

**GUINNESS PEAT GROUP PLC**  
**(‘GPG’ or the ‘Company’)**

**Interim Management Statement**

GPG today publishes its interim management statement (‘IMS’) covering the period from 1 January 2013 to 14 May 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’ first quarter trading together with an update on the GPG asset realisation programme.

**Coats**

Coats’ trading since the start of the new financial year has been in line with management’s expectations. The improved sales momentum experienced in the second half of 2012 has continued, despite market conditions remaining mixed. This encouraging performance is underpinned by Coats’ position as the world’s leading industrial thread and consumer textile crafts business.

**Q1 Year-on-Year Sales Performance**

|                     | <b>Q1 like-for-like sales*</b> | <b>Q1 reported sales</b> |
|---------------------|--------------------------------|--------------------------|
| Group               | 5%                             | - %                      |
| Industrial Division | 4%                             | (1)%                     |
| Crafts Division     | 7%                             | - %                      |

*\* Like-for-like sales are adjusted for the number of working days in the period with 2012 sales restated at 2013 average exchange rates*

**Trading Performance**

Consolidated like-for-like sales\* grew 5% year-on-year continuing the positive sales trend experienced in the second half of 2012; April has followed this trend. Reported sales at actual exchange rates in Q1 were, however, flat on the same period in 2012, with fewer working days in the quarter accounting for 3% of the difference and the remainder due to adverse foreign exchange movements.

Operating margins have shown some encouraging progress and remain in line with management expectations. A combination of pricing initiatives, reorganisation benefits and productivity improvements in manufacturing and purchasing has offset structural cost inflation. Capital expenditure and working capital remain tightly managed.

**Industrial Division**

Industrial sales\* increased by 4% compared with Q1 2012. The EMEA and Asian businesses continued to grow with the Americas showing some decline due to the uncertain levels of US manufacturer confidence, softer Brazilian demand and some short term supply chain pressures due to a major ERP implementation.

**Crafts Division**

Crafts also saw growth in Q1, with sales\* up 7%. This is particularly encouraging as it is largely attributable to the improved performance of EMEA Crafts, continuing the trend achieved in H2 2012, after years of decline. The EMEA reorganisation activity remains on track, delivering the benefits expected.

### Trading outlook

Although trading conditions remain mixed across different geographies, Coats continues to make good progress and the business is well placed to sustain and grow both revenue and profit. The combination of Coats' market-leading position and unparalleled geographic footprint represents a robust and defensible business model. In addition, the actions being taken, both in terms of restructuring and in new product development, digital technology and other commercial enablers will support profitable and cash generative growth.

### GPG Asset Realisation Programme

The GPG Group has made further significant progress during the period in realising shareholder value and since the year end has completed the £70 million share buyback programme.

Sales of the Group's investments in AVJennings, Capral, PrimeAg Australia, Tandou and Tourism Property Investment Group, the bulk of the Group's investment in Ridley Corp. and a surplus property associated with a former subsidiary, Gosford Quarry Holdings, have been completed. Furthermore, the Group received on 12 April 2013 NZ\$40.1 million from Tower as part of that company's own return of capital to shareholders. Following the waiver on 13 May 2013 of certain defeating conditions in relation to Peet Limited's takeover offer for CIC Australia, GPG also expects to sell its entire 72.8% shareholding in CIC, subject to Peet Limited completing its own conditional share placement on 17 May 2013.

Tower also announced on 2 April 2013 and 10 May 2013 respectively the sales of its investment business for NZ\$79 million and most of its life insurance business for NZ\$189 million. Tower has confirmed that its half year results presentation on 28 May 2013 will include details of how it intends to apply the proceeds of these transactions, including the amount of capital to be returned to shareholders.

In the year to date, realised and expected investment portfolio sale and cash distribution proceeds are £164 million. Total realised and expected cash proceeds from the divestment programme since 1 January 2011 are £622 million. As a consequence of the above events and based on market values as at 10 May 2013, the remaining GPG investment portfolio, prior to any further cash distribution that may be announced by Tower on 28 May 2013, is expected to reduce to £72 million, principally comprising the Group's 33.6% shareholding in Tower.

### Financial Position

As at 31 March 2013, GPG's net asset backing per share stood at 26.8p, compared to 27.7p at 31 December 2012. Unaudited GPG Parent Group cash at 10 May 2013 was £329 million; this amount excluded dividends and anticipated asset sale proceeds of some £38 million in respect of CIC Australia.

GPG has reviewed its policy on foreign currency risk management and the Board has recently decided to diversify further the Group's cash holdings by converting a portion of recent asset sale proceeds into USD. The cash balance on 10 May 2013 was denominated in the following currencies:

|              | 10 May 2013 | 31 December 2012 |
|--------------|-------------|------------------|
|              | £m          | £m               |
| GBP          | 118         | 114              |
| AUD          | 74          | 26               |
| NZD          | 135         | 103              |
| USD          | 2           | -                |
| <b>Total</b> | <b>329</b>  | <b>243</b>       |

## Pensions Regulator review

The Board continues to take advice regarding the review announced in April 2013 of the Coats Pension Plan and Brunel Holdings Pension Scheme by the Pensions Regulator ('tPR'). GPG intends to engage constructively with tPR and the relevant pension trustees to assist in successfully and efficiently completing tPR's review. Any impact from tPR's review will form an important element of the Board's considerations in formulating proposals for returning surplus capital to shareholders. Further updates will be provided to shareholders as this matter is progressed.

Final agreement of the outcome of the Coats April 2012 triennial valuation is currently expected to be reached by the end of the first half of 2013, but it is possible this time frame will be impacted by tPR's review.

The GPG net asset backing per share of 26.8p as at 31 March 2013 reflects updated IAS19 calculations for the three group UK defined benefit schemes. The net deficit has during the first quarter of 2013 increased by £38 million:

| IAS 19 deficit | 31 March 2013 | 31 December 2012 |
|----------------|---------------|------------------|
|                | £m            | £m               |
| Coats Plan     | 194           | 161              |
| Brunel         | 37            | 38               |
| Staveley       | 42            | 36               |
| <b>Total</b>   | <b>273</b>    | <b>235</b>       |

The main cause of the increases in deficit for the Coats Plan and for Staveley is the relative movement in the derived inflation rate (by which the liabilities are increased) and the AA corporate bond rate (by which liabilities are discounted), which has outweighed the impact of strong investment returns over the quarter.

## Other developments

A recruitment process for a new Chairman of Coats has been initiated and, as previously reported, a new UK house broker (Peel Hunt) has been appointed during the period. It is the Board's intention for GPG to retain the existing jurisdictional listings for the foreseeable future, thereby providing suitable continuing access and liquidity for current shareholders.

## Half Year Results

GPG is scheduled to release its half year results to 30 June 2013 towards the end of August 2013.

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](http://www.coats.com)