

GUINNESS PEAT GROUP PLC
ANNOUNCEMENT

GPG Announces Strategy to Realise Value

- GPG to undertake an orderly value realisation of GPG's investment portfolio over time.
- As part of the orderly value realisation, GPG's investment portfolio may be reduced to the point where an investment in GPG becomes a pure exposure to Coats.
- Cash proceeds from the orderly realisation of investments to be used to pursue capital management initiatives.
- GPG to undertake an initial capital return to shareholders of at least £75m (A\$120m / NZ\$158m) in the 2011 calendar year, subject to shareholder, tax and other approvals as necessary to effect the capital return. GPG will provide further details once the form, final amount and process of the capital return has been determined.
- GPG Board is conducting a search to seek to appoint a senior executive to implement the orderly value realisation strategy.
- GPG to hold AGM in June in New Zealand.

The Board of Guinness Peat Group plc ("GPG") today announced its strategy to optimise value for all GPG shareholders. This follows a recommendation to the Board by an independent sub-committee which was established in September 2010 and comprises GPG non-executive directors (Mr Mike Allen, Mr Rob Campbell, Mr Mark Johnson AO and Mr Gavin Walker).

The focus of the independent sub-committee has been on evaluating options to enhance GPG shareholder value, recognising that GPG shares trade at a material discount to net asset value (currently in excess of 30%).

As part of its evaluation, the independent sub-committee identified a number of issues with the current GPG business including:

- a large, complex and geographically diverse portfolio of assets, including a mix of minority shareholdings and wholly owned businesses (including Coats);
- a lack of value transparency with a number of unlisted investments, the largest of which is Coats;
- a disappointing performance in recent years; and
- a number of actual and contingent liabilities, including capital notes, pension liabilities and potential payment of a European Commission fine, some of which

are uncertain as to the timing and quantum of liability borne by companies in the GPG group.

Following an evaluation of a broad range of options by the independent sub-committee, the Board of GPG has adopted the recommendation that GPG pursue an orderly realisation of its investments over time.

The recommended strategy for optimising value consists of the following key elements.

Pursuing an orderly value realisation for GPG's investment portfolio over time

GPG has an investment portfolio with a market value of approximately £610m (A\$978m / NZ\$1,282m) as at 30 September 2010 (unaudited, excluding Coats) consisting of investments in listed and unlisted businesses in jurisdictions including Australia, New Zealand and the United Kingdom.

An orderly value realisation will be pursued over time with the aim of exiting GPG's entire portfolio of investments and, in the process, generating cash proceeds that can be used for capital management initiatives. GPG will seek to exit individual investments in an appropriate investment timeframe for each investment which optimises value for GPG shareholders. The Board believes that attempting a short-term realisation of all of GPG's investment assets is unlikely to be optimal for shareholders relative to a strategy of orderly value realisation over the medium term.

GPG will also evaluate opportunities to sell groups of assets if this is considered value-enhancing for GPG shareholders.

GPG will discontinue new investment, although it will contribute capital to existing investments if this is viewed as value enhancing. GPG's strategy of an orderly value realisation for its investments will not impact the way GPG deals with companies in which GPG is invested.

Executive Directors Gary Weiss and Blake Nixon commented: "We will continue to work closely with investee companies to enhance and extract value."

In conjunction with the orderly value realisation strategy, the Board will simplify GPG's overhead structure and reduce overhead costs.

Coats

Coats is a business with a number of attractive features including a global manufacturing platform, strong international brands and customer relationships, and significant exposure to growing Asian markets.

Coats was adversely affected by the global downturn in 2008 and 2009. However the business has since improved and the benefits of the extensive restructuring programme, which is now substantially complete, have begun to materialise.

As part of the strategy of orderly value realisation, GPG's investment portfolio may be reduced to the point where an investment in GPG ultimately becomes a pure play exposure to Coats.

During the orderly value realisation process, GPG will continue to evaluate this and other alternatives for realising value for Coats. As Coats' plans for profitable growth are achieved, there will be greater opportunities for value optimisation. The Board of GPG fully supports the Coats management team and their plans.

Capital Management

GPG is in a strong financial position with shareholders' funds in excess of £930m (A\$1,491m / NZ\$1,954m) and cash in excess of £170m (A\$273m / NZ\$357m) as at 30 September 2010 (unaudited).

GPG intends to use existing cash and the cash proceeds generated by the orderly realisation of investments to pursue capital management initiatives including returning capital to shareholders. The quantum and timing of capital returned to shareholders will depend on when value is realised from GPG's investments and will need to have regard to the GPG group's actual and contingent liabilities.

GPG will undertake an initial capital return to shareholders of at least £75m (A\$120m / NZ\$158m) during the course of the 2011 calendar year, subject to shareholder, tax and other approvals as necessary to effect the capital return. The shareholder approval for the capital return is intended to be obtained at the AGM which will be held in New Zealand in June on a date to be advised. Further work is ongoing to determine the most efficient manner to effect the capital return, recognising the constraints imposed by multiple jurisdictions. GPG will provide further details once the form, final amount and process of the capital return has been determined.

Governance and Management Structure

Since the appointment of the new non-executive directors there have been a number of governance changes, including the appointment of Mr Mark Johnson AO as Chairman of GPG and the establishment of fully operational audit and risk, remuneration, and investment committees consisting of non-executive directors.

In addition to these initiatives, the Board believes it is essential to introduce a clear management structure with centralised leadership. The Board is conducting a search to appoint a senior executive, who will be responsible for the implementation of the orderly value realisation strategy.

Summary

Mr Mark Johnson AO, Chairman of GPG said: “We believe that the strategy announced today provides a clear path for the optimisation of value for all shareholders.”

Goldman Sachs & Partners and Greenhill Caliburn are the joint financial advisers to GPG.

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