GUINNESS PEAT GROUP PLC
('GPG' or the 'Company')

Interim Management Statement

GPG today publishes its interim management statement ('IMS') covering the period from 1 July 2013 to 14 November 2013. This IMS has been prepared solely to provide additional information to shareholders to meet the requirements of the UK Listing Authority's Disclosure and Transparency Rules and should not be relied on by any other party or for any other purpose.

This IMS includes details of Coats' third quarter trading ('Q3'), an update on GPG's net asset and cash position and developments regarding the investigations being carried out by the UK Pensions Regulator ('tPR').

Coats

Coats' trading since the half year has been in line with management's expectations. The improved sales momentum experienced in the first half of 2013 has continued, despite varying market conditions. Coats confirms that trading performance for the year overall to 31 December 2013 is anticipated to be in line with market expectations.

Q3 year-on-year sales performance

	Q3 like-for-like sales*	**Q3 reported sales**
Group	7%	4%
Industrial Division	7%	4%
Crafts Division	5%	4%

***** Like-for-like restates 2012 figures at 2013 exchange rates

Trading performance
Coats' trading over the last quarter has been encouraging despite the continued mixed economic picture. Driven by growth across both operating Divisions, consolidated sales during Q3 increased by 7% year-on-year on a like-for-like basis, continuing the positive sales trend experienced in the first half of 2013. Sales growth at 4% on an actual currency basis reflects the strengthening of the US Dollar against currencies such as the Brazilian Real and the Indian Rupee.

Pre-exceptional operating margins remain in line with management expectations. A combination of productivity improvements in manufacturing and purchasing, reorganisation benefits and pricing initiatives has offset inflationary input cost rises. However, the operating profit level in the Americas region has been adversely impacted as a result of ongoing soft demand in the key Brazilian market exacerbated by disruption following a major ERP implementation earlier in the year, which has now been completed.

Tight management of capital expenditure and working capital is a focus.

Industrial Division
Industrial sales increased by 7% on a like-for-like basis compared with Q3 2012. The EMEA and Asian businesses continued to grow with the Americas showing some decline due to soft Latin America demand and the ongoing recovery of business momentum following the ERP implementation referred to above.

Crafts Division
Crafts also saw growth in Q3, with sales up 5% on a like-for-like basis. This is particularly encouraging as it is partly attributable to the solid performance of EMEA Crafts, continuing the improving trend seen since 2012 and ongoing progress in North America. However, like the Industrial Division, Crafts suffered from difficult economic conditions and the ERP disruption in Latin America. The EMEA reorganisation activity remains on track, delivering the benefits expected.

Trading outlook
While trading conditions remain difficult in some geographies, the business continues to make good progress. Coats' market leading position and unparalleled geographic footprint means it is well placed to sustain and grow both revenue and profit. The actions being taken in terms of restructuring and in new product development, digital technology and other commercial enablers will continue to support profitable and cash generative growth.

GPG asset realisation programme

As reported on 3 October 2013, the GPG Group has now completed the investment portfolio realisation programme. The total realised cash proceeds from the divestment programme since 1 January 2011 is £698 million. This compares with a starting valuation at that date for the investment portfolio of approximately £677 million.

Financial position
As at 30 September 2013, GPG's net asset backing per share stood at 28.5p, compared with 33.5p at 30 June 2013. The reduction in net assets per share was primarily due to the impact of the sale of Tower, increased IAS 19 pension deficits, GPG overheads and the strengthening of GBP against other currencies. Unaudited GPG Parent Group cash at 30 September 2013 was £344 million; this amount excluded proceeds of £60 million relating to the sale of GPG's investment in Tower, which were received after the end of the quarter.

The cash balance on 30 September 2013 was denominated in the following currencies:

	30 September 2013	**30 June 2013**
	£m	**£m**
GBP	147	116
AUD	16	51
NZD	93	128
USD	88	52
Total	**344**	**347**

Pensions Regulator investigations

The Board continues to take advice regarding the previously announced investigations of the Coats Pension Plan and the Brunel and Staveley pension schemes by tPR. GPG and Coats are engaging constructively with tPR and the relevant pension trustees, including providing the documentation requested by tPR as well as performing certain calculations associated with the technical tests under the Pensions Act 2004.

Up to 11 November 2013, the GPG Group had incurred external advisors' costs totalling £8 million. The majority of this cost was in connection with reviewing the Group's legal position, a significant proportion of which arose in answering tPR's information requests. Costs will continue to be incurred as the process progresses and are anticipated to be approximately £10 million in total by the year end.

As explained in the pension presentation issued by GPG in May 2013, if the sponsoring employer of a pension scheme is insufficiently resourced it is then possible for tPR to take action in the form of a financial support direction ('FSD') against a fellow group company of the pension scheme sponsor. However, this action can only be taken in those instances where tPR's case team is of the opinion that it is 'reasonable' to do so.

Any date in the past two years can be chosen by tPR for the insufficiently resourced calculation and tPR has provisionally chosen 31 December 2011. On the basis of the calculations undertaken, the sponsoring employers of the Brunel and Staveley pension schemes were insufficiently resourced at that date. Work continues to be performed to ascertain whether any of the three sponsoring employers of the Coats Pension Plan may also have been insufficiently resourced at that date.

If tPR can satisfy itself that the sponsoring employer of a scheme is insufficiently resourced and that it is reasonable to take action in the form of a FSD for the scheme, its next step would be to issue a Warning Notice ('WN'). A WN would inform the Group of the grounds by which the case team of tPR considers it reasonable for a FSD to be issued. Based on previous communication with tPR, the Board currently anticipates receiving any such WN(s) by the calendar year-end.

Should a WN be received, a formal process would commence which, unless the WN is withdrawn or an earlier settlement reached, could take several years if all rights of appeal were to be pursued.

The outcome of tPR's investigations will form an important element of the Board's considerations in formulating proposals for returning surplus capital to shareholders and establishing an appropriate capital structure for the continuing group. Further updates will continue to be provided to shareholders as this matter is progressed.

Other pension matters

During the period, agreement on the Coats Pension Plan 2012 triennial valuation was reached. As anticipated, the funding deficit at the date of the valuation was agreed at £215 million, resulting in a doubling of annual recovery plan contributions to £14 million. This demonstrates Coats' ability to support the Pension Plan from its operating cash inflows.

The GPG net asset backing of 28.5p per share as at 30 September 2013 reflects rolled forward IAS 19 calculations for the group's three UK defined benefit schemes. During the third quarter of 2013 the net deficit increased by £34 million:

IAS 19 deficit	**30 September 2013**	**30 June 2013**
	£m	**£m**
Coats Plan	128	100
Brunel	31	29
Staveley	33	29
Total	**192**	**158**

The cause of the increased deficits for all plans is the reduced AA corporate bond yield (by which the liabilities are discounted) and a higher level of expected future inflation (by which a significant portion of the benefits increase) only being partially offset by strong investment returns over the quarter.

Other developments

Mike Clasper was appointed Chairman of Coats plc with effect from 1 September 2013 and, on relinquishing the chair, Mike Allen continued as a Coats plc non-executive director. Blake Nixon will be standing down from the Coats plc board on 30 November 2013.

Both Mike Allen and Blake Nixon remain non-executive directors of GPG.

Full year results

GPG is scheduled to release its full year results to 31 December 2013 towards the end of February 2014.

The financial information on which this statement is based has not been reviewed or reported on by GPG's auditors.

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About Coats

With a rich heritage dating back to the 1750s, Coats is the world's leading industrial thread and consumer textile crafts business, at home in more than 70 countries, employing more than 20,000 people across six continents. Revenues in 2012 were US$1.7bn.

Our well-known brands and strong relationships with customers and consumers mean our products and services meet current and future needs. Our company-wide understanding of our business partners and consumers, coupled with the deep expertise of our people, builds trust and certainty.

Coats' pioneering history and innovative culture ensure the company continues leading the way around the world: providing complementary and value added products and services to the apparel and footwear industries; extending the crafts offer into new markets and online; and applying innovative techniques to develop products in new areas such as tracer threads, aramids and fibre optics.

- One in five garments on the planet is held together using Coats' thread
- 75 million car airbags are made using Coats' thread every year
- Coats produces enough yarn to knit 65 million scarves a year
- In three and a half hours, Coats makes enough thread to go to the moon and back
- 300 million pairs of shoes are made every year using Coats' thread
- One million teabags using Coats' thread are brewed every 10 minutes
- Thousands of surgical operations take place every day using Coats' thread
- Thomas Edison used Coats' thread in 1879 to invent the light bulb
- Coats produces enough thread to reach around the Equator every 11 minutes
- Coats is the second largest and fastest growing global zip manufacturer

To find out more about Coats visit www.coats.com