GPG Group and Coats plc

Results presentation for year ending 31 December 2013

25 February 2014

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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.

Currency assumptions

All NZ$ comparatives to £ amounts are for illustrative purposes only, based on the NZ$:GBP exchange rate on 31 December 2013, NZ$2.0175:£1.00.

Agenda

- GPG
  - Update
  - Financial performance
- Coats plc
  - Summary
  - Financial performance
  - Strategy and outlook
- Appendices

GPG
Update and financial performance

Update

Coats

- Robust trading results - net profit attributable to GPG of £19 million (US$29 million) (2012: £92m loss (US$146 million loss))

GPG investment portfolio (excluding Coats)

- Value realisation programme completed – total cash generated since 1 January 2011 – £698m (NZ$1,408m)

Pensions

- tPR investigations continue
  - Warning Notices received on Brunel and Staveley schemes
  - Insufficiently Resourced tests requested for the Coats sponsors
- The Board and management engaging with the trustees and tPR

Board Changes

- Mike Clasper appointed to the GPG Board on 20 February 2014

Summary for the period

- Shareholders' funds – £444m (31 December 2012: £434m)
  - increase due to improved IAS19 employee benefits position (£107m) and Coats' trading results
  - partially offset by FX losses (£36m), shareholder returns (£45m) and GPG Parent Group overheads (£44m)
- Net asset backing per share – 31.5p (NZ$0.64) (31 December 2012: 27.7p (NZ$0.56))
- Parent Group cash balance – £383m (31 December 2012: £243m)
- Value realisation programme completed
  - cash generated in 2013 – £240m (NZ$484m)
  - since 1 January 2011 cumulative cash generation – £698m (NZ$1,408m)
- Net attributable profit – £23m (year ended 31 December 2012: £29m loss)

Simplified balance sheet

	31 Dec 2013		31 Dec 2012	
	£m	£m	£m	£m
Net held for sale assets	1		222	
Current asset investments	-		9	
Total investments, excluding Coats		1		231
Cash		383		243
GPG assets		384		474
GPG Pension Schemes		(56)		(74)
Other sundry Parent Group net liabilities		(20)		(14)
		308		386
Coats				
Other net assets	457		481	
Net debt	(199)		(226)	
Employee benefit obligations	(122)		(207)	
		136		48
Shareholders' funds		444		434
NAV / share (NZ₵)		63.6		55.9

- Shareholders' funds have increased by £10m – primarily due to improved IAS19 employee benefits position (£107m) and Coats' trading; partially offset by FX losses (£36m), shareholder returns (£45m) and GPG Parent Group overheads (£44m)
- Parent Group cash as at 31 December 2013 comprised £145m, US$176m, A$9m and NZ$255m

Pensions

- The main driver for reduced IAS19 deficits since last year end is strong investment performance
- Coats funding has also improved due to the outcome of its second pension increase exchange offer (£5m IAS19 benefit, £7m funding benefit)
- Brunel scheme deficit has also benefited from the higher nominal discount rate due to a lower inflation linkage in benefits provided
- The real discount rate increases required to eliminate the UK deficits as at 31 December 2013 were[1]:
  - Coats: 50 bps
  - Brunel: 170 bps
  - Staveley: 120 bps
- Coats UK Pension Plan 2012 triennial valuation
  - completed and agreed with the banking syndicate
  - £14m (NZ$28m) per annum past service recovery plan commenced November 2013 (previously £7m (NZ$14m) per annum)
- Triennial valuations
  - Brunel valuation as at 31 March 2013 in process
  - Staveley trustee has called for the next valuation to be done at 31 December 2013 (3 months early)

IAS19 deficit	31 Dec 2013 £m	31 Dec 2012 £m
Coats UK	(78)	(161)
Coats Other	(44)	(46)
Coats Total	(122)	(207)
Brunel	(28)	(38)
Staveley	(28)	(36)
Total £m	(178)	(281)
Total NZ$m	(359)	(567)

tPR investigations

- Warning Notices received for each of Brunel and Staveley – GPG and its advisors are developing responses
- The Board and management continue to engage with tPR and have an open dialogue with Trustees – GPG believes a fair and speedy resolution is in the interests of all concerned
- Any hearing in front of the Determinations Panel will not take place earlier than H2 2014
- Coats employer companies have been requested to complete calculations of their respective resources – tPR can only issue a Warning Notice if one or more of these companies are shown to have been insufficiently resourced and tPR considers it reasonable to do so

1) *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*

Investment portfolio (excluding-Coats)

Investment portfolio

- GPG completed the asset realisation programme in September 2013 – on time and on value expectations
- Total cash generated in 2013 – £240m (NZ$484m)
- Cumulative net cash generated since 1 January 2011 – £698m (NZ$1,408m)

Capital Management

- Position on the future capital structure of Coats and further cash distributions to shareholders continues to be deferred while tPR's investigations are being resolved

Disposals	£m	NZ$m
2011 Disposals	**144**	**291**
2012 Disposals	**314**	**633**
2013 Disposals		
Tower	82	165
Ridley	38	77
CIC Australia	35	71
Capral	27	55
Prime Ag	26	52
Tandou	10	20
AV Jennings	6	12
	224	452
Disposals less than £5m, dividend receipts and other investment activity	16	32
Total generated during 2013	**240**	**484**
Grand Total	**698**	**1,408**

Overhead costs

tPR

- Significant expense incurred in dealing with investigations
- Costs to 31 December 2013 - £9.8m (NZ$19.8m)
- Decision taken to accrue 2014 costs for those activities to which the Group is committed; additional provision - £8.5m (NZ$17.1m)

Staff costs

- Increase year-on-year reflects acceleration of investment team terminations following completion of asset realisation programme

Overheads	31 Dec 2013 £m	31 Dec 2012 £m
tPR advisory costs		
Incurred in year	9.8	-
Provision for future expenditure	8.5	-
Strategy to realise value and return capital	2.4	0.3
Staff costs	12.5	11.3
IAS19 admin charge	1.8	1.2
Other	8.4	9.7
	43.4	**22.5**

Coats

Summary and 2013 financial performance

Summary

- Despite muted market conditions, 2013 results show growth in sales and profit across both Divisions
- Illustrates underlying resilience of Coats' core markets and strong global market positions
- Continued to generate good levels of free cash flow and ROCE
- Increasingly robust foundations for future growth through
  - Accelerating product innovation
  - Exciting new service offerings
  - Greater capability in key areas like consumer crafts marketing and market leading digital propositions

Highlights

- Robust trading results despite muted market conditions
- Revenue of $1,704 million, up 5% like-for-like with both Divisions showing growth
- Operating profit up 12% like-for-like before exceptional items
- Attributable profit before exceptional items up $20 million to $37 million
- Full year free cash flow of $45 million ($54 million before reorganisation, property sales and US antitrust litigation)
- Reorganisation activity substantially completed
- New Chairman appointed to Coats' Board

Year end financial performance

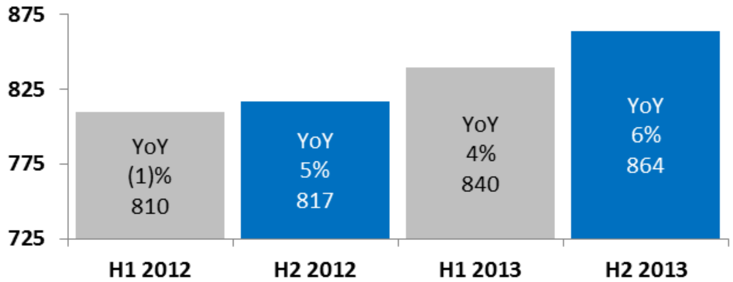
$'m	2013			2012 (restated) [1]		
	Before exceptional items	Exceptional items [2]	Total	Before exceptional items	Exceptional items [2]	Total
Revenue	1,704		1,704	1,653		1,653
Operating profit / (loss)	133	(9)	124	121	(132)	(11)
Profit / (loss) before tax	97	(9)	88	76	(168)	(91)
Profit / (loss) after tax	45	(8)	37	27	(164)	(136)
Attributable profit / (loss)	37	(8)	29	17	(164)	(146)

KPIs	2013
Sales growth [3]	5%
Operating profit growth [1,4]	12%
Attributable profit growth [1,4]	130%
Adjusted free cash flow [5]	$54m

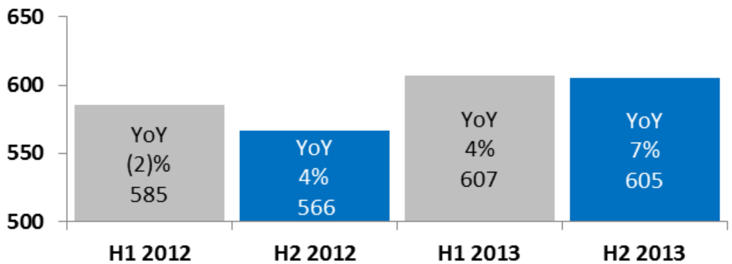
1) *Includes the restatement of 2012 for the adoption of IAS19 (revised)*
2) *Exceptional items set out on slide 19*
3) *On a like-for-like basis (restates 2012 comparative figure at 2013 exchange rates)*
4) *At like-for-like exchange rates and adjusted for exceptional items*
5) *Adjusted for exceptional items (see slide 22)*

Underlying operating performance

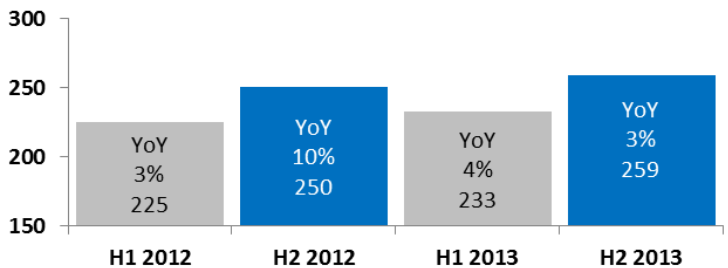
Total Revenue



Industrial Revenue



Crafts Revenue



Operating profit and margin [1,2]

$'m	Six months ended		Twelve months ended	
	December 2013	YoY%	December 2013	YoY%
Operating profit				
Industrial	56.1	2%	110.7	5%
Crafts	13.0	76%	22.0	69%
Total	**69.1**	11%	**132.7**	**12%**
Operating margin %				
Industrial	9.3%	(40)bps	9.1%	(10)bps
Crafts	5.0%	210bps	4.5%	180bps
Total	**8.0%**	40bps	**7.8%**	50bps

1) *Figures stated before reorganisation and other exceptional items*
2) *2012 figures restated for the adoption of IAS19 (revised) and at like-for-like exchange rates before reorganisation and other exceptional items*

Industrial performance

Asia & Australasia

- Strong sales growth across the region
- Global apparel and footwear demand from US and Western Europe remains the growth driver; zips and Speciality sales also strong

Americas

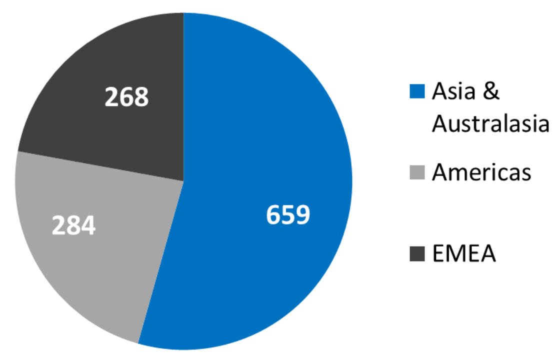
- Soft LATAM market and ERP system implementation in Brazil impacted performance (particularly in H1)
- H1 impacted by North American manufacturing and defence sector weakness
- Improvements in H2 with growth of 3%

EMEA

- Good sales growth given economic conditions
- Strong Speciality and zips growth

Industrial performance by region

$'m	2013	2012[1,2]	YoY% FY	YoY% H2
Revenue				
Asia & Australasia	659	610	8%	8%
Americas	284	288	(1)%	3%
EMEA	268	254	6%	8%
Total	**1,212**	**1,152**	**5%**	**7%**
Operating profit [3]	111	105	5%	2%
Operating margin % [3]	9.1%	9.2%		



1) *Includes the restatement of 2012 for the adoption of IAS19 (revised)*
2) *At like-for-like exchange rates*
3) *Before reorganisation and other exceptional items*

Crafts performance

Americas

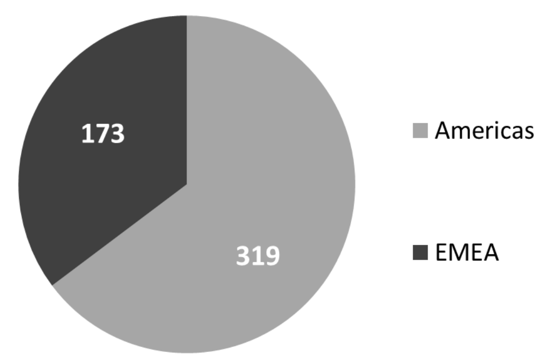
- Strong sales growth driven by higher volumes within handknitting fashion yarns at major North American retailers
- Softer demand in Latin America
- ERP system implementation in Latin America also adversely impacted performance in H1

EMEA

- Handknittings remain the key growth driver
- Switch to distribution model in Scandinavia impacted growth
- Close to break even following reorganisation benefits

Crafts performance by region

$'m	2013	2012 [1,2]	YoY% FY	YoY% H2
Revenue				
Americas	319	304	5%	7%
EMEA	173	171	1%	(3)%
Total	**492**	**475**	**4%**	**3%**
Operating profit [3]	22	13	69%	76%
Operating margin % [3]	4.5%	2.7%		



1) *Includes the restatement of 2012 for the adoption of IAS19 (revised)*
2) *At like-for-like exchange rates*
3) *Before reorganisation and other exceptional items*

Income statement

Attributable profit before exceptional items up $20m due to:

- Operating profit increased $12m
- Investment income increased by $2m following recovery of long standing debt
- Finance costs reduced by $5m to $29m due to lower interest rates on borrowings fixed through swaps and gains on foreign exchange contracts
- Improved underlying effective tax rate to 49%

IAS 19 changes have impacted 2013 profits by $42m (2012: $33m impact)

	2013			2012 (restated) [1]		
$'m	Before exceptional items	Exceptional items	Total	Before exceptional items	Exceptional items	Total
Revenue	**1,704**		**1,704**	1,653		1,653
Operating profit / (loss)	**133**	**(9)**	**124**	121	(132)	(11)
Share of profit of JVs	**1**		**1**	1		1
Investment income	**5**		**5**	3		3
Pension finance costs	**(12)**		**(12)**	(14)		(14)
Finance costs	**(29)**		**(29)**	(34)	(36)	(70)
Profit / (loss) before tax	**97**	**(9)**	**88**	76	(168)	(91)
Tax	**(51)**		**(51)**	(49)	4	(45)
Profit / (loss) after tax	**45**	**(8)**	**37**	27	(164)	(136)
Loss from discontinued operations	**-**		**-**	(3)		(3)
Profit / (loss) for the year	**45**	**(8)**	**37**	25	(164)	(139)
Minority interest	**(8)**		**(8)**	(8)		(8)
Attributable profit / (loss)	**37**	**(8)**	**29**	17	(164)	(146)

1) *Includes the restatement of 2012 for the adoption of IAS19 (revised)*

Exceptional items (including reorganisation charges)

Exceptional items (pre-tax)

- Property gains relate to disposals in Peru ($18m) and Portugal ($2m)
- US antitrust litigation settlement paid in July 2013 and approved in Jan 2014
- Other – primarily transitional projects ($5m), offset by gain on pension increase exchange offer ($7m)

$'m	2013	2012
EC fine (incl. interest)	-	120
Reorganisation	23	40
Other exceptionals	(1)	5
Property (gain)/loss on disposal	(20)	2
US antitrust settlement	7	-
Total exceptional costs	**9**	**168**

Reorganisation (pre-tax)

- Reorganisation activity substantially completed
- 2013 charge primarily reflects the reorganisations of operations in EMEA
- $5m of additional costs were incurred in LATAM in response to trading performance
- Aim not to incur separately identifiable reorganisation expenditure from 2014 onwards

$'m	2013	2012
Industrial	15	9
Crafts	2	25
Corporate	5	6
Exceptional reorganisation cost	**23**	**40**
Cash outflow in year	28	21

Taxation

- Reported tax rate at 58% - 2012 rate impacted by EC fine
- Underlying tax rate[1] reduced by 6% y-o-y to 49%, primarily reflecting reduced losses in EMEA
- Tax cash outflow in 2013 of $56m[3]; now more aligned with P&L tax charge
- Global tax review will continue to identify actions to improve the underlying tax rate

$m	2013			2012 [2]		
	Tax	**PBT**	**%**	Tax	PBT	%
As reported	**(51)**	**88**	**58%**	(45)	(91)	(49)%
Reorganisation	**(1)**	**23**		(1)	40	
Other exceptionals	**-**	**(1)**		(3)	5	
Property proceeds	**5**	**(20)**		-	2	
US antitrust settlement	**(5)**	**7**		-	-	
EC fine (incl. interest)	**-**	**-**		-	120	
Prior year tax net credit	**(2)**	**-**		-	-	
Before exceptional tax rate	**(54)**	**97**	**55%**	(49)	76	65%
Pension interest IAS19 (revised)	**-**	**12**		-	14	
Underlying tax rate	**(54)**	**109**	**49%**	(50)	90	55%
Cash Outflow	**(56)** [3]			(36) [3]		

1) *Pre-exceptional items and IAS 19 interest*
2) *Includes the restatement of 2012 for the adoption of IAS19 (revised)*
3) *Adjusted for tax on reorganisation, property sales and US antitrust litigation*

Retirement and other post-employment defined benefit liabilities

- UK IAS 19 deficit $133m less than 2012:
  - Better than expected asset returns of $144m
  - Marginally higher liabilities due to higher long-term inflation partially offset by higher discount rate
- 50bps increase in real discount rates would eliminate the UK deficit[2]
- Exceptional past service credit of $7m for UK funded scheme as the result of the pension increase exchange exercise
- Agreement reached with Trustees to increase UK recovery plan contributions by $12m to $23m
- 2014 will see total cash contributions to Coats pensions schemes rise from $26m to $36m

$'m	As at 31.12.13	As at 31.12.12 restated
UK funded scheme	(129)	(262)
US funded defined scheme	47	37
Other defined benefit schemes	(121)	(112)
Net obligation	**(203)**	**(337)**
Tax [1]	(4)	(8)
Total liability	**(207)**	**(345)**
Operating profit service charge	**19**	**18**
Exceptional past service credit	**(7)**	**-**
Cash outflow	**26**	**23**

UK funded scheme ($'m)	31.12.13	31.12.12
Equities	954	954
Bonds	1,265	1,118
Other	248	239
Total assets	**2,467**	**2,311**
Liabilities	(2,596)	(2,573)
Net deficit	**(129)**	**(262)**
Discount rate	4.5%	4.1%
Inflation	3.3%	2.6%
Rate of increase in pensions in payment	3.1%	2.6%
Life expectancy (male retiring at 65)	21.1	21.0

1) *Primarily deferred tax liability relating to the US surplus*
2) *As at 31 December 2013. 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*

Cash flow and leverage

Cash flow

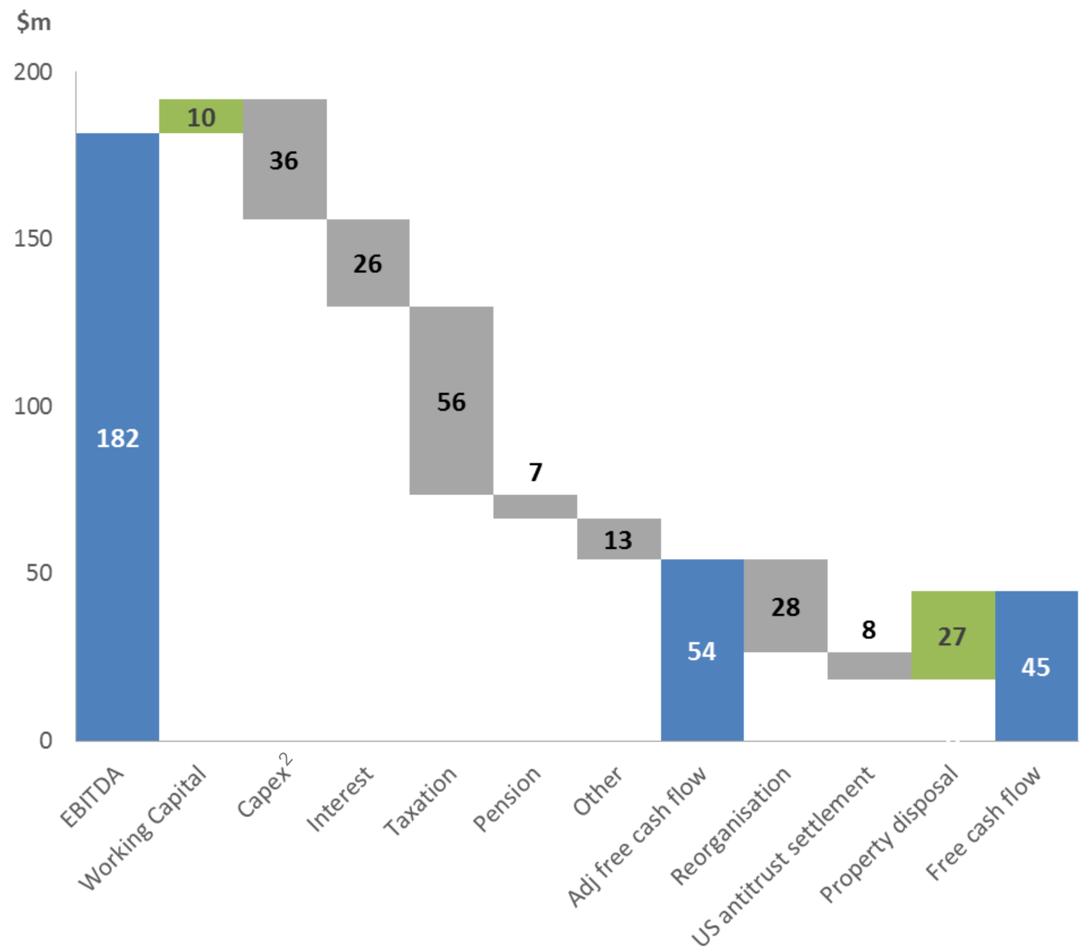
- $54m adjusted free cash outflow (2012: $65m)
- Improved working capital control generated cash inflow; NWC / sales fell to 15%
- Capex at 0.8x depreciation[1]
- Taxation outflow now in line with P&L charge
- Other includes payments of dividends to minorities ($6m)
- Reorganisation outflows financed by disposal proceeds

Leverage and liquidity

- Committed bank facilities to October 2016
- Margin on funds borrowed drops from 200bps in 2013 to 175bps in 2014

$'m	2013	2012
Leverage Ratio	1.8	2.1
Net Debt	329	368
NWC%Sales	15%	17%

2013 cash flow bridge



1) *Depreciation and computer software amortisation*
2) *Including investing activities*

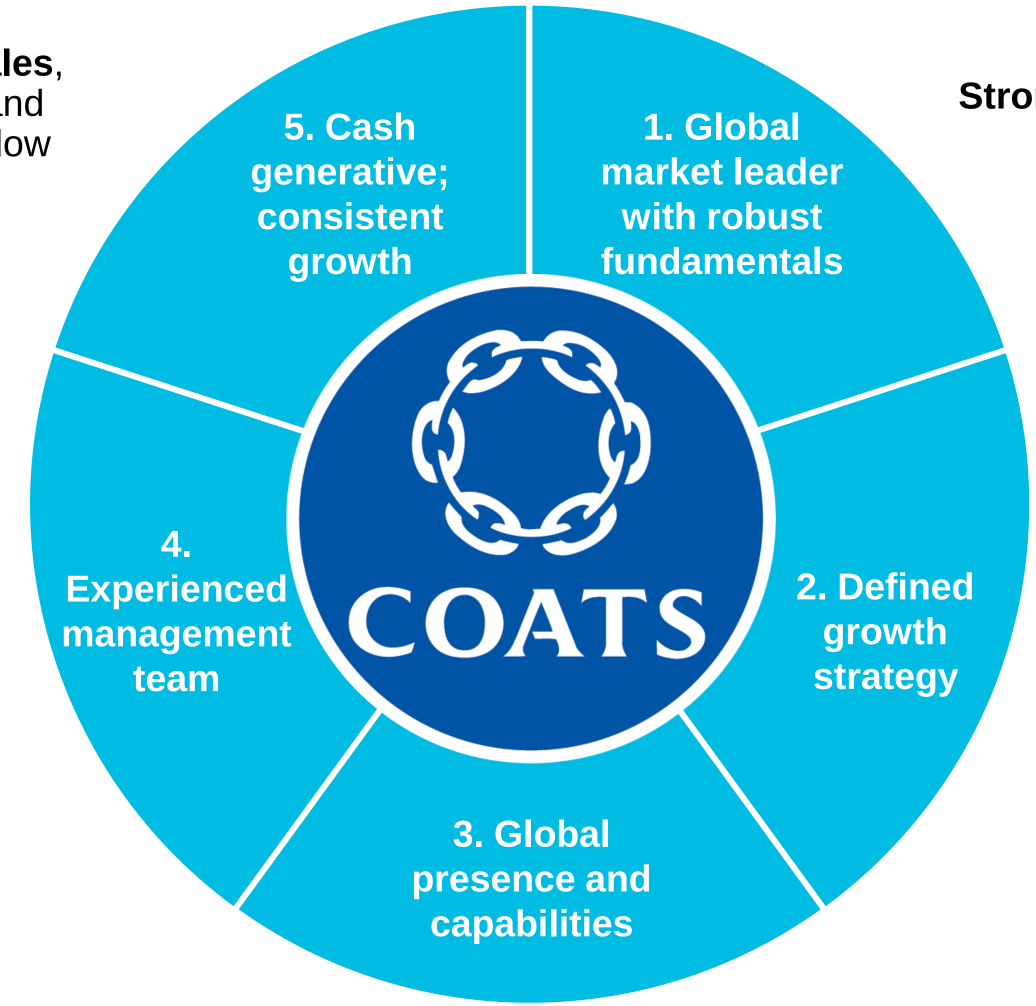
Coats

Strategy and outlook

Five elements to our value

Focus on **sales**, **earnings** and **free cash** flow growth

Strong and **defendable core** business



Leadership, **people** and **systems** to deliver growth

Targeting **known markets** through **organic** and **acquisitive** growth

Key **differentiators** that provide a **platform for growth**

Global market leader…

1 in 5 garments around the world are held together using Coats' thread

Coats produces enough yarn to knit **70million** scarves a year

Coats is **3 times** larger than the next largest thread competitor

Thousands of operations take place **every day** using Coats' thread

100million car airbags are made using Coats' thread every year

1million teabags using Coats' thread are brewed every 10 minutes

Thomas Edison used Coats' thread in **1879** to invent the light bulb

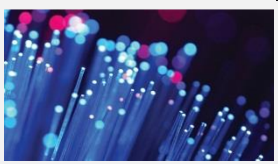
Coats is the **2nd largest** and fastest growing global zip manufacturer

400million pairs of shoes are made every year using Coats' thread

… servicing several markets and global customers…

End applications

include



Industrial customers

include

adidas

P&G

MARKS & SPENCER

AMERICAN EAGLE OUTFITTERS

MICHELIN

Levi's

DECATHLON

IKEA

COACH EST. 1941 NEW YORK

Abercrombie & Fitch

Crafts products

include

RED HEART

ROWAN

FreeSpirit

COATS

Dual Duty XP

Coats Duet brilliant performance

Schachenmayr SINCE 1822

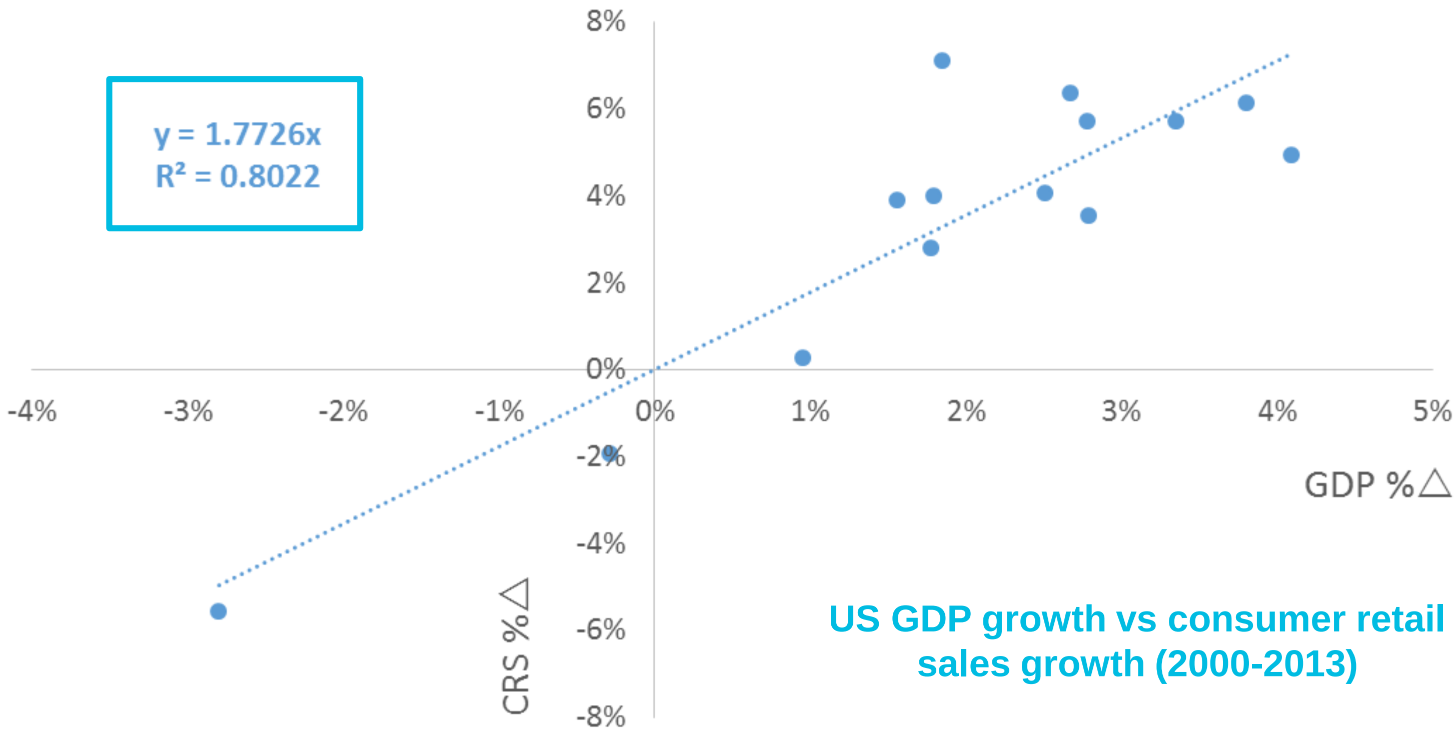
cisne

Anchor

MILWARD Quality for Creativity

… with robust underlying market dynamics

Strong link between clothing retail sales and GDP growth. For the US, clothing retail sales growth is approximately 1.8 times GDP growth

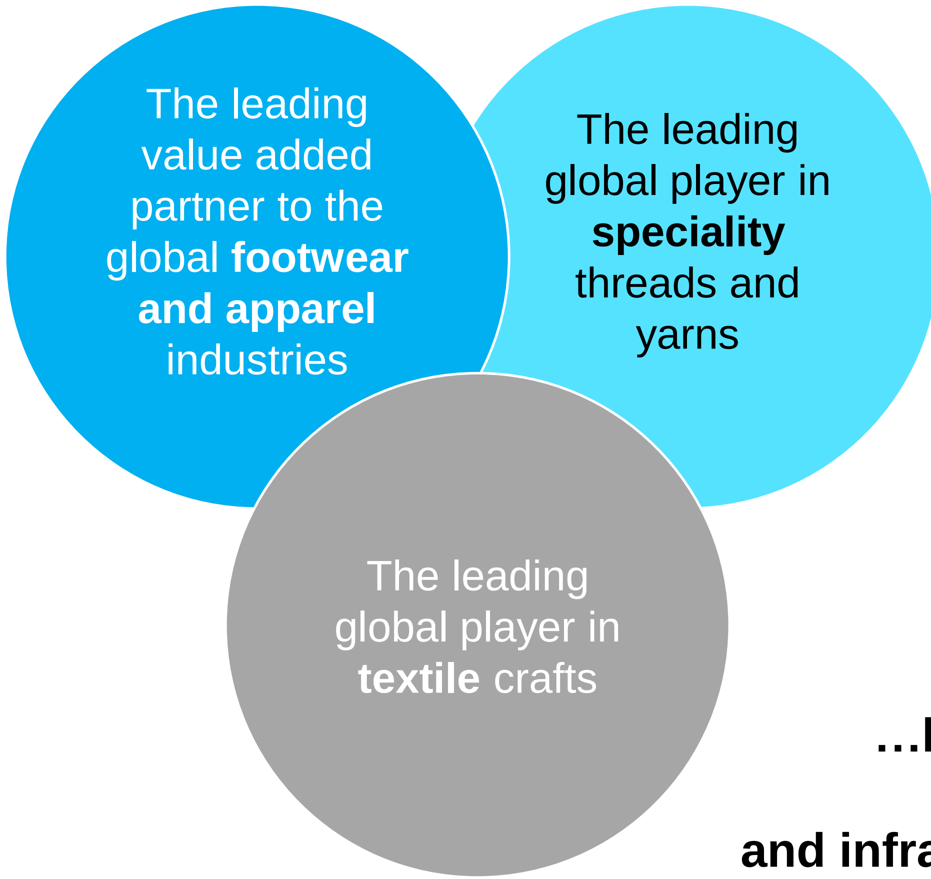


CRS: Clothing Retail Sales
Source: IMF, US Census Bureau

Strong core business with ability to deliver stable operating margins through the economic cycle

Defined growth strategy to achieve three Market Goals…

The Coats of 2015…



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

… targets known markets and builds upon core business

The leading value added partner to the global **FW&A** industries

- **Market share growth**: product and digital innovation, global customer relationships and leading service levels, unique footprint in high growth sourcing markets, leading CR credentials

- **Global Services offering:** capitalise on changing industry dynamics and will cement customer relationships

The leading global player in **speciality** threads and yarns

- **Existing speciality segments:** many above GDP growth markets, differentiation via global footprint and class-leading R&D, good returns on capital

- **Growth:** leverage core business capabilities, expand sectorally and geographically, bolt-on acquisitions

The leading global player in **textile** crafts

- Marketing (including omni-channel) **opportunities in b2b and b2c**, segment expansion via strategic partnerships, plus continued benefit of reducing complexity

- **Regional demand dynamics; Asia** offers medium to long term upside

Strategy supported by a global, world class asset base…

Countries in which Coats operates

● Manufacturing sites

- Well invested asset base: in harvesting phase of investment cycle
- 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…

Flamepro

For use in personal protective equipment

Coats Protect

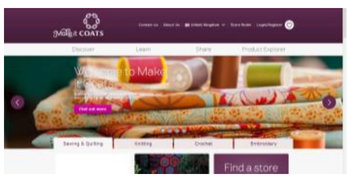
World's first anti-microbial thread

Product innovation

Ultrabloc

Blocks water from seeping into fibre optic cables

'Make it Coats' portal



Colour Express

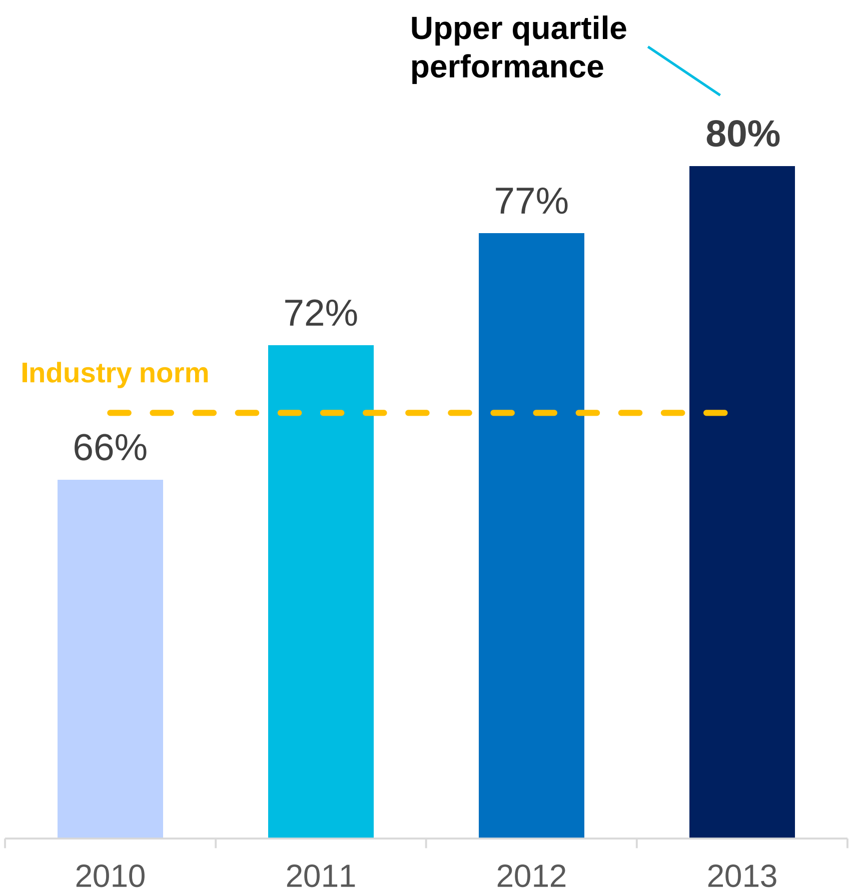
Service enhancements

(including digital)

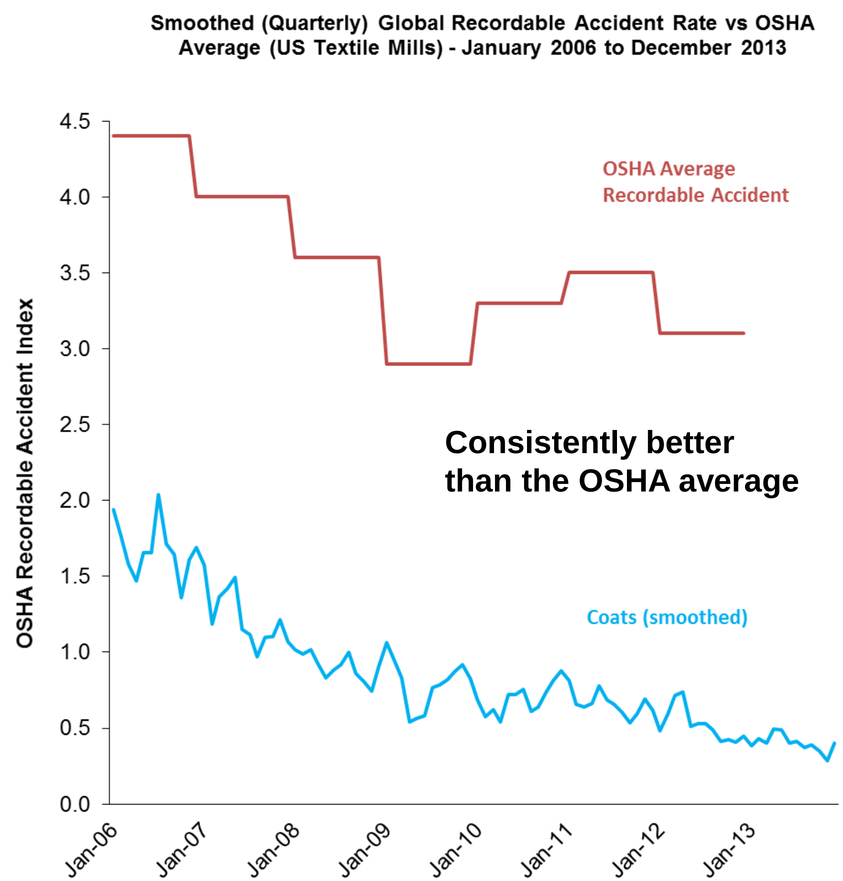
Corporate Responsibility

… and a highly engaged and safe workforce

Global employee engagement survey results



Global recordable accident rate



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Growth underpinned by margin improvement actions

Global centralised purchasing

Increased employee productivity

- Lean Six Sigma
- Information Technology

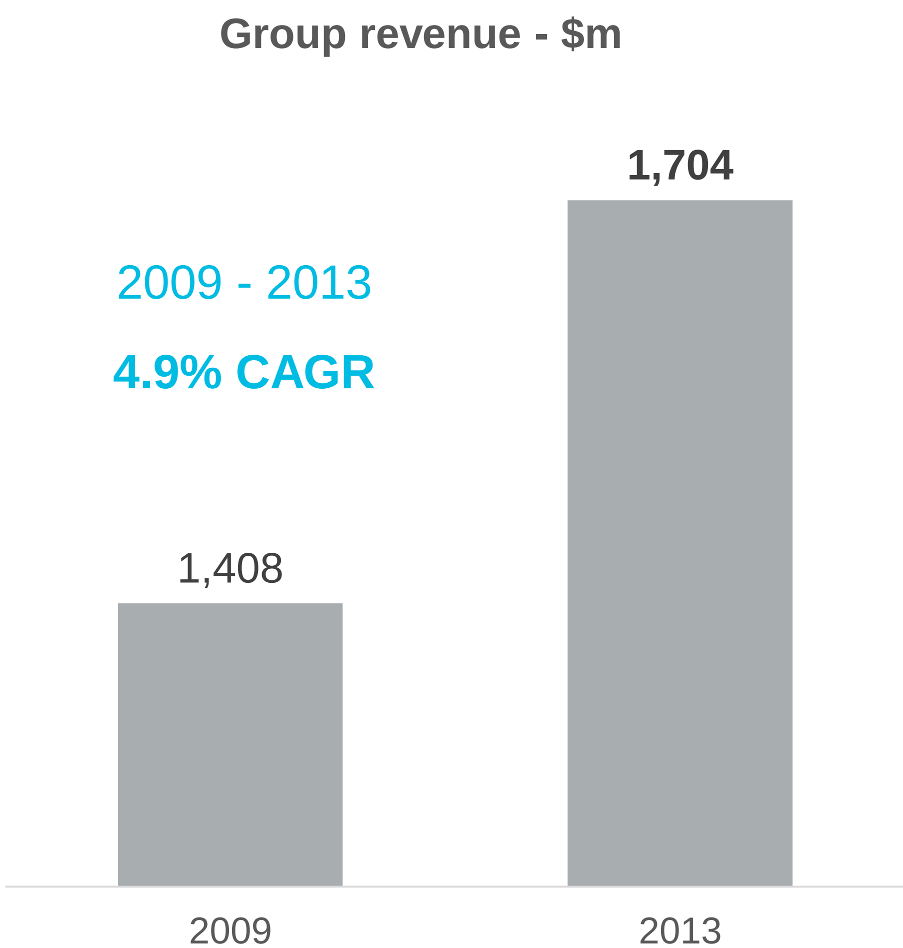
Reorganisation activity substantially completed, focus in 2013

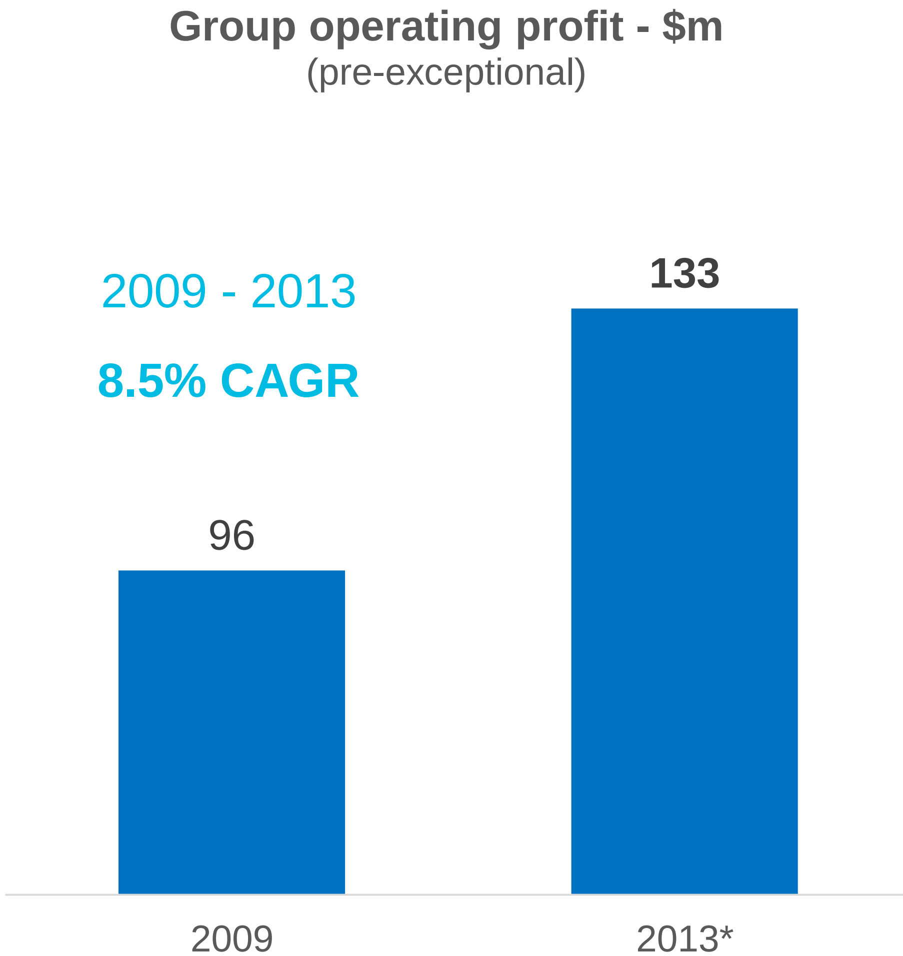
- EMEA
- Latin America

Central cost growth control

Improved product mix across Industrial

Leading to revenue and operating profit growth…

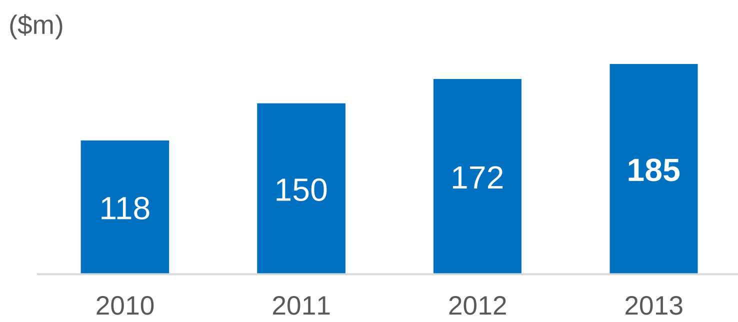




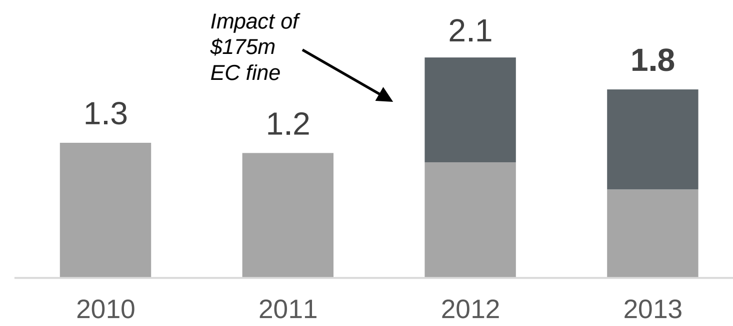
* 2013 includes an additional $7m pension administrative expenses charge due to an accounting rule change. Excluding this item would give a 9.9% CAGR

… free cash generation and reduced leverage

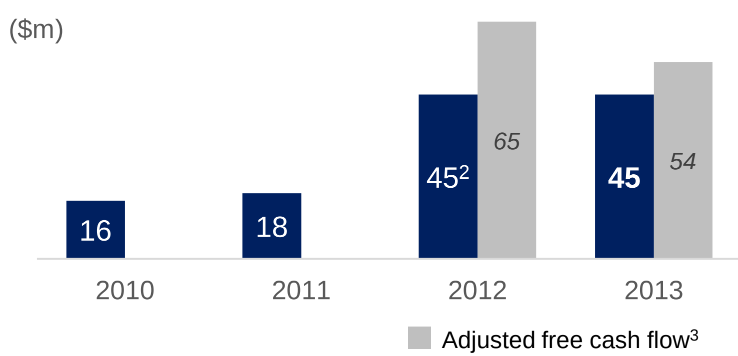
Cashflow from normal operating activities [1]



Leverage ratio (Net debt / EBITDA)



Free cash flow



- Core business generates strong cash returns
- Focus on reducing net working capital as % of sales
- Capex to remain at 80-90% of depreciation in medium term
- Low cost financing structure in place (maturity 2016)

1) *Excludes exceptional items*
2) *Excludes EC fine of $175m paid in 2012*
3) *Adjusted for exceptional items (see slide 22)*

Summary

- **Global market leader** with robust fundamentals; **strong** and **defendable core**
- Defined growth strategy
  - **FW&A**: market share growth and Global Services offering
  - **Speciality**: focus on existing segments and sector and geographic growth
  - **Crafts**: marketing opportunities in b2b and b2c, regional demand dynamics
- Supported by **key differentiators**: world class asset base, product innovation, service enhancements (including digital) and CR
- Achieved CAGR of 5% in revenues and 8-10% in operating profit since 2009 and demonstrating ability to **generate significant free cash flow**
- **Well positioned** for future sales, earnings and free cash flow growth

2014 outlook

Consumer demand

- Broadly positive picture in Asia
- Expect moderate growth in demand in North America and Europe
- Relatively flat situation in Latin America, especially Brazil

Inflation

- Raw material costs expected to trend marginally upwards
- Payroll and other inflationary pressures to continue in many countries in which Coats operates

Industrial Division

- Year-on-year sales improvement expected with contributions from both volume and price
- Cost rises offset by procurement and productivity gains; pricing initiatives will remain important

Crafts Division

- Growth to be impacted by expected reduction in fashion handknitting yarn sales in EMEA and North America

GPG
GUINNESS PEAT GROUP PLC

COATS

Appendices

GPG: Elements of reported profit and pensions

Coats: Speciality threads and pension schemes

GPG: Elements of reported profit

	31 Dec 2013		31 Dec 2012 *	
	£m	£m	£m	£m
Continuing activity				
Coats				
- Profit after tax before exceptionals	24		13	
- EC fine and interest	-		(76)	
- Other exceptional items	(5)		(27)	
		19		(90)
Parent Group				
- Overheads	(44)		(23)	
- Foreign exchange gains/(losses)	1		(2)	
- Other income	1		1	
- Net interest expense	-		(12)	
		(42)		(36)
Net loss from continuing activity		(23)		(126)
Discontinued operations				
Coats		-		(2)
Parent Group subsidiary and associated undertakings and joint ventures		30		62
Investment activity				
Gains realised in the period (recycled from the unrealised gains reserve)	11		39	
Dividend income	5		6	
Impairments	(1)		(3)	
		15		42
Foreign exchange losses		(1)		-
Other income		3		-
Parent Group tax		(1)		(5)
Net profit from discontinued activities		46		97
Net profit / (loss) for the period attributable to GPG shareholders		23		(29)

* Restated to reflect the impact of amendments to IAS19

GPG: Detailed pensions analysis

Summary of GPG defined benefit pension schemes under IAS19 as at 31 December 2013

	Coats				GPG		
	UK	**US**	**Other**	**Total**	**Staveley**	**Brunel**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Funded schemes							
Assets							
- Equities	575.8	44.7	7.5	628.0	91.5	59.9	**779.4**
- Bonds / debt instruments	764.0	85.0	9.6	858.6	91.6	56.5	**1,006.7**
- Other	150.3	8.4	4.0	162.7	4.1	3.0	**169.8**
- Total	1,490.1	138.1	21.1	1,649.3	187.2	119.4	**1,955.9**
Liabilities	(1,568.1)	(87.7)	(18.3)	(1,674.1)	(215.2)	(147.2)	**(2,036.5)**
Impact of surplus cap	-	(22.0)	(3.2)	(25.2)	-	-	**(25.2)**
Net funded surplus / (deficit)	(78.0)	28.4	(0.4)	(50.0)	(28.0)	(27.8)	**(105.8)**
Unfunded liabilities	-	-	(72.4)	(72.4)	-	-	**(72.4)**
Total net surplus / (deficit)	(78.0)	28.4	(72.8)	(122.4)	(28.0)	(27.8)	**(178.2)**

Presentation in GPG Balance Sheet

	Coats				GPG		
	UK	**US**	**Other**	**Total**	**Staveley**	**Brunel**	**Group**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Current assets	-	2.8	0.1	2.9	-	-	**2.9**
Non-current assets	-	25.6	1.3	26.9	-	-	**26.9**
Current liabilities	(16.0)	-	(4.5)	(20.5)	(1.3)	-	**(21.8)**
Non-current liabilities							
- funded	(62.0)	-	(1.8)	(63.8)	(26.7)	(27.8)	**(118.3)**
- unfunded	-	-	(67.9)	(67.9)	-	-	**(67.9)**
	(78.0)	28.4	(72.8)	(122.4)	(28.0)	(27.8)	**(178.2)**

GPG: Detailed pensions analysis

IAS 19 - 2013

	Coats				GPG		
	UK £m	US £m	Other £m	Total £m	Staveley £m	Brunel £m	Group £m
Opening position 1 January 2013	**(161.1)**	**23.0**	**(69.2)**	**(207.3)**	**(36.4)**	**(37.7)**	**(281.4)**
Income Statement (pre tax)							
Current service cost	(2.3)	(2.4)	(3.2)	(7.9)	-	-	**(7.9)**
Past service credit	5.0	-	0.2	5.2	-	-	**5.2**
Administrative expenses	(3.9)	(0.5)	(0.1)	(4.5)	(0.9)	(0.9)	**(6.3)**
Net finance (expense) / income	(6.4)	0.9	(2.2)	(7.7)	(1.5)	(1.6)	**(10.8)**
Net expense	(7.6)	(2.0)	(5.3)	(14.9)	(2.4)	(2.5)	**(19.8)**
Reserves							
Net actuarial gain / (loss)	80.2	9.7	(6.3)	83.6	9.5	12.4	**105.5**
FX	-	(0.8)	0.6	(0.2)	-	-	**(0.2)**
Net reserve movement	80.2	8.9	(5.7)	83.4	9.5	12.4	**105.3**
Cash flow							
Employer contributions	10.5	-	4.1	14.6	1.3	-	**15.9**
Unfunded benefits paid by employer	-	-	1.8	1.8	-	-	**1.8**
Transfer to US medical scheme	-	(1.5)	1.5	-	-	-	**-**
Total cash outflow	10.5	(1.5)	7.4	16.4	1.3	-	**17.7**
Closing position 31 December 2013	**(78.0)**	**28.4**	**(72.8)**	**(122.4)**	**(28.0)**	**(27.8)**	**(178.2)**

Included in Coats' operating profit are pension charges of £7.2m (including pension increase exchange offer credit of £5.0m on UK scheme)

Current contributions paid to Coats' "Other" schemes £4.1m. Benefits paid directly by Coats in respect of unfunded liabilities £1.8m

Surplus in Coats' funded US scheme utilised in funding medical costs for "Other" US scheme

Actuarial gain:

	Coats UK £m	Staveley £m	Brunel £m
(Loss) / gain due to change in financial assumptions (inflation 2.60% to 3.30% and discount rate 4.10% to 4.50%)	(5.1)	(0.2)	4.1
Gain due to higher than expected asset return	91.9	9.7	8.3
Experience loss on liabilities	(6.6)	-	-
Total actuarial gain	80.2	9.5	12.4

The 2012 triennial valuation has been completed and recovery plan for Coats UK pension scheme has been agreed. Annual contributions have increased by £7m with effect from November 2013 and are now £14m per annum

Coats: Definition of Speciality

High technology thread or yarn made from performance materials for non-apparel/non-footwear end uses

Speciality products categorised into three segments

'Traditional'

Existing products and good position in developed markets (US/EU)

Product end uses include:

- Automotive
- Bedding, upholstery, furniture (BUF)
- Outdoor and Sports goods

'Emerging'

Recently developed products (last five years) with low market share

Product end uses include:

- Fibre optics
- Tyre cord weft and Tea Bag
- Flame retardant performance wear (FR)

'Value Added Engineered Yarns (VAEY)'

New / potential products (unknown markets, re-shaping technology boundaries, R&D)

Product end uses include:

- Aramid blends
- Extrusion coated yarns
- Composites

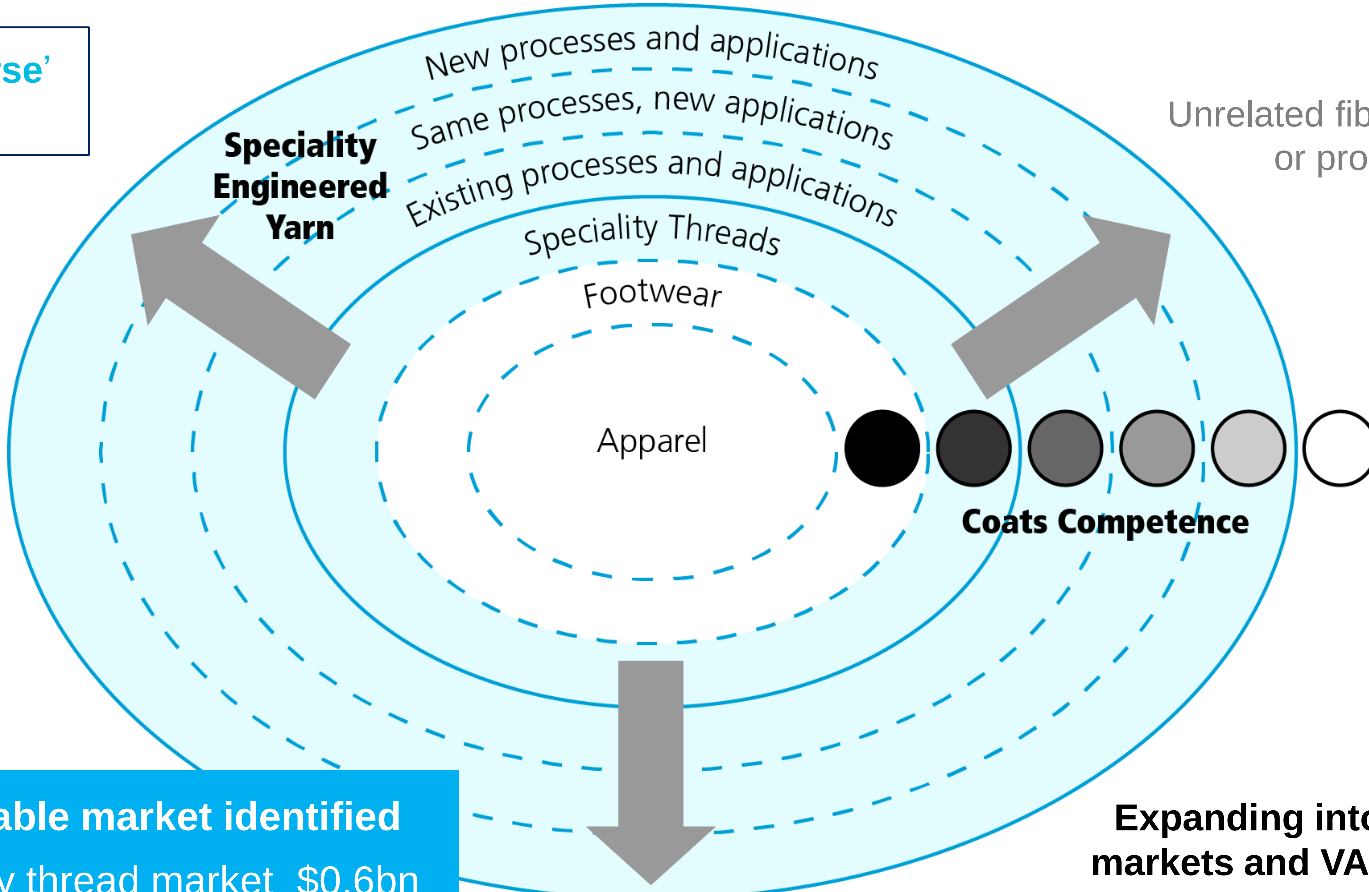
35% of Coats Speciality sales came from products that did not exist 5 years ago

One of our Market Goals is to become the leading global player in Speciality

Coats: $1.8bn addressable Speciality market identified

Driven by consumer and government demand – 'GDP+' growth

'Speciality universe'
c. $30bn



Unrelated fibres, filaments or processes

$1.8bn addressable market identified

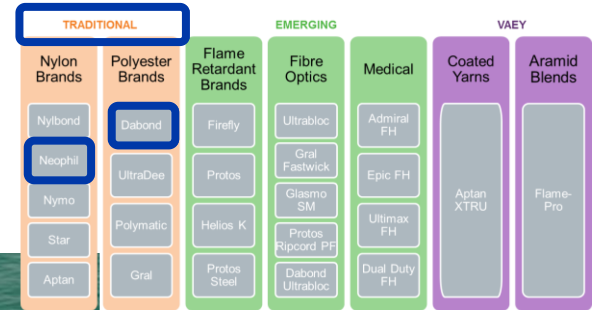
Current Speciality thread market	$0.6bn
New VAEY segments	$1.2bn

Expanding into emerging markets and VAEY as Coats develops competencies outside its core business

Coats: Traditional Speciality products

Neophil
Threads for automotive air bags, seat belts and seat trim
Dabond
Threads for outdoor boat covers and sails

Coats Speciality product range



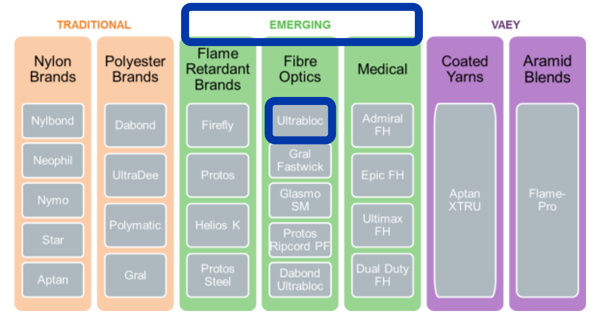
Traditional segment

Coats: New technologies in Speciality

Ultrabloc

Water-swellable engineered yarn that blocks water from seeping into fibre optic cables

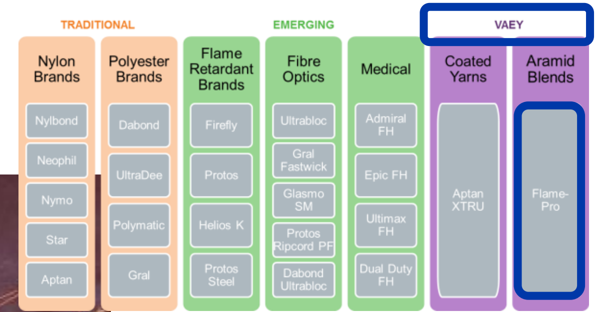
Coats Speciality product range



Emerging segment

Coats: New market entry in Speciality

Coats Speciality product range



Flame-Pro

High performance flame retardant weaving and knitting yarns

VAEY segment

Coats: Speciality innovations

Customer-led innovations to meet new needs

P-Aramid yarn for synthetic gas pipes

Coated and precision wound p-Aramid for use in braided reinforcement for composite pipe construction

Fiberglass strength member

Coated fiberglass yarns for linear impact strength elements in twisted pair PVC cables

Extrusion coated yarns

PVC and other extruded resin coated yarns for wire harness assemblies

Coats: Speciality summary

- **Strong market presence** within $1.8bn market space
  - Coats is the leader in the current Speciality market and an emerging presence in VAEY
  - Good returns on capital; ‘sticky’ business with high switching costs
- Significant **organic and inorganic growth potential**
  - Leveraging current technical competencies (e.g. spinning and coating) and building new ones (e.g. extrusion)
  - Utilising global footprint to build centres of excellence
  - Developing and extending existing customer relationships on a global scale
  - Geographical roll-out of existing products
- **Managing innovation pipeline**, **R&D** and **new technologies**
- Entering **new markets in VAEY** to drive accelerated growth opportunities

Coats pension schemes: income statement & cashflow impact

$'m	UK Funded scheme		US Funded Scheme		RoW		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Service charge	4	4	4	3	4	5	12	12
Administrative expenses	6	5	1	1	-	-	7	6
Pre-exceptional operating profit impact	**10**	**9**	**5**	**4**	**4**	**5**	**19***	**18**
Exceptional past service credit	(7)	-	-	-	-	-	(7)	-
Post-exceptional operating profit impact	**3**	**9**	**4**	**4**	**5**	**6**	**12**	**18**
Finance charge/(income)	10	11	(1)	(2)	4	4	12	14
Total income statement impact	**13**	**20**	**3**	**2**	**9**	**10**	**25**	**32**
UK recovery contributions	13	11	-	-	-	-	13	11
Contributions for active members	3	3	-		4	3	7	6
Cash payments to pensioners	-	-	-	-	6	6	6	6
Cash outflow**	16	14	-	-	10	9	26*	23

* Difference between $26m cash outflow and $19m charge to operating profit represents the non-cash movement in the cash flow bridge on slide 22
** No cash contributions for the US Funded scheme in 2012 and 2013 as it is in surplus

Further information

For more information

Coats plc
www.coats.com

Coats Industrial
www.coatsindustrial.com

Coats Crafts
www.makeitcoats.com