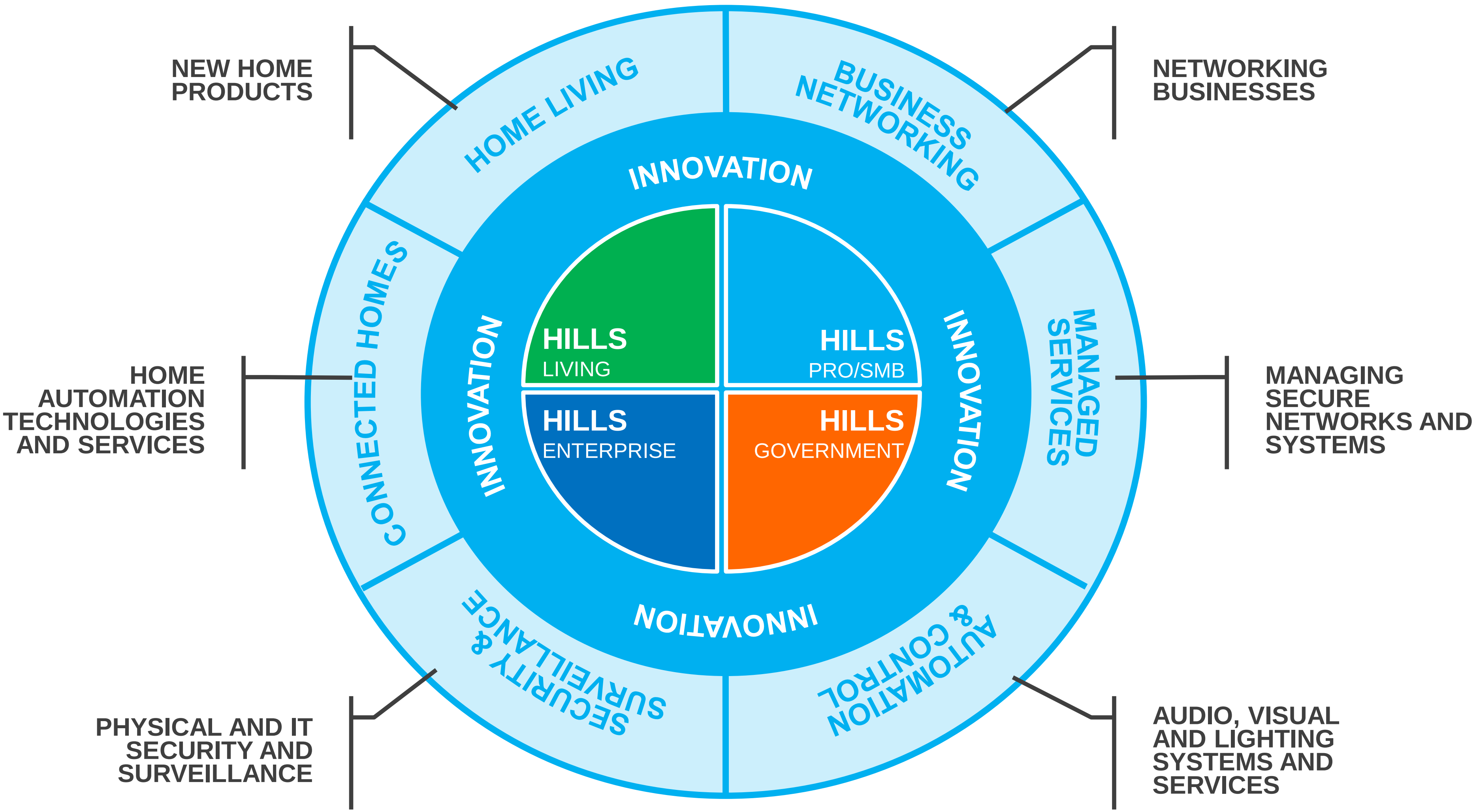
STRATEGIC

- We have grown by complementary acquisitions
- We are #1 or #2 in our chosen markets
- 75% of revenues from electronics and communications
- 15 – 25% of revenue from services

FINANCIAL

- Sustained EPS growth
- Return on funds employed > 13 – 15%
- Net debt / net debt + equity <40%
- Dividend payout ratio of 50 – 75% (fully franked)

TO GET THERE OUR STRATEGY WILL SEE US FOCUS AROUND 4 CUSTOMER SEGMENTS



WE ARE ALSO LOOKING TO GROW AND ACQUIRE BUSINESSES IN ‘TRUSTED ENVIRONMENTS’

BUILD ON OUR BRAND’S TRUST.

SOLID. DEPENDABLE.
CONNECTED TO THE HOME.
SAFE.

BUILD IN ‘TRUSTED ENVIRONMENTS’.

HOMES. AGED CARE. HOSPITALS. SCHOOLS, COLLEGES, UNIVERSITIES. BUSINESSES AND GOVERNMENTS.

BUILD THROUGH TRUSTED SERVICES & SOLUTIONS.

SECURE NETWORK NICHES. SECURE NETWORKING VIDEO CONFERENCING AND COMMUNICATIONS.

TRUSTED SERVICES. HEALTH-RELATED SOLUTIONS (E.G. MONITORING, COMMS AND OTHER TECH)

OUR VISION IS CLEAR

ONE HILLS

Seek growth through innovation. To be the market leader in innovative solutions for homes, businesses, enterprises and governments.

OUR SHAREHOLDERS

Deliver consistent, superior shareholder returns through focused growth and efficient and effective business practices.

OUR PEOPLE

Developing one team focused on delighting our customers using innovation, hard work and a dedication to service excellence.

AND WE INTEND TO REINVEST IN BRAND, MARKETING AND INNOVATION.

ANNUAL RE-INVESTMENT OF UP TO $15M REQUIRED FOR BRANDING, MARKETING & INNOVATION CAPABILITIES.

BRANDING & MARKETING

- To reflect re-focus on innovation.
- A strong Australian brand.
- Across products to create consistency and leverage brand investments.
- To support and strengthen distribution channel performance and partners.

INNOVATION

DESIGN + INDUSTRY

Engaged on accelerated product release projects

- Largest and leading industrial design and product engineering consultancy in Australia.
- Two home hardware product designs selected for rapid development (2013).

IDEO

Engaged to build innovation capabilities

- Award winning global design and innovation consultancy.
- Reviewed Hills' innovation and product development capabilities.
- Developing principles, frameworks and concepts for Hills.

OUTLOOK FOR FY13.

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WE ARE COMFORTABLE WITH MARKET RANGE OF FY13 FORECAST NPAT

(A$m)	FY13 NPAT RANGE[1]	CONSENSUS [2]
Market range (Feb 2013)	17.0 – 19.1	17.9
Effect of Sale of Korvest and Healthcare	(0.8)[3]	(0.8)[3]
Market range[1] updated for Korvest & Healthcare sale	16.2 – 18.3	17.1

Subject to market conditions and before impairment and restructuring charges of $114.8m in full year FY13, Hills is comfortable with the Market FY13 NPAT range.

1. The range of the median three of the five equity analysts actively following Hills as at 27/03/13.
2. Average of the median three of the five equity analysts actively following Hills as at 27/03/13.
3. Net impact after interest savings.

YOUR QUESTIONS

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APPENDIX:
RECENT FINANCIAL DATA.

Hills Holdings

REPORTED NUMBERS AND THE EFFECT OF BUSINESSES CLOSED & SOLD

	AS REPORTED		EXCLUDING SOLD & CLOSED BUSINESSES[4]	
(A$m)	1H FY13	1H FY12	1H FY13	1H FY12
Sales and other revenue	551.3	552.6	505.0	497.9
EBIT before CGU impairment, restructuring and closure costs and other associated impairments[1]	15.7	24.5	12.5	18.4
NPAT attributable to owners before CGU impairment, restructuring and closure costs and other associated impairments[2]	8.2	15.0	7.1	12.3
Cash Flow from operating activities	31.7	8.0		
Net Debt[3]	90.5	92.4		

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. Adjusted results in the columns to the right are calculated on a similar basis but exclude businesses sold or closed.

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. Adjusted results in the columns to the right are calculated on a similar basis but exclude businesses sold or closed.

3. Net debt in the comparative reflects the position as at 30 June 2012.

4. Excludes Korvest, Healthcare and Solar.

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 and adjusted columns have not been subject to audit or review.

REPORTED SEGMENTS AND THE EFFECT OF BUSINESSES CLOSED & SOLD

Sales (A$m)	AS REPORTED 1H FY13	AS REPORTED 1H FY12	EXCLUDING SOLD & CLOSED BUSINESSES[1] 1H FY13	EXCLUDING SOLD & CLOSED BUSINESSES[1] 1H FY12
Electronics & Communications	181.8	161.2	181.8	161.2
Lifestyle & Sustainability	65.6	72.6	51.9	56.4
Building & Industrial	303.4	318.4	270.8	279.9
Other	0.5	0.4	0.5	0.4
TOTAL	551.3	552.6	505.0	497.9

EBIT[2] (A$m)	AS REPORTED 1H FY13	AS REPORTED 1H FY12	EXCLUDING SOLD & CLOSED BUSINESSES[1] 1H FY13	EXCLUDING SOLD & CLOSED BUSINESSES[1] 1H FY12
Electronics & Communications	11.8	15.5	11.8	15.5
Lifestyle & Sustainability	0.6	6.3	0.6	5.0
Building & Industrial	3.5	2.4	0.3	(2.4)
Other	(0.2)	0.3	(0.2)	0.3
TOTAL[2]	15.7	24.5	12.5	18.4

1. Excludes Korvest, Healthcare and Solar.
2. Before CGU impairment, restructure and closure costs and other associated impairments (as reconciled on the previous slide)

THANK YOU