CPPGROUP PLC
16 MAY 2012
INTERIM MANAGEMENT STATEMENT

CPPGroup Plc ("CPP" or the "Group") today publishes its Interim Management Statement ("IMS"), for the period from 1 January 2012 to the date of publication. Unless stated otherwise, comparative references are to the equivalent period in 2011 and exclude the impact of foreign exchange.

During this period, whilst the FSA investigation continues, CPP has made further progress on the key management priorities announced at the Group’s preliminary results in March. These include shifting the operating model to one of growth through customer focus, supported by strengthened management discipline and enhanced governance, and ensuring that the agreement we have reached with the FSA is effected to the satisfaction of all stakeholders.

Group summary

Despite the challenges presented by the ongoing FSA investigation the Group’s operating performance continues to be in line with current market expectations.

Group revenue has declined by 4% for the period, which continues the trend indicated in our preliminary results announcement and is compared against the period in 2011 prior to the announcement on 28 March 2011 of the FSA investigation and subsequent suspension of Identity Protection sales in the UK. This is the final statement where year on year comparative information will pre-date the impacts of the FSA investigation.

Year to date underlying operating profit margin has decreased 2.9% to 11.3% due to a decline in the UK’s Card Protection and Identity Protection revenue streams coupled with a short-term increase in the cost base. The Group has taken steps to reduce its costs and as part of this a voluntary redundancy programme has been completed in the UK in the period.

Renewal rates have decreased 0.4% from the year end to 75.0%, impacted by the expected decline in Card Protection and Identity Protection renewal rates in the UK resulting from changes to renewal packs.

Northern Europe

Northern Europe revenue has decreased 8% compared to the same period in 2011. This includes a revenue decline of 9% in the UK as a result of reduced Identity Protection revenue, where the prior period benefitted from sales prior to the FSA announcement, and also reduced Card Protection revenue streams, the impact of which have been marginally mitigated by the growth of our Packaged Account and wholesale activities. In the period the UK has extended its Mobile Phone Insurance contract with T-Mobile to September 2012 and is currently participating in a tender for the continuation of the contract beyond September 2012.

Southern Europe and Latin America

Southern Europe continues to be impacted by the challenging economic conditions, which have resulted in a revenue decline of 5% for the region for the period, including a 12% decrease in Spain. Our main Latin American market, Mexico, has experienced strong revenue growth for the period, albeit from a low base in the prior period, and we continue to invest in our newest market, Brazil.

North America

North America continued its strong performance from 2011 into 2012 with revenue increasing 25% in the period. The revenue growth is through increased monthly bill volumes as a result of maturing relationships with existing Business Partners and the impact of price increases implemented in the prior period.
Asia Pacific

Asia Pacific continues to be a market where we believe there is potential for significant growth and revenue increased 11% for the period led by renewals performance with existing Business Partners in India and China. Our progress in these substantial markets continues to proceed as planned and the change in revenue mix in the region has contributed to a reduction in operating losses for the period.

Home 3

Development of our Home 3 joint venture continues, including the expanded migration of ScottishPower customers to Home 3 in the period. Other customer relationships also continue to strengthen with policy volumes increasing 6% since the year end.

Financial position

The Group remains in a positive net funds position at 30 April 2012 of £4.3 million. This position represents a decline of £7.6 million from the year end which was expected and is the result of voluntary redundancy payments in the UK and working capital movements.

FSA investigation

As announced on 24 February 2012 the Group reached an agreement with the FSA in relation to the scope of actions necessary to address certain failings in CPP’s sales processes and product design in the UK. It was agreed that CPP would make changes to its renewal process and conduct a Past Business Review (“PBR”) under FSA supervision of direct sales of its Card Protection and Identity Protection products made since 2005, and to offer redress to customers where appropriate.

Prior to launch and to test operational processes, a pilot customer contact exercise will be undertaken. This is expected to commence shortly with the wider PBR to begin following its completion.

As noted in the preliminary results announcement in March, the agreement with the FSA does not mark the end of the investigation for which the timing and outcome remain uncertain.

Outlook

The short-term outlook for CPP will continue to be determined by the ongoing activity in relation to the Group’s agreement with the FSA in the UK which will ultimately allow the Group to move forward with renewed focus as a more customer focussed business, notwithstanding the short-term revenue impact this will have across the Group.

We anticipate that trading will continue to be difficult in the UK which will undergo a period of significant adjustment as a result of the impact of the FSA investigation, and we continue to work to address, where possible, the concerns of Business Partners during this period of uncertainty. Renewal rates are expected to be adversely impacted by changes to renewal packs and publicity surrounding the Group. The call to confirm channel has now been closed in the UK and as a result there are currently no sales of Card Protection or Identity Protection in the UK through CPP channels. These factors combined will, as previously announced, adversely impact revenue and profit growth in 2012 and beyond until replaced by revenue from alternative channels.

Our Packaged Account and Mobile Phone Insurance business is expected to continue to grow and although we continue to expect that UK profit in 2012 will be lower than 2011, new product and channel initiatives will start to contribute positively in the UK in the first half of 2013. The voluntary redundancy programme completed in the period will contribute to a reduction in overhead run rate as the year progresses.
Whilst Southern Europe continues to experience challenges arising from the economic situation, elsewhere our international prospects remain promising with robust revenue growth expected to continue in North America and Asia Pacific, with continuing progress in our developing markets.

The Group’s operating performance continues to be in line with current market expectations. This performance is further underpinned by a strong financial platform with the Group maintaining a net funds position and having a history of good underlying cash generation on operations.

Paul Stobart, Chief Executive Officer, commented:

“It has been a challenging start to the year against a comparative period in 2011 which was largely unaffected by the FSA investigation in the UK, announced on 28 March 2011. The short-term outlook for the business will continue to be determined by the ongoing situation with the FSA, and I have made it my first priority to ensure that the agreement we have reached with the regulator is carried out effectively.

“The longer-term opportunities for CPP remain considerable, and importantly it is very clear that customers truly value our products. I have confidence that we are providing effective propositions to customers and that our ongoing product innovation, underpinned by a culture of customer service excellence, will build our presence and relevance for Business Partners and customers alike. We firmly believe that our operating model of growth through customer focus, supported by strengthened management discipline and enhanced governance, will help us navigate the short-term challenges in the UK and build a sustainable, successful business for the long-term.”

A conference call for analysts will be held on 16 May 2012 at 8:00 a.m., dial-in details for which are as follows:

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Note to editors

CPPGroup Plc (“CPP”) is a leading international Life Assistance business with operations in 16 geographical markets in both developed and developing countries. Card Protection was the first product the Group introduced 30 years ago. Since then CPP has launched Mobile Phone Insurance, Legal Assistance and Identity Theft Protection. CPP is also prominent in the provision of Packaged Accounts where we source products and services to create a tailored ‘package’ for bank account customers. We also provide a range of travel support services such as translation and lost-and-found luggage services as well as access to airport lounges worldwide. Our Home 3 joint venture with Mapfre Asistencia provides assistance for plumbing, drainage, gas, electrical and other home-related emergencies.
Cautionary statement

This IMS has been prepared solely to provide additional information to shareholders as a body to meet the relevant requirements of the UK Listing Authority’s Disclosure and Transparency Rules. The IMS should not be relied on by any other party or for any other purpose.

The IMS contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of approval of the IMS but such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information. Subject to the requirements of the UK Listing Authority’s Disclosure and Transparency Rules and Listing Rules, CPP undertakes no obligation to update these forward-looking statements and it will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this IMS.