LUPUS CAPITAL PLC
("Lupus" or "the Group" or "the Company")

**£75 MILLION DISPOSAL OF GALL THOMSON**

Lupus Capital plc, a leading international supplier of components to the door and window industry, announces that it has entered into an unconditional agreement to sell the Group's Oil Services Division, Gall Thomson Environmental Limited ("Gall Thomson"), to Copper Bidco Limited (the "Purchaser") a company set up by Phoenix Equity Partners for total cash consideration of approximately £75 million (the "Disposal").

**Highlights**

- The Disposal allows Lupus to become a focused leader in the supply of components to the door and window industry worldwide
- The Disposal provides Lupus with significant balance sheet flexibility to invest in the business and make complementary acquisitions to maximise shareholder value
- The cash consideration payable for Gall Thomson is approximately £75 million, representing an exit multiple of 3.9x Gall Thomson's 2011 sales and 7.4x 2011 EBITDA[1]
- Approximately £30 million of the disposal proceeds will be applied in permanent pay down of the Group's debt facilities, offsetting future scheduled repayments
- In 2011 Gall Thomson recorded sales of approximately £19.1 million (2010: £13.7 million), and EBITDA[1] of approximately £10.1 million (2010: £7.7 million)
- In 2011 the Group, excluding Gall Thomson, recorded sales of approximately £230.4 million (2010: £252.5 million), Underlying[2] EBITA of £22.4 million (2010: £26.1 million) and Underlying[2] Basic Earnings Per Share of 9.04 pence (2010: 8.78 pence), after taking into account an increased allocation of central overhead costs
- Following the Disposal, the Board has declared an increased final dividend of 3.5 pence per share, totalling approximately £4.5 million. The Board intends to continue a progressive dividend policy taking into account the Group's leverage, earnings growth potential and future expansion plans and will target ordinary dividend cover of between 2.0x – 2.5x Underlying[2] EPS through the cycle
- Lupus has today announced its full year results for the year ended 31 December 2011
- A presentation for analysts and investors will be held at the offices of Collins Stewart Hawkpoint, 88 Wood Street, London EC2V 7QR at 11.00 am on Tuesday 13 March 2012

1 2011 Gall Thomson EBITDA of £10.1 million is calculated as Gall Thomson reported 2011 statutory operating profit of £9.5 million, deducting central provisions of £0.3 million adding back depreciation of £0.05 million and internal Lupus management charges of £0.9 million. There was no material amortisation charge during the year.

2 "Underlying" is defined as before amortisation of intangible assets, deferred tax on amortisation of intangible assets, exceptional items, unwinding of discount on provisions, amortisation of borrowing costs and the associated tax effect.

Jamie Pike, Non-Executive Chairman of Lupus, commented:

***"The disposal of Gall Thomson marks the completion of the restructuring of Lupus as a focused supplier of components to the door and window industry worldwide.***

***"The Group now has the financial flexibility to achieve its strategic goals and to accelerate the development of the Building Products Division. The Board believes the Group's increased focus on Building Products will yield significant returns for shareholders over the medium term.***

***"I would like to thank the management and employees of Gall Thomson for their contribution to the Group over many years and wish them every success under new ownership."***

**13 March 2012**

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**LUPUS CAPITAL PLC**

**(“Lupus” or the “Group” or the “Company”)**

**£75 MILLION DISPOSAL OF GALL THOMSON**

## 1. Introduction

Lupus announces that it has entered into an unconditional agreement to sell the Group’s Oil Services Division, Gall Thomson Environmental Limited (“Gall Thomson”), to Copper BidCo Limited (the “Purchaser”) a company set up by Phoenix Equity Partners for total cash consideration of approximately £75 million (the “Disposal”).

The Directors unanimously consider that the Disposal is in the best interests of Lupus and its Shareholders as a whole.

## 2. Summary information on the Group

Lupus is a leading international supplier of components to the door and window industry and, until the Disposal, in Gall Thomson owned the world’s leading manufacturer of Marine Breakaway Couplings. The Group has manufacturing operations in eight countries worldwide and is traded on the AiM market of the London Stock Exchange.

Until the Disposal, the business of Lupus was divided into two operating segments: the Building Products Division and the Oil Services Division.

During the last three years, the Group’s sales by operating segment were as follows:

| y/e 31 December | 2009<br>£’000 | 2010<br>£’000 | 2011<br>£’000 |
|---|---|---|---|
| Building Products | 229,031 | 252,464 | 230,372 |
| Oil Services | 12,590 | 13,748 | 19,088 |
| **Total** | **241,621** | **266,212** | **249,460** |

## 3. Summary information on Gall Thomson

Gall Thomson is a market leader in critical safety and environmental protection products for oil and gas and other industrial markets manufacturing products for safe and pollution-free fluid transfer operations.

The business has over 30 years’ experience in oil and gas markets with an industry renowned reputation for product quality and reliability supplying products into oil and gas capital infrastructure projects for many of the world’s leading oil and gas producers, equipment manufacturers and oilfield service companies.

In 1978 Gall Thomson invented the first anti-pollution and safety marine breakaway coupling, a groundbreaking device which is now used extensively in offshore oil and gas installations and has consistently enjoyed significant market share since inception.

Through Gall Thomson's wholly owned subsidiary, KLAW, the division offers a wide and expanding range of breakaway couplings and emergency release couplings covering marine, cryogenic and industrial applications.

In 2011 Gall Thomson generated EBITDA[1] of £10.1 million (2010: £7.7 million) on sales of £19.1 million (2010: £13.7 million). At 31 December 2011 Gall Thomson reported gross assets of £10.1 million and net assets of £6.8 million.

**4. Background to and reasons for the Disposal**

The Board believes that the valuation placed on Gall Thomson recognises the high quality of the Gall Thomson businesses and that, following the Disposal, Lupus's focus of resources on the Building Products Division will be in the best interest of Lupus Shareholders, as a whole, for the following reasons:

- The cash consideration payable is approximately £75 million, representing an exit multiple of 3.9x Gall Thomson's 2011 Sales and 7.4x 2011 EBITDA[1];
- The Building Products Division and Oil Services Division have very different products, routes to market, and customer bases with no synergies between the two businesses;
- The Oil Services Division has reached a stage of its development where it faces a number of strategic opportunities and challenges including, inter alia, management succession, the development of the policies and procedures necessary for the successful running of a significantly larger and more complex business, and investment to support future growth – whether organic or through acquisition;
- The Board believes that each of the Building Products Division and the Oil Services Division will benefit from the separation of the two businesses with the increased focus that independent management teams will be able devote to the respective businesses and with each business having the appropriate financial structure in place to support its future growth; and
- The Disposal will allow the Group to repay a significant proportion of its existing debt, to return to paying a full dividend to shareholders and to deploy a much strengthened balance sheet to accelerate the development of the Building Products Division through investment - both organically and through acquisition.

The Board has, therefore, concluded that it is in the best interests of the Group to focus its resources into the creation of a dedicated, market leading Building Products business.

**5. The Group following the Disposal**

Following the Disposal the Group will be a focused international supplier of components to the Door and Window Industry comprised of three principal businesses – Amesbury, grouphomesafe and Schlegel International – geographically centred around North America; the UK and Ireland; and the Rest of the World, each with their own management teams reporting to the Executive Directors.

A summary of the Building Products Division performance for the three years ended 31 December 2011 is set out below:

| **y/e 31 December** | **2009 £'000** | **2010 £'000** | **2011 £'000** |
|---|---|---|---|
| ***Sales*** | | | |
| Amesbury | 105,140 | 116,987 | 105,370 |
| grouphomesafe | 85,684 | 97,927 | 88,984 |
| Schlegel International | 38,207 | 37,550 | 36,018 |
| **Total** | **229,031** | **252,464** | **230,372** |
| **Underlying EBITA** | **18,766** | **26,066** | **22,399** |

Underlying EBITA is stated after the reallocation of central overhead costs previously allocated to Gall Thomson.
Comparatives as reported.

**6. Information on the Purchaser**

Copper Bidco Limited is a company that has been set up by Phoenix Equity Partners for the purpose of the acquisition of Gall Thomson.

**7. Principal terms and conditions of the Disposal**

Gall Thomson has been sold to the Purchaser for a total cash consideration of £75 million subject to certain post-completion adjustments relating to the amounts of cash, debt and net working capital held in the Gall Thomson Group at the date of Disposal.

The Disposal has been effected by way of a sale of the shares in Gall Thomson held by the Lupus Group to the Purchaser.

Under the AiM Rules the Disposal is classified as a substantial transaction and there is therefore no requirement to seek the approval of Lupus Shareholders.

The Directors unanimously consider that the Disposal is in the best interests of Lupus and Lupus Shareholders as a whole.

**8. Use of proceeds**

The total cash consideration of £75 million will be used by the Group as follows:

- ***Accelerated repayment of debt facilities***

The Group's banking partners have agreed that approximately £30 million of the disposal proceeds should be applied in accelerated permanent repayment of the Group's debt facilities. Debt facilities available to the Group following the Disposal are approximately £80 million of term loan and £30 million of working capital facility; in each case available to Lupus until March 2016.

This accelerated repayment will be offset against the Group's future scheduled debt repayments in each of the years from 2012 to 2015 which will reduce as a consequence from c. £11 million per annum to c. £8.0 million per annum.

- ***Increased dividend for Lupus Capital shareholders***

In the full year results announced today the Board has declared a Final Dividend of 3.5p per share (2010: 2.0p per share) totalling approximately £4.5 million which will be paid to shareholders following the Annual General Meeting scheduled for 25 May 2012.

- ***Exceptional costs relating to the Disposal***

Approximately £2 million of the Disposal proceeds will be spent on fees and expenses relating to the Disposal.

- ***Reduced Group Indebtedness***

For the time being the balance of the Disposal Proceeds will be retained on the balance sheet to reduce the net indebtedness of the Group.

Under the terms of the September 2011 bank refinancing, a reduction in the Group's leverage to below 1.50x Net Debt: Adjusted EBITDA (where "Adjusted EBITDA" represents Underlying EBITDA of the group plus pre-acquisition EBITDA of acquisitions during the period") reduces the annual margin payable on the Group's gross borrowings to 200bps.

- ***Investment in developing the Building Products Division***

The Board believes that the significantly reduced leverage of the Group provides Lupus with a strong financial base, allowing the Directors to progress the development of the Building Products Division and gives the Group sufficient flexibility to achieve its strategic objectives through organic growth, targeted investment and future acquisitions.

The Group has identified a number of potential investment opportunities and, over the medium term, would expect to deploy surplus capital into acquisition opportunities in its target markets and significant investment projects.

The Group intends to target a capital structure of between 1.5 to 2.0 x net debt: Underlying EBITDA through the cycle.

**9. Amendments to Group's banking structure**

Following the Disposal the Group has agreed with its banking partners to amend its covenant structure as follows:

- ***Leverage***

The Group's leverage covenant (Net Debt: Adjusted EBITDA) reduces from 3.25x to 3.00x with immediate effect.

- ***Interest cover***

The Group's minimum interest cover covenant (EBITDA: Net Finance Charges) will increase from 4.00x to 4.25x at 31 March 2012, 4.50x at 30 June 2012, 4.75x at 30 September 2012 and 5.00x at 31

December 2012. From 31 December 2012 until the end of the facility agreement the Group's minimum interest cover covenant will remain at 5.00x.

**10. Financial effects of the Disposal**

The Disposal will be dilutive to Lupus earnings per share.

On a pro forma basis at 31 December 2011 the Disposal would have reduced the Group's leverage from 2.24x Net Debt: Adjusted EBITDA to approximately 0.7x, measured on the same basis as the banking covenants.

The Disposal will lead to an accounting profit on disposal of approximately £53 million which will be recognised in the 2012 Financial Statements.

**11. Dividend policy**

Following the Disposal, the Board has reviewed the Group's dividend policy in the light of the Group's altered profitability and cashflow characteristics. Going forward, the Board intends to continue a progressive dividend policy taking into account the Group's leverage, earnings growth potential and future expansion plans and intends to target dividend cover of between 2.0 – 2.5 x Underlying EPS through the cycle.

**13. Other information**

This announcement has been issued by, and is the sole responsibility of, Lupus.