

10 January 2007

Lupus is pleased to report that it anticipates a record set of results for the year ended December 31, 2006 together with the successful integration of Schlegel Building Products, which was acquired on April 4, 2006. As a consequence, profits, earnings, cash generation and dividends are all likely to exceed analysts' expectations.

Gall Thomson Environmental, which operates primarily in the oil and gas sector, has had its best ever year, surpassing 2005 in sales, profits, cash generation and also return on capital employed. The year end order book, comprising both marine and industrial breakaway couplings, is at an all time high which bodes well for 2007.

The nine month contribution from the acquisition of Schlegel has been very positive. The management has responded well both to the change of ownership and new direction and has improved on key performance indicators over 2005. New customers have been won, productivity has improved, prices have been raised to compensate for raw material inputs, sales have been refocused into higher margin customers, financial controls have been tightened and action from exhaustive analysis has yielded higher gross margins. The global market for housing has been generally satisfactory with the long term worldwide trend being upwards.

As an international business with activities across three continents we have a limited exposure to both Dollar currency and the current US new build housing market difficulties where we have taken action to mitigate any effects. 2006 has seen many exciting changes to Schlegel, which has produced increased profitability over the previous year and which we hope to build on.

On the corporate front:

A comprehensive tax review is being undertaken with the expected outcome that our worldwide group cash tax rate should decline from an anticipated 38 per cent band previously planned. We continue to seek the development of Lupus through both organic growth and selective acquisitions.

The excellent cash generation from both our businesses has enabled Lupus to reduce the net debt taken on to buy Schlegel at a speed quicker than originally envisaged. It will also provide funds to increase our dividend to shareholders for the 2006 year at a higher rate than forecast at the time of the Schlegel acquisition. This is likely to be a recommendation of at least a 20 per cent increase over the .410p net dividend for the 2005 year.

Record order books at Gall Thomson together with a 12 month contribution from the global activities of Schlegel, rather than nine months in 2006, enable us to enter 2007 with optimism.

We look forward to another year of growth and development of Lupus Capital Plc.

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