

## GUINNESS PEAT GROUP PLC

### ANNOUNCEMENT

On 16 June 2010, Guinness Peat Group plc (GPG) announced plans to pursue a corporate reconstruction (the Proposal) to enhance and unlock value for all GPG shareholders.

The unanimous Board decision to publicly announce the Proposal followed extensive independent expert advice and detailed consideration by the Board of alternative ways to optimise value for all GPG shareholders.

On Friday 25 June 2010, one of GPG's executive directors, Mr Tony Gibbs, lodged a statement with the NZX which expressed his personal views on the GPG Proposal. The statement by Mr Gibbs was not seen or authorised by the Board of GPG prior to its release. The GPG Board is disappointed that Mr Gibbs chose to express his views publicly without consultation with the Board, particularly in light of the fact that Mr Gibbs approved the Proposal and the 16 June announcement.

Following careful consideration of these matters, the Board has today resolved, in accordance with Article 97(e), to terminate the appointment of Mr Gibbs as an Executive Director and has further resolved, that his office as a Director of Guinness Peat Group plc be vacated. Consequently, Mr Gibbs has ceased to be a Director of the company.

GPG's Chairman Sir Ron Brierley commented that "This action has been taken with much sadness but was unavoidable. Tony was a great achiever for GPG in earlier times and we worked together, closely and effectively, for nearly 20 years. More recently, however, there have been increasing difficulties, culminating in last week's serious breach of boardroom protocol. In the circumstances, there was no alternative to the action taken".

The Board is of the view that the strategy proposed by Mr Gibbs in his personal statement is inappropriate because it fails to take account of the complexities inherent in GPG's current structure. Furthermore, it is contradictory to external independent advice previously obtained. While the Board is cognisant of delivering 'what shareholders want', they have been equally mindful of the constraints, including:

- GPG's key investments are at varying stages of maturity and liquidity.
- GPG has a range of actual and contingent liabilities that impact the ability to make distributions to shareholders. In addition, there are tax consequences arising in each of the major shareholder jurisdictions in respect of the different types of distributions which the company may make.
- Notwithstanding Coats' improved operating performance, the business is not currently at an appropriate stage to proceed to an IPO, although it is recognised that creating further transparency and a structure to facilitate an efficient and fair value flotation in due course is desirable for both Coats and GPG shareholders.
- GPG's current business model is not optimal and has substantial cost and complexity associated with it.

The Proposal announced on 16 June was the beginning of a process designed to address these issues in a manner that optimises GPG shareholder value. The Board unanimously believes that shareholder value can only be maximised by the Board working cohesively towards a final restructure proposal that has regard for GPG's current circumstances and complexities, is reflective of shareholder input and which provides shareholders with full information to enable them to make an informed decision.

In light of recent developments and shareholder feedback, Sir Ron Brierley advises that GPG will seek to appoint up to three independent, non-executive directors to the Board as soon as is practical. Sir Ron Brierley will conduct an appropriate process and work with GPG's advisers to identify and appoint these independent directors.

Subsequently, an independent sub-committee of the Board will be established, comprising the non-executive directors, which will be mandated to:

- Review the Proposal as well as previous internal and external analysis underpinning its key elements and reasons for rejecting alternatives.
- Consider variations and modifications to the Proposal if any.
- Consult with GPG shareholders and consider their views.
- Fully disclose all relevant information to shareholders when appropriate to enable a fully informed decision to be made, including an overview of all alternatives considered and reasons for rejection.
- Implement a restructuring process if it is determined to be in shareholders' best interests.

Sir Ron Brierley also advises that GPG's executive directors will not participate in respect of any decisions by the Board relating to the restructure. This will ensure that the executive directors remain fully focussed on managing and optimising the value of GPG's underlying investment portfolio.

Sir Ron Brierley commented that "My sole objective remains optimising value for GPG shareholders and I believe GPG's current business needs to be simplified and streamlined to enable this".

GPG will keep shareholders fully informed of further developments.

GPG is being jointly advised by Goldman Sachs JB Were and Greenhill Caliburn on this matter.

Ron Brierley  
Chairman  
Guinness Peat Group plc  
Tel: +44 20 7484 3370

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