

**RESULTS PRESENTATION**  
**FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2011**

5 MARCH 2012

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## ***Currency assumptions***

*All amounts stated in NZ\$ are for illustrative purposes only, based on the NZ\$:GBP exchange rate on 31 December 2011, NZ\$1.9922:£1.00.*



# RESULTS HIGHLIGHTS

## GPG GROUP

- ❑ Parent Group cash balance £200m (2010: £203m)
- ❑ Shareholders' funds £602m (2010: £993m) impacted by:
  - Return of capital (£80m); and
  - Actuarial losses on defined benefit pension schemes (£215m)
- ❑ Net asset backing per share 37.1p (2010: 54.6p)
- ❑ Net attributable profit £1m (2010: £46m), after net investment impairments of £40m (see Appendix 3)
- ❑ Sound progress on value realisation strategy:
  - Net proceeds of £165m from 1 January 2011 to 17 February 2012
  - Further net proceeds of £80m assuming actual sales post 17 February 2012 and completion of T&G takeover

## COATS

- ❑ Coats best sales and attributable profit performance under GPG ownership
- ❑ Coats total revenue up 7% to \$1,701.6m. Sales in all three regions of both industrial and crafts divisions grew year-on-year
- ❑ Sales driven by implementation of selling price increases to help offset unprecedented raw material input cost increases
- ❑ Attributable profit increased by 19% to \$71.2m (2010 - \$59.9m)
- ❑ Net cash inflow from normal operating activities increased by 28% to \$150.3m (2010 - \$117.8m)

# GPG NAV: KEY COMPONENTS

- ❑ Reported net asset backing per share decreased during the year from 54.6p (NZ\$1.09) to 37.1p (NZ\$0.74) due mainly to the following:
  - Pension schemes actuarial losses
  - Reduction in unrealised gains on investments
  - Foreign exchange losses
  - £80m return of capital

Please refer to Appendices 1 and 2 for a reconciliation of shareholder funds for FY2011

- ❑ However, from an investor's standpoint, a simplified view of NAV may be obtained by assessing GPG's key asset and liability components:

## KEY ASSET COMPONENTS

- ❑ Coats (including Coats' Pensions and EC Fine)
- ❑ Investment portfolio (excluding Coats)
- ❑ Cash

## KEY LIABILITY COMPONENTS

- ❑ Capital notes
- ❑ GPG pensions (Staveley/Brunel)
- ❑ Ongoing overhead costs

- ❑ The following sections provide an overview of each of these key asset and liability components

# COATS

# COATS – GPG'S STRATEGY

- ❑ Working assumption - Coats a substantial residual asset left in shareholders' hands
- ❑ Priority - growing strength of Coats as an ultimately independent company
- ❑ Any offer for part or all of Coats which is thought to produce greater overall value for GPG shareholders will be given serious consideration
- ❑ Coats Board strengthened during the year:
  - Additional three independent directors
  - Three GPG representative directors in place
  - Gary Weiss stepping down as Chairman from 30 April 2012 (to be replaced by Mike Allen)
- ❑ Coats Board to undertake a full internal review of company's strategy and market approach during 2012

# CONSOLIDATED RESULTS – AS REPORTED

- Best sales and attributable profit performance under GPG ownership

	2011 US\$m	2010 US\$m
Revenue	1,701.6	1,583.6
EBITDA	200.6	191.2
Operating Profit	131.6	118.0
Profit before tax	124.2	107.4
Profit attributable to GPG	71.2	59.9
Capex	50.5	36.5
Reorganisation Costs	14.6	19.8
NWC	275.0	261.3
NWC/Revenue %	16.2%	16.5%
Cash inflow from normal operating activities	150.3	117.8
Net cash generated from operating activities	73.3	38.7
Net Debt	238.4	241.9
Shareholders' funds	230.3	493.5

- Reduction in shareholders' funds mainly due to actuarial losses (primarily in respect of its UK Pension Plan) of US\$299m

# SEGMENTAL SUMMARY – Industrial Trading Performance

## ASIA

- ❑ Sales growth of 8% driven by increased selling prices following unprecedented raw material price rises
- ❑ Weaker global economic conditions adversely affected second half volume and margins
- ❑ Strong global brand relationships continue to underpin the business

## AMERICAS

- ❑ Sales growth again in part a function of higher raw material prices
- ❑ Second half impacted by general nervousness regarding the state of the world economy
- ❑ Strong performance from specialty applications and profitability boosted by productivity improvements

## EMEA

- ❑ Again raw material costs gave rise to increased selling prices, volumes assisted by successes in specialty markets and productivity improvements reflected in margins
- ❑ Some adverse impact from disruption in North Africa

INDUSTRIAL	2011 Reported US\$m	2010 Like-for- like* US\$m	2010 Restated ** US\$m	Like-for- like increase
<b>Sales</b>				
Asia and Rest of World	547.6	505.4	503.3	8%
Americas	321.1	307.4	300.8	4%
EMEA	273.6	255.4	250.9	7%
<b>Total sales</b>	<b>1,142.3</b>	<b>1,068.2</b>	<b>1,055.0</b>	<b>7%</b>
<b>Pre-exceptional operating profit</b>	<b>118.3</b>	<b>113.2</b>	<b>112.0</b>	<b>5%</b>

\* 2010 like-for-like restates 2010 figures at 2011 exchange rates

\*\* In line with changes in 2011 to the Coats Group's internal management structure, results are now presented for EMEA, as opposed to Europe, and the 2010 comparative figures have been restated accordingly



# SEGMENTAL SUMMARY – Crafts Trading Performance

CRAFTS	2011 Reported US\$m	2010 Like-for- like*	2010 Restated ** US\$m	Like-for- like increase/ (decrease)
<b>Sales</b>				
Asia and Rest of World	85.5	75.7	77.0	13%
Americas	303.0	289.0	284.1	5%
EMEA	170.8	175.1	167.5	(2)%
<b>Total sales</b>	<b>559.3</b>	<b>539.8</b>	<b>528.6</b>	<b>4%</b>
<b>Pre-exceptional operating profit</b>	<b>25.3</b>	<b>19.4</b>	<b>20.3</b>	<b>30%</b>

\* 2010 like-for-like restates 2010 figures at 2011 exchange rates

\*\* In line with changes in 2011 to the Coats Group's internal management structure, results are now presented for EMEA, as opposed to Europe, and the 2010 comparative figures have been restated accordingly. The impact is negligible.

## AMERICAS

- Sales growth in the Americas reflects strong growth in handknittings and selling price increases to help offset raw material cost rises

## EMEA

- EMEA Crafts remains weak, particularly in Southern Europe. Nevertheless demand for handknittings increased and significant growth was achieved in lifestyle fabrics, and operating losses have reduced

# FINANCING / DEBT

- ❑ Average net debt reduced to US\$295.3m (2010: US\$300.5m)
- ❑ Year end net debt US\$238.4m (2010: US\$241.9m). This is after investment during the year in new plant and systems and reorganisation projects of US\$64.2m (2010: US\$60.1m)
- ❑ In October 2011, Coats successfully completed the refinancing of its core committed bank facility by signing a five year agreement with its key relationship banks
- ❑ A US\$760m facility has been established, including a US\$200m term line (amortising from the third year) and US\$560m revolving credit facility

	2011 US\$m	2010 US\$m
EBITDA	200.6	191.2
Movements in working capital	(29.5)	(72.1)
Provisions and other non-cash movements	(20.8)	(1.3)
<b>Cash flow from normal operating activities</b>	<b>150.3</b>	<b>117.8</b>
Reorganisation costs	(13.7)	(23.6)
Capital expenditure	(50.5)	(36.5)
Interest paid	(20.5)	(22.9)
Tax paid	(40.2)	(32.6)
Other (including asset sales)	(2.8)	17.5
Dividends to minorities	(4.6)	(3.5)
<b>Change in net debt resulting from cash flows</b>	<b>18.0</b>	<b>16.2</b>
Amortisation of debt issue costs	(4.5)	(2.9)
Foreign exchange	(10.0)	3.3
<b>Decrease in net debt</b>	<b>3.5</b>	<b>16.6</b>
Net debt at start of year	(241.9)	(258.5)
Net debt at end of year	(238.4)	(241.9)
<b>Average Net Debt</b>	<b>(295.3)</b>	<b>(300.5)</b>

# COATS PENSION SCHEMES

## DEFINED BENEFIT ARRANGEMENTS

- ❑ US\$13m current service charge
- ❑ UK
  - US\$2.1bn assets and US\$2.3bn liabilities
  - 28,000 members, including 17,000 pensioners, 11,000 deferred pensioners and less than 200 actives
  - Asset investment profile - 50% bonds, 38% equities and 12% other
  - Major driver of actuarial loss arising in the year was fall in discount rate from 5.5% to 4.6% - driven by AA long dated corporate bond rates
  - Increase in discount rate to 5.35% would eliminate accounting deficit
  - Next funding valuation due April 2012; should be concluded by July 2013
- ❑ US
  - US\$229m assets and US\$157m liabilities
  - 5,000 members, including 3,000 pensioners, 1,000 deferred pensioners and 1,000 active members
- ❑ Other
  - includes Europe, mainly unfunded liabilities of \$68m

## DEFINED CONTRIBUTION ARRANGEMENTS

- ❑ US\$3m current service charge
- ❑ Largely in Europe and US

IAS19 surplus / (deficit)	31 Dec 2011 US\$m	31 Dec 2010 US\$m
UK	(251)	2
US	34	32
Other	(96)	(95)
<b>Total</b>	<b>(313)</b>	<b>(61)</b>

- ❑ Defined benefit net liabilities recognised total US\$313m (2010: US\$61m), of which US\$251m relates to the UK plan
- ❑ US plan has gross surplus of US\$72m (2010: US\$70m), of which US\$34m (2010: US\$32m) is recognised as a recoverable net asset (will mainly be recovered through continuation of the contribution holiday)
- ❑ European and other Group defined benefit liabilities are predominantly in respect of unfunded arrangements

# OTHER ITEMS

## EC FINE

- ❑ In September 2007 the European Commission concluded its investigation into European fasteners
- ❑ Imposed fine against Coats plc Group of €110.3m
- ❑ Coats totally rejects this allegation and is vigorously contesting the Commission's decision
- ❑ Hearing took place in July 2011; outcome currently expected towards the end of 2012 or during the first half of 2013
- ❑ Interest due had the full fine been determined on 31 December 2011 would have been €24.7m

## CAPITAL INCENTIVE PLAN

- ❑ Implemented in 2011 and is a GPG arrangement for the benefit of certain senior Coats executives
- ❑ Awards were granted by GPG on 16 May 2011 and are currently assumed to vest in March 2014
- ❑ The fair value of the ultimate settlement was estimated at US\$12.0m (£7.7m/NZ\$15.4m) at the date of grant and this charge is being recognised over the assumed vesting period
- ❑ The charge recognised by GPG in FY2011 was US\$2.6m



# OTHER ITEMS (continued)

## REORGANISATION COSTS

- ❑ US\$14.6m charged to the income statement in the year (2010: US\$19.8m)
- ❑ US\$13.7m (2010: US\$23.6m) cashflow impact in respect of reorganisation costs

## US ENVIRONMENTAL PROTECTION

- ❑ Coats notified by the US Environmental Protection Agency that it is a potentially responsible party under the US Superfund for investigation and remediation costs in connection with the Lower Passaic River Study Area in New Jersey
- ❑ This is a contingent liability
- ❑ Approximately 70 companies to date have formed a co-operating parties group to fund and conduct a remedial investigation and feasibility study of the area
- ❑ Coats joined this group in 2011 and a further US\$2.5m (2010: US\$2.5m) has been charged in the year in respect of Coats' estimated share of the cost of this study and associated legal and consultancy expenses

## INVESTMENT PORTFOLIO (EXCLUDING COATS)

# VALUE REALISATION STRATEGY

## TO DATE

- ❑ Strategy to realise value for shareholders announced 11 February 2011, endorsed by shareholders at the AGM in June 2011
- ❑ Sound progress has been made - net proceeds from 1 January 2011 to 17 February 2012 £165m
- ❑ Further net proceeds of £80m assuming sales post 17 February 2012 and completion of T&G takeover
- ❑ £80m return of capital and £18m cash / scrip dividend occurred in 2011

## FUTURE

- ❑ Number of value enhancement projects and value realisation projects in place
- ❑ In principle, in specie distributions not favoured option, although flexible approach will be adopted
- ❑ Not appropriate to disclose asset specific realisation processes
- ❑ Level of capital tax losses available in UK and Australia such that any capital gains should be capable of return to GPG plc without significant tax leakage

## INVESTMENT PORTFOLIO (17 February 2012)

Investments (excluding Coats)	Shareholding	Market Value £m
<b>Listed Investments</b>		
Turners & Growers Limited	63.5%	70
Tower Limited	34.0%	69
ClearView Wealth Limited	48.6%	64
Ridley Corporation Limited	22.1%	48
Young & Co's Brewery plc Non-Voting	34.2%	35
CIC Australia Limited	73.1%	31
Young & Co's Brewery plc 'A' Ordinary	15.4%	29
PrimeAg Australia Limited	11.6%	23
Capral Limited	47.4%	21
Metals X Limited	6.0%	12
Tandou Limited	28.4%	10
eServGlobal Limited	19.5%	7
Thwaites (Daniel) plc	9.4%	6
AVJennings Limited	7.7%	6
Newbury Racecourse plc	29.9%	5
Other listed		5
<b>Non-listed Investments</b>		50
<b>Total</b>		<b>491</b>



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## CASH AND CAPITAL NOTES

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# CASH AND CAPITAL NOTES

## CASH

- ❑ Cash at bank as at 31 December 2011 was £200m (NZ\$398m)
- ❑ Cash proceeds from investment portfolio sales and returns since year end and up until 17 February 2012 has been approximately £21m (NZ\$42m)

## CAPITAL NOTES

- ❑ Two issues of capital notes remained outstanding at the year end with a balance of £214m (NZ\$427m) (2010: £212m)
- ❑ Notice of early repayment of the "2008 notes" (principal value NZ\$77m) given in September 2011 and these will be purchased on 15 March 2012
- ❑ Remaining "2006 notes" have an initial election date of 15 November 2012 and principal value NZ\$350m - no notice of early repurchase will be given
- ❑ Total interest payable in 2012 up to initial "2006 notes" election date is approximately £14.6m (NZ\$29.1m)
- ❑ Strategy implemented to migrate spare Parent Group cash funds into NZD to match the capital notes liabilities and shareholder capital returns
- ❑ Note issuer (GPG Finance) currently benefits from temporary exemption from requirement to publish a credit rating - present exemption formally expires end March 2012

## **GPG PENSIONS (STAVELEY/BRUNEL)**

# GPG PENSION SCHEME ANALYSIS

- ❑ Current support provisions provide the Trustees of the GPG Pension Schemes with a contingent claim over the assets of GPG of approximately £130m (NZ\$259m)
- ❑ Will likely mean that £130m (NZ\$259m) of asset realisation proceeds will be required to be retained by the GPG group and will not be available for distribution to shareholders in the medium term
- ❑ IAS19 financial reporting requires Schemes liabilities to be discounted at AA rated corporate bond interest rates, which have worsened significantly during the year
- ❑ Unprecedentedly low corporate bond rates have resulted in significant increases to the deficits reported for these Schemes
- ❑ No past service employer contributions are being made to the Brunel or Staveley pension schemes
- ❑ Next triennial valuations:
  - Staveley: to be completed by July 2012
  - Brunel: to be completed by June 2014

IAS19 deficit	31 Dec 2011 £m	31 Dec 2010 £m
Brunel	(31)	(23)
Staveley	(34)	(14)
Total £m	(65)	(37)
Total NZ\$m	(129)	(73)



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## OVERHEAD ANALYSIS AND PROGRESS

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# OVERHEAD ANALYSIS & PROGRESS

- ❑ Headcount at 31 December 2011 - 20 executive management and administration employees (2010: 33)
- ❑ Other staff incentives represent cost of staff retention and reward programmes and future redundancies
- ❑ Costs being spread over period that services are provided
- ❑ Certain incentives dependent on outcome of asset realisation exercise

	31 Dec 2011 £m	31 Dec 2010 £m
One-off advisors' fees relating to the strategic review and return of capital	9	3
Cost of redundancies arising in the year	2	1
Other staff incentives	6	-
Other operating costs	18	20
Total £m	35	24
<i>Total NZ\$m</i>	70	48



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## ONGOING CAPITAL MANAGEMENT

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# CAPITAL MANAGEMENT & RETURNS TO SHAREHOLDERS

- ❑ Intention that surplus cash assets be returned to shareholders as expeditiously as possible
- ❑ Most efficient means of delivering further returns to shareholders under review – series of share buy-backs may meet this test
- ❑ No dividend declared - but not ruled out
- ❑ Year end Parent Group cash balance of £200m includes £109m denominated in NZD
- ❑ Completion of T&G takeover would increase this NZD balance to £182m



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## APPENDICES

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# APPENDIX 1: GPG – SIMPLIFIED BALANCE SHEET

	2011		2010	
	£m	£m	£m	£m
Operating subsidiaries (book value)		50		48
Associated undertakings and joint ventures (book value)		212		250
Other portfolio investments		212		366
Turners & Growers (held for sale)		66		78
<b>Total investments (Note 1)</b>		<b>540</b>		<b>742</b>
Cash (Note 2)		200		203
<b>Gross assets excluding Coats</b>		<b>740</b>		<b>945</b>
Capital notes		(214)		(212)
GPG pension schemes		(64)		(37)
Other net creditors		(10)		(22)
		<b>452</b>		<b>674</b>
<b>Coats</b>				
Other net assets	464		472	
Net debt	(153)		(154)	
UK pension liabilities	(161)		1	
		<b>150</b>		<b>319</b>
<b>Shareholders' funds</b>		<b>602</b>		<b>993</b>
<b>NAV / share (NZ\$)</b>		<b>73.9</b>		<b>108.8</b>

Note 1: Market value of listed investments and book value of unlisted investments at 31 December 2011 £487m (2010: £670m)

Note 2: Cash at 31 December 2011 consisted of the following currencies:

	£m
GBP	73
NZD	109
AUD	17
Other	1
	<hr/>
	200
	<hr/>

## APPENDIX 2: GPG – MOVEMENTS IN SHAREHOLDERS' FUNDS

	£m	£m
Opening shareholders' funds		993
Shareholder returns		
Capital return	(80)	
Dividend	(18)	
Scrip dividend	6	
		(92)
Profit for the period		1
Movements in unrealised gains reserve		
Gains realised in the period (recycled through the Income Statement)	(28)	
Net unrealised movements on AFS investments	(27)	
Unrealised movements in respect of associates (Note 1)	(15)	
Deferred tax movement	10	
		(60)
IAS19 adjustments		
GPG schemes	(29)	
Coats	(186)	
		(215)
Foreign currency revaluations		
Coats		(26)
Other		1
<b>Closing shareholders' funds</b>		<b>602</b>

Note 1: As a consequence of the impairment in associates, £15m has been recycled from the URGR to the Income Statement

# APPENDIX 3: GPG – ELEMENTS OF REPORTED PROFIT FOR THE YEAR

	£m	£m
Operating subsidiaries		
Coats	44	
Other	4	
		<b>48</b>
Turners & Growers (net of minority interest)		(9)
Parent Group associated undertakings and joint ventures (Note 1)		(16)
Investments		
Gains realised in the period (recycled from the unrealised gains reserve)	28	
Dividend income	12	
Mark-to-market adjustments	(2)	
Impairments	(10)	
		<b>28</b>
Foreign exchange gains		3
Other income		3
Parent Group overheads		(35)
Net interest expense		(12)
Parent Group tax (Note 3)		(9)
<b>Net profit for the year attributable to GPG shareholders</b>		<b>1</b>

Note 1: Includes impairments, of £45m partially offset by a credit of £15m recycled from the URGR

Note 2: Overheads, including £9m One-off advisor fees

Note 3: consists principally of non-cash deferred tax