

21 May 2015

## Coats Group plc

### Trading update

Coats Group plc ('Coats' or the 'Company'), the world's leading industrial thread and consumer textile crafts business, announces a trading update for the period 1 January to 30 April 2015 ahead of its Annual General Meeting later today.

#### Year-on-year sales performance (January to April)

	Like-for-like sales <sup>1</sup>	Reported sales
Group	3%	(3)%
Industrial	6%	(1)%
Speciality	14%	6%
Apparel & Footwear	4%	(2)%
Crafts (continuing)	(6)%	(12)%
Group (including EMEA Crafts <sup>2</sup> )	2%	(5)%

#### Group

Coats' trading since the start of the year has been in line with management expectations as the positive sales momentum in the Industrial business has continued into 2015.

Sales during the first four months increased by 3%<sup>3</sup> year-on-year on a like-for-like (constant currency) basis, despite an expected decline in Crafts sales. The 3%<sup>3</sup> decline in group sales on an actual currency basis reflected the strengthening of the US dollar primarily against the Brazilian Real and Euro.

#### Industrial

Industrial sales increased 6% on a like-for-like basis compared with the first four months of 2014. Coats delivered strong sales growth in Asia, driven by Apparel & Footwear demand, and in the Americas through Speciality growth in North America. Sales in EMEA were relatively flat due mainly to weaker demand for zips.

The Speciality business continued to deliver double digit sales growth, up 14%, driven by growth across all regions following strong performance in the automotive, protective clothing and wire & cable markets. Apparel & Footwear sales, which includes zips, trims and services, increased by 4% on a like-for-like basis, primarily driven by volume growth and the strong performance in Asia.

#### Crafts

Crafts saw a 6% like-for-like decline in sales. The Americas business continued to deliver growth in its core handknitting product range, however as expected total sales fell due to a decline in fashion handknitting sales following a peak in demand in 2013 that continued into early 2014.

### **Sale of EMEA Crafts**

As announced on 19 February 2015 Coats agreed to sell its EMEA Crafts business to the Aurelius Group for a total consideration of US\$10 million, payable in cash on completion and subject to customary adjustments. The sale, which is complex given the number of jurisdictions involved, is subject to a limited number of conditions usual for this type of transaction, and is expected to be completed during Q2 2015 or very soon thereafter.

### **Lower Passaic River**

In April 2015 a Cooperating Parties Group, which includes Coats and Clark Inc., a subsidiary of the Company, submitted a remedial investigation and feasibility study ('RI/FS') to the US Environmental Protection Agency proposing remedial action for the Lower Passaic River in New Jersey. The Company is assessing the accounting implications, if any, of the RI/FS, and will provide an update as part of the Company's H1 results.

### **UK Pensions Regulator's investigations**

As previously announced, Coats Group received a Warning Notice ('WN') from the UK Pensions Regulator ('tPR') in relation to the Coats UK Pension Plan in December 2014. Written representations in response to the Coats WN will be submitted by the end of July, within the required timeframe. tPR has previously indicated that it believes it would be appropriate for the Determinations Panel to hear the cases for the Brunel and Staveley pension plans (for which WN's have been received and written representations made) at the same time as the Coats Plan, which means that any hearing is unlikely before the second half of 2016 at the earliest.

### **Acquisition of GSD**

In early May, Coats acquired GSD Corporate Ltd, a UK based company which supplies expert management solutions that analyse time, cost and production capability in the sewn products sector with the focus on maximising productivity and controlling costs. GSD becomes part of Coats Global Services and will enhance its end to end Operational Excellence offering, which provides practical, industry-specific technical services, training, technology solutions, quality assurance and compliance. Revenues in 2014 were approximately US\$2 million.

### **Outlook**

The continuing business of Coats has made a good start to the year and is on track to at least deliver management expectations, which were outlined in the Company's full year results announcement of 26 February 2015.

1 Like-for-like restates 2014 figures at 2015 exchange rates

2 EMEA Crafts business being sold

3 From continuing operations

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### **Enquiry details**

UK media	Richard Mountain	+44 20 3727 1374
New Zealand and Australian media	Geoff Senescall	+64 9 309 5659
Investors	Jaideep Thatai	+44 20 8210 5086

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