



**18 November 2009**

## **Interim Management Statement**

**Hill & Smith Holdings PLC** (“**Hill & Smith**” or “**the Company**”), the international group with leading positions in the supply of infrastructure products, galvanizing services and building and construction products to global markets, today publishes its Interim Management Statement for the period from 1 July 2009 to date.

### **Group Overview**

Overall trading for the period has been ahead of expectation in the Infrastructure and Galvanizing groups, but continues to be challenging in the smaller Building and Construction Products group. We have continued to benefit from favourable exchange rate movements, lower tax and interest costs. The Board now expects earnings per share for the year ending December 2009 to be towards the higher end of the range of current analysts’ forecasts.

### **Infrastructure Products Group (“IPG”)**

IPG is focused on four main markets - Roads, Rail, Utilities and Security.

#### *HS Roads*

The strong performance has continued in a number of the business units supplying the UK roads sector. We have benefited from the UK stimulus spend which has been focused on improving safety and efficiency on the motorway network. Rental of our Varioguard temporary barrier reached record utilisation levels in the period, with a total of 46km now in service on the M25 alone. These high utilisation levels will continue into 2010 with the commencement of a 32km project on the M1 J10 to J13a for a period of approximately 30 months.

Activity in our Technology division, supplying the Highways Agency with Variable Message Signs for the Managed Motorway Programme, continued at record levels and its order book has been secured through to July 2010.

During the period TopDeck has installed a large demountable car park for a supermarket project in Bristol and interest for this product is improving as funding becomes more readily available.

Zoneguard, our temporary vehicle restraint system developed for the USA, has now been installed on 22 projects in seven states across the east coast of America. The £27 billion US economic stimulus has not yet had an impact on current orders, but there are more positive signs for 2010.

Mallatite, our UK street lighting operation, has secured an £8 million supply contract for Surrey Street Lighting PFI Scheme with Skanska, for the supply of 72,000 lighting columns over the next 5 years. This is the first of a number of projects that Mallatite are tendering for.



During the period Varley & Gulliver has continued to supply parapet products for prestigious projects in the Middle East. Such projects included parapet for the YAS Island F1 Grand Prix circuit in Abu Dhabi, and a current order for the Sheikh Zayed Bridge Third Crossing project also in Abu Dhabi.

#### *HS Rail*

As previously reported, order intake in the rail business has been below our initial expectations. However, we are now bidding on the first tranche of station platform extension tenders for our quick build GRP (glass reinforced plastic) rail platforms and construction is due to start in March 2010. With fourteen framework contractors now in place, Network Rail has given a strong commitment to the platform extension programme for the next three years and we remain confident of future success.

#### *HS Security*

Performance in the security sector has been assisted by the export activity for our anti-personnel security system to a goldmine project in Asia Pacific.

#### *HS Utilities*

Pipe Supports continued to deliver excellent results in the period, despite a reduction in their order book. Tendering activity remains strong, but the delay in placing contracts will result in a reduction in turnover in the first half of 2010. Our new facility in China is now fully operational and early order success looks encouraging for 2010.

#### **Galvanizing Services**

Following a 25% decline in galvanizing volumes in the first half of 2009, we have seen an improvement in the second half. Whilst the anticipated improvement in volume in the USA due to the stimulus spend has not yet materialised, volumes in both France and the UK have been better than expected. As a result, it is now anticipated that volumes in the second half will finish approximately 12% down year on year, better than the 20% decline previously indicated which, together with our recent cost reduction initiatives, is benefiting the second half.

#### **Building & Construction Products**

Volumes in our steel lintel and residential door operation have continued to improve in the period. The roofing division has continued to experience low volumes and we are not anticipating any improvement until at least the second half of 2010.

Industrial flooring volumes for the smaller higher margin projects remain depressed while the supply of products to the larger infrastructure projects for power stations, water treatment plants and waste disposal plants, continues to experience delays.



## Finance

Cashflow remains strong with the net debt reduction delivered in the first half of the year being maintained despite the impact of the higher raw material commodity prices. Net debt at end of October was at a similar level to that reported at end June 2009 (£106.1m) and is expected to remain so to the year end (subject to further movement in exchange rates used for valuing year end currency denominated debt).

The Group's effective tax rate is expected to be 32% compared to the 33.5% reported in the first half of the year.

## Outlook

The high levels of activity on infrastructure projects for roads in the UK, and the improving volumes in galvanizing, give us confidence that earnings per share for the year to 31 December 2009 will be towards the higher end of market expectations.

Whilst the outlook for 2010 is difficult to assess, our key businesses around the World are reporting an encouraging increase in tendering activity. With 58% of our profits generated from overseas operations, we continue to be well placed to benefit from any general upturn in economic conditions both in the UK and overseas.

A further update will be provided when the Group reports its full year results in early March 2010.

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## **Notes to Editors**

*Hill & Smith Holdings PLC is an international group with leading positions in the design, manufacture and supply of infrastructure products and galvanizing services to global markets. It serves its customers from facilities principally in the UK, France, USA, Thailand and China.*

*The Group's operations are organised into three business segments:*

**Infrastructure Products** which supplies products and services such as permanent and temporary road safety barriers, street lighting columns, bridge parapets, temporary car parks, "GRP" railway platforms, variable road messaging solutions, traffic data collection systems, plastic drainage pipes and pipe supports for the power and LNG markets, energy grid components and security fencing.

**Galvanizing Services** which provides zinc and other coatings for a wide range of products including fencing, lighting columns, structural steel work, bridges, agricultural and other products for the infrastructure and construction sectors.

**Building and Construction Products** which supplies roofing systems, safety handrails and flooring, lintels and doors in steel and, increasingly, composite materials. The range of uses for these products include large infrastructure projects involving schools and other public buildings.

*Headquartered in the UK and quoted on the London Stock Exchange (LSE: HILS.L), Hill & Smith Holdings PLC employs some 3,300 staff across 54 sites, principally in 5 countries. In the year to 31 December 2008, it generated revenues of £419.8 million.*