

HELLABY HOLDINGS LIMITED

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Hellaby well-positioned for economic recovery

- Net profit after tax (NPAT) of \$2.3 million, compared to \$0.4 million in previous corresponding period
- Total net debt reduced by 32% on previous corresponding period to \$96.9 million
- \$9.8 million free cashflow generated
- Sales revenues 7.3% lower than previous corresponding period, due to economic downturn in Equipment and Footwear
- Significant performance improvement in Automotive and Packaging
- 3 cents per share fully imputed interim dividend declared
- Expectation of significantly improved earnings for second half year

Investment company Hellaby Holdings Limited today announced an improved profit result and further debt reduction for the half year to 31 December 2009.

Hellaby reported a net profit after tax (NPAT) of \$2.3 million for the half year to 31 December 2009, compared to a \$0.4 million NPAT for the corresponding period last year.

Hellaby Chairman John Maasland said that like most other New Zealand companies, Hellaby had been significantly affected by lingering tough economic conditions in key sectors during the second half of 2009.

“The rate of economic recovery has been slower than expected and this has impacted on Hellaby’s sales revenues. We are therefore very pleased with the improved financial performance of our Automotive and Packaging divisions in relatively flat trading conditions.

Conversely, top-line sales revenue for Equipment is down 24.4% and Footwear sales revenue is down 4.4% for the six month period, compared to the same period last year. This has impacted profitability in these two divisions. We nonetheless expect performance to improve across all divisions during the second half year.”

Group EBITDA (trading surplus before interest, tax, depreciation, amortisation, discontinued operations and one-off transactions) was \$9.7 million, compared to \$10.6 million for the corresponding period last year. Group EBIT (trading surplus before interest, tax, discontinued operations and one-off transactions) was \$6.0 million, compared to \$6.5 million for the corresponding period last year.

Managing Director John Williamson said that the while overall trading EBIT was down, the operating performance of most subsidiaries had improved over recent months. However AB Equipment and Number 1 Shoes were still undergoing major operational change - with new leadership teams, process and productivity improvement initiatives and an enhanced customer service orientation.

“Effectively, we have redesigned these two businesses and strengthened our management capability over the past year. Restructuring on this scale takes some time to consolidate. Nonetheless, we now expect to begin benefiting from the turnaround initiatives at AB Equipment and Number 1 Shoes. Market demand for heavy capital equipment has been down 50% over the past 18 months; however we are looking forward to a slow but steady improvement in market demand for materials handling equipment and also footwear throughout 2010.”

Other Hellaby subsidiaries which had earlier undergone operational improvement initiatives, such as Eurolift, Diesel Distributors and Elldex Packaging, are now performing well.

Mr Williamson said that he was pleased with the group’s continued balance sheet reform. Core bank debt reduced to \$48 million at 31 December 2009, compared to \$51 million at 30 June 2009 and \$80 million at 31 December 2008. Total net debt, including capital notes, reduced to \$96.9 million at 31 December 2009, compared to \$103.4 million at 30 June 2009 and \$143.0 million at 31 December 2008.

“Our balance sheet has continued to strengthen through lower inventories and debtors”, he said. “Group inventories were \$108.4 million at 31 December 2009, which is 17.4% lower than the same period last year. Group trade and other receivables were \$37.3 million, 11.6% below last year. While we are satisfied with this performance, we still believe there is more we can achieve in working capital improvement.”

Free cashflow for the period was \$9.8 million, with a strong contribution from BNT Group.

Net asset backing at 31 December 2009 was \$1.77 per share, compared with \$1.67 per share at 30 June 2009 and \$1.84 per share at 31 December 2008. Net tangible asset backing was \$0.64 per share, compared with \$0.54 per share at 30 June 2009 and \$0.72 per share at 31 December 2008.

There were no acquisitions or divestments during the period to 31 December 2009. On 30 June 2008 Hellaby sold its interest in BBQ Factory under a deferred settlement loan arrangement. Effective 30 June 2009 the Hellaby Board concluded that it was appropriate to fully provide for the \$4.4 million that remained receivable at that date. In the current period Hellaby has made a \$1.2 million recovery against this provided for amount, which is reported in “profit from discontinued operations”.

Mr Maasland advised that the Board had declared an interim dividend of 3 cents per share, fully imputed, for the half year. “The significance of this interim dividend is that we have resumed our stated policy of distributing approximately 50% of NPAT - and we are also signalling our confidence that financial performance will greatly improve during the second half year. Hellaby’s performance has traditionally been weighted to the second half in terms of margins, profitability and balance sheet seasonality.

The dividend will be paid on Friday 16 April 2010. For the purposes of determining shareholder entitlements the company will be ex-dividend at 5:00 pm, Friday 9 April 2010.

Mr Williamson said that the Hellaby group was on track to achieve significantly improved earnings for the full financial year.

“Although the economic outlook remains patchy and uncertain across some of our sectors, the tough decisions and restructuring are now largely behind us. Our businesses are leaner than before and have excellent management teams. We are now well positioned for what we expect to be a relatively slow economic recovery throughout 2010, and believe that any improvement in our sales revenues will have a disproportionately positive impact on profits going forward.”

Ends

Please note: Half year results presentation is available on www.hellabyholdings.co.nz

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