

# Guinness Peat Group plc (‘GPG’ or ‘the Company’)

## Q1 2014 Interim Management Statement

GPG today publishes its interim management statement (IMS) covering the period from 1 January 2014 to 7 May 2014. 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 first quarter 2014 trading (Q1) for Coats, the Company’s remaining operating business, and an update on GPG’s financial position, as well as an update on the investigations being carried out by the UK Pensions Regulator.

### Coats

Coats’ trading since the start of the year has been in line with management’s expectations as the positive sales momentum in the Industrial Division, experienced during 2013, continued into 2014.

#### Q1 year-on-year sales performance

	Q1 like-for-like sales*	Q1 reported sales
Group	5%	2%
Industrial Division	8%	4%
Crafts Division	(2)%	(3)%

\* Like-for-like restates 2013 figures at 2014 exchange rates

#### Trading performance

Coats’ sales performance over the first quarter of 2014 has been robust, driven by growth in the Industrial Division. Consolidated sales during Q1 increased by 5% year-on-year on a like-for-like (constant currency) basis, continuing the positive trend experienced during 2013, despite the sales decline experienced in the Crafts Division. Sales growth at 2% on an actual currency basis reflected the continued strengthening of the US Dollar primarily against the Brazilian Real and the Indian Rupee.

Pre-exceptional operating margins remain in line with management expectations. A combination of volume improvement in the Industrial Division, pricing initiatives and productivity improvements in manufacturing and purchasing implemented during 2013 continued to offset inflationary input cost rises.

Tight management of working capital remains a priority as does an increased focus on the level of tax charged and paid.

#### Industrial Division

Industrial sales increased by 8% on a like-for-like basis compared with Q1 2013. The key regional contributors to the strong growth were Asia, driven by Apparel and Footwear, and EMEA, driven by Speciality and Zips. The Americas region saw modest growth during Q1 following prior year market softness and the disruption in 2013 of a major ERP implementation.

## Crafts Division

Crafts saw a decline in Q1, with sales down 2% on a like-for-like basis. Sales growth in EMEA was impacted following the previously announced change in the operating model in Scandinavia made at the end of the first half of 2013. The Scandinavian region moved from a retail sales to a distributor model with the aim of improving profitability, albeit at a reduced level of sales. The decline in EMEA was marginally offset by the Americas which has seen like-for-like sales growth across both the handknitting and needlecraft categories, despite the anticipated reduction in fashion handknitting sales.

## Trading outlook

Coats anticipates that overall trading performance for the year to 31 December 2014 will be in line with market expectations. However, sales in the Crafts Division are likely to underperform 2013 levels for the rest of the year, driven by the reduction in fashion handknitting in EMEA and the Americas as well as the continued impact in Q2 of the operating model changes in Scandinavia. In addition the Industrial Division, having achieved a strong like for like sales performance in Q1, is likely to see lower growth for the rest of the year as it encounters tougher comparators.

Coats' market leading positions and unparalleled geographic footprint mean it is well placed for profitable and cash generative growth, with contributions from product innovation and market leading use of digital channels, together with ongoing procurement, productivity and pricing initiatives across both Divisions.

## GPG Financial position

Unaudited GPG Parent Group cash at 31 March 2014 was £383 million and was denominated in the following currencies:

	31 December 2013	31 March 2014
	£m	£m
GBP	145	147
AUD	5	4
NZD	127	135
USD	106	97
<b>Total</b>	<b>383</b>	<b>383</b>

During the quarter foreign exchange gains, arising principally from the strengthening NZD, offset the operating cash outflows of GPG's Parent Group.

As at 31 March 2014, GPG's net asset backing per share stood at 29.6p, compared with 31.5p at 31 December 2013.

The GPG net asset backing as at 31 March 2014 reflects rolled forward IAS19 calculations for the three group UK defined benefit schemes. During the first quarter of 2014 the combined net deficit increased by £35 million:

IAS19 deficit	31 December 2013	31 March 2014
	£m	£m
Coats	78	102
Brunel	28	33
Staveley	28	34
<b>Total</b>	<b>134</b>	<b>169</b>

The increase in the deficits for the Coats, Brunel and Staveley schemes was due to a 20 basis point (bps) reduction in the discount rate applied, which was only partially offset by a 10 bps fall in the inflation rate.

## **Other developments**

### **Board changes**

On 16 April Mike Clasper, previously a Non-Executive Director of GPG, was appointed Chairman of GPG. In addition Ruth Anderson was appointed as Non-Executive Director and Chair of the Audit, Finance and Risk Committee. The former Chairman Rob Campbell remains on the Board as a Non-Executive Director to maintain continuity as GPG continues the transition to becoming Coats plc.

Mike Clasper is currently Chairman of GPG's subsidiary Coats plc, a Non-Executive Director at Serco Group plc, Chairman of Which? Ltd. and was, until recently, Senior Independent Non-Executive Director of ITV plc. Ruth Anderson is currently Non-Executive Director and Chair of the Audit Committee at both Ocado Group plc and Travis Perkins plc, and sits on the Board of Coats plc.

### **Overhead costs**

The GPG Board continues to focus on minimising costs at the GPG group level following completion of the investment realisation programme. The Board will complete the downsizing and migration of support services to Coats on 30 June 2014 when it closes its remaining London office, at which point the remaining GPG employees will depart.

### **Update on UK Pensions Regulator's investigations**

The Board and management continue to engage with the UK Pensions Regulator ('tPR'), and to maintain open dialogue with the trustees of the relevant pension schemes. The Board is exploring all options with the aim of resolving these matters as efficiently as possible without compromising shareholder interests. It is still too early to advise shareholders as to the likely outcome and, if the matter is not settled through negotiation, any hearing before tPR's Determinations Panel will not take place earlier than the second half of this year.

Conclusion of the capital management realisation initiatives and transition has been delayed while the regulatory process continues, and the Board and management continue to work on this aspect with legal advice. Any decision on the future capital structure of Coats and further cash distributions to shareholders continues to be deferred while these matters are being resolved.

## **Annual General Meeting**

GPG will hold its AGM in London, United Kingdom on 22 May 2014 at 2:00pm (BST).

## **Half year results**

GPG is scheduled to release its half year results to 30 June 2014 on 13 August 2014 (NZST).

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

Chris Healy  
Company Secretary  
Guinness Peat Group plc  
Tel: +44 20 7663 3992

8 May 2014

## Enquiry details

### For GPG

Chief Financial Officer +44 20 7663 3992 [ntarn@gpgplc.co.uk](mailto:ntarn@gpgplc.co.uk)  
**Nick Tarn**

*New Zealand and Australia media*

**Geoff Senescall** +64 9 309 5659 [geoff@senescallakers.co.nz](mailto:geoff@senescallakers.co.nz)

*UK media*

**Kevin Smith** +44 40 7282 1054 [kevin.smith@citigatedr.co.uk](mailto:kevin.smith@citigatedr.co.uk)

### For Coats

Head of Investor Relations +44 20 8210 5086 or [jaideep.thatai@coats.com](mailto:jaideep.thatai@coats.com)  
**Jaideep Thatai** +44 7827 882 405

Head of Group Communications +44 20 8210 5015 or [anna.mitchell@coats.com](mailto:anna.mitchell@coats.com)  
**Anna Mitchell** +44 7740 747 976

*UK media*

**Charles Ryland** +44 20 7466 5000 or [charlesr@buchanan.uk.com](mailto:charlesr@buchanan.uk.com)  
+44 7768 230 457

### 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 2013 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
- 100 million car airbags are made using Coats' thread every year
- Coats produces enough yarn to knit 70 million scarves a year
- In three and a half hours, Coats makes enough thread to go to the moon and back
- 400 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)