

Media Information

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HILL & SMITH IN MAJOR INTERNATIONAL MOVE

Infrastructure, building and construction products group Hill & Smith Holdings PLC has announced a major international investment that is set to place the UK group firmly amongst the global leaders in its markets.

Not only does the 35m Euro deal open up European and US markets, it also means that Hill & Smith will benefit from world leading technology and innovation.

Hill & Smith has bought a one third stake in a German investment company, Zinkinvent, which controls Vista NV (Vista), a leading galvanizing and lighting column supplier operating across Belgium, France and the US.

Vista is the market leader in Northern Europe for hot dip galvanizing systems for the protection of steel from corrosion. Apart from its significant market share in the countries in which it operates, it is also at the forefront of the development of innovative coatings technology, especially in extra thin hot dip galvanizing.

The group, which has a well developed and sophisticated brand management strategy, uses a number of well known and highly respected brand names including Durozinq, Colorzinq and Microzinq.

Hill & Smith's initial investment will result in the UK group owning one third of Zinkinvent, but arrangements have been agreed which could lead to the acquisition of the remainder of the share capital of that company.

Hill & Smith is investing 25m Euros as new equity and another 10m Euros as an interest bearing loan. The total cash injection of 35m Euros will be used by Zinkinvent to increase its current stake in Vista from 62.6 per cent to 86.0 per cent.

The UK group has entered into an exclusivity agreement with the remaining Zinkinvent shareholders. This sets out a purchase price at which Hill & Smith can buy the other two thirds of the Zinkinvent shares by the end of this year if they want to do so.

In the year ended 31 December 2003, the last year for which audited accounts are available, Vista, which has over 1,100 employees, reported sales of 150.7m Euros.

In the same year, Vista reported earnings before interest, taxation, depreciation and exceptional items of around 25m Euros and a profit before tax of 9.1m Euros.

David Grove will represent the interests of Hill & Smith on the board of Vista in this important investment and strategic alliance. Hill & Smith will also nominate a further director for the Vista board and will be entitled to appoint an observer to attend the board and shareholders' meetings of Zinkinvent.

Mr Grove said: "Vista is among the most innovative and successful businesses of its type in the world. Our investment, and the ongoing co-operation that will follow, will open the way both to new markets and new opportunities.

"The exchange of technology will be particularly valuable in the light of Vista's well established innovative capability.

"We will also gain from access to market information, which will support our own product development programme.

"This will be particularly useful in the infrastructure products area, where our products range from safety barriers used in the repair and maintenance of roads through to lighting columns.

"Apart from increasing our penetration into key global markets, the deal will open the way for Hill & Smith to be at the leading edge of developing new procedures for corrosion resistance and the technical galvanizing process generally."

- 54 per cent of Voigt & Schweitzer, a US based galvanizer and powder coating business which also manufactures lighting columns. The US company has ten operating facilities on the East Coast and Mid West of America.

2. Accounting for the investment in Zinkinvent

Hill & Smith's board has been advised that the initial investment in Zinkinvent will be equity accounted as an associated company in the consolidated financial statements of Hill & Smith Holdings PLC.

3. Exclusivity agreement

Hill & Smith has entered into an exclusivity agreement with the existing shareholders of Zinkinvent. This agreement, which expires on 31 December 2005, sets out a purchase price for the group, to acquire all the remaining shares in Zinkinvent.

Hill & Smith will, over the next few months, be carrying out further due diligence on Zinkinvent and Vista in order to determine whether or not to proceed with the acquisition of the remaining ordinary shares of Zinkinvent. The decision as to whether or not to proceed will be at the sole discretion of Hill & Smith.

In the event that Hill & Smith does not proceed, the shareholders of Zinkinvent have undertaken to purchase, at the original subscription price, the shares owned by Hill & Smith as a result of the initial investment, to procure the repayment by Zinkinvent of the 10m Euro loan and to reimburse in full, the financing and other incidental costs incurred by Hill & Smith in making the investment.

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