

GUINNESS PEAT GROUP plc
(“GPG” or the “Company”)

Announcement

Annual General Meeting: Chairman’s Presentation

GPG announces that at its Annual General Meeting (“AGM”) to be held in London, United Kingdom on 22 May 2014 at 2 pm, the Chairman will make the following presentation, the text of which is set out below:

“In February 2011 the GPG Board announced a strategy to sell its assets in order to increase and return value to GPG shareholders. This strategy included:

- Undertaking an orderly sell down of GPG’s investment portfolio over time
- As part of this process, GPG’s investment portfolio may be reduced to the point where an investment in GPG becomes an investment in Coats
- Proceeds from the sale of investments to be used to return value to shareholders

We should recognise that substantial progress has been made in delivering this strategy, and on your behalf I would like to congratulate the GPG executives for successfully completing the divestment programme.

Investment realisation programme

The investment realisation programme was completed on time and on value expectations in October 2013 with the sale of GPG’s shareholding in Tower Limited. Total cash generated since 1 January 2011 was £698 million, of which £240 million arose in 2013.

The proceeds generated, including dividends and other forms of distribution, should be compared with the approximate portfolio market value shortly before the announcement of the realisation strategy of £677 million.

As of last week, GPG’s unaudited cash position was £380 million.

This balance is being managed prudently by the Board and we will continue holding it in cash instruments so that capital is protected. The Board has taken a view on the currencies in which to hold cash, taking into account the spread of the shareholder base, the obligations which certain companies in the Group have to the UK pension schemes, the functional currency of the Coats business and our corporate costs, which I will return to in a moment.

Coats

As many of you are aware, Coats is the world’s leading industrial thread and consumer textile crafts company. Its business spans almost every country in the world, and it employs more than 20,000 people across six continents.

Coats' Industrial business has a strong share of the global apparel and footwear thread market. This is based on a combination of strong customer relationships, the ability to supply the textile industry from 'around the corner' in almost every market in the world, together with a reputation for product quality, reliability and ethical and responsible behaviour.

Coats is building on these strengths by growing its Speciality Industrial business. Speciality threads and yarns are tailored to specific customer end uses, such as medical sutures, fibre optics, flame retardant uniforms and equipment, and airbags in cars, to name a few.

Coats' Crafts business inspires and supplies the textile crafting needs of consumers around the world through its well-known and trusted brands, some of which have been famous from the time of our parents and even grandparents.

These strategic strengths translated into a positive set of results in 2013:

- Turnover of approximately £1.1bn (USD \$1.7bn) was up 5% year on year at constant exchange rates
- Coats also generated substantial levels of cash flow, with free cash flow in 2013 of £29 million (USD \$45 million)
- Trading since the start of 2014 has been in line with management's expectations with Q1 like-for-like sales up 5% at a Group level

The management team at Coats, led by Group Chief Executive Paul Forman, has been working hard to ensure that Coats continues to grow and build on this strong foundation and so deliver strong returns to our shareholders.

Pensions

As you are aware, the intention of completing the objective of finalising the return of value to shareholders while maintaining a listing for the Coats business has been delayed by the UK Pension Regulator's investigations.

To recap, the GPG Group has three UK pension schemes within it – GPG's legacy schemes Brunel Holdings Pension Scheme and the Staveley Industries Retirement Benefits Scheme, as well as the Coats Pension Plan, which is the Coats scheme.

As we announced on 22 December 2013, we have received formal Warning Notices from the UK Pensions Regulator in relation to the Brunel and Staveley Schemes which set out why, in the Regulator's case team's view, it may be reasonable to require the Group to provide additional financial support to the two schemes. GPG is in the process of formally responding to these two Warning Notices.

The Regulator notified the Board on 29 November 2013 that it would not be in a position to conclude its initial investigation and decide whether or not to issue a Warning Notice in connection with the Coats scheme by year end 2013. It is looking to conclude the investigations over the course of 2014. No Warning Notice has been received to date.

We continue to engage with the Regulator and are actively maintaining open dialogue with the trustees of the relevant pension schemes. The Board is exploring all options with the aim of resolving these matters as efficiently as possible without compromising shareholder interests.

It is still too early to advise shareholders as to the likely outcome on the investigations. If the matter is not settled through negotiation, any hearing before the Regulator's Determinations Panel will not take place before the second half of this year.

While the regulatory process continues, concluding the return of value to shareholders and the Group transition has been delayed. Any decision on the future capital structure of the GPG Group and further return of value to shareholders unfortunately continues to be on hold while these matters are being resolved.

Corporate cost reduction

In the meantime, the GPG Board continues to focus on minimising costs at the Group level.

As announced in the Q1 2014 IMS earlier in May, the Board will complete the downsizing and migration of support services to Coats by 30 June 2014 when it closes its remaining London office, at which point the remaining few GPG employees will depart. The Sydney office will be closed at the same time.

We have also continued to reduce our Board costs. In 2012, total GPG Board fees were £700,000, in 2013 they were reduced to £500,000 and our expectation is that in 2014 they will not exceed £300,000.

GPG Board

On 16 April I was delighted to be appointed Chairman of GPG, following my appointment as a Non-Executive Director in February 2014 and appointment as Chairman of Coats in August 2013.

I am looking forward to using the Board experience I have gained from Which? Ltd, Serco Group, ITV, BAA, and as Chairman of Her Majesty's Revenue & Customs, to guide the Company through the changes it is facing and to continue Coats' growth journey.

Ruth Anderson was also appointed in April as Non-Executive Director, and Chairman of GPG's Audit, Finance and Risk Committee. Ruth is a chartered accountant and spent much of her career at KPMG, holding senior positions such as UK Vice Chairman for five years. Ruth is currently Chairman of the audit committee at both Ocado plc and Travis Perkins plc. As such she is the ideal candidate with absolutely the right experience to chair GPG's Audit, Finance and Risk Committee.

Our former Chairman Rob Campbell successfully led GPG's divestment programme, and I am extremely pleased that he remains on the Board as a Non-Executive Director. Rob brings continuity, experience and insight to GPG's strategy, to determining the appropriate capital structure of the Group and to completing the return of value to shareholders.

Turning now to the Board structures. At present, while the pensions investigations are ongoing, it is appropriate to have two Boards with clearly defined roles. The principal task of the GPG Board is to bring the Pensions Regulator's investigations to a satisfactory conclusion, determine the appropriate capital structure of the Group and complete the return of value to shareholders.

The Coats Board is focused on successfully running and developing its global business which is, and will continue to be, the heart of your company and investment.

Conclusion

GPG has undergone a major change process since 2011.

The strategy of GPG remains consistent, namely:

1. Providing Coats with a path to a future as an independent listed group, including ensuring it has the right corporate governance in place and determining its optimal capital structure
2. Bringing the Pension Regulator's investigations to a fair and timely resolution, and
3. Completing the return of value to shareholders, taking into consideration these factors.

GPG is no longer an investment holding company with a mixed portfolio of assets – it holds one operating asset – Coats plc – the legacy Brunel and Staveley pension schemes and the cash from the investment sales.

Investing in the long term future of GPG is now essentially investing in Coats – the world's leading industrial thread and consumer textile crafts company.”

Chris Healy
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