

The background of the slide is a photograph of a laboratory. In the foreground, there are several rows of glass bottles, each with a metal rod inserted into its neck. The bottles contain liquids of various colors, including clear, yellow, orange, and brown. In the background, there is a piece of laboratory equipment with a control panel featuring three colored buttons (yellow, red, blue) and the text "to color" written upside down. The overall scene is brightly lit, typical of a laboratory environment.

GPG Group and Coats plc
Results presentation for year ended
31 December 2014

26 February 2015

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Not a profit forecast

The financial information contained in this presentation is based on publicly available historic financial information of the GPG group and is not intended to be a profit forecast or profit estimate under applicable rules.

Rounding

Due to rounding, numbers presented throughout this document may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

Agenda

- GPG
 - Highlights
 - Corporate changes, pensions and overheads
- Coats
 - Overview
 - Financial performance
 - Summary and outlook
- Appendices
 - Coats strategy
 - Pensions

GPG

GPG highlights

Corporate changes

- Company to be renamed Coats Group plc
- Coats - a world class, manufacturing business - returning to market under own name in in the 125th anniversary year of first listing on London Stock Exchange
- Single Board of Directors to lead the Coats business, rather than an investment company

Financial performance

- Operating profit £64m (2013: £41m) - increase driven by significant reduction in admin costs
- Net attributable profit £9m, £23m in 2013 includes £46m profit from discontinued operations
- Net asset backing per share 17.2p (31 Dec 2013: 31.5p) - decline reflects actuarial losses in respect of retirement benefit schemes

Pensions

- Continue to actively engage with UK Pensions Regulator's (tPR's) investigations

Company name and Board changes

- Establishes Coats as standalone, listed entity
- Company becomes focused, global manufacturing business with market leading positions; moves on from being investment company with diversified portfolio of assets
- Renaming to Coats Group plc expected to become effective over coming days
- Directors of Coats plc Board stepping up to Coats Group plc Board – two independent NEDs and three executives (Group Chief Exec, CFO and CEO Industrial); three GPG Directors retiring
- Intend to put in place suitable capital structure – to this end Coats successfully refinanced main debt facility with extended maturity and lower margin
- Will look to grant share-based long term incentives for senior executives, in line with standards of a FTSE 250 company - plan to fund employee benefit trust to buy shares in open market over time

Pensions and overheads

Pensions

- IAS19 deficit increased to £375m (31 Dec 2013: £178m): main driver was increase in liabilities as decrease in discount rate more than offset decrease in inflation rate
- Triennial valuations: Coats Plan due to start Apr 2015; Brunel and Staveley ongoing, timing impacted by investigations
- Appointed new Group Pensions Director

tPR investigations update

- Company moving on: continue to actively engage with investigations balancing interests of stakeholders
- During investigations cannot make returns to shareholders
- Warning Notice received on Coats Plan in Dec 2014 – having reviewed with legal and other advisers will continue to robustly oppose tPR's view on insufficiency of resources; will litigate unless matter resolved via negotiation
- In early 2015 proposal put to tPR and trustees to settle across three schemes; proposal not accepted
- tPR indicated all three cases to be heard at same time, therefore any hearing unlikely before H2 2016 at earliest

Overheads

- Reduced overhead costs, excluding foreign exchange, by 56% to £18m
- Company continued to focus on minimising costs at Group level

Coats Overview



Overview

Delivered good profit and free cash flow growth

- Net attributable profit, before exceptional items, up 21%, to \$45m
- Adjusted free cash flow of \$70m
- Continued margin improvement in Industrial

Executing growth strategy

- 14% revenue growth in Speciality driven by global expansion and new products
- Share gains in core Industrial business based on innovation in services and products
- North American Crafts sales grew 3%, excluding anticipated fashion yarn decline

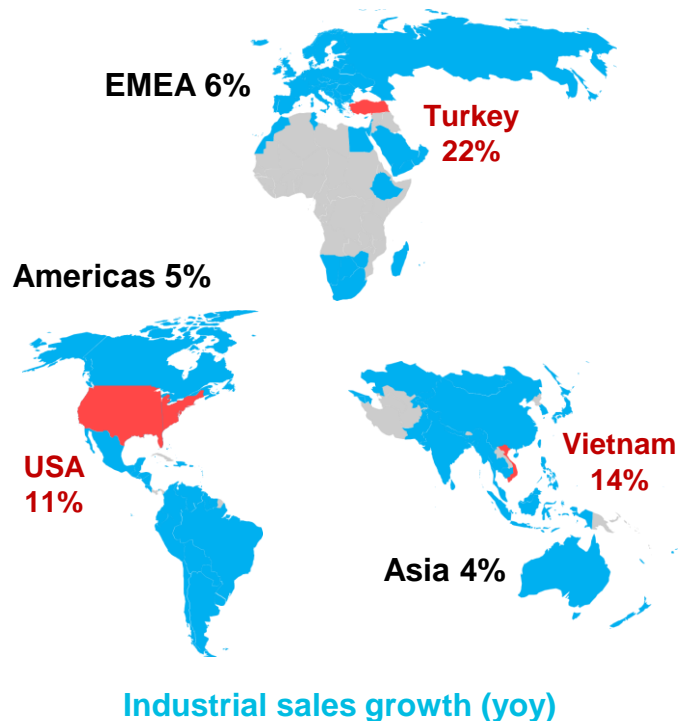
Positioning Coats for future growth

- Agreed EMEA Crafts sale - focus on high performing global Industrial and strong Americas Crafts businesses
- Successfully refinanced debt facility and reduced leverage: platform to invest in internal and inorganic growth

Delivering Profitable Sales Growth...

Geographic

- Balanced Industrial growth across regions
- Double digit Industrial sales growth in key markets



Innovative products

- Sales of engineered performance threads, including Flamepro (aramids used in personal protective equipment), up \$6m
- Sales of aramid composites (that enable replacement of steel natural gas pipes with reinforced thermoplastic pipes) up \$3m

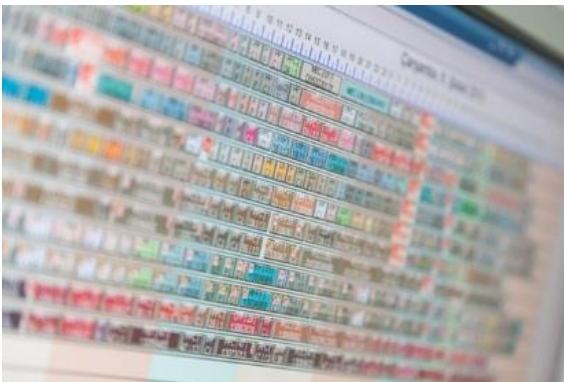


Digital services

- eCommerce: live in 15 markets and with >2,000 customers; orders fulfilled at least one day faster than off line orders
- Coats Colour Express: enabled 17% yoy growth in colour sampling volumes, at no incremental cost



... and increased productivity



- Return on capital employed increased to 26% (2013: 22%); primarily driven by sustainable improvement in Industrial inventory and debtor management
- Industrial manufacturing productivity and sourcing gains: \$15m y-o-y
- Mix of incremental improvements and capital investments eg bio mass plant for steam generation at Indian factory
- Increasingly digital Industrial business model helping continued internal efficiencies
- Significantly expanded network of Lean and Six sigma experts
- Increased employee productivity: Industrial sales per FTE up 5% y-o-y (like-for-like basis)

Americas Crafts: market and key achievements

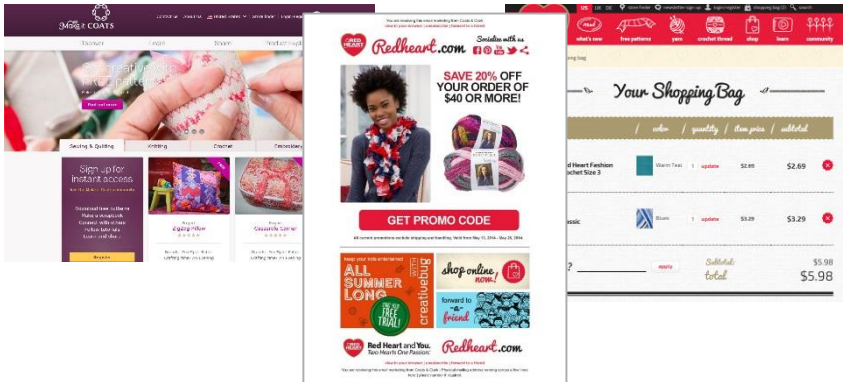
Products



Core brands



Digital channels



Market position

- Market leader in most textile Crafts categories in North America
- Expanding position in smaller Latin American market

Digital

- >20m visitors across Americas Crafts digital platforms
- 13% increase in visits to Red Heart website

Sales growth

- North American Crafts sales grew 3%, excluding anticipated fashion yarn decline
- 8% growth in Latin American handknitting sales

Profitability

- Delivered reasonable operating profit for 2014
- H2 improvement - improved sales performance and cost reduction initiatives

Sale of EMEA Crafts business

Transaction

- Announced sale to Aurelius Group on 19 Feb 2015
- Follows strategy review of business
- Sale better positions Coats for future profitable growth and focus attention on strong Americas Crafts and high performing global Industrial businesses
- Total consideration \$10.0m¹, overall deal expected to be marginally cash negative due to cash retained within business
- Completion conditional upon customary clearances; expected to complete Q2 2015
- UK Crafts business to remain within Coats

Financials

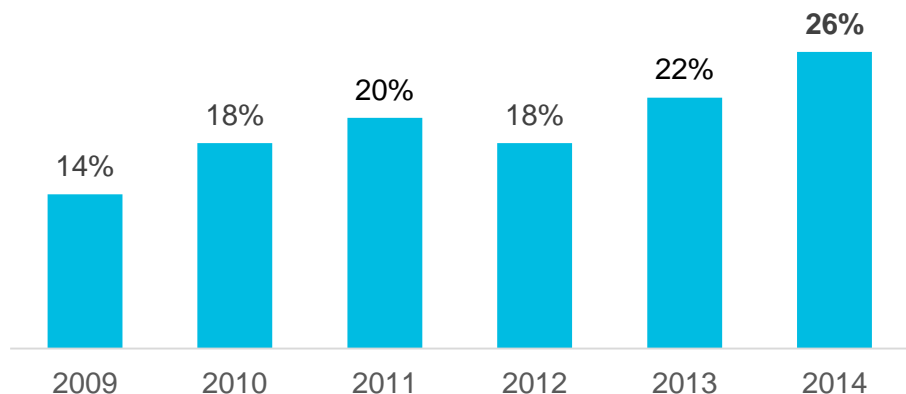
- 2014 revenues: \$124.9m²
- 2014 pre-exceptional operating loss: \$9.8m²
- 31 Dec 2014 net tangible assets (NTA), after impairment: \$35m²
- \$18.8m impairment charged to Coats in 2014
- Given consideration and NTA position a substantial loss on disposal expected (quantum to be finalised on completion)
- During transition period continue to incur costs previously allocated to EMEA Crafts - will impact Coats operating profit from ongoing operations (to be reviewed to ensure medium term Group margins not impacted)

1) Payable in cash on completion subject to customary adjustments

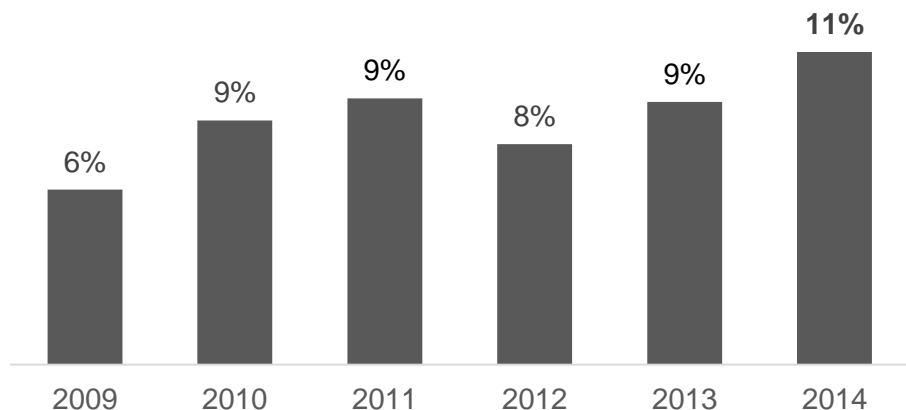
2) For the EMEA Crafts business being sold

Improving returns and quality of earnings

Return on capital employed (ROCE)¹



Return on invested capital (ROIC)¹



- Profitable Sales Growth – share gains, new product and service innovation, geographic expansion
- Increased productivity – offsetting inflation
- Expert pricing management
- SD&A efficiency programmes and new structures being implemented
- Focus on working capital management
- Capital discipline – capex \leq x1.0 depreciation

Strong five year improvement trend in key return metrics

1) 2009-11 figures adjusted by \$6m (estimate) to reflect impact of adoption of IAS19 (revised) on operating profit

The background of the slide is a close-up photograph of several skeins of yarn in various colors, including shades of pink, orange, red, purple, green, and brown. The skeins are arranged in a way that they overlap, creating a sense of depth and texture. The lighting is soft, highlighting the individual strands of the yarn.

Coats
Financial performance

Financial performance



\$m	Before exceptional items	Exceptional items ¹	Total	Before exceptional items	Exceptional items ¹	Total
Revenue	1,686	-	1,686	1,704	-	1,704
Operating profit	131	(24)	107	133	(9)	124
Profit before tax	100	(24)	76	97	(9)	88
Profit after tax	55	(24)	31	45	(8)	37
Attributable profit	45	(24)	21	37	(8)	29

KPIs	Industrial	Crafts	Group
Sales Growth ²	5%	(9)%	1%
Operating profit growth ³	18%	(88)%	-
Attributable profit growth ⁴			21%
Adjusted Free Cash Flow ⁵			\$70m

1) Exceptional items set out on slide 21

2) On a like-for-like basis (restates 2013 comparative figure at 2014 exchange rates)

3) On a like-for-like basis before exceptional items

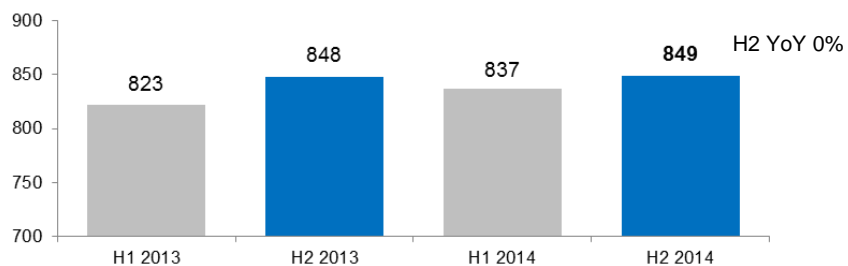
4) On a reported basis before exceptional items

5) Adjusted for exceptional items (see slide 24)

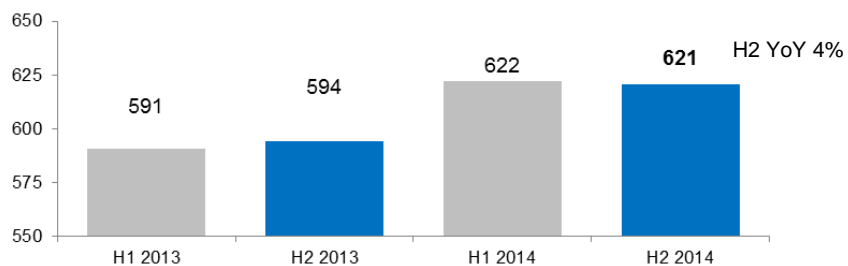
Underlying operating performance

Revenue

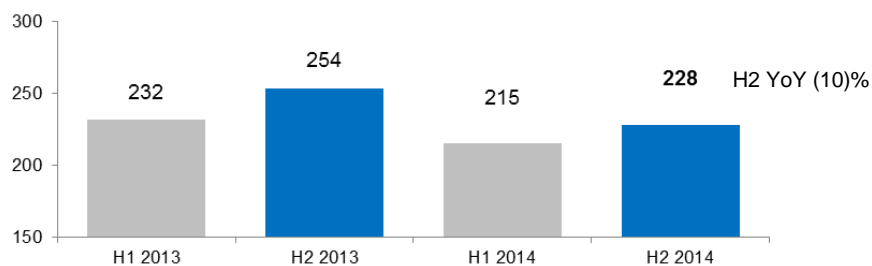
Group



Industrial



Crafts



Operating profit and margin ¹

	H2 2014	YoY%	FY 2014	YoY%
Operating profit (\$m)				
Industrial	62	12%	128	18%
Crafts	4	(70)%	3	(87)%
Group	66	(4)%	131	0%
Operating margin (%)				
Industrial	9.9%	60 bps	10.3%	110 bps
Crafts	1.7%	(350) bps	0.6%	(390) bps
Group	7.7%	(30) bps	7.8%	(10) bps

- FY14 group operating profit of \$131m includes ~\$8m of reorganisation related costs that have not been classified as exceptional

¹⁾ On a like-for-like basis (restates 2013 comparative figure at 2014 exchange rates)

Industrial performance

Revenue

Asia & Australasia

- Growth across the region; key drivers were apparel and footwear in Vietnam and India and Speciality (outdoor and sporting goods)

Americas

- Strong H2 growth, 7%, driven by N. American Speciality sales, particularly in protective clothing and wire and cable markets

EMEA

- Growth across most key markets; strong performance in zips and Speciality (protective clothing and automotive markets)

Apparel and Footwear ¹

- Solid growth through share gains and underlying market growth; H2 performance impacted by strong comparators

Speciality

- 14% growth rate (18% in H2) achieved through new product innovation and geographic expansion

Operating Profit

- Up 18% through volume growth, with productivity and purchasing improvements, coupled with pricing initiatives, successfully offsetting cost inflation

\$m	2014	2013 ²	YoY% FY	YoY% H2
Revenue (by region)				
Asia & Australasia	680	652	4%	3%
Americas	289	274	5%	7%
EMEA	275	260	6%	5%
Total	1,243	1,185	5%	4%
Revenue (by category)				
Apparel and Footwear ¹	1,008	979	3%	2%
Speciality	235	206	14%	18%
Operating profit ³	128	109	18%	12%
Operating margin ³	10.3%	9.2%		

¹ Includes accessories, zips and trims and global services

² On a like-for-like basis (restates 2013 comparative figure at 2014 exchange rates)

³ Before exceptional items

Crafts performance

Revenue

Americas

- N. America impacted by decline in fashion handknittings following 2013 demand peak; excluding this product range sales grew 3%
- Latin American y-o-y growth in Handknittings continued in H2, despite tough market conditions, although Needlecrafts declined

EMEA

- Sales down across both Handknittings, due to significant decline in demand for fashion products, and Needlecrafts
- Change in Scandinavian business model had a FY impact of \$11m / 6% on EMEA revenue y-o-y (H2: \$4m)

Needlecrafts ¹

- Lower revenues reflect long term market decline

Handknittings

- Impacted by changing fashion trends following 2013 demand peak

Operating Profit

- Year-on-year decline primarily due to lower overall sales
- Returned to profitability in H2, in line with guidance, due to improved sales in Americas, cost reduction initiatives and avoiding one-offs incurred in H1
- Americas business delivered reasonable operating profit

\$m	2014	2013 ²	YoY% FY	YoY% H2
Revenue (by region)				
Americas	296	312	(5)%	(6)%
EMEA	147	173	(15)%	(17)%
Total	443	485	(9)%	(10)%
Revenue (by category)				
Needlecrafts ¹	206	220	(6)%	(6)%
Handknittings	236	265	(11)%	(13)%
Operating profit ³	3	22	(87)%	(70)%
Operating margin ³	0.6%	4.5%		

¹⁾ Includes other textile craft products

²⁾ On a like-for-like basis (restates 2013 comparative figure at 2014 exchange rates)

³⁾ Before exceptional items

Income statement

Attributable profit before exceptional items up \$8m (21%):

- Operating profit decrease (\$2m)
- Lower pension finance costs (\$5m) due to lower IAS19 pensions deficit at start of 2014 compared to start of 2013
 - Higher charge in 2015 due to increase in deficit for UK funded scheme during 2014
- Decline in finance costs driven by \$4m reduction in interest charges, due to lower debt and reduction in average interest rate
- Lower tax charge; underlying tax rate reduced 500bps y-o-y to 42% (see slide 22)

\$m	Before exceptional items	Exceptional items ¹	Total	Before exceptional items	Exceptional items ¹	Total
Revenue	1,686	-	1,686	1,704	-	1,704
Operating profit	131	(24)	107	133	(9)	124
Share of profit of JVs	2	-	2	1	-	1
Investment income	3	-	3	5	-	5
Pension finance costs	(7)	-	(7)	(12)	-	(12)
Finance costs	(27)	-	(27)	(29)	-	(29)
Profit before tax	100	(24)	76	97	(9)	88
Tax	(46)	(0)	(46)	(51)	0	(51)
Profit after tax	55	(24)	31	45	(8)	37
Minority interest	(10)	-	(10)	(8)	-	(8)
Attributable Profit	45	(24)	21	37	(8)	29

1) Exceptional items set out on slide 21

Exceptional items

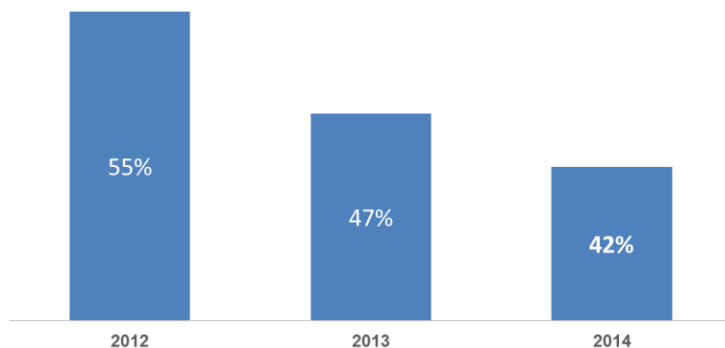
- \$19m impairment of property, plant and equipment and intangible assets in EMEA Crafts
- No exceptional reorganisation charges incurred in 2014 (in line with guidance)
- Operating profit includes ~\$8m of reorganisation related costs that have not been classified as exceptional
- \$4m tPR charge relates to costs incurred by trustee of Coats UK pension plan in 2014 in responding to tPR's investigation into scheme and provision made for trustee's expected costs to respond to WN
- \$3m profit on property disposals (related to activities in 2014 and in prior years)
- Other exceptional items in 2014 relate to capital incentive plan (expected to be lower in 2015)

\$m	2014	2013
Reorganisation	-	(22)
tPR	(4)	-
Property gain on disposal	3	20
US antitrust settlement	-	(7)
Impairment of non-current assets in EMEA Crafts	(19)	(1)
Other exceptionals	(4)	1
Total exceptional costs	(24)	(9)

Taxation

- Reported tax rate of 60%
 - Marginal increase y-o-y due to higher level of exceptional items (no tax relief)
- Underlying tax rate¹ reduced by 500bps y-o-y to 42%, primarily reflecting:
 - change in mix as regions with lower statutory tax rates contributed higher profits
 - reduction in unrelieved losses

Underlying tax rate



\$m	2014			2013		
	Tax	PBT	%	Tax	PBT	%
As reported	(46)	76	60%	(51)	88	58%
Exceptional items	-	24		-	9	
Pension interest IAS19	-	7		-	12	
Underlying tax rate	(46)	107	42%	(51)	109	47%
Cash Outflow²	(53)			(56)		

- Tax cash outflow in 2014 of \$53m², a 5% decline y-o-y

1) Pre-exceptional items and IAS 19 interest

2) Adjusted for tax on reorganisation, property sales and US antitrust litigation. 2014 cash outflow on a reported basis \$56m

Retirement and other post-employment defined benefit liabilities

- UK IAS19 deficit increased by \$205m from year end 2013 (up \$94m since end of Q3 2014) due to increase in liabilities:
 - largely due to a 115bps decrease in discount rate, which more than offset a 35bps decrease in the inflation rate
 - Also adoption of revised assumption setting methodologies and Trustee formally adopting improved cash commutation factors (~\$41m impact)
- 160bps increase in real discount rates would eliminate the UK deficit ¹
- Increase in cash outflow due to higher recovery plan contributions to UK scheme, in line with plan agreed with the scheme trustee in 2013

Balance sheet (\$m)	As at 31 Dec 14	As at 31 Dec 13
UK funded scheme		
Equities	730	954
Bonds	1,424	1,265
Other	234	248
Total assets	2,388	2,467
Liabilities	(2,722)	(2,596)
	(334)	(129)
US funded defined scheme	55	47
Other defined benefit schemes	(131)	(121)
Net obligation	(410)	(203)
Tax ²	(5)	(4)
Total liability	(415)	(207)

Discount rate ³	3.35%	4.50%
Inflation ⁴	2.95%	3.30%
Rate of increase in pensions in payment	2.85%	3.10%
Life expectancy (male retiring at 60)	25.7	25.6

\$m	2014	2013
Operating profit service charge	(19)	(19)
Cash outflow	(37)	(26)

1) As at 31 Dec 2014. Assumes an immediate increase across all points on the yield curve and includes an estimate for the impact on the value of corporate bonds in the scheme assets

2) Primarily deferred tax liability relating to the US surplus

3) Assumption derived using a yield curve approach, based on Sterling AA corporate bonds

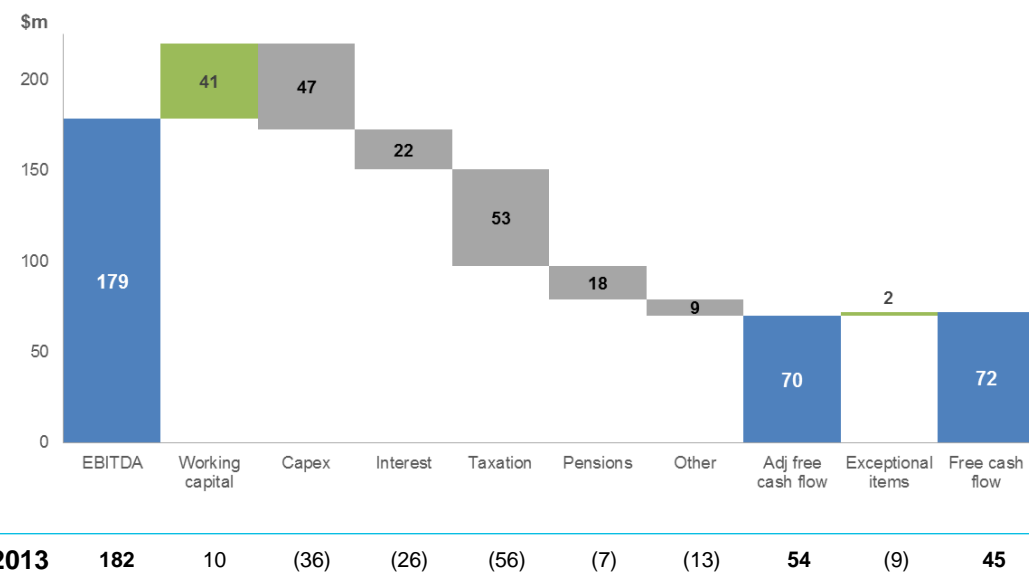
4) Assumption based on a market implied long-term rate of inflation

Cash flow and leverage

Cash flow

- Adjusted free cash flow up 30% y-o-y
- Working capital inflow due to improvements in Industrial inventory and debtor management, and reduced Crafts sales
- Capex at x1.0 depreciation¹; y-o-y increase in spend driven by investment in IT and digital services and efficiency initiatives
- Interest \$4m down due to reduced debt and average rates
- 5% reduction in tax cash paid
- Pension payments up \$11m; in line with recovery plan agreed with trustee of Coats UK plan in 2013
- Other includes provisions and payments of dividends to minorities

Cash flow bridge



1) Depreciation and computer software amortisation

Leverage

- Reduction in net debt and leverage ratio due to strong operating cash flows

\$m	2014	2013	2012
Leverage ratio	1.4x	1.8x	2.1x
Net debt	263	329	368
NWC%sales	12%	15%	17%

Successfully refinanced debt facility

- \$760m syndicated bank facility successfully replaced with new \$680m revolving facility
- Facility oversubscribed
- Margin reduced by ~25bps
- Changed group of international banks - better reflects Coats' global footprint
- Size of facility reflects Coats' ability to generate free cash
- No change in financial covenants

Key terms and features

Size	\$680m
Maturity (date)	5 years (Feb 2020)
Margin structure	Margin dependent on financial leverage
2015 pricing (indicative)	LIBOR +150bps
Leverage covenant	Net debt / EBITDA \leq 3x
Interest cover	EBITDA / net finance charges \geq 4x



Coats

Outlook and summary

2015 outlook

Consumer demand

- Mixed regional picture expected to continue: broadly positive in Asia, solid growth in North America, Europe dependent on underlying macroeconomic situation and relatively flat situation in Latin America

Industrial

- In deflationary environment, more challenging to offset payroll and other cost pressures with price improvements
- Apparel and Footwear: focus on increased digitisation of customer engagement and order management
- Speciality: sales growth through geographic expansion and product innovation (eg aramids and composites)
- Continue to invest in growing the business and exploring potential inorganic growth opportunities

Crafts (Americas)

- Expected growth in core handknittings to be offset by reduced demand for fashion handknitting products

Group

- Mixed consumer demand, inflationary challenges and continued strengthening of USD to negatively impact operating profits; somewhat mitigated by losses attributable to EMEA Crafts as discontinued items
- Leading to broadly stable operating profit; with profitability weighted towards H2
- Attributable profit affected by increase in pensions finance costs; offset by improvements in tax and interest

Summary

- **Global market leader** with robust fundamentals; **strong** and **defendable core**
- Defined growth strategy
 - **Apparel and Footwear**: share gains based on innovation in services and products
 - **Speciality**: growth through global expansion and new products
 - **Crafts**: focus on strong and profitable Americas business
- Supported by **key differentiators**: world class asset base, product innovation, service enhancements (including digital), highly engaged workforce and corporate responsibility
- Delivering **attributable profit growth** and **generating significant free cash flow**
- **Well positioned** for future sales, earnings and free cash flow growth



Appendices

Coats strategy

GPG pensions, investigations and overheads

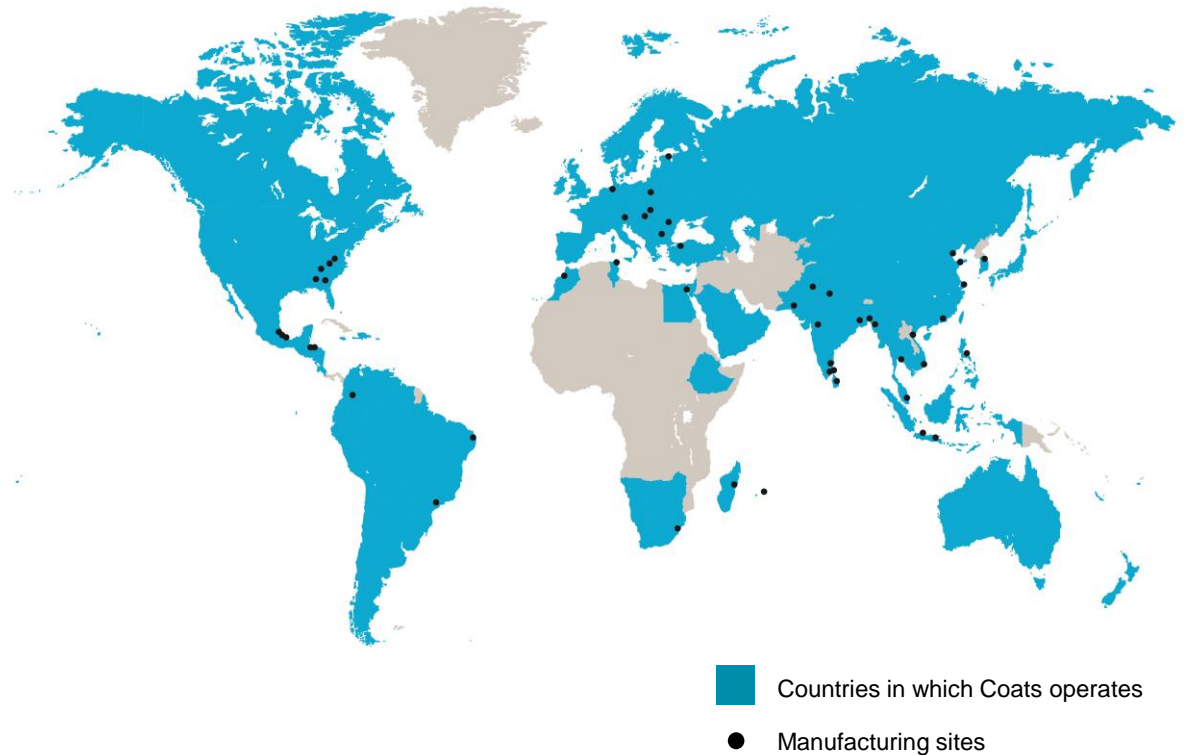
Coats pension schemes

Who we are



With a rich heritage dating back to the 1750s, Coats is the world's leading industrial thread and consumer textile crafts business employing ~20,000 employees in over 70 countries across six continents

- Group revenues of US\$1.7bn in 2014
- World's leading industrial thread producer
- Leading and expanding position in Speciality thread and yarn market
- Largest global player in textile crafts
- Headquartered in UK



Coats is the world's leading industrial thread and textile crafts business

Five elements to our value



Key differentiators that provide a platform for growth

Global market leader...



1 in 5

garments around the world is held together using Coats' thread

In 2014 Coats produced enough flame retardant thread to sew

7 million

fireman suits

Every

3 hours

Coats makes enough thread to go to the moon and back

Thousands of operations take place

every day

using Coats' thread

More than

100 million

car airbags are made using Coats' thread every year

Over

10 billion

teabags using Coats' thread are brewed every week

In **1879**

Thomas Edison used Coats' thread in his **experiments** to invent the light bulb

Coats is the

2nd largest

and fastest growing global zip manufacturer

More than

450 million

pairs of shoes are made every year using Coats' thread



... servicing several markets and global customers...



Industrial

End use applications include



Customers include

P&G

DECATHLON



MARKS & SPENCER



Abercrombie & Fitch

Crafts

End uses include



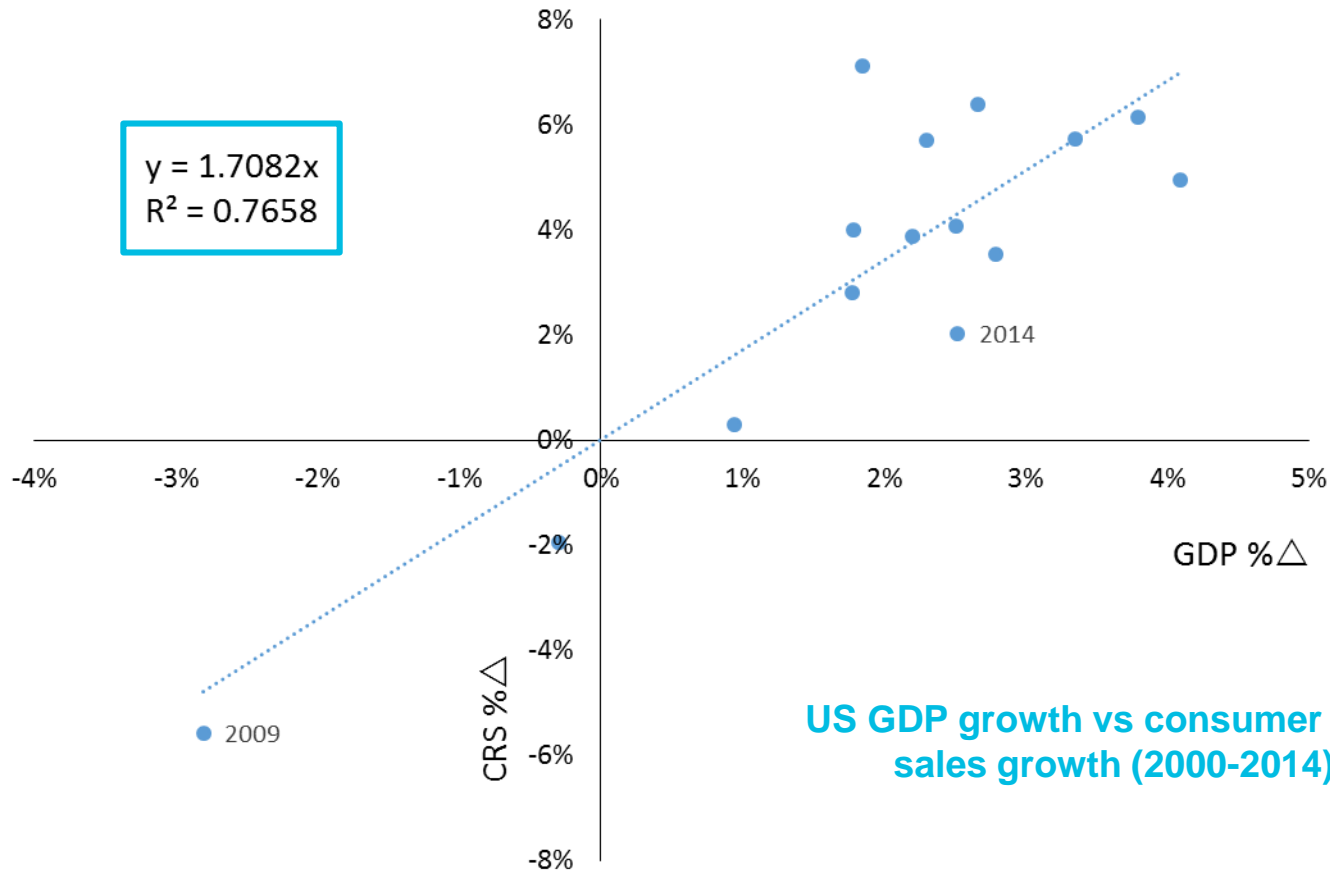
Brands include





... and stable underlying trends

Strong link between clothing retail sales and GDP growth. For the US, clothing retail sales growth is approximately 1.7 times GDP growth



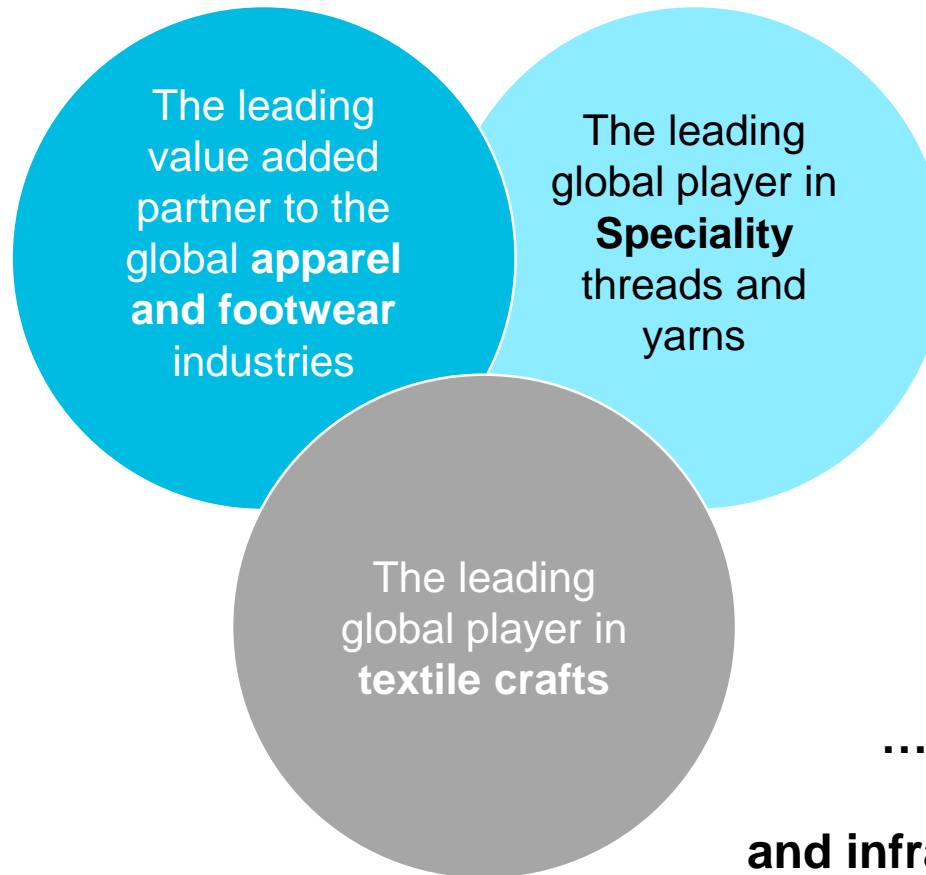
US GDP growth vs consumer retail sales growth (2000-2014)

CRS: Clothing Retail Sales
Source: IMF, US Census Bureau

Defined growth strategy to achieve three Market Goals

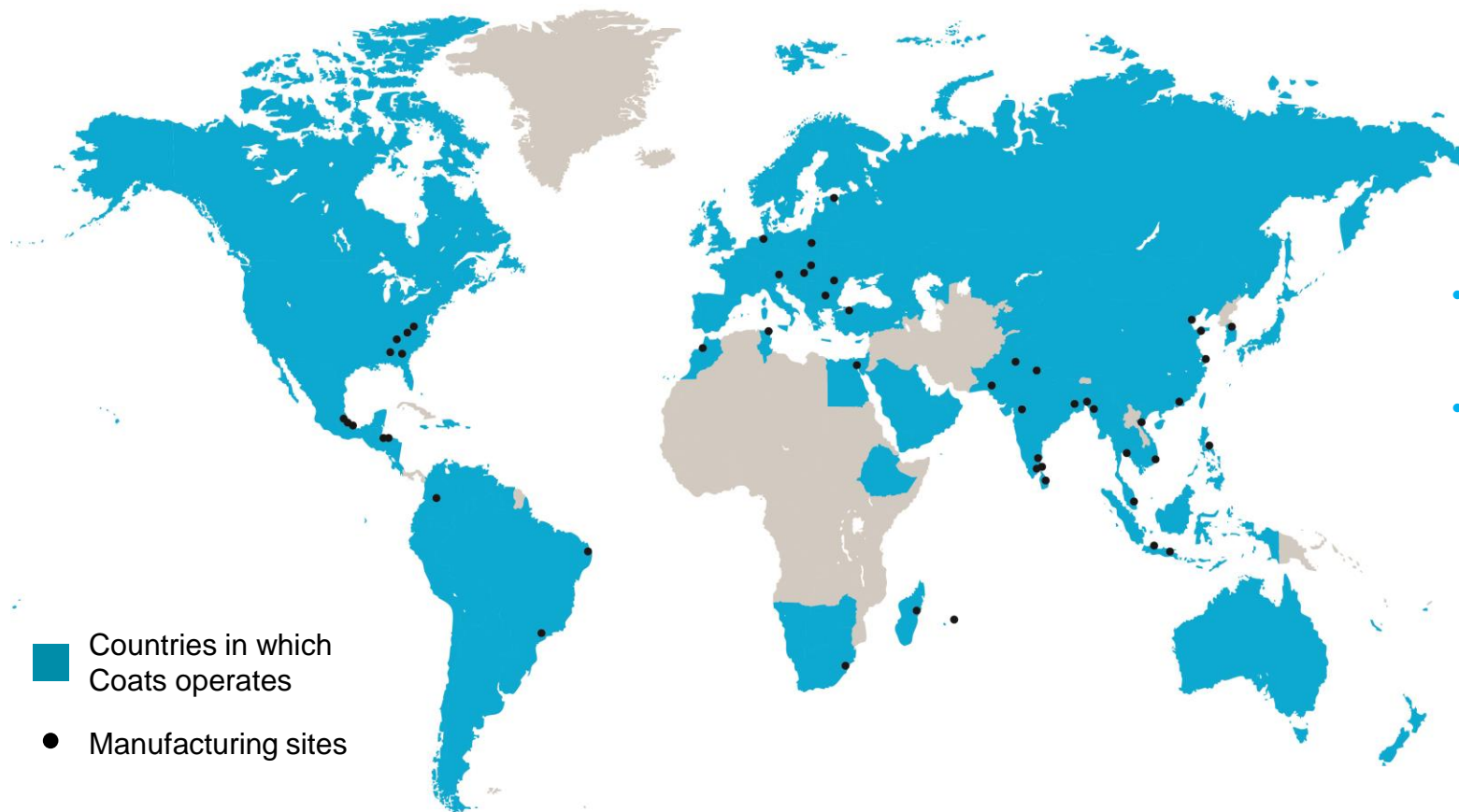


The Coats of 2015...



...based on a core of world class skills and infrastructure globally

Strategy supported by a global, world class asset base...



- Countries in which Coats operates
- Manufacturing sites

- Well invested asset base
- Restructured manufacturing footprint: reduced number of plants in higher cost Europe and North America

Truly global footprint with more than 70 manufacturing facilities across the world

... key differentiators providing a platform for growth...



Hemseal
For use in the secure hemming of tailored garments



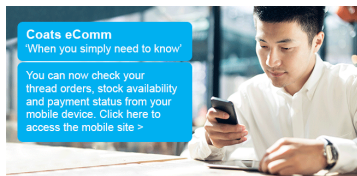
Flamepro
For use in personal protective equipment

Product innovation



GlasmO SM VO
Glass fibre strength engineered yarn used in telecommunication cables

eCommerce



Colour Express



Service enhancements (including digital)

Corporate Responsibility

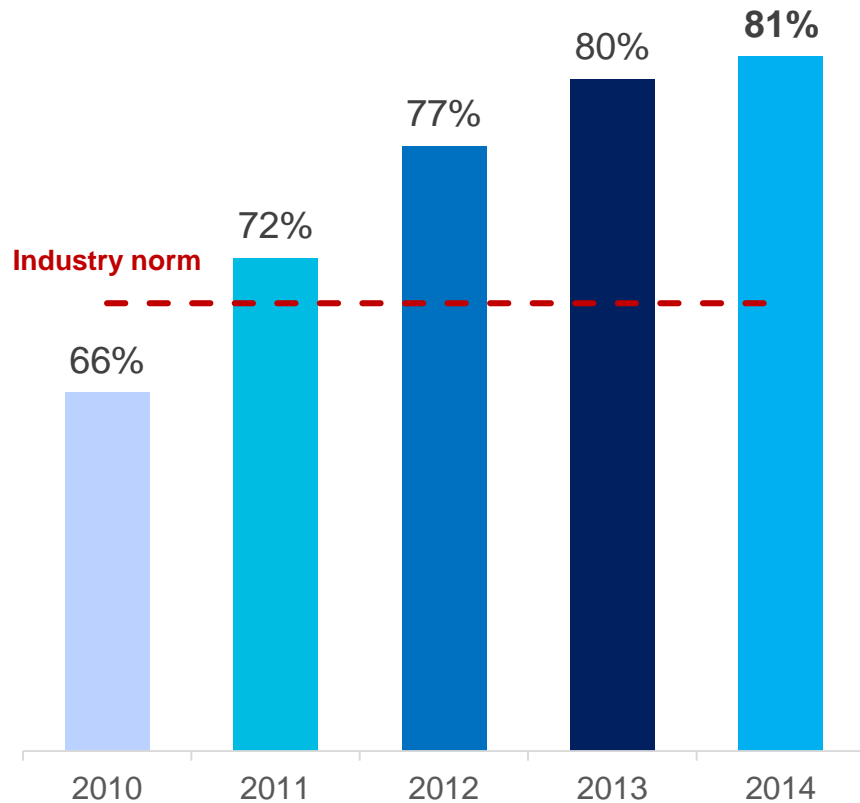


... and a highly engaged and safe workforce



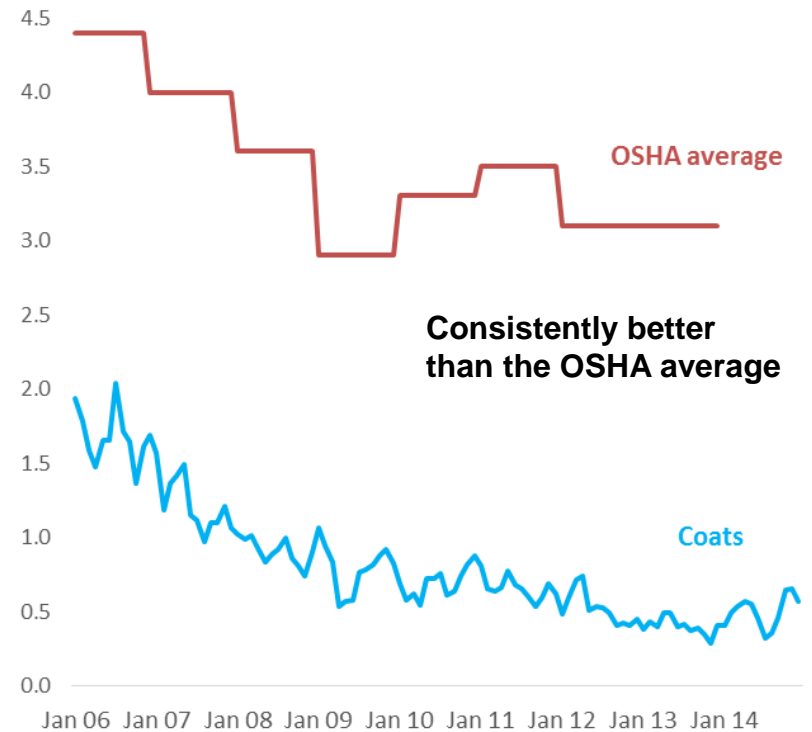
Global employee engagement survey results

90th percentile performance



Global recordable accident rate

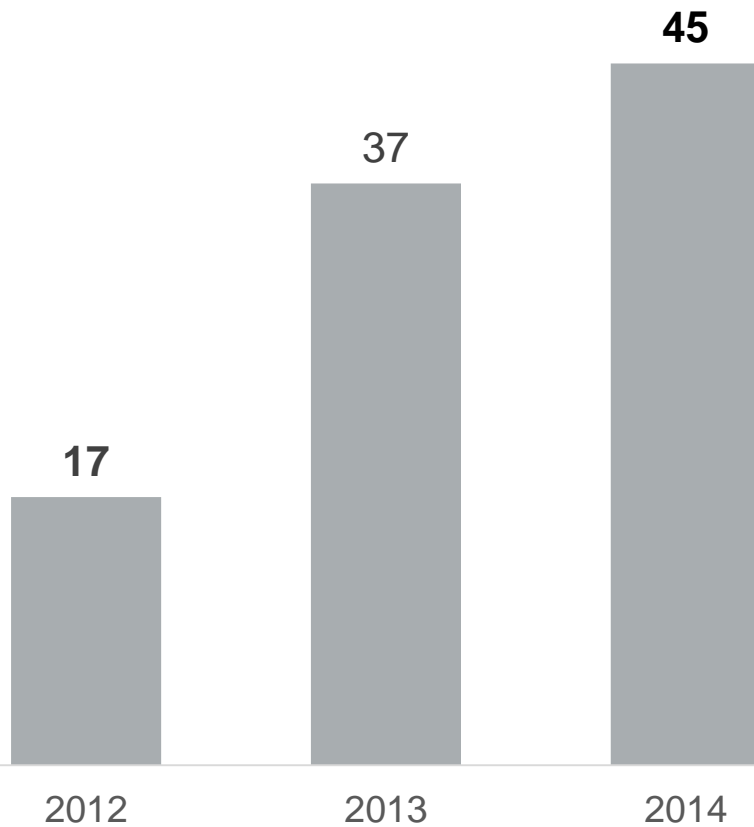
Coats global recordable accident rate vs OSHA average (US textile mills) - 2006 to 2014



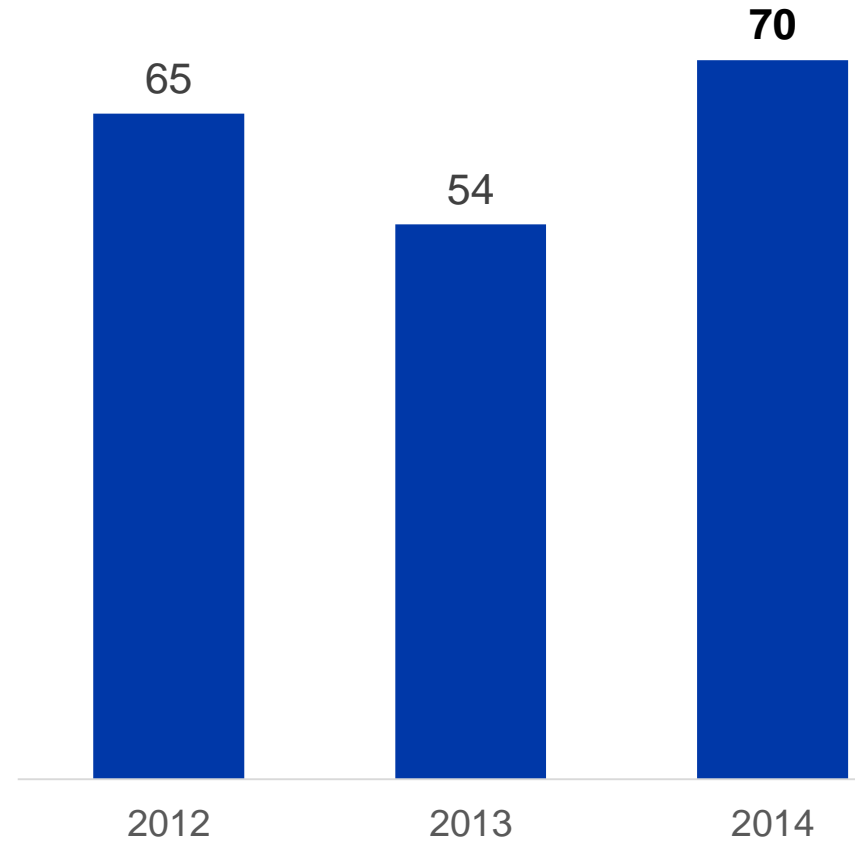
Leading to attributable profit growth and significant free cash flow



Attributable profit - \$m
(pre-exceptional)



Adjusted free cash flow - \$m



- Reduced overhead costs, excluding foreign exchange, by 56% to £18m
- Company continued to focus on minimising costs at Group level
- FX gains partly driven by strengthening USD vs GBP

tPR

- Costs incurred in 2014 covered by £8m provision made at the end of 2013 for work in 2014
- £8m 2014 charge is provision for committed costs of GPG and Trustees of Brunel and Staveley schemes

Staff costs

- Completed downsizing and outsourcing of support services at mid year with closure of London office

Outlook

- Excluding pension investigations costs, expect annualised overheads of £3-4m for pensions related expenses
- With change in corporate structure expect ~£3m for other costs¹ (previously £3-4m)

Overheads (£m)	H2 2014	2014	2013
Pension related expenses ¹	(3)	(4)	(2)
Staff costs	(0)	(2)	(13)
Other ²	(1)	(4)	(8)
Other Group expenses	(1)	(6)	(21)
Sub total	(4)	(10)	(23)
tPR advisory costs	(8)	(8)	(18)
Foreign exchange	10	11	(2)
Total	(2)	(7)	(43)

¹ Includes ~\$2m of one-off costs in 2014 (~\$1m in H2 2014)

² Other costs include GPG Board expenses and legal, audit and other professional fees

- Main driver for increase in IAS19 deficit since end of 2013 was increase in liabilities; largely due to 115bps decrease in discount rate, which more than offset 35bps decrease in inflation rate, adoption of revised assumption setting methodologies and Coats Plan Trustee adopting improved cash commutation factors for members

IAS19 deficit (£m)	31 Dec 2014	31 Dec 2013
Coats UK	214	78
Coats other	49	44
Coats total	263	122
Brunel	54	28
Staveley	58	28
Total	375	178

- Real discount rate increases required to eliminate UK deficits at 31 Dec 2014¹: *Coats*: 160 bps, *Brunel*: 390 bps, *Staveley*: 250 bps
- Triennial valuations
 - Coats UK*: £14m pa deficit reduction payments started Nov 2013 for ~14 years following trustee agreement. Next valuation due with effect from 1 Apr (deficit one of several considerations)
 - Brunel and Staveley*: valuation ongoing, timing impacted by tPR's investigations but expected to complete in due course
- Appointed new Group Pensions Director, John Lovell

UK Pensions Regular (tPR) investigations

- Overall:** moving on with running Company – new Board and Management will continue to actively engage with investigations balancing interest of stakeholders
- During investigations cannot return capital to shareholders
- Coats UK Plan:** Warning Notice (WN) received Dec 2014; states tPR's view that sponsoring employers of Plan were insufficiently resourced at relevant date and reasonable for tPR's Determinations Panel (DP) to issue a Financial Support Direction (FSD); could result in further financial support for Plan
- Having reviewed WN with advisers will continue to robustly oppose tPR's view on insufficiency of resources
- Will litigate matter as far as necessary unless it can be resolved via negotiation
- Brunel and Staveley:** WN's received Dec 2013; submitted written representations at end of Sep 2014 within tPRs deadline, however yet to receive responses
- Timing and settlement discussions:** in Coats WN, tPR indicated it appropriate for DP to hear all 3 cases at same time
- Therefore any hearing unlikely before H2 2016 at earliest
- In early 2015 proposal put to tPR and trustees to settle across 3 schemes to resolve all investigations; proposal not accepted

1) Assumes immediate increase across all points on yield curve and includes estimate for impact on value of corporate bonds in scheme assets

£m	Coats				GPG		Group
	UK	US	Other	Total	Staveley	Brunel	
Opening position 1 January 2014	(78.0)	28.4	(72.8)	(122.4)	(28.0)	(27.8)	(178.2)
Income Statement (pre tax)							
Current service cost	(2.5)	(1.8)	(3.5)	(7.8)	-	-	(7.8)
Administrative expenses	(4.0)	(0.6)	(0.1)	(4.7)	(2.0)	(1.4)	(8.1)
Net finance (expense) / income	(3.2)	1.3	(2.4)	(4.3)	(1.3)	(1.3)	(6.9)
Net expense	(9.7)	(1.1)	(6.0)	(16.8)	(3.3)	(2.7)	(22.8)
Reserves							
Net actuarial loss	(142.6)	7.0	(13.8)	(149.4)	(27.6)	(23.8)	(200.8)
FX	-	2.1	1.9	4.0	-	-	4.0
Net reserve movement	(142.6)	9.1	(11.9)	(145.4)	(27.6)	(23.8)	(196.8)
Cash flow							
Employer contributions	16.1	-	4.2	20.3	1.3	-	21.6
Unfunded benefits paid by employer	-	-	1.3	1.3	-	-	1.3
Transfer to US medical scheme	-	(1.2)	1.2	-	-	-	-
Total cash outflow	16.1	(1.2)	6.7	21.6	1.3	-	22.9
Closing position 31 December 2014	(214.2)	35.2	(84.0)	(263.0)	(57.6)	(54.3)	(374.9)
Actuarial loss							
Gain due to experience	1.0				-	-	
Loss due to change in assumptions (inflation 3.3% to 2.95 % and discount rate 4.5 % to 3.35%)	(199.2)				(24.4)	(21.0)	
Gain/(loss) due to higher than expected asset return	55.6				(1.0)	(1.2)	
Total actuarial loss	(142.6)				(27.6)	(23.8)	

Included in Coats' operating profit are 2014 pension charges of £12.5m, in addition provision made for 2015 tPR costs of £1.5m.

Contributions paid to Coats' 'other' schemes £4.3m. Benefits paid directly by Coats in respect of unfunded liabilities £1.3m

Surplus in Coats' funded US scheme utilised in funding medical costs for 'other' US schemes

Coats UK pension scheme contributions now £16m per annum

Coats pension schemes: income statement and cashflow impact



\$m	UK funded scheme		US funded Scheme		RoW		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Service charge	4	4	3	4	6	4	13	12
Administrative expenses	5	6	1	1	-	-	6	7
Pre-exceptional operating profit impact	9	10	4	5	6	4	19*	19
Exceptional past service credit	-	(7)	-	-	-	-	-	(7)
Exceptional administrative expenses	4	-	-	-	-	-	4	-
Operating profit impact	13	3	4	5	6	5	23	12
Finance charge / (income)	5	10	(2)	(1)	4	4	7	12
Total income statement impact	18	13	2	4	10	9	30	25
UK recovery contributions	23	13	-	-	-	-	23	13
UK Contributions for active members	3	3	-	-	-	-	3	3
Cash payments to pensioners and other	-	-	-	-	11	10	11	10
Cash outflow							37*	26

* Difference between \$37m cash outflow and \$19m charge to operating profit represents the non-cash movement in the cash flow bridge on slide 24

Further information

For more
information

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