GUINNESS PEAT GROUP plc
("GPG" or "the Company")

GPG announces update on value realisation programme and proposed structure

On 11 February 2011, the GPG Board outlined a revised strategy for the GPG Group that focused on the following key principles:

- GPG to undertake an orderly value realisation of its investment portfolio
- GPG's investment portfolio potentially 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. Decisions as to the quantum and timing of capital returns to shareholders would have regard to the GPG group's actual and contingent liabilities

Since this announcement, in addition to progressing these initiatives, the GPG Board and management have focused on reducing overhead costs and complexity within the GPG corporate structure and on supporting Coats' management in its growth and business development initiatives and good progress has been made in relation to each of these items:

- GPG recently announced the sale of its investment in ClearView Wealth Limited for A$124.3m (£80.7m) (including dividends) and can confirm that it has now realised in excess of 50% (by volume and value) of the investment portfolio it owned on 1 January 2011. A number of work streams and processes are ongoing in relation to the remaining portfolio investments and some of these are in advanced stages and are expected to complete in the current year
- A capital return of £80m in cash was made in July 2011 and in October 2011 a £12m cash dividend was paid together with the issue of £6m of shares pursuant to a scrip dividend alternative
- GPG capital notes with a principal value of NZ$77m (£39m) were purchased and cancelled on 15 March 2012. On 24 September 2012 GPG announced its intention to exercise its option to purchase the remaining capital notes with an election date of 15 November 2012 and a principal value of NZ$350m (£178m)
- A wind-down plan is being progressively implemented for GPG's corporate functions and staff numbers and overhead costs have been reduced

While completing the above work streams will continue to receive strong focus from the GPG Board and management, the GPG Board has now reviewed options to maximise shareholder value from GPG's investment in the Coats business. It has determined that this will be achieved by renaming GPG as Coats plc ("New Coats") at the point when GPG shareholders' investment is predominantly represented by the Coats business.

The combined GPG and Coats management teams, together with advisers as required, are working through a detailed timetable and transition plan. The transition is intended to be complete in the second half of 2013.

The transition plan will include:

- A thorough review of the appropriate capital structure for New Coats as the standalone listed entity
- Identifying surplus capital emanating from GPG's non-Coats investment portfolio realisation process which will be returned to shareholders in the most efficient and timely manner
- Expected retention within New Coats of certain GPG residual obligations, principally the GPG pension schemes
- Implementation of appropriate corporate governance structures, alongside the reconstitution of the Board to support Coats' executive directors in the context of the ongoing New Coats listed entity
- Capital market positioning of Coats and development of its investor base, with a key objective of improving liquidity and the profile of New Coats

The transition from GPG to Coats has already begun and will be reflected in the format of the GPG Annual Report which will be published in the first quarter of 2013. An update on Coats' trading performance since the half year will be provided on 13 November within the GPG Interim Management Statement.

A £10m on-market buyback programme was announced on 3 September 2012, but no purchases have been made as at the date of this announcement. The Board has reviewed this programme and given recent progress with asset divestments has decided to extend the buyback to up to £70m, which would be expected to utilize fully the Company's existing shareholder authority to buy back a maximum of 15% of its share capital, subject to the restrictions contained within that authority. All other terms of the buyback are as set out in the 3 September 2012 announcement. The Directors will continue to be free to sell shares in the Company subject to applicable laws and regulations.

This announcement does not constitute, or form part of, an offer or any solicitation of an offer for securities in any jurisdiction.

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