

## **ASX / MEDIA RELEASE**

4 July 2013

### **CONFIRMATION OF EARNINGS OUTLOOK, ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS**

Hills Holdings Limited (ASX: "HIL") is pleased to provide the following update to the market:

#### **Confirmation of Group Earnings Outlook**

The market consensus for the Company's underlying<sup>1</sup> FY13 results was in the range of \$16.1 million to \$18.6 million net profit after tax (NPAT).

The Company now expects FY13 underlying<sup>1</sup> NPAT, on the same basis, to be slightly higher than the top end of this range.

Market consensus has been determined before restructuring and impairment charges, gains and losses on disposal of businesses and other associated impairments. The latest update on these charges is detailed in the table on page 2 of this announcement.

Full year results for FY13 are expected to be released to the market on 20 August 2013.

#### **Dividend**

The Board of the Company advises that, subject to final audit and market conditions, it expects to declare a dividend at the time of the full year results release in August. The degree to which the dividend will be franked, if at all, is subject to the outcome of a Private Binding Ruling which the Company is seeking from the Australian Taxation Office in relation to this particular dividend as a result of the restructuring and impairment charges in FY13. The Board also reconfirms its intention to target, on an annual basis, a dividend payout ratio of 50% to 75% of profits on a fully franked basis.

#### **Assets Sold**

As part of the continuing restructure and transformation of the business, on 28 June 2013, the Company announced that it had sold its Bailey Ladders division to the privately held Werner Co. for an undisclosed sum. Werner Co. is the world leader in the manufacturing and distribution of ladders, climbing equipment and ladder accessories.

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<sup>1</sup> Underlying NPAT is a non-IFRS measure calculated as NPAT for the year adjusted for the after tax impact of impairment and restructure costs, fair value adjustments associated with classifying assets as 'held for sale', other associated impairments and gains or losses on the disposal of 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.

## Cash Position

The Hills Group continues to operate very comfortably within its banking covenants with little net debt as at 30 June 2013.

## Assets Held for Sale and Discontinued Operations

As at 31 December 2012, Hills announced the possibility of the future sale of its Orrcon and Fielders steel assets which were not classified as 'held for sale' under AASB 5 at that time.

The Board has now determined that based on progress with the sales process and market interest, these assets will now be classified as 'held for sale' under AASB 5. Orrcon and Fielders were reported as part of the Group's Building & Industrial segment. These will now be reported as discontinued operations for the full year just ended 30 June 2013.

AASB 5 Non-current Assets Held for Sale and Discontinued Operations requires that a non-current asset or disposal group is classified as held for sale if its carrying amount will be recovered through sale rather than continuing use. In addition, AASB 5 requires that these assets are measured at the lower of their carrying value and fair value less costs to sell.

As a result of the fair value measurement requirement for Orrcon and Fielders as set out above, other associated impairments, accelerated transformation activities and gains or losses on the disposal of businesses, the total net charges for the year are expected to be approximately \$155 million. This is subject to finalising our annual accounts and external audit. The approximate amount is made up of the following:

|   | \$m          |
|---|--------------|
| <b>Impairment and Restructuring charges as noted at 27 March 2013</b>   | <b>114.8</b> |
| Revision of market value on Steel Assets, other impairment and restructuring costs and profit on sale of businesses | 35.5         |
| Further supply chain and other transformation charges   | 4.7          |
| <b>Approximate Impairment and Restructuring charges as at 30 June 2013</b>  | <b>155.0</b> |

The majority of these write-downs, impairments and provisions are non-cash in nature and will not affect continuing operations.

The cash proceeds from the sale of assets will enable the Company to consider other capital management alternatives and pursue future acquisitions which will see Hills focus on the delivery of innovative technology and communications solutions to the home, business and government.

## **Outlook for FY14**

Hills Managing Director and CEO Mr Ted Pretty said “Although we expect the market in FY14 to remain challenging in line with the Reserve Bank’s observations in May and June that growth of economic activity is likely to remain below trend, Hills is very well positioned. We enter the new financial year with little to zero net debt and we expect to build positive momentum over the period”.

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