

## Lupus Capital plc

### Pre Close Trading Update

Lupus Capital plc (“Lupus” or the “Company”), a leading international supplier of building products to the door and window industry and the world's number one manufacturer of marine breakaway couplings, issues the following trading update for the six months ended 30 June 2010.

The Company has had an encouraging first half, with sales and operating profits outperforming the significantly depressed prior year levels and with improvements to both gross and net margins.

Sales for the six months ended 30 June 2010 were approximately £133.2 million (2009: £117.0 million), 13.8 per cent. ahead of the corresponding period in 2009. On a constant currency basis, sales in the period increased by approximately 14.7 per cent. compared with the 2009 half year.

#### **Building Products**

Trading conditions in both the US and UK new build housing markets remained difficult in the first half of the year, however repair maintenance and improvement (“RMI”), which is the Division’s principal market, showed more resilience. In the first half the Division has gained market share and successfully passed on increases in input costs. The solid financial performance of the Building Products Division has demonstrated the benefits of its strong brands, niche products, close customer relationships, and relative financial strength.

In the UK, sales in the first half have been encouraging given the depressed nature of some of our end markets. During the period we have consolidated our UK sales force teams into a single customer facing unit and successfully launched “grouphomesafe” as the new umbrella brand for our UK Building Products business. These initiatives have been well received by both customers and employees and have started to generate incremental sales for the Company.

In North America, driven by a combination of customers rebuilding inventories and net gains in market share, the Amesbury Group has seen a significant increase in US dollar sales, compared with the corresponding period in 2009.

As previously reported, our International Building Products business has seen local currency sales increase in the first half compared with the corresponding period in 2009, with encouraging increases in demand in Australasia and Germany, tempered by more muted demand for products in Southern Europe.

#### **Oil Services**

Gall Thomson has seen a firm start to the year with sales, orders and underlying earnings running ahead of the equivalent period in 2009. Enquiries for our core marine breakaway coupling have increased in recent weeks.

## Financial Position

At 30 June 2010 the Company's net debt was £113.3 million (2009: £120.1 million).

At 31 December 2009 the reported net debt was £111.0 million. Of the £2.3 million increase in net debt since the year end, approximately £4.4 million was attributable to exchange rate movements.

The Company made an early repayment of £3.0 million of debt in the first half of the financial year and expects to make further permanent debt repayments in the second half.

## Outlook

The first half of 2009 was an extremely challenging trading environment in North America. While we remain cautiously optimistic about the prospects for the North American Building Products market across the balance of 2010, we do not expect to see a repeat of the marked period on period increases that were evident in the first half.

We remain optimistic about the Company's prospects for the balance of the year in our International Building Products business. The outlook for the UK Building Products business is less clear.

In Oil Services, we expect a continued solid performance from Gall Thomson, underpinned by the increasing environmental focus of the offshore oil industry.

We continue to see upward pricing pressure affecting our input costs for key raw materials, including steel, PVC and polypropylene, which are expected to rise during the balance of the year. The removal of the Chinese Renminbi "dollar peg" may also increase the costs of imported goods and raw materials from China to the UK and US. Where possible we will continue to recover these cost increases without sacrificing market position.

Overall, trading remains in line with the Board's expectations.

Lupus Capital will issue its half year results for the period ending 30 June 2010 on Wednesday 8 September 2010.

## Enquiries:

**Lupus Capital plc** +44 (0)20 7976 8000  
Jamie Pike/ Louis Eperjesi/ James Brotherton

**Collins Stewart Europe Limited** +44 (0)20 7523 8350  
Mark Dickenson / Tom Hulme

**College Hill** +44 (0)20 7457 2020  
Mark Garraway / Adam Aljewicz

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