CPPGROUP PLC
26 OCTOBER 2012
INTERIM MANAGEMENT STATEMENT

Performance in line; outlook for the full year remains unchanged

CPPGroup Plc ("CPP" or the "Group") today publishes its Interim Management Statement ("IMS"), for the period since 30 June 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.

Group

The Group has continued to trade profitably, delivering a performance in line with current market expectations and consistent with the trends reported in the Group's Half Year Report.

Group revenue has declined, down 6%, compared against the same period in 2011. Underlying operating profit has reduced as a result of UK performance, albeit at a lower rate of decline compared to the first half of the year as factors including the previously announced cost saving measures in the UK take effect.

Renewal rates have decreased 0.6% from the half year to 74.1% and live policies are 0.5 million lower than reported at 30 June 2012, impacted by performance in the UK. Outside of the UK, the live policy base has remained stable.

FSA

As previously announced, CPP's first priority has been to work closely with the FSA and implement actions designed to reshape our business for future success.

Our activity has been focused on three key areas; firstly, to reach a conclusion to the FSA investigation; secondly, to design and develop an appropriate mechanism for redress to customers found to have been mis-sold our products as a result of historic issues; and, thirdly, to develop robust governance and risk management structures and enhanced systems and controls within the UK regulated business, with a view to recommencing new retail regulated sales once the Group and FSA are satisfied that these changes have been properly implemented.

The Group continues to implement a revised, customer-led, strategy and has formed a new operational structure in the UK, led by a new Managing Director for UK & Ireland, Shaun Astley-Stone, who has considerable experience managing regulated firms and leading transformational change programmes. This is being supported by changes to our Internal Audit, Risk and Compliance functions and our business transformation programme, which encompasses people, customers, products and governance.

FSA update

We have continued to have constructive discussions with the FSA about our on-going operations. We have now agreed in principle with the FSA a framework for the operation of the regulated UK entities which will be in place whilst we continue to work on completing the change initiatives which address historic issues and implementing and embedding enhancements to our governance and risk management frameworks, systems and controls. Under this framework, the restrictions on new retail sales of our regulated Card Protection and Identity Protection products will continue, and will be extended to encompass new retail sales of Mobile Phone Insurance as well as Card and Identity. Renewals of existing retail policies continue to be unaffected. Similarly, the Group's Packaged Account and wholesale operations, including all Mobile Phone Insurance sold through these operations, and all non-insured service activities are unaffected by the agreement in principle and will continue as normal.

The restrictions on asset dispositions will be extended to cover both Card Protection Plan Limited ("CPPL") and in addition Homecare Insurance Limited ("HIL"), which is the Group's UK insurance subsidiary and which mainly provides Mobile Phone Insurance and Identity Protection Insurance.

In addition, the Group has agreed with the FSA that CPPL will not participate in future Group borrowing arrangements or offer its assets as security for Group borrowing. The precise timing for implementation of this aspect has not been finalised, but it is expected that this will come into effect during the course of 2013. It will not affect the security for the Group's current Revolving Credit Facility (due to expire in March 2013). This may have a material impact on the Group's ability to raise debt finance.

Finally, CPP has agreed to appoint an external professional services firm (approved by the FSA as a skilled person) to monitor and review the UK businesses' current claims management and complaints handling processes over a three month period. This review provides an opportunity for the Group and the FSA to ensure that these processes are operating effectively and in accordance with our regulatory obligations.

This framework will shortly be formalised in the form of a Voluntary Variation of Permissions. Once CPP believes that it has completed the change initiatives and enhancements to its governance and risk management systems and controls described above, it will apply to the FSA for the restrictions on sales and asset movements/borrowing arrangements to be lifted. The precise time at which this will happen cannot be identified with certainty at this stage, but the Group is committed to working closely and co-operatively with the FSA to complete the process of addressing historic issues and move towards the position of recommencing regulated sales to retail customers in the UK as soon as possible. The Group will continue to demonstrate leadership and accountability, so as to complete the implementation of changes to systems and controls as quickly as possible, and to develop well-defined, compliant propositions and a market leading approach to customer service. We are confident that this process will allow the Group to move forward, and will provide a stronger platform for the UK business with a view ultimately to recommencing sales of a full range of compliant regulated products in the UK, which will be to the benefit of all stakeholders, including our customers.

FSA investigation
We continue to have constructive discussions with the FSA with a view to bringing its investigation to a conclusion. At this stage, however, there continues to be uncertainty about the duration and outcome of the investigation.

Customer redress
We continue to have constructive discussions with the FSA and with certain of the Group's larger Business Partners, regarding the form, structure, details and timing of customer redress. These discussions continue to include consideration of the use of a Solvent Scheme of Arrangement as a vehicle for providing redress.

Certain smaller groups of customers, who may have been affected as a result of other aspects of our historic practices, will also be offered redress. This will be effected by CPP separately from the wider redress exercise referred to above.

Provisions for redress and the associated costs of the FSA investigation amounting to £24.9 million have been made in the Group's financial statements, based on current assumptions as to the proposals and the scope of the actions necessary.

Business Partners
We are pleased to confirm additional new relationships with Business Partners, including Vodafone in Spain, which in addition to 20:20, a major distributor of Yoigo, provides us with a strong mobile platform in Spain. Further new Business Partners include Axis Bank in India and Ping An Bank in China. As announced on 11 October, Everything Everywhere has confirmed its decision not to renew our contract with T-Mobile. In our Asia Pacific region, Citibank has confirmed its decision not to renew our contract at the end of 2012.

Northern Europe
Northern Europe revenue trends continue unchanged, decreasing 7% compared to the same period in 2011. This includes a similar revenue decline in the UK of 7% as a result of reduced Identity Protection and reduced Card Protection revenue. The impact of this has been marginally mitigated by the performance of our Packaged and wholesale activities and Mobile Phone Insurance.

Our revenue performance in Ireland, Germany and Turkey has developed in line with our expectations during the period.

Southern Europe and Latin America
Our results across Southern Europe and Latin America continue to be mixed as the challenging economic conditions in Southern Europe remain. As a result, revenue has declined, as expected, by 10%, principally as a result of a 15% decrease in Spain. Operating profit is in line with our expectations.

In Latin America, Mexico continues to develop positively and we continue to invest in our newest market, Brazil, which offers significant long-term potential for the Group.

North America
North America revenue increased 4% in the period as a result of renewal performance. As announced in our Half Year Report, revenue growth is, as expected, lower than the first half due to lower retail customer acquisitions across Business Partners.

Asia Pacific
Revenue in Asia Pacific has decreased 2% for the period, with reducing new sales across the region, with the exception of India, being partially offset by renewals growth in China and India. New revenue growth has been impacted in the region as a result of delayed and suspended campaigns by Business Partners coupled with the regulatory environment. These factors are expected to continue for the remainder of 2012. Our investment in India continues to make good progress and the level of start-up losses have reduced as it moves towards profitability. We continue to invest in Asia Pacific, a market where we believe there is potential for significant future growth.

Home 3
The Group's investment in Home 3, our joint venture with Mapfre Asistencia, continues to develop, however, its progress is now likely to result in break-even being achieved towards the end of 2014.

Financial position
Our net funds position has improved in the period to £19.9 million from the half year position of £8.0 million, due to favourable working capital movements, which includes the anticipated reversal of increases reported at the half year, and cash flows from trading performance. The improved net funds position has in part arisen from favourable timing of working capital movements which we expect to reverse in the coming months.

The Board continues to assess and actively pursue a range of financing options. We are in discussions with our lending banks about our debt facilities which mature in March 2013 as well as considering a number of alternative financing and strategic options.

The Board is in discussions with its lending banks regarding the cancellation of the unutilised element of its Revolving Credit Facility. The Board does not envisage this to have any material impact on the Group's working capital as the Group maintains the ability to draw up to the current drawn balance of £43.5 million.

Outlook
We anticipate that trading will continue to be difficult, most notably in the UK, as the combination of the decline in new retail business and impact of customer redress exercises will adversely affect revenue and renewal rates, particularly in 2013. Whilst performance during the remainder of 2012 will continue in line with recent trends, performance in 2013 is expected to be materially lower than 2012.

Despite the challenges and improvements we have to accomplish, the Board remains confident that our clear focus on the actions we need to take to reshape our business, coupled with our international prospects, will ultimately allow the Group to perform profitably and realise the considerable longer-term prospects for the business.

Paul Stobart, Chief Executive Officer, commented:
"During the period we have made important progress with the FSA while the Group continues to implement its new, customer-led strategy and to address past shortcomings.

We have a clear roadmap that will, we believe, ultimately allow us to establish a market leading customer service organisation in the UK that can offer customers a broad range of innovative, compelling and affordable retail products. We are very focused on working closely and co-operatively with the FSA to achieve this.

Importantly, we continue to trade profitably, with a net funds position and millions of customers who truly value our products and the service we provide to them. We are focused on delivering our plans for the current financial year and positioning the Group for growth in the longer-term. I remain confident that the progress we are making will provide the Group with a strong platform to move the business forward successfully."

A conference call for investors and analysts will be held on 26 October 2012 at 8:00 a.m. (BST), dial in details for which are as follows:

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Notes to Editors

CPPGroup Plc (CPP) is an International Assistance business operating across 16 geographical markets 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 helping our customers to live life and worry less.

For more information on CPP visit www.cppgroupplc.com

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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.