

17 November 2015

## Coats Group plc Trading Update

Coats Group plc ('Coats' or the 'Company'), the world's leading industrial thread and consumer textile crafts business, issues the following trading update for 1 July to 31 October 2015 ('the period').

### Year-on-year sales performance

	July to October		Year to October	
	Like-for-like*	Reported	Like-for-like*	Reported
Group	3%	(6)%	3%	(4)%
Industrial	4%	(5)%	5%	(3)%
Apparel & Footwear	5%	(4)%	5%	(3)%
Speciality	0%	(9)%	8%	(1)%
Crafts	0%	(9)%	(4)%	(11)%

\* Like-for-like restates 2014 figures at 2015 exchange rates

In the following commentary, all comparisons are on a like-for-like currency basis for the period unless stated otherwise. Year to date refers to 1 January to 31 October

Coats continued to trade in line with management expectations. Group sales for the period increased 3% year-on-year, consistent with year to date growth. The 6% decline on a reported (actual currency) basis reflected the strengthening of the US dollar primarily against the Brazilian Real and Euro.

Industrial sales in the period increased 4% year-on-year. This was largely driven by the continued strong growth of the core Apparel & Footwear business (up 5%), with Asia in particular generating good volume growth. Speciality growth was impacted by the slowdown in the global oil & gas and Chinese automotive sectors, along with tough year-on-year comparators. Growth in other sectors remained robust contributing to 8% Speciality sales growth year to date; Management expects to deliver high single digit growth in Speciality for the full year.

Crafts sales were stable in the period following a 7% like-for-like decline in the first half of the year. The business delivered increased sales in the needlecraft category due to greater demand for fabrics within North America.

### Outlook

Management continues to expect to deliver a year-on-year improvement in Group pre-exceptional operating profit. Adjusted EPS growth is expected to exceed pre-exceptional operating profit growth due to year-on-year improvements in the underlying tax rate and lower interest charges on borrowings; however, as previously indicated, non-operating charges, such as discontinued items related to the sale of EMEA Crafts in July, will materially impact full year reported EPS.

### Pensions

The UK Pension Regulator ('tPR') responded during the period to our written representations to the Warning Notices on the Brunel and Staveley Schemes, to which we are preparing our further responses to the representations made by tPR and by the trustees of those schemes. Coats' position on the investigations, including the view on timing, remains unchanged.

The March 2013 triennial funding valuation for the Brunel scheme has now been agreed with the trustee and a deficit recovery plan put in place for £5.5 million per annum (approximately \$8.5 million at spot rates) over 10 years. The Staveley and Coats scheme valuations are ongoing.

### **Delisting from the NZX and ASX**

As being separately announced today, Coats has decided to simplify its listing structure and delist its shares from both the NZX Main Board in New Zealand ('NZX')<sup>1</sup> and the Australian Securities Exchange ('ASX'). The intended date for delisting is 24 June 2016, at which point Coats shares would only be tradable on the Main Market of the London Stock Exchange. More information can be found at [coats.com/investors/delistings](http://coats.com/investors/delistings).

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1. Coats will seek shareholder approval to delist from the NZX by way of an ordinary resolution (requiring approval of 50% of votes cast) at next year's Annual General Meeting, scheduled for 18 May 2016.