

27 July 2007

**Lupus Trading Update for 6 months to 30 June 2007**

Lupus is pleased to report that the group is trading in line with expectations.

Gall Thomson, the manufacturer of breakaway couplings, has enjoyed buoyant markets in the first six months of 2007 and is expected to deliver record performance both in sales, profits and cash generation.

Schlegel, a leader in the global manufacture and marketing of door and window seals, has produced good results leading on from the operational initiatives that were taken following its acquisition in April 2006.

Schlegel US is now being combined with the US door and window seal division of Laird Group under a single management team to increase their prospects and profitability. Many synergies will follow which will include a fully comprehensive product range for their customers, greater purchasing power for raw material sourcing, operational cost savings, the closure of one manufacturing facility and increased product development.

Schlegel (non US) continues to thrive with good growth coming from the European markets of Germany, Spain, UK and Eastern areas. The management of Linear, the Laird UK seals company, has now been taken on by our Schlegel team which has produced many cost saving opportunities resulting from optimising production allocation between countries and also improving customer service.

Laird Security Systems, a division acquired from the Laird Group on 27 April 2007, is a manufacturer of products such as locks, handles, hinges and balances for the US and UK door and window industry. Sales are approximately 60 per cent to the refurbishment/remodelling (RMI) market and the remainder to new build.

RMI has been steady throughout the world in contrast to the US new build market, which is subject to lower housing starts and completions. Cost reductions, improved marketing and careful control of working capital have been necessary in order to retain an acceptable level of profitability in the US. In the UK, where the market is stronger, there are also many opportunities for similar actions.

Input prices for raw materials are still high, although more stable than a year ago. The dollar/pound exchange rate at over 2 is not favourable when converting US profits. At the corporate level, however, the currency exposure has been mitigated by designating a substantial portion of the debt taken on for the LSS acquisition in US dollars. We continue to examine ways to optimise our worldwide tax position and expect some success in achieving this.

Overall, we feel optimistic about the progress and prospects for the group and we look forward to another period of strong performance and the further development of Lupus Capital plc.

Ends