

29 July 2008

Lupus Capital plc
Pre Close Trading Statement

Update for 6 months to 30 June 2008

As stated at our AGM on 2 July the start of 2008 has been challenging. US housing has continued its declining trend and the overall European building products market showed signs of deterioration. However, Gall Thomson, our oil services business is thriving.

With the inclusion of the Laird businesses for 6 months in 2008, group sales and profits will be considerably higher than for the first half of 2007. However, like for like group sales in comparison to the similar 2007 period are around 5% down.

Costs have been aggressively attacked. Employee numbers have been reduced by over 10% affecting office staff and the production workforce; in addition temporary labour has been flexed. Raw material input prices, particularly steel and polypropylene, as well as freight, have increased dramatically and we have been successful in passing some of these on. A number of facilities have been closed, with further manufacturing relocated to China and a new low cost factory in Mexico has been built to deal with work transferred from higher cost USA plants.

Continuing inventory and working capital controls have enabled us to generate cash despite the seasonal increase in business activity. Rigorous examination of capital expenditure has limited unnecessary cash outflows. After some major first half expenditure including an £8.5m debt repayment, a £5.6m share buyback, as well as the £12.5m interest free deferred acquisition cost due to Laird, our net debt position as at 30 June 2008 stood at £112.4m.

The last six months of the year are undoubtedly going to be difficult and uncertain. Sales and order books appear to be changing from historically relatively predictable patterns to more volatile fluctuations. Raw materials prices need constant attention and costs have to be reduced. Our share price regrettably has been hit hard by both the general stockmarket malaise and sentiment regarding the housing industry. However, we are confident that once markets improve we will emerge stronger and more profitable.

Ends.