

## **RECORD PROFITS AND DIVIDEND HIKE AT HILL & SMITH**

Infrastructure, building and construction products group Hill & Smith Holdings PLC has reported record profits and turnover for 2004 and has announced a substantial increase in dividends.

Profit before taxation increased to £8.4 million compared to £6.2 million in 2003, an increase of 35.7%. Adjusted profits before taxation, exceptional items and goodwill amortisation grew by 30.1% to £11.8 million, well in excess of market expectations. Adjusted earnings per share increased by 27.8% to 13.66p.

Dividends are up again to 5.0p per share, compared to 4.6p per share in 2003 including a 12.2% increase in the proposed final dividend.

Turnover increased by 11.2% to £268.7 million, while operating profit before exceptional items and goodwill amortisation was 19.8% up on the previous year at £15.1 million.

The improvement in profitability was achieved in the face of a substantial increase in the price of steel, which affected several of the group's products.

The group generated a strong cash flow from trading, which helped to finance further heavy capital investment expenditure of £8.0 million. Year end net borrowings were £37.9 million, reflecting a reduction of approximately £40.0 million since the takeover of Ash & Lacy plc in November 2000.

Hill & Smith is looking forward to further increases in revenues as a result of the government's plans for higher levels of spending on the transport infrastructure.

Key products servicing this market include safety barriers for road and rail improvement schemes, wire rope safety barriers and street lighting columns.

In 2004, the group's safety barriers were used on many of the UK's motorways, including a substantial length of the M25. Its specialist lighting manufacturing business, Mallatite, has recently won a £2.0 million contract to provide 20,000 street lighting columns to Glasgow City Council.

Hill & Smith Chief Executive David Grove said: "The rise in profits vindicates our strategy of investing in businesses where our markets are strong and where we are among the leading suppliers.

"Our investment has reinforced our position as innovators and backed up our continuing product development programmes.

"The combination of growing markets for our core businesses and leadership in these markets is a powerful one and I believe that we will continue to benefit from this in the future.

"In 2004, we showed that we were able to improve profits even when steel prices were rising and, though we hope for more stability through 2005, we have shown that we are able to cope with higher raw material costs."

During the year, the group acquired the principal trading operations of Lionweld Kennedy, a leading manufacturer of industrial flooring and hand railing systems, and Mr Grove cites this deal as an example of the group's focus and investment in core areas.

He also points to the group's organic growth in these businesses including the substantial increase in sales of the highly regarded Varioguard temporary crash barriers.

"The Highways Agency has been charged with the responsibility of reducing the number of deaths and serious injuries on the road by 40.0% over the next five years. We expect to increase sales as a result of this initiative.

"Government spending on road safety is set to continue rising much faster than the growth in the economy as a whole" said Mr Grove.

“This is good news for us and, if market conditions remain favourable, we are optimistic about an even stronger performance in 2005.”

Ends

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