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CPPGROUP PLC
16 MAY 2013
INTERIM MANAGEMENT STATEMENT & BOARD CHANGES

CPPGroup Plc ("CPP" or the "Group") today publishes its Interim Management Statement ("IMS"), for the period from 1 January 2013 to the date of publication. Unless stated otherwise, comparative references are to the equivalent period in 2012 on a continuing operations basis and exclude the impact of foreign exchange.

As announced on 3 May 2013, the Group completed the sale of its North American business to AMT Warranty Corp. for a total cash consideration of \$40 million (£26.1 million). As a result, this statement focuses on the performance of the continuing operations of the Group.

Performance review

Against a challenging backdrop, trading during the period has been consistent with the trends outlined in the Group's full year results announcement on 30 April 2013. As expected, Group revenue from continuing operations has declined, down 25% compared to the same period in 2012, primarily due to the performance of the UK business, resulting in an underlying operating loss.

Renewal rates are marginally lower at 71.6%, down 1.9 percentage points from the year end and the number of live policies is 11% lower than reported at 31 December 2012, as a result of performance in the UK which includes the loss of the RBS Mobile Phone Insurance contract when it expired in March.

Northern Europe revenue decreased 27% predominantly as a result of reduced Identity Protection and reduced Card Protection renewal revenue in the UK. The on-going regulated retail sales suspension and restrictions prescribed by the Voluntary Variations of Permission ("VVOPs") agreed with the FCA continue to impact the UK and certain of the Group's European countries. A range of new UK product development initiatives have been launched and a number of proposed new products and services are currently at an initial stage of development. Performance in Southern Europe and Latin America continues to be mixed, with revenue 19% lower due to the adverse economic situation in Southern Europe and continued growth in Latin America. Challenging trading conditions in Asia Pacific have led to a small revenue decline of 1% for the period, although India continues to develop positively.

In all of the Group's markets, customer retention and acquisition are a key priority and we continue to develop our product and service propositions across the Group to support our customers and Business Partners. We are encouraged by discussions with current Business Partners as we seek to strengthen relationships alongside securing new partnerships and new contract wins.

The Group is making good progress against its detailed business transformation programme which is well advanced and has delivered significant improvements to the Group's customer experience, governance, compliance and risk management capabilities. This on-going programme, supported by the Group's customer-led strategy, is expected to provide a stronger, more stable platform from which to move the business forward and ultimately result in applying to remove the restrictions prescribed by the VVOPs.

Organisational structure

As previously announced, the Group has been required to reposition its business model and reduce costs substantially. Following the sale of the North American business, combined with the suspension of regulated retail sales in the UK and certain other EEA jurisdictions prescribed by the VVOPs, the Group is now operating on a much reduced scale and this will continue for some time. In order to align the Group's cost base with its current circumstances, a significant restructuring programme is at an advanced stage of development. This proposed restructuring is essential to securing the future viability of the Group and is expected to result in a reduction in the number of roles in the UK, including a number of senior management roles subsequent to a consultation period that has now commenced.

As part of the proposed restructuring and reflective of the Group's much reduced scale, Paul Stobart, CEO, and Shaun Parker, CFO, have indicated their intention to step down from their respective roles once the transition period is complete. In the meantime, they will continue in their respective leadership roles. The Board has started a process to identify successors. Following his appointment in August 2012 on an interim basis as UK Managing Director, Shaun Astley-Stone has indicated his intention to step down following completion of a planned hand-over period.

Customer redress

The Group has continued to have constructive discussions with the FCA and with certain of the Group's Business Partners, regarding the customer redress programme. At present, the Group anticipates that a Solvent Scheme of Arrangement (the "Scheme") will become effective in the second half of 2013, although it is not certain that the Scheme will proceed.

Financial position

As announced on 17 April 2013, the Group has agreed an extension of its existing bank facility on amended terms with its existing lenders (the "Amended Facility") and has applied part of the net proceeds from the disposal of the North American business to prepay and reduce the Amended Facility to a total of £25 million. The remaining net proceeds from the disposal, together with funds available under the Amended Facility, will be used to provide additional working capital to the Group in the short term. Under the Amended Facility the Group is required to maintain a minimum balance of £12 million in a blocked account that is secured in favour of the existing lenders.

The Group continues to engage in further discussions with its existing lenders and the Company's major shareholder, Mr Hamish Macgregor Ogston CBE, with a view to putting in place a funding plan for the Group following expiry of the Amended Facility.

The Group has maintained a net funds position in the period. The Group's net funds position at 30 April is £18.6 million. This position represents an increase of £5.0 million from the year end due principally to the favourable timing of working capital movements, which is expected to reverse in the coming months.

Possible offer

As announced by CPP on 24 April 2013 Mr Hamish Macgregor Ogston CBE, in accordance with Rule 2.6(a) of the Code, has until 5.00 p.m. on 31 May 2013 (or such later date as the Takeover Panel may consent to in relation to Mr Hamish Macgregor Ogston CBE, at the request of the Board of CPP) to announce either a firm intention to make an offer for CPP or that he does not intend to make an offer for CPP. There can be no certainty that an offer for CPP will be made or as to the terms of or conditions to any such offer. Further announcements will be made as appropriate.

Outlook

As previously outlined, the Group's immediate focus is to secure the longer term refinancing requirement alongside repositioning the business as a customer-led organisation. In the short to medium term, the Group will continue to face significant financial challenges, particularly until the redress programme is completed.

Paul Stobart, Chief Executive Officer, commented:

“I joined CPP in October 2011, tasked with bringing about the significant changes required to provide long term stability for the business and to manage the fallout from the FCA’s investigation in the UK. During that time, we have had to manage a great many complex and critical issues and an enormous amount of change has been achieved with a focus on enhancing our governance framework and reshaping our strategy with a clear emphasis on customer focus. The response from our people has been excellent and our customers have seen the benefits in a vastly improved end to end experience. Together, we have built a stronger, customer-led organisation.

Now, our priority is to position the business for the next phase of its development. We need to continue the work we are doing to reposition the business and, as previously communicated, reduce our costs substantially and in line with our changed circumstances. As part of this process it is appropriate for there to be changes to senior management and I have, along with other members of my team, given notice that I will step down from my role once we have completed the work at hand to ensure CPP is set on a firm footing for the future.

I have no doubt that the way we do things at CPP have changed very much for the better, and I know that in our people the business has a very strong base from which to move forward.”

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Note: Financial Conduct Authority (FCA) (or, as the context may require, the Financial Services Authority as predecessor entity thereto prior to 1 April 2013).

Notes to Editors

CPPGroup Plc (CPP) is an International Assistance business operating in the UK and overseas with more than 200 Business Partners worldwide. Via its Business Partners, CPP provides Life Assistance products to consumers, which includes annually renewed and packaged products that provide assistance and insurance across a wide range of market sectors designed to make everyday life easier to manage.

For more information on CPP visit www.cppgroupplc.com

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.

Further information

Greenhill & Co. International LLP, which is regulated in the United Kingdom by the Financial Conduct Authority, is acting for CPPGroup Plc and for no one else in connection with the matters set out in this announcement and will not be responsible to anyone other than CPPGroup Plc for providing the protections afforded to clients of Greenhill & Co. International LLP or for providing advice in relation to the matters set out in or any other matter referred to in this announcement.

This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities, or the solicitation of any vote or approval in any jurisdiction. Any offer (if made) will be made solely by certain offer documentation which will contain the full terms and conditions of any offer (if made). This announcement has been prepared in accordance with English law and the UK City Code on Takeovers and Mergers (the "Code") and information disclosed may not be the same as that which would have been prepared in accordance with the laws of jurisdictions outside of the United Kingdom.

The release, distribution or publication of this announcement in jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the laws of any jurisdiction other than the UK should inform themselves about and observe any applicable requirements.

Dealing disclosure requirements

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of

any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

Publication of this announcement

A copy of this announcement will be made available subject to certain restrictions relating to persons resident in restricted jurisdictions on CPP's website.