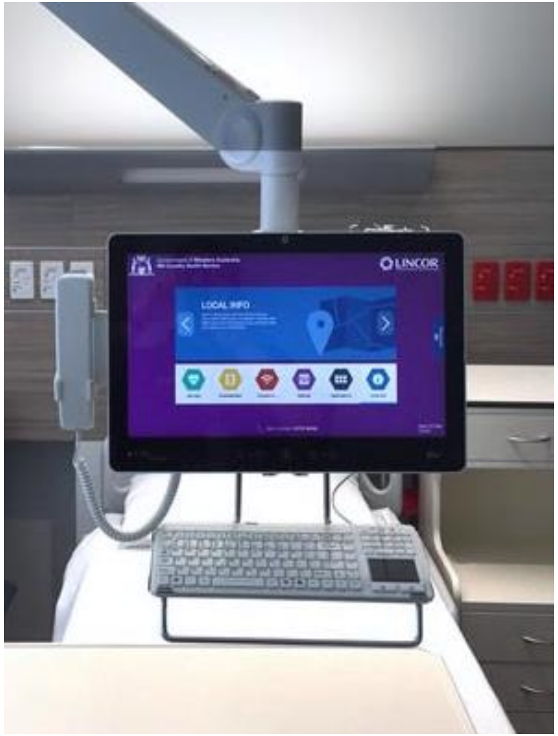

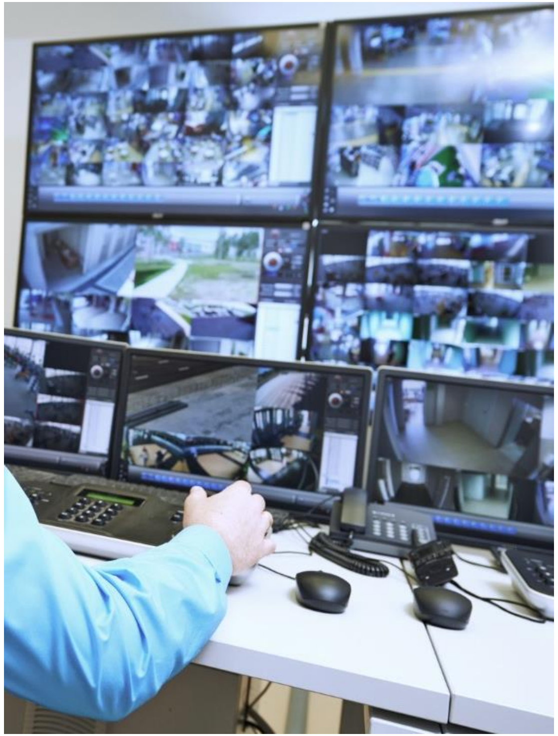

HILLS™

FY2016 full year results
17 August 2016

TOPICS TO COVER

CEO SUMMARY

CEO SUMMARY

Group Full Year FY2016 Highlights

- EBITDA[1] of \$11.7million is 8.3% **higher than February guidance**
- Net debt down to \$24.2million from \$38.5million in December
- Improvement in cash flow from operations of \$22.4million
- Increase in half on half Revenue, EBITDA[1] and NPAT
- Improved Hills Health Solutions EBITDA[1] from a loss of \$0.1million in 1HFY16 to a **\$1.4million** profit in 2HFY16
- HHS and Lincor strategic relationship continues to drive significant contract wins
- **Refinancing completed in May 2016** with new long-term finance facilities a better fit-for-purpose for the Company both in terms of their size and nature
- "Back to Basics" turnaround mostly complete, further flattening of the organisation structure continues

1 - Earnings before interest, tax, depreciation and amortization (EBITDA) is a non-IFRS measure used to present the company's segmental information in financial reporting and is calculated on a consistent basis as detailed in note 1 to the financial statements.

BUSINESS SUMMARY

we are HILLS™

TECHNOLOGY: SECURITY & CCTV

Hills provides Australia and New Zealand with leading security, CCTV and IT solutions to protect homes, businesses and places where large crowds may gather, such as at sporting events, entertainment facilities, shopping centres and other public gatherings

Product offering

- → Integrated access
- → Card access
- → Intruder alert
- → Cameras
- → Home hub
- → Locks
- → Analytics software

Our competitive advantage:

- **Vendor Relationships** - We have long term vendor relationships and so are able to provide our customers with access to the largest Security Product Portfolio in the industry
- **Customer Relationships** - We add value for our customers by providing them with a full "solution" to their security needs - Hills is a market-leading "one stop shop". This includes pre and post installation service
- **Expert Resources** - We have invested in a dedicated and highly experienced team of security experts across Australia & New Zealand covering sales and technical support
- **Geographic Footprint** - We have the largest national footprint in Australia and New Zealand making our solutions accessible for our customers
- **Our Size** – Companies like dealing with us because we have high levels of governance, ability to extend credit and have sophisticated systems and processes

We protect and save lives

TECHNOLOGY: AUDIO VISUAL

Hills provides Australian and New Zealand businesses with the next generation of audio visual and lighting technology for their homes, businesses, sporting and entertainment venues

Product offering

→ Microphones
→ LCD Displays
→ Projectors
→ Hearing Augmentation

Our competitive advantage:

- **Vendor Relationships** - We have long term vendor relationships and so are able to provide our customers with access to the largest AV Product Portfolio in the industry
- **Customer Relationships** - We add value for our customers by providing them with a full "solution" to their AV needs - Hills is a market-leading "one stop shop". This includes pre and post installation service
- **Expert Resources** - We have invested in a dedicated and highly experienced team of AV experts across Australia & New Zealand covering sales and technical support
- **Geographic Footprint** - We have the largest national footprint in Australia and New Zealand making our solutions accessible for our customers
- **Our Size** - Companies like dealing with us because we have high levels of governance, ability to extend credit and have sophisticated systems and processes

We enhance lives, captivate audiences and astound people

TECHNOLOGY: COMMUNICATIONS & SATELLITE

Hills provide Australian and New Zealand consumers and businesses with communication solutions whether they are in the city or the outback. Hills delivers technology and equipment to enable television viewing in homes, stadiums, hotels, offices and more all around Australia and New Zealand

Product offering

→ Antenna
→ Set top boxes
→ Digital TV Systems
→ Professional Services
→ Installations

Our competitive advantage:

- **Service Model** - Hills has a unique service model – we are able to harness large teams of installers to service high volume contracts such as wireless and satellite rollout on behalf of NBN or satellite dishes for Foxtel
- **Local Manufacture** - Nimble local manufacture of antennas and satellite dishes and consumables
- **Intellectual Property** - Well respected product with patent protection
- **R&D** - we have a small R&D team making sure our products evolve and keep ahead of competitors

We enable people to keep in touch and enjoy their lives

HEALTH

Patient engagement

We provide interactive TV Systems to watch movies, order meals and access other information

Nursecall

Hills provides nursecall to hospitals and aged care facilities across Australia and New Zealand – helping the sick and elderly access medical assistance when they need it

ANZ Footprint

Hills provides patient engagement and nursecall to 400 hospitals and 570 aged care facilities across Australia and New Zealand. This services over 68,000 beds in the region.

Our competitive advantage:

- **Numbers** - Our products are in 400 hospitals and 570 aged care facilities throughout Australia servicing 68,000 beds
- **Intellectual Property** - Hills owns the unique IP in our nurse call and monitoring systems and undertakes continuous R&D to ensure its technology is leading edge
- **Lincor** - strategic arrangement with Lincor Solutions, a global leader in patient engagement technology and clinical access platforms, continues to assist Hills in securing contracts for the installation of state-of-the-art systems at significant hospital developments
- **Our Size** - Large hospitals and installers want to do business with a company of substance and one which has appropriate governance around its products

We keep people engaged while they are unwell and recovering and alive in emergency situations

BUILDING TECHNOLOGIES

Contract wins

- Supply of Ruckus Wi-Fi networks at Western Sydney University in partnership with Big Air Group Limited;
- Supply of Genetec unified IP security solutions at Auckland International Airport with Datacom NZ;
- The supply of L-Acoustics speakers to Novatech in South Australia and Power Audio in Victoria;
- Upgrade of the acoustics solutions in lecture theatres at Newcastle University in conjunction with Soundcorp;
- Supply of Genetec unified IP security solutions at Sydney Trains with Indra Australia;
- Community Sound and Cadac vendor relationships added while Biamp ceases; and
- Australian Monitor portfolio to be increased in this, its 30th year.

HEALTH SOLUTIONS

Contract wins

- Contract signed with Western Sydney Local Health District
- Installation and maintenance of patient engagement solutions at Auburn, Blacktown, Westmead and Mt Druitt hospitals.
- The supply of patient engagement solutions into the New Royal Adelaide Hospital through has begun.
- Contract signed for the supply of Hills' nurse call solution at the new Northern Beaches Hospital in Sydney.

FINANCIAL RESULTS

we are HILLS™

KEY NUMBERS FROM THE FINANCIAL STATEMENTS

(A$M)	2HFY16	1HFY16	FY2016	FY2015
Revenue	**164.7**	**164.2**	**328.9**	**428.8**
EBITDA (note 1 of the financial statements)	**6.5**	**5.2**	**11.7**	**29.0**
(Loss)/profit for the period attributable to owners	0.7	(69.0)	(68.3)	(85.9)
Items not considered part of underlying profit (note 6(b))	**1.4**	**66.1**	**67.5**	**97.0**
Underlying NPAT (note 6 (b) of the financial statements)	**2.1**	**(2.9)**	**(0.8)**	**11.1**

Prior periods included discontinued operations, Crestron distribution and Home Living revenue before the switch to the licensing arrangement.

Revenue and EBITDA is broken down per the segment note in subsequent slides to enhance visibility and comparability.

Underlying net (loss) / profit has been calculated after adjusting the (loss) / profit attributable to the ordinary equity holders of the Company for the impact of asset impairments, de-recognition of deferred tax assets relating to tax losses and other temporary differences, costs of acquisitions, other associated gains or losses on the disposal of businesses and other restructure and closure costs. Underlying (loss) / profit is a non-IFRS measure used by the Company which is relevant because it is consistent with the 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 measure has not been subject to audit or review.

IMPAIRMENT CHARGES BOOKED IN 1HFY16

- Share price decline triggered a review of asset carrying values at 31 Dec 2015 with impairments of $67.5 million booked

	(A$M)
Impairment of goodwill and intangible assets	39.2
De-recognition of deferred tax asset [1]	20.3
Other assets impairment	8.0
TOTAL	**67.5**

[1] The tax losses remain available in the Hills tax return despite the de-recognition for accounting purposes. These can be written back when the company returns to a tax payable position.

HILLS SEGMENT REPORTING

Revenue (A$M)	2HFY16	1HFY16	FY2016	2HFY15	1HFY15	FY2015
Building Technologies	147.1	146.9	294.0	182.9	165.5	348.4
Health	15.8	15.5	31.3	15.9	17.6	33.5
Home	1.0	1.0	2.0	16.5	27.3	43.8
Corporate	0.8	0.8	1.6	1.6	1.6	3.1
Segment Revenue	**164.7**	**164.2**	**328.9**	**216.8**	**212.0**	**428.8**

EBITDA (A$M)	2HFY16	1HFY16	FY2016	2HFY15	1HFY15	FY2015
Building Technologies	6.2	5.9	12.1	11.9	14.9	26.8
Health	1.4	(0.1)	1.3	0.6	3.5	4.1
Home	0.9	0.9	1.8	0.4	6.0	6.4
Corporate	(2.0)	(1.5)	(3.5)	(4.3)	(4.0)	(8.3)
Segment EBITDA	**6.5**	**5.2**	**11.7**	**8.6**	**20.4**	**29.0**

Building Technologies

- Revenue and EBITDA increased in 2HFY16
- Full year results were down due to businesses discontinued in FY15 and Crestron choosing to go direct from FY16
- New distribution arrangements are “ramping up”
- Cost base is being reduced further while sales are improving through better alignment of management structures to customers and vendors

Health

- Significant turnaround in EBITDA for 2HFY16
- Major contract wins including nRAH coming online and into FY17
- Recurring service revenue increased significantly on FY15
- Cost base continues to be rationalised

Home

- 1HFY15 had the Home Segment as an operating business before it was converted to a Heritage Brand licensing arrangement
- 7-year licensing agreement with Woolworths Limited (extendable to 19 years)
- Guaranteed $2M p.a. in revenue and EBITDA

Corporate

- Full year costs have reduced significantly in line with plans
- Half on half small increase driven by last Transitional Service Agreement expiring during 2HFY16 before costs could be brought back down to compensate
- Further cost reductions to come but these are partly offset by lost full year TSA income

This slide has been prepared with reference to the Segment Note (Note 1) to the Financial Statements. Revenue and EBITDA in the prior period included discontinued operations, the Home Division as a trading business before it was converted to a brand licensing arrangement and Crestron sales

REDUCED OPERATING EXPENSES (NOTE 4)

(A$M)	2HFY16	1HFY16	FY2016	2HFY15	1HFY15	FY2015
Sales and marketing expenses	26.7	37.7	**64.4**	44.9	33.1	**78.0**
Distribution expenses	9.1	9.3	**18.4**	8.3	12.4	**20.7**
Administration expenese	9.5	12.6	**22.1**	13.4	24.9	**38.3**
Total	**45.3**	**59.6**	**104.9**	**66.6**	**70.4**	**137.0**

- Sales and marketing costs have decreased from FY15 in line with sales and largely due to the transition of Crestron-specific staff to Crestron Australia
- Distribution expenses are in line with sales. These have reduced from earlier periods as a result of the transformation program
- Admin function for operations and Corporate - gross costs have decreased as businesses have been closed or sold and through general cost reduction initiatives

Other expenses

Other expenses (non-underlying)	**1.6**	**45.7**	**47.3**	**76.2**	**2.6**	**78.8**

- 1HFY16 is predominantly the impairment charge

BALANCE SHEET

(A$M)	30-Jun-16	30-Jun-15
Receivables and other assets	72.2	92.7
Inventory	55.6	72.4
Current assets (excluding cash)	**127.8**	**165.1**
Non-current assets (analysed in later slide)	32.0	103.5
Total assets (excluding cash)	**159.8**	**268.6**
Payables and provisions	66.5	100.1
Net debt / (net cash)	24.2	32.0
Total equity	**69.1**	**136.6**
$\textbf{Debt to Equity Ratio} = \frac{\text{Net Debt}}{\text{Net Debt} + \text{Equity}}$	26%	19%

Working capital and non-current assets are analysed in the next two slides

Change in total equity consists of:

• Underlying NPAT	($ 0.8M)
• Impairment charge	($67.5M)
• Other changes	$ 0.8M
	($67.5M)

TRADING WORKING CAPITAL REDUCED

(A$M)	30 Jun 16	30 Jun 15	Cash effect of Change Jun 15 to Jun 16
Trade receivables	60.0	79.6	+19.6
Inventory	55.6	72.4	+16.8
Trade and other payables	(50.4)	(67.7)	-17.3
Net trading working capital	**65.2**	**84.3**	**+19.1**

Trade receivables and payables changes net to a release of $2.3 million in cash largely due to improvement in collections performance

Inventory reduction of $16.8 million contributed significantly towards the overall reduction in trade working capital. This has been a key initiative for 2HFY16

NON-CURRENT ASSETS

(A$M)	30 Jun 16	31 Dec 15	30 Jun 15
Property, plant and equipment	19.9	28.2	32.8
Intangible assets	0.8	0.0	39.2
Deferred tax asset	10.8	10.6	30.8
Non-current receivables	0.5	0.6	0.7
Total non-current assets	**32.0**	**39.4**	**103.5**

Reductions were due to the first half impairments.

Even though deferred tax assets have been derecognized from the balance sheet for accounting purposes, the economic benefit of using these carry forward tax losses as a shield against future income tax remains for the benefit of the business in the years ahead.

Revenue tax losses for which no deferred tax asset has been recognised total $126 million.

The closing balance of Property, Plant and Equipment at 31 Dec 2015 included Land and Buildings of $5 million which were disposed of in 2HFY16

NET DEBT REDUCTION AND NEW FACILITIES

Net Debt	(A$M)
As at 30 June 2015	32.0
As at 31 December 2015	38.5
As at 30 June 2016	24.2

- The $14.3million reduction in net debt in 2HFY16 was largely driven by reduced investment in working capital. $5million of the decrease was from the sale of the last industrial property being applied to reduce net debt.
- As announced on 2 May 2016, Hills signed new finance facilities for the Groups long term requirements. The new facilities comprise:
  - A $36million, 5-year debtor finance facility originated through Assetsecure
  - A $15million, multi-tranche senior secured debt facility from the Commonwealth Bank of Australia ($10million for 18months and $5million for 12 months). The $5million 12-month tranche has since been repaid and cancelled.
- The new finance facilities are a better fit-for-purpose for the Company both in terms of their size and nature

IMPROVED OPERATING CASH FLOWS

(A$M)	FY16	FY15
Profit/(loss) after tax	(68.3)	(85.9)
Add back: Non-cash items (mostly impairment, depreciation, amortisation)	75.2	98.8
Profit after tax adjusted for non-cash items	6.9	12.9
(Decrease)/increase in restructure provision	(10.3)	(12.5)
(Increase)/decrease in non-trade working capital	(6.3)	(0.4)
(Increase)/decrease in trade working capital	19.1	(13.0)
Net cash flow from operating activities	**9.4**	**(13.0)**
Acquisition of businesses	(2.7)	(26.7)
Acquisition of intangible assets (acquired intangibles and software)	(3.2)	(3.5)
Capex	(4.2)	(10.9)
Proceeds from the disposal of businesses and PP&E	6.9	27.6
Other investing cash-flow	1.5	3.1
Net cash flow from investing activities	**(1.7)**	**(10.4)**
Dividends paid	0.0	(13.3)
Payment for shares bought-back on-market	0.0	(3.2)
(Repayment) of/proceeds from borrowings	(22.7)	15.7
Other financing activities	0.0	(0.7)
Net cash flow from financing activities	**(22.7)**	**(1.5)**
Change in gross cash balance	**(15.0)**	**(24.9)**

The $9.4m of cash generated from operating activities in FY2016 was even after having paid out restructure provisions associated with the exit of legacy businesses ($10.3m paid out in FY16 and $12.5m paid out in FY15).

Net operating cash flows improved $22.4m from year to year.

Non-trade working capital cash out flow is predominantly the payout of employee entitlement provisions (mostly driven by redundancies)

Intangible Assets acquired is predominantly software costs

RECAP

RECAP - FINANCIAL

- EBITDA[1] of $11.7million is 8.3% **higher than February guidance**
- Net debt down to $24.2million from $38.5million in December
- Improvement in cash flow from operations of $22.4million
- Increase in half on half Revenue, EBITDA[1] and NPAT increased
- **Refinancing completed in May 2016** with new long-term finance facilities a better fit-for-purpose for the Company both in terms of their size and nature
- "Back to Basics" turnaround mostly complete, further flattening of the organisation structure continues

RECAP - BUSINESS

- EBITDA and Revenue of Building Technologies both increased from 1HFY16 to 2HFY16
- Improved Hills Health Solutions EBITDA[1] from a loss of $0.1million in 1HFY16 to **$1.4million** profit in 2HFY16.
- HHS and Lincor strategic relationship continues to drive significant contract wins
- Very good contract wins in both key operating Segments
- The business is now on an even keel and ready for the next phase

OUTLOOK

OUTLOOK

- FY2017 Outlook: From “Back to Basics” to “Back to Growth”
- Significant energy continues to be directed to the following areas:
  - Customer engagement;
  - Vendor relationships;
  - Training our people;
  - Tight capital management;
  - Margin improvement; and
  - Growing our existing businesses.

The Company will start to move beyond the recent stabilisation phase and focus on growth opportunities in FY2017 and beyond.

DISCLAIMER

Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward-looking statements.

Thank you