

13 October 2009

Lupus Capital plc ("Lupus" or the "Company")

Notice of General Meeting

Further to the Company's announcement on 25 September, the Board of Lupus Capital plc has posted a circular (the "Circular") to shareholders to convene a general meeting (the "General Meeting") of the Company, at which a series of resolutions regarding the composition of the Board will be put to shareholders.

This follows a requisition from Mr Greg Hutchings, a shareholder and the Company's former Executive Chairman, and related shareholders (the "Requisitionists"), that the General Meeting be called for shareholders to vote on the proposed resolutions which would replace the majority of the existing Board with new directors proposed by the Requisitionists.

The Board recommends that shareholders vote AGAINST all of the resolutions to be proposed at the General Meeting.

The Company has received undertakings (which are either irrevocable or on a best endeavours basis) to vote against all of the resolutions at the General Meeting from institutional shareholders representing (in aggregate) 50,826,945 shares as at the date of this announcement, which equates to 39.2 per cent. of the Company's issued share capital (excluding shares held by the Company in treasury).

The following is the full text of the letter to shareholders, dated 12 October 2009, from Michael Jackson, Chairman of Lupus:

"Dear Shareholder,

I am writing to you following the requisitioning of a general meeting of the Company by Mr Greg Hutchings, a shareholder and formerly the Company's Executive Chairman, to consider substantial changes to your Board, including his reinstatement. In summary, the resolutions proposed by Mr Hutchings are to appoint himself, Giles Daubeney and Fred Hoad as directors of the Company and to remove Keith Taylor, Paul Felton-Smith, Roland Tate and me as directors of the Company. A notice of this general meeting is set out in Part 3 of this document. The general meeting will be held on Friday, 30 October 2009 at 11.00 a.m. at The Barbican Centre (Cinema 1), Silk Street, London, EC2Y 8DS.

For the reasons set out below, your Board unanimously recommends that shareholders vote against each of the resolutions to be proposed at the general meeting.

Your Board fully appreciates that the circumstances surrounding the departure of Mr Hutchings as a director of the Company continue to be of significant interest to shareholders. However, the Company and Mr Hutchings are both subject to a Compromise Agreement put in place at the time of Mr Hutchings' resignation, which contains (among other things) strict confidentiality terms.

Nevertheless, I hope that what follows will leave you in no doubt as to why your Board unanimously believes that the changes to your Board that Mr Hutchings is seeking would not be in the interests of your Company or its shareholders.

Background

Mr Hutchings was responsible for building the Company through a series of equity and debt funded acquisitions. However, on 1 April 2009 the Company announced that it had defaulted under its financing facilities and that it had entered into discussions with its bankers in relation to the renegotiation of those financing facilities.

During the renegotiation of these facilities, the Company was subjected to a thorough independent review by a leading firm of accountants. That review identified a number of significant issues, including the need for improved management controls and reporting systems, that would be required as part of an initiative to effect an urgent turnaround plan. Additional management resources were therefore urgently required.

On 1 July 2009 the Company announced new banking arrangements and, at the same time, that the Board was being substantially restructured. Mr Hutchings (then Executive Chairman of the Company) resigned from the Company with immediate effect. I became non-executive Chairman, Keith Taylor was appointed as Chief Executive Officer, Paul Felton-Smith was appointed as Chief Financial Officer and Denis Mulhall became Chief Operating Officer.

Your Board believes the Board appointments announced on 1 July and the turnaround plan, since adopted, to have been necessary and proportionate responses to the situation in which the Company found itself.

Your Board

As a result of the changes to the Board on 1 July, the roles of Chairman and Chief Executive Officer (both of which were previously held by Mr Hutchings) have now been separated in line with corporate governance best practice. Commensurate with a group of this complexity, the Board also significantly strengthened the Company's executive team by appointing both a dedicated Chief Financial Officer and a dedicated Chief Operating Officer, in addition to a Chief Executive Officer.

We were particularly pleased to appoint a Chief Executive Officer of the calibre of Keith Taylor to develop and implement the required turnaround plan following the turmoil experienced earlier this year.

Since 1 July, we have also significantly strengthened the Group's operational management structures; most notably an Executive Committee has been formed to bring Group and Divisional management closer together.

Your Board believes that the Company has the right team in place to deliver the required turnaround plan successfully and stabilise your Company.

Meanwhile, we are conducting a rigorous process to identify the most appropriate long-term Chief Executive Officer to lead the Company once Keith Taylor and his team have completed their important work which is providing your Company with a firm foundation for the future.

Additionally, to strengthen corporate governance in the Company further, your Board commenced last month a search for a Senior Independent Director. A number of candidates have already been interviewed and we look forward to confirming the appointment of a highly regarded individual, with both industry and City experience, in that post in the near future.

I believe that these appointments, along with the changes announced in July, will further strengthen the Board and the Company's executive team.

Committed to restoring and delivering shareholder value

Keith Taylor, together with the Company's management, is successfully implementing the turnaround plan. This is stabilising the Company's operations, enhancing and strengthening its financial systems and controls and providing a firm foundation for improving the Company's performance. We have established specific systems to control and monitor the significant number of efficiency initiatives currently underway.

Keith Taylor and his team are also making good progress in the development of a comprehensive three-year strategic plan for the business. This plan is designed to build upon the firm foundations which have been established by the turnaround plan, with the aims of creating a leading building products business and the restoration of shareholder value.

LUPUS CAPITAL

As I have said on a number of previous occasions, I believe that the Company is already seeing early benefits from the decisive management actions that have been taken since 1 July and I am confident that these, along with other initiatives in the pipeline, will support the Group's performance into 2010 and beyond.

I am also pleased to confirm that, as previously announced on 25 September, we have concluded that the Group's capital structure, following the successful agreement of its revised banking facilities through to June 2012, is adequate, subject to the occurrence of unforeseen circumstances.

Each member of your Board is firmly committed to acting in the best interests of all shareholders and to delivering enhanced shareholder value.

Supportive banking relationships

I would also like to draw your attention to the support that the Company and your Board has received from its banks since 1 July. Shareholders will be pleased to learn that the Company's banking syndicate recently wrote to me stating that since the announcement of the Company's new banking facilities on 1 July "the Banks remain satisfied with the enhanced corporate governance structure and support the prevailing commercial strategy. We are satisfied with the current implementation of this strategy by the current Board which should facilitate the broader recovery of the Group."

The current constructive banking relationship not only provides the Company with practical flexibility on a day-to-day basis but is particularly important as the Company will, in the ordinary course, need to consider refinancing its facilities significantly in advance of their mid-2012 expiry.

Your Board believes that it is very important for the Company and its shareholders that this constructive banking relationship continues.

Shareholder undertakings

I am pleased to be able to tell you that we have received undertakings (which are either irrevocable or on a best endeavours basis) to vote against all of the resolutions at the general meeting from institutional shareholders representing (in aggregate) 50,826,945 shares as at the date of this letter, which equates to 39.2 per cent. of the Company's issued share capital at the date of this letter (excluding shares held by the Company in treasury).

Your Board strongly recommends voting against the resolutions

Your Board is focussed on the delivery of shareholder value and significant progress has already been made since 1 July.

Your Board and the executive team are fully supported by the Company's largest institutional shareholders (as evidenced by the shareholder undertakings representing some 39.2 per cent. of the Company's shares) and also by the Company's banks.

Your Board believes that a vote against the resolutions is a vote in favour of good corporate governance, continued operational progress and the restoration of shareholder value.

Your Board does not consider the resolutions to be in the interests of the Company or its shareholders as a whole and the Directors unanimously recommend that shareholders vote AGAINST each of the resolutions, as they intend to do in respect of their own shareholdings.

Yours faithfully,

MICHAEL JACKSON
Chairman

The full Circular to shareholders, which also includes a letter from the Requisitionists and a Notice of General Meeting, is available for viewing on the Company's website (www.lupuscapital.co.uk).

13 October 2009

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