HELLABY HOLDINGS LIMITED

26 February 2008

Hellaby performance improvement on track at half-year

Hellaby Holdings Limited directors are pleased to present the financial results for the six months to 31 December 2007.

As signalled previously, the priority for this financial year is to restore Hellaby's performance to the levels achieved in previous years. At the half-way mark, the company is on track to achieve this.

Financial Performance

The company has posted a trading surplus before interest, tax, depreciation, amortisation ["EBITDA"] and before one-off transactions, of $19.1 million for the six months to 31 December 2007. This represents a 50% increase on last year's reported EBITDA of $12.7 million for the same period.

Group earnings before interest and tax ["EBIT"] increased by 70% to $13.9 million, compared to $8.2 million for the same period last year.

Despite a higher net taxation expense for the period ($1.9 million compared with last year's $1.0 million), and increased interest payments, Hellaby has still achieved a tax-paid profit ["NPAT"] of $5.0 million. This represents an 81% increase against last year's surplus of $2.8 million (calculated after adjusting for IAS39 IFRS requirements).

Trading Performance

The Automotive Parts division performed very well for the six months to 31 December 2007. The expansion of Diesel Distributors into Australia is now on track, and the automotive and industrial battery supplier, HCB Technologies (acquired in November 2006), has made a solid contribution to the performance of the Brake & Transmission group. Management expects the automotive parts businesses to continue their strong performance during the second half of this financial year.

The Industrial Equipment division also performed very well for the six months to 31 December 2007. AB Equipment continues to experience robust market demand in both forklifts and construction equipment, and enters the second half of the financial year with a strong level of confirmed customer orders. TRS, the specialist tyre and wheel supplier, experienced improved demand for its agricultural products during the period in review, particularly from the New Zealand dairy sector.

The Packaging division has achieved an acceptable profit contribution from the recently-acquired PPL and Chequer Packaging businesses - particularly considering a concurrent operational integration project has been underway since the acquisitions were made in July 2007. Further profit improvement is planned for the packaging businesses in the second half of this financial year.

The solid profit performance of the Automotive Parts, Industrial Equipment and Packaging divisions over recent months has, to some extent, been offset by the challenging market conditions being experienced by the businesses in the Retail division. The BBQ Factory has continued to underperform, primarily due to weak consumer demand and an inconsistent mix of retail store locations.

Like the retail apparel sector overall, Hannahs and No 1 Shoes again experienced relatively flat consumer demand during the pre Christmas period, which resulted in a modest same store sales improvement against the same period last year. The profit performance of Hannahs is nonetheless well ahead of the same period last year, and both businesses are expected to improve their profit performance during the second half of this financial year.

Investments

As previously announced, Hellaby subsidiary Elldex Packaging acquired two flexible packaging businesses during July 2007 - Wellington-based PPL Corporation and Christchurch-based Chequer Packaging [In Receivership]. Hellaby is pleased to confirm that the integration of these three packaging businesses into one single Elldex Packaging group is currently on track - with Elldex Packaging group sales revenues and profits projected to more than double for the full financial year. A high-calibre senior management team has been appointed for Elldex Packaging, and is currently focused on implementing plant operational efficiencies, and business development growth.

Divestments

In October 2007 Hellaby divested the business and assets of Levana Textiles. Levana has been a solid performer for Hellaby over the years; this business was nonetheless sold because Levana was unlikely to achieve further expansionary growth in the New Zealand textile sector under Hellaby ownership.

The Hellaby asset portfolio is reviewed on a regular basis, and further acquisitions and/or divestments are likely to occur over time, in keeping with the company's investment strategy.

Dividend

An interim dividend of 5 cents per share, unimputed, has been declared for the year ending 30 June 2008 (last year 10 cents per share, fully imputed). The dividend will be paid on Friday 18 April 2008 (for the purposes of determining shareholder entitlements the company will be ex dividend at 5:00 pm, 11 April 2008).

In accordance with last year's announcement, Hellaby has adopted a new dividend policy of distributing approximately 50% of net tax-paid operating profits, with imputation credits attached only when they are available from taxation payments. While this is not necessarily the most tax efficient method of distributing profits for all shareholders, the company believes that there is still a significant shareholder expectation that a dividend be paid, albeit unimputed.

Directors will continue to monitor the application of this current policy.

Outlook

Historic trends indicate that Hellaby's group sales and profit will further improve in the second half of the financial year. Based on current profit performance trends and the company's portfolio diversification, directors believe that Hellaby remains on track to achieve around $45 million trading surplus before interest, tax, depreciation, amortisation ["EBITDA"] and before one-off transactions for this financial year.

Two important areas of focus will be (1) to improve the balance sheet through debt reduction related to working capital initiatives and ongoing review of the asset portfolio, and (2) to improve the performance of the retail businesses during the second half of the financial year.

The performance of our footwear retail businesses is generally solid during the second half, and directors believe that targets can be achieved despite a relatively flat and uncertain retail environment in the footwear and apparel sector. The performance of the BBQ Factory on the other hand remains a concern, with a likely continuation of relatively weak sales demand in a crowded barbeque/spa retail sector, and some margin pressure as inventory levels are reduced.

In summary, Hellaby has become a more active, hands-on owner of its asset portfolio. Most businesses are performing well, and continue to work towards further improving both profitability and return on funds employed. The company has made solid progress towards achieving a turnaround in group profitability during recent months and looks forward to reporting the achievement of this goal at year end.

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