

19 July 2006

Lupus Trading Update

Lupus is pleased to report that the company is progressing very well in all areas.

For the first half year to June 30, 2006 Gall Thomson had record order books, produced growing profits over last year and continues to deliver commendable cash generation. Its market remains buoyant.

The £84 million acquisition of Schlegel, a leader in the manufacture and marketing of door and window seals, was completed on April 4, 2006 and in the three months of our half year the integration has proceeded smoothly.

A number of fresh operational initiatives have been introduced such as the reassignment of production between plants, efficiency and scrap initiatives and additional workforce recruitment at lower cost levels. In sales and marketing new customers have been won, exports to Eastern Europe have increased, prices have been raised to reflect higher raw material costs and there has been a refocusing on higher margin customers and products. Under finance, working capital controls have been emphasised and financial analysis has initiated targets to recoup transportation and production costs. The incumbent management team is enthusiastic and motivated to continue to develop the business.

Sales are up over 10 per cent year on year with the US and Germany particularly strong thanks to new products, market share gains and a good overall global market both in new build and refurbishment.

We expect profit growth from these increased sales, productivity and cost controls, leading to excellent cash generation after capital expenditure and working capital requirements.

Raw Material input costs continue to rise - these are being passed on to our customers. The weakness of the dollar has had only a limited impact on the translation of profits.

We anticipate that Lupus will produce double digit earnings per share growth due firstly to the performance of our strong existing business, secondly the well-priced acquisition and thirdly the reinvigorated Schlegel providing profit increases over the previous years.

The future looks stimulating and exciting.

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