

13 March 2023

Partially underwritten pro-rata renounceable entitlement offer to raise approximately A\$7 million

Hills Limited ACN 007 573 417 (ASX: HIL) (**Hills** or the **Company**) is pleased to announce a partially underwritten three (3) for two (2) renounceable pro rata entitlement offer of new fully paid ordinary shares in the Company (**New Shares**) at an offer price of A\$0.02 per New Share (**Offer Price**) to raise gross proceeds of up to approximately \$7,000,000 (**Entitlement Offer**).

Hills aims to strengthen its balance sheet, seize the current positive market conditions, improve operational performance, and invest in Hills' iconic brand power to drive shareholder returns and aim to return the Company to profitability.

The Offer Price represents a discount of approximately:

- 13.04% to the closing price on the ASX market of fully paid ordinary shares in the Company (**Shares**) on 10 March 2023 of \$0.023;
- 4.76% to the volume weighted average market price (as defined in the ASX Listing Rules) of Shares of \$0.021 for the ten trading days prior to 13 March 2023.

The Entitlement Offer is partially underwritten by Greybox Holdings Pty Ltd ACN 140 348 527, Magnolia (SA) Pty Ltd ACN 660 371 586, and Juniper (SA) Pty Ltd ACN 660 372 207 (together, the **Underwriters**, which are entities associated with the Hill-Ling family) to the extent of \$2.5 million in aggregate, less the aggregate Offer Price for any entitlements taken up by the Underwriters and any of their associates (together the **Hill-Ling Parties**) under the Entitlement Offer. The underwriting is subject to conditions precedent, as detailed in the accompanying Entitlement Offer Booklet (**Offer Booklet**), including a minimum raising requirement from acceptances under the Entitlement Offer.

As at the date of this announcement, the Hill-Ling Parties have current voting power in the Company of 19.90% and this may potentially increase to up to approximately 47.95% pursuant to the Hill-Ling Parties' participation in the Entitlement Offer (if any) and/or, subject to the availability of shortfall, the Underwriters' partial underwriting of the Entitlement Offer.

Further, the Directors of Hills have committed to taking up all of their respective entitlements under the Entitlement Offer.

Hills' Chief Executive Officer and Managing Director, David Clarke, commented:

"The funds from the Entitlement Offer provide additional capital to support our strategic growth objectives over the next year. This is a particularly important juncture for our proudly Australian company, post the divestment of the Security & IT distribution business, as we pursue numerous market development activities and aim to expand our product portfolio and commercial reach. It is important we continue to support and build on the strong position of our core businesses whilst pursuing our future growth opportunities. This capital raise enables those activities and I encourage all shareholders to get behind your company and participate in this opportunity."

Indicative Use of Funds

The Board and executive management have been undertaking a rejuvenation of Hills to address legacy issues. These actions, including the divestment/closure of the loss-making Hills Security and IT distribution businesses in Australia and New Zealand, have created a platform to deliver improving business performance of the remaining businesses, and simplification of the investment proposition for shareholders.

The funds raised from the Entitlement Offer will be primarily used to support the Company's strategic objectives to grow the business, improve operating performance and leverage Hill's iconic brand power and established base in health technology to return the Company to profitability. To achieve this, the funds will support the following business objectives:

- strengthen the balance sheet to support the Company's working capital requirements; increased due to the growing order-book, timing of new project delivery and disrupted electronics supply chain;
- invest in expanded commercial and marketing capabilities to increase revenue, and investment in services to enhance brand reputation;
- focus on and acceleration of longer-term product and market development;
- allow upgrades to systems and processes to take advantage of technology-supported efficiencies and performance; and
- provide ability to pursue acquisition and partnering opportunities.

The above proposed goals and proposed use of net proceeds are indicative only and will be subject to modification on an ongoing basis depending on the results obtained from the Company's activities and other factors relevant to the Board's discretion as to usage of funding. Due to market conditions and the development of new opportunities or any number of other factors (including the key risks outlined in the "Key Risks" section of the Investor Presentation accompanying this announcement), actual use of net proceeds may differ significantly to the above estimates.

Entitlement Offer Overview

Eligible Shareholders (as defined in the Offer Booklet) are being invited to subscribe (at the Offer Price) for three New Shares for every two Shares held as at the Record Date of 7:00pm (Sydney time) on Friday, 17 March 2023 (**Record Date**). The Entitlement Offer opens on Wednesday, 22 March 2023 and will close at 5:00pm (Sydney time) on Friday, 31 March 2023 (unless modified by the Hills Board).

Under the Entitlement Offer, Hills will offer a maximum of up to approximately 347,978,289 New Shares (subject to rounding of entitlements), which, if the maximum number is issued, would result in the total share capital of Hills upon the completion of the Entitlement Offer increasing to up to approximately 579,963,815 Shares. New Shares issued under the Entitlement Offer will rank equally with Shares already on issue.

Eligible Shareholders will be sent a copy of the Offer Booklet including a personalised entitlement and acceptance form on Wednesday, 22 March 2023. The Offer Booklet will provide the details of how to participate in the Entitlement Offer.

Eligible Shareholders who take up their entitlements to subscribe for New Shares pursuant to the Entitlement Offer in full may also apply (pursuant to a top up facility) for additional New Shares in excess of their entitlements at the Offer Price, subject to the terms and conditions detailed in the Offer Booklet.

The Entitlement Offer is only proposed to be made to Hills shareholders as at the Record Date with registered addresses in Australia and New Zealand (and who otherwise satisfy the requirements for eligibility detailed in the Offer Booklet). Hills has, subject to ASIC approval, appointed Taylor Collison to act as nominee for the ineligible shareholders, to arrange for the potential sale of the entitlements which would have been offered to them had they been eligible to participate in the Entitlement Offer.

Refer to the other announcements and documents released to the ASX by Hills, including those accompanying this announcement (such as the Offer Booklet), for further information.

Key Dates for the Entitlement Offer

Key dates of the Entitlement Offer are provided in the indicative timetable below.

Event	Date
“Ex” Date Entitlements commence trading on a deferred settlement basis	Thursday, 16 March 2023
Record Date (7pm Sydney time)	Friday, 17 March 2023
Offer Booklet despatched and Entitlement Offer opens	Wednesday, 22 March 2023
Entitlements trading ends	Friday, 24 March 2023
New Shares under the Entitlement Offer commence trading on ASX on a deferred settlement basis	Monday, 27 March 2023
Last day to extend Entitlement Offer closing date	Tuesday, 28 March 2023
Closing Date (5pm Sydney time)	Friday, 31 March 2023
Notification of shortfall of Entitlement Offer	By Tuesday, 4 April 2023
Anticipated date for the issue of New Shares under the Entitlement Offer	Thursday, 6 April 2023
New Shares under the Entitlement Offer expected to commence trading on ASX on a normal settlement basis	Tuesday, 11 April 2023

Note: This timetable is indicative only and subject to change with the consent of the Underwriters. Hills reserves the right to amend the timetable for the Entitlement Offer without notice, subject to the Corporations Act, the ASX Listing Rules, other applicable laws and with the consent of the Underwriters. In particular, Hills reserves the right to extend the Closing Date of the Entitlement Offer at any time, to accept late applications under the Entitlement Offer (either generally or in particular cases) and to withdraw the Entitlement Offer without prior notice. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares under the Entitlement Offer. The commencement of quotation of New Shares is subject to confirmation from ASX.

Important Information

This announcement has been authorised for release by the Company's Board of directors and is issued by the Company. This announcement is not a prospectus or offering document under Australian law or under any other law. It is for information purposes only and does not constitute an offer, invitation or recommendation to subscribe for, retain or purchase any securities in the Company in any jurisdiction. This announcement does not constitute financial product advice and does not and will not form part of any contract for the acquisition of securities in the Company.

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or any other country. No action has been taken to register or qualify the



Entitlement Offer, the New Shares, or otherwise permit a public offering of the New Shares, in any jurisdiction outside of Australia. In particular, the New Shares have not been, and will not be, registered under the U.S. Securities Act of 1933 or the securities laws of any state or other jurisdiction of the United States.

Accordingly, the New Shares may not be offered or sold within the United States except in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act and applicable securities laws of any state or other jurisdiction in the United States. The entitlements pursuant to the Entitlement Offer and the New Shares may only be offered and sold outside the United States in "offshore transactions" in reliance on Regulation S under the US Securities Act. None of the Offer Booklet, any accompanying ASX announcements or the Entitlement and Acceptance Form may be distributed in the United States.

The content of this announcement is not, and should not be considered as, a securities recommendation or financial product advice. The information in this announcement is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. Before acting on the information, you should consider the appropriateness of the information, having regard to your objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your stockbroker, accountant, taxation adviser, financial adviser or other professional adviser.

No representation or warranty is given as to the accuracy or likelihood of achievement of any forward-looking statement in this announcement, or any events or results expressed or implied in any forward-looking statement. These statements can generally be identified by the use of words such as "anticipate", "believe", "expect", "project", "forecast", "estimate", "likely", "intend", "should", "could", "may", "target", "predict", "guidance", "plan" and other similar expressions. Such forward-looking statements are not guarantees of future performance and are by their nature subject to significant uncertainties, risks and contingencies. Actual results or events may differ materially from any expressed or implied in any forward-looking statement and deviations are both normal and to be expected. Past performance is not a reliable indicator of future performance. Except as required by law or regulation (including the ASX Listing Rules), the Company undertakes no obligation to provide any additional or updated information whether as a result of new information, future events or results or otherwise.

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About Hills

Hills (ASX:HIL) is a majority Australian-owned company that designs, develops, distributes, installs and manages integrated health technology solutions in homes, hospitals, aged care facilities and other health settings across Australia and New Zealand. www.hills.com.au.

Contact

Hills Limited

David Clarke, Managing Director and CEO

+61 2 9216 5510

investors@hills.com.au