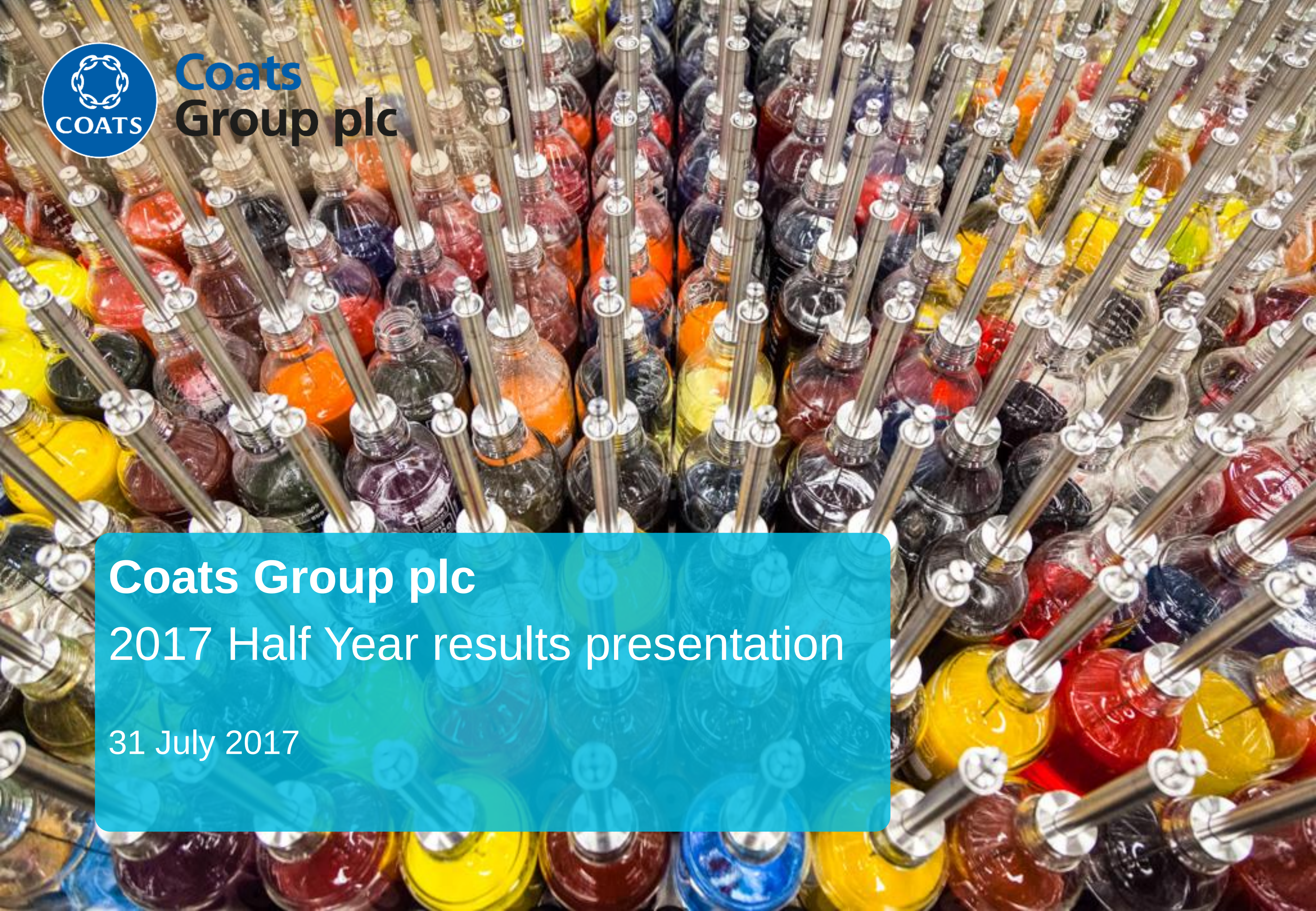

Coats Group plc

Coats Group plc

2017 Half Year results presentation

31 July 2017

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Not a profit forecast

The financial information contained in this presentation is based on publicly available historic financial information of Coats 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

2017 Half Year results presentation

- Overview
- Financial performance
- Summary and outlook
- Appendices

Overview

Rajiv Sharma

Highlights

Strong financial performance and good strategic progress

- Revenue up 5% on a CER basis to $740m (4% reported):
  - Strong growth of 7% in Industrial Division driven by share gains in Apparel and Footwear, and 18% growth in Performance Materials
- Adjusted operating profit up 14% to $89m through operating leverage, procurement initiatives and controlled costs
- Adjusted EPS up 38% to 3.06c through continued tight financial discipline – 19% underlying EPS growth
- Adjusted free cash flow for the last twelve months of $109m (June 2016: $84m), with expected c.$30 - 40m H2 capital expenditure
- Good progress across the areas on simplification, innovation and digital
- Cessation of regulatory action for the Staveley pension scheme, completing settlement with all three UK pension schemes
- Interim dividend of 0.44c per share payable in November 2017, representing pro-forma 7% growth

Strategy evolution: driving the next phase of growth at Coats

Key focus areas of **Simplification, Innovation** and building **Digital capabilities**

SIMPLIFICATION

- Operational synergies between Crafts and Industrial businesses in LatAm
- Consolidation of digital and technology teams
- 3 leadership teams into 1

INNOVATION

- Global Innovation Forum
- Launched innovation (R&D) hubs in US / Turkey
- Customer partnering on innovation projects

DIGITAL

- Continued eCommerce roll-out – up to 15,000 customers
- Standardisation of technology applications
- Global data science team

Moving from the 'Industrial Age to the Digital Age'

Apparel and Footwear: meeting the needs of our customers

- 5% sales growth, despite mixed market conditions
- Solid 4% organic growth, driven by key markets across EMEA and Asia
- Share and mix gains, including strong sales growth in our premium Epic and Nylbond brands (7-8% growth).
- Growth seen across all A&F product categories (apparel, footwear, accessories, zips and trims)
- New product launch in knitted footwear yarns
- Continued investment in the areas of marketing and innovation (incl. strategic appointments)

Digital offerings

eCommerce - Live in 28 countries, 74% of orders. New online payment module launched

>90% thread sampling online. Lead times halved

Innovation

Collaborating with 25 global customers on projects

Knitted footwear uppers key driver of growth in period

Corporate Responsibility (CR)

100% recycled core spun thread pilots in H2

Green power project in India plant (solar and biomass)

Performance Materials: a global approach to innovation

- Performance Materials revenue grew 18% to $135m, including acquisitions
- Strong organic growth of 9% following improvement in US consumer durables market (2016 3% organic growth)
- Strategy is to build scale and accelerate growth opportunities in three key areas

1 Geographic expansion

- Double digit growth in Asia & EMEA
- Taking existing products around the Coats Group markets (e.g. Gotex)

2 Innovative products

- Mega trend: lightweighting may trigger shift from metal to textiles – Coats Synergex
- Nurturing innovative ideas within the group (Global Innovation Forum)
- US / European innovation hubs

3 Bolt-on acquisitions

- Acquiring new technologies in adjacent segments
- Leveraging the Coats asset footprint and customer relationships to drive further growth

Acquisitions: building a track record of delivery

- The Group completed three acquisitions in 2015/16 across the areas of Apparel and Footwear and Performance Materials
- Acquisitions have all performed ahead of expectations – benefiting from leveraging the Coats global footprint and customer relationships
- Integration activity mostly complete, including required compliance with Coats policies

Performance Materials

- Gotex bought in June 2016 for €30m – high-tech yarns to protect / reinforce cables
- 40% sales growth since acquisition
- Sales into new territories around the Coats global footprint, including to new customers
- Gotex production line being commissioned in India

Software Solutions

- GSD bought in May 2015 for £5m and Fast React in June 2016 for £9m
- Combined to form Coats Global Services business with annual revenues >$10m
- Offer a suite of software solutions to the global garment industry
- Strategy foundations to meet the requirements of our customers and wider supply chain needs

Crafts: improved margins following market stabilisation

- Sales declined 8%, which was mainly impacted by Albany tornado in January ($10m impact):
  - Handknitting down 4%
  - Needlecraft sales down 11%
- Market conditions in NA Crafts stabilising but overall remain weak
- Actions taken to establish alternative Albany distribution network within 2 months (ahead of target), limiting sales impact
- New leadership team to focus on:
  - Consumer marketing
  - Product innovation
  - Enhancing digital offerings
- LatAm Crafts strong growth 6%

Financial performance

Simon Boddie

Overview

$m unless otherwise stated		H1 2017	Reported increase	CER change [1]	Organic [2]
Revenue	- reported	740	4%	5%	**3%**
Operating profit	- reported	86	11%		
	- adjusted [3]	89	12%	14%	**10%**
EPS (cents)	- reported	2.89	52%		
	- adjusted [4]	3.06	**38%**		
Free cashflow	- adjusted [5]	**109**	30%		
ROCE [6]		**34%**	400bps		
Interim Dividend per share (cents)		0.44c	7%		

KPI

1 On a constant exchange rate (CER) restates 2016 figures at 2017 exchange rates
2 On a CER basis, and excludes contribution from acquisitions made during the period
3 Excludes exceptional and acquisition related items, and includes contribution from bolt-on acquisitions
4 Excludes exceptional costs, acquisition related items and foreign exchange gains/losses on parent group cash balance
5 Adjusted for UK pension recovery payments, acquisitions and exceptional items
6 Adjusted operating profit divided by capital employed at 30 June 2017 (2016: 30%). With effect from 1 January 2017 capital employed includes intangible assets in relation to recent acquisitions. Prior periods have been restated accordingly.

Segmental performance

	H1 2017	H1 2016 [5]	CER [1] change %	Organic [4] change %
Revenue [2] ($m)				
Industrial	642	600	**7%**	**5%**
Crafts Americas	98	106	**(8)%**	**(8)%**
Total	**740**	**706**	**5%**	**3%**
Operating profit ($m)[2,3]				
Industrial	88	79	**11%**	**7%**
Crafts Americas	5	3	**79%**	**79%**
	93	82		
UK pension admin	(4)	(4)		
Group	**89**	**78**	**14%**	**10%**
Operating margin (%)				
Industrial	13.6%	13.2%	50bps	30bps
Crafts Americas	5.3%	2.7%	260bps	260bps
Group	**12.1%**	**11.1%**	**100bps**	**80bps**

1 2016 figures restated at 2017 exchange rates
2 Includes contributions from bolt-on acquisitions made in the year
3 On an adjusted basis which excludes exceptional and acquisition related items
4 On a CER basis excluding contributions from bolt-on acquisitions
5 Restated for UK Crafts

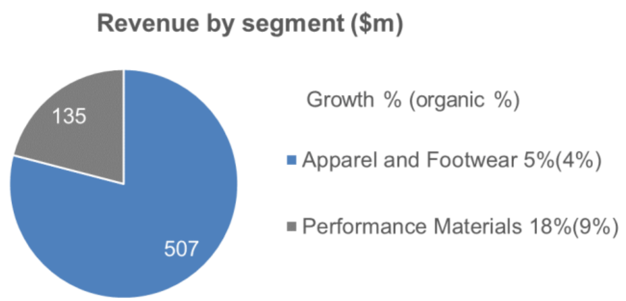
Industrial

Revenue

- **Asia:** continued solid growth of 4%, driven by growth in majority of key Apparel and Footwear markets (e.g. Vietnam / China)
- **Americas:** return to 3% growth in 2016 following marginal decline in 2016 (1%) driven by an improvement in US consumer durables and strong performance in certain key LatAm markets (e.g. Brazil)
- **EMEA:** strong 19% growth including successfully leveraging bolt-on acquisitions; 8% organic growth driven by double digit growth in key A&F markets, alongside strong Performance Materials performance

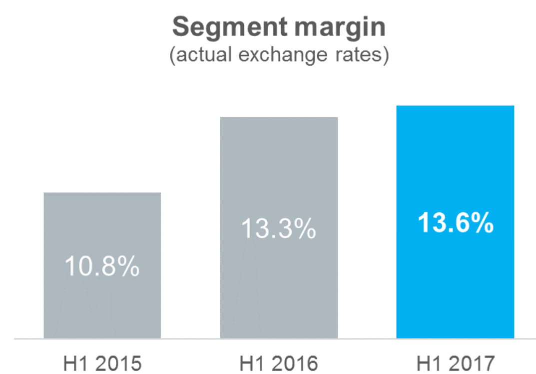
Segmental profit

- Margin up 50bps driven by procurement initiatives and controlled costs, offsetting continued pricing challenges and structural inflation



A&F and Performance Materials trading update covered in previous section

$m	H1 2017	H1 2016	CER [1] change %	Organic [4] change %
Asia	373	357	4%	4%
Americas	130	125	3%	3%
EMEA	140	117	19%	8%
Total [2]	**642**	**600**	**7%**	**5%**
Segment profit [2,3]	**88**	**79**	**11%**	**7%**
Segment margin	**13.6%**	**13.2%**	**50bps**	**30bps**



1 2016 figures restated at 2017 exchange rates
2 Includes contributions from bolt-on acquisitions made in the year
3 On an adjusted basis which excludes exceptional and acquisition related items
4 On a CER basis excluding contributions from bolt-on acquisitions

Crafts Americas

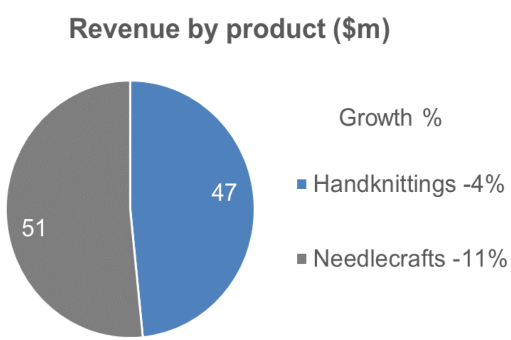
Revenue

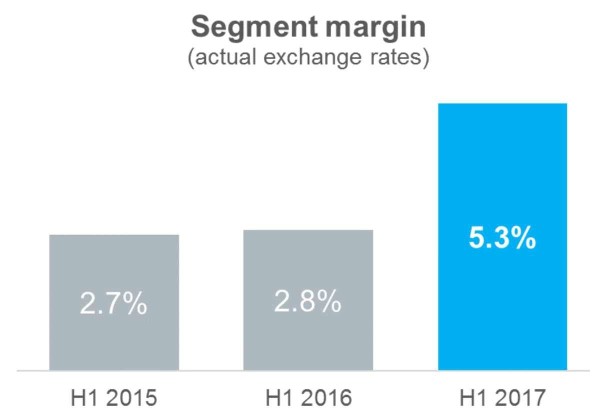
- **North America:** down 14% due to the impact of the Albany tornado in January 2017 (c.$10m), however underlying market conditions starting to stabilise but remain weak
- **LatAm:** growth of 6%, driven by strong performance in key handknitting markets (e.g. Brazil / Argentina)

Segmental Profit

- Segment profit margin of 5.3% improved 260bps from 2016
- Margin upside as a result of profit insurance recovery following Albany tornado, continued cost control, and one-off items in 2016 (e.g. $1m bad debt charge)

$m	H1 2017	H1 2016	CER [1] change
Revenue			
North America	63	73	(14)%
Latin America	35	33	6%
Total	**98**	**106**	**(8)%**
Segment profit [2]	**5**	**3**	**79%**
Segment margin	**5.3%**	**2.7%**	**260bps**





Handknittings and Needlecrafts trading update covered in previous section

1 2016 figures restated at 2017 exchange rates, and excluding UK Crafts
2 On an adjusted basis which excludes exceptional and acquisition related items

Income statement

- **Exceptional / acquisition related items:** relates only to acquisition related items
- **Finance costs:** significantly down on prior year due to:
  - $1m MTM foreign exchange gains (2016 $4m MTM losses)
  - $2m lower pension finance charges, largely offset by reduced interest income
- **Underlying tax rate:** reduced to 33% from 34% in prior year
- **Discontinued operations:** in 2016 represents UK Crafts closure
- **Minority interests:** relates predominantly operations in Vietnam and Bangladesh
- **Adjusted EPS:** 3.06c per share, 38% growth on 2016. EPS growth 19% excluding MTM gains/losses

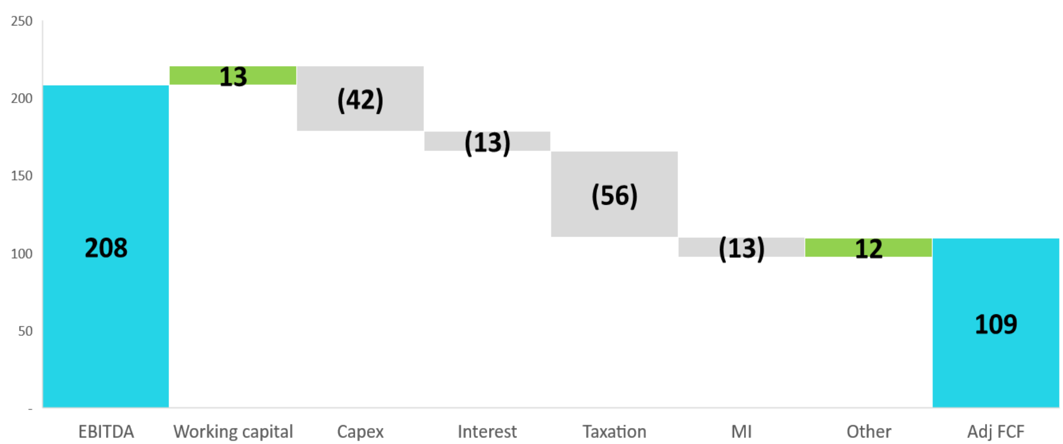
$m	H1 2017 reported	H1 2016 reported
Adjusted operating profit	**89**	**80**
Exceptional / acquisition related items	(3)	(2)
Operating profit	**86**	**78**
Share of profit from JVs	1	0
Finance costs	(11)	(18)
PBT	**76**	**60**
Tax	(27)	(23)
Profit / (loss) after tax	**49**	**38**
Discontinued operations	-	(3)
Profit / (loss) for period	**49**	**35**
Minority interest	(8)	(8)
Attributable profit / (loss)	**40**	**26**
Adjusted EPS (cents)	**3.06**	**2.22**
EPS (cents)	**2.89**	**1.90**

All data shown on a reported basis, i.e. 2016 not CER basis

Cash flow and leverage

- $21m adjusted free cash inflow in H1 2017 (2016 $11m outflow)
- FCF weighted to H2 due to normal working capital cycles
- $109m LTM free cash flow at June 2017 (June 2016: $84m) - higher profitability, and improved DSO / DPO. $30-40m planned Capex spend in H2 (1.5x depreciation for the full year)
- Overall reduction in net cash of $339m since the year end principally due to UK pension payments ($353m) following settlement with the 3 UK pension schemes. Parent group cash now only $2m
- Operating business at 1.3x leverage, within 1-2x target range (June 2016: 1.7x)

Last Twelve Months Cashflow



Actual 2016	**196**	(9)	(44)	(14)	(54)	(9)	17	**84**

$m	H1 2017	H1 2016
EBITDA	109	100
Working capital	(37)	(53)
Capital expenditure	(20)	(18)
Interest	(6)	(7)
Taxation	(28)	(31)
Minority Interest	(7)	(8)
Other	8	6
Adj free cash flow	**21**	**(11)**
Pensions	(353)	(65)
Discontinued	(1)	(8)
Acquisitions	-	(35)
Dividends paid to equity shareholders	(11)	-
Exceptionals and other	(1)	(15)
FCF	**(345)**	**(134)**
FX and other movements	7	(47)
Change in net cash	**(339)**	**(182)**

$m	H1 2017	H1 2016
Parent group cash	2	396
Ops business net debt	(263)	(337)
Total net cash	**(261)**	**59**
Leverage	**1.3x**	**1.7x**
NWC % sales	**13%**	**15%**

Leverage calculated on operating business net debt (i.e. excludes parent group cash)

UK pension regulator investigations

- Completed settlement agreements with the Trustees of all 3 UK defined benefit pension schemes and Regulatory action has ceased
- Up-front settlement payments of $340m all paid in H1
- Parent group cash now $2m, held for residual expenses
- Ongoing deficit recovery payments of $13m in H1 ($25m anticipated for the 2017 full year and $22m for 2018)
- IAS19 deficit of $179m, down by $397m from December 2016
- Next triennial valuation is at March 2018

Balance Sheet $m	**30 Jun 2017**	**31 Dec 2016**
Parent Group Cash	2	343
UK IAS19 deficits	(179)	(576)

Cash flow $m	**FY 2017 ***	**H1 2017**	**H1 2016**
Up-front settlement payments	340	340	49
Ongoing deficit payments (incl. expenses)	25	13	16

** Projected*

UK IAS19 deficits $m	
31 December 2016	**576**
Up-front and on going settlement payments	(353)
Actuarial gains	(69)
Foreign exchange	18
Others	7
30 June 2017	**179**

Summary and outlook

Rajiv Sharma

Summary

- **Good operational progress** in the areas of simplification, innovation and enhancing our digital capabilities
- **Corporate normalisation process complete** following completion of pensions investigations with all three UK schemes
- **5% revenue growth** driven by Industrial division, despite mixed market conditions
- **Double digit profit and cash growth** through operational leverage, procurement and productivity improvements, tight cost control and financial discipline
- **Investing in future growth** with anticipated increase in second half capital expenditure

Outlook

- We will look to build on the strong first half of the year, and expect to deliver performance in line with management's expectations for the full year
- This is expected to be achieved through our initiatives to deliver market share gains and productivity improvements, maintaining tight control of our cost base, whilst investing in our growth opportunities
- We will also continue to focus on cash flow generation, which will allow for an anticipated $30-40m capital expenditure spend in H2 2017

Appendices

World's leading industrial thread manufacturer and major player in Americas textile crafts

Industrial | **Crafts**

Apparel and Footwear (A&F)

- Apparel, footwear and accessories thread
- Zips and trims products
- Consulting services

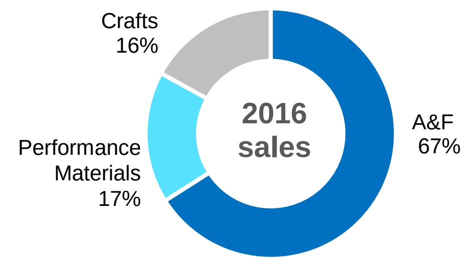
Performance Materials

- High technology threads and yarns from performance materials

Crafts Americas

- Foundation and fashion handknitting
- Needlecrafting (includes sewing and lifestyle fabrics)

Global footprint
- 19,000 employees
- Some 50 sites
- Sales in 100+ countries
- Global distribution network
- UK headquartered, COA:LSE
- FTSE 250 member



Group	2016
Sales	\$1.5bn
Operating profit	\$158m
Adj EPS growth	23%
Adj free cash flow	\$78m
ROCE *(restated)*	35%

Markets and global customers

INDUSTRIAL

Apparel and Footwear

End uses include

Customers include

vf
GAP
next
BURBERRY
lululemon athletica
adidas
MICHAEL KORS
UNDER ARMOUR
PRADA

Performance Materials

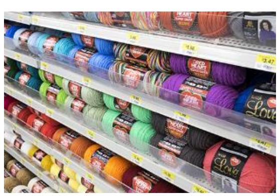
End uses include

Customers include

DECATHLON
P&G
MICHELIN
IKEA

CRAFTS

End uses include



Brands include

RED HEART
COATS
cisne
FreeSpirit

Corporate timeline: a rich heritage

Coats is a company with more than 250 years of history

1750s
James and Patrick Clark began work in Paisley, Scotland

1812
Clark's sewing thread placed on the market

1826
James Coats establishes first Ferguslie mill in Paisley

London Stock Exchange 1891

1890
Coats' initial share offering takes place on London Stock Exchange

J&P Coats Sewing Cotton

1896
Coats and Clark family business merger forms: J. & P. Coats, Ltd

1900s machinery

1912
One of the world's largest companies by market capitalisation

1960s manufacturing

COATS VIYELLA

1980s-1990s
Period of manufacturing decline: Acquired by Vantona Viyella. M&A with Tootal, Barbour, and DMC

GPG
GUINNESS PEAT GROUP PLC

2004
GPG acquisition completed and company de-listed

2011-13
GPG asset realisation programme – leaving Coats as sole remaining operating business

2013-14
Pensions regulator Warning Notices received on UK Pension schemes

2015
COATS
Coats Group plc returns to London stock market 125 years after initial listing
London Stock Exchange

2016
De-listing from AZX and NZX solely LSE listed

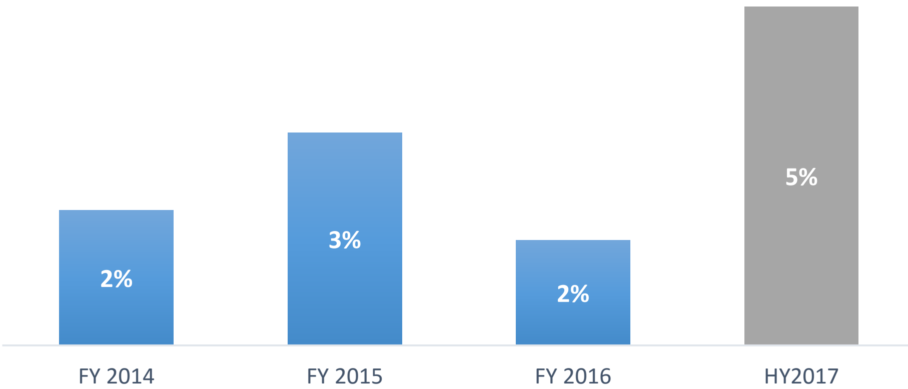
2016-17
Settlements with 3 UK pensions schemes achieved and regulatory action ceased

First dividend as Coats Group plc paid

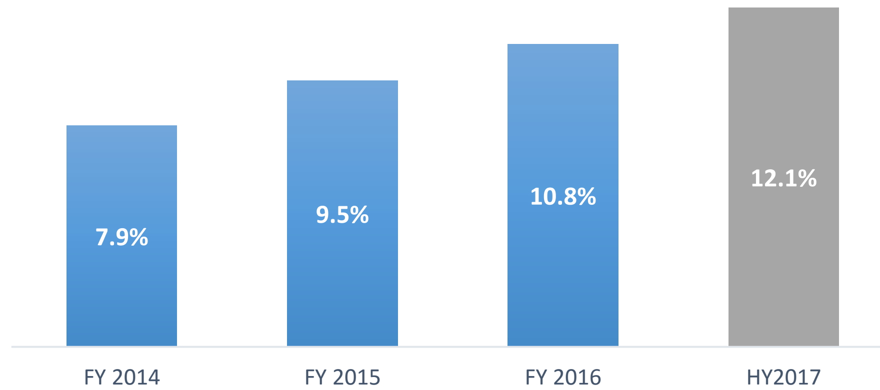
2017
Coats enters the FTSE 250 on 19 June

Record of delivering improving earnings and consistent cashflows

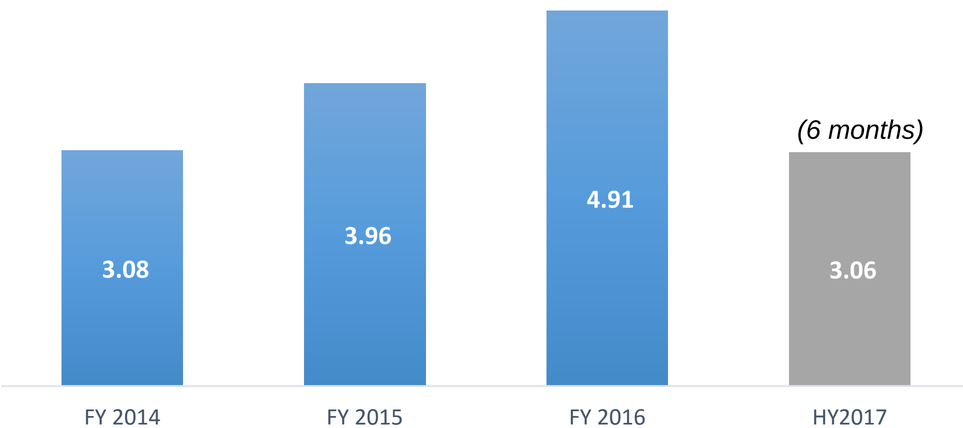
CER[1] sales growth



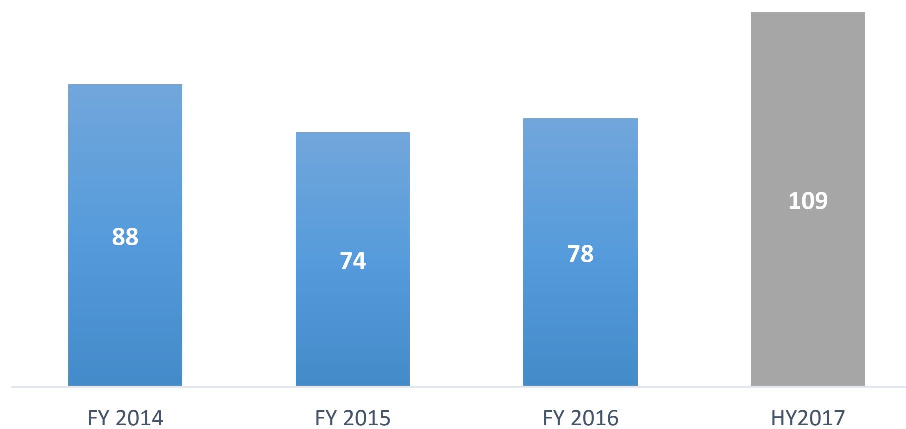
Adj. Operating margins [2]



Adjusted EPS [2] (c)



LTM Adjusted FCF [2] ($m)



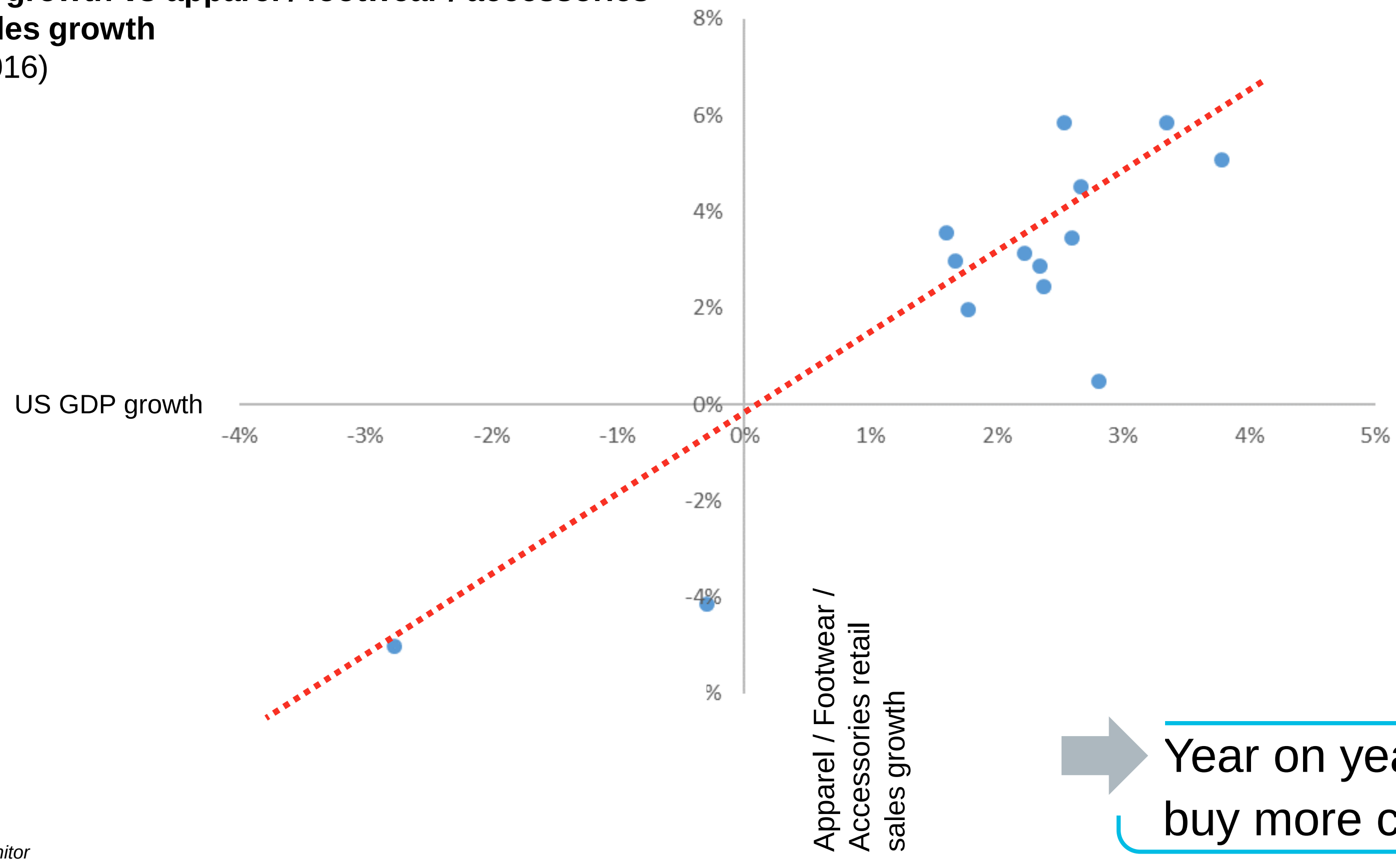
1 Revenue growth in 2014 excludes EMEA crafts (disposed of in 2015). 2015-2016 excludes both EMEA Crafts and UK Crafts (discontinued in 2016). CER at 2017 rates, and including contribution from acquisitions.

2 2014 excludes EMEA Crafts (disposed of in 2015), 2015-2016 excludes both EMEA Crafts and UK Crafts (discontinued in 2016). All shown at reported rates.

Apparel and Footwear: a growing, but stable underlying sector

- Strong link between clothing retail sales and GDP growth.
- For the US, apparel, footwear and accessories retail sales growth is approximately 1.4 times GDP growth

US GDP growth vs apparel / footwear / accessories retail sales growth
(2003-2016)



Year on year people tend to buy more clothes

Source: Euromonitor

Apparel and Footwear: Leading the response to changing industry needs

The consumer is pushing brands, retailers and manufacturers to focus on…

- **Speed** → **First to market**, in-season flexibility, colour, sampling, sourcing
- **Productivity** → **Reduce labour exposure**, Lean, design to cost
- **Innovation** → **Fabrics**, finishes, production technology, consumer experience
- **Quality** → **Differentiation** and consumer value through quality
- **Compliance** → **Responsible sourcing**, labour, chemicals, environment

Coats portfolio of world class products and services:

Threads

Zips

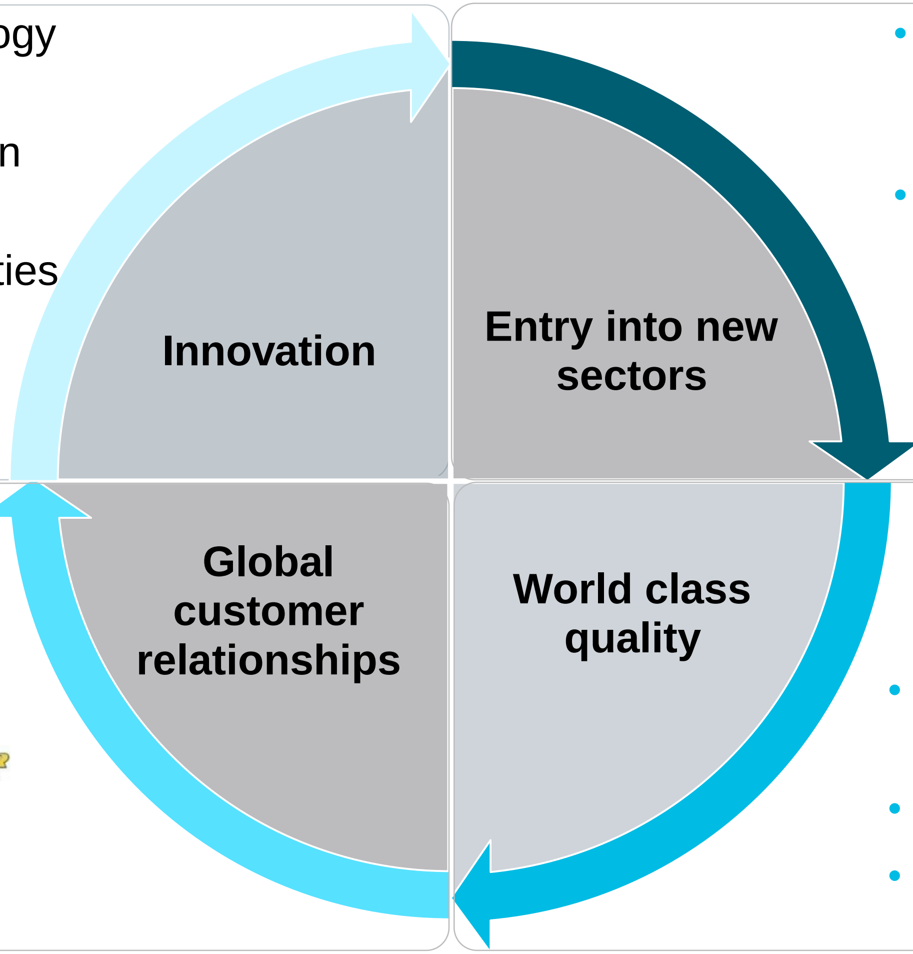
Trims

Technology Solutions

Coats is uniquely positioned to drive and benefit from these market needs

Performance Materials: Moving beyond the stitch line

- Developing high technology products
- Recruiting new innovation talent
- Enhancing R&D capabilities
- Process innovation (eg carbon commingling)

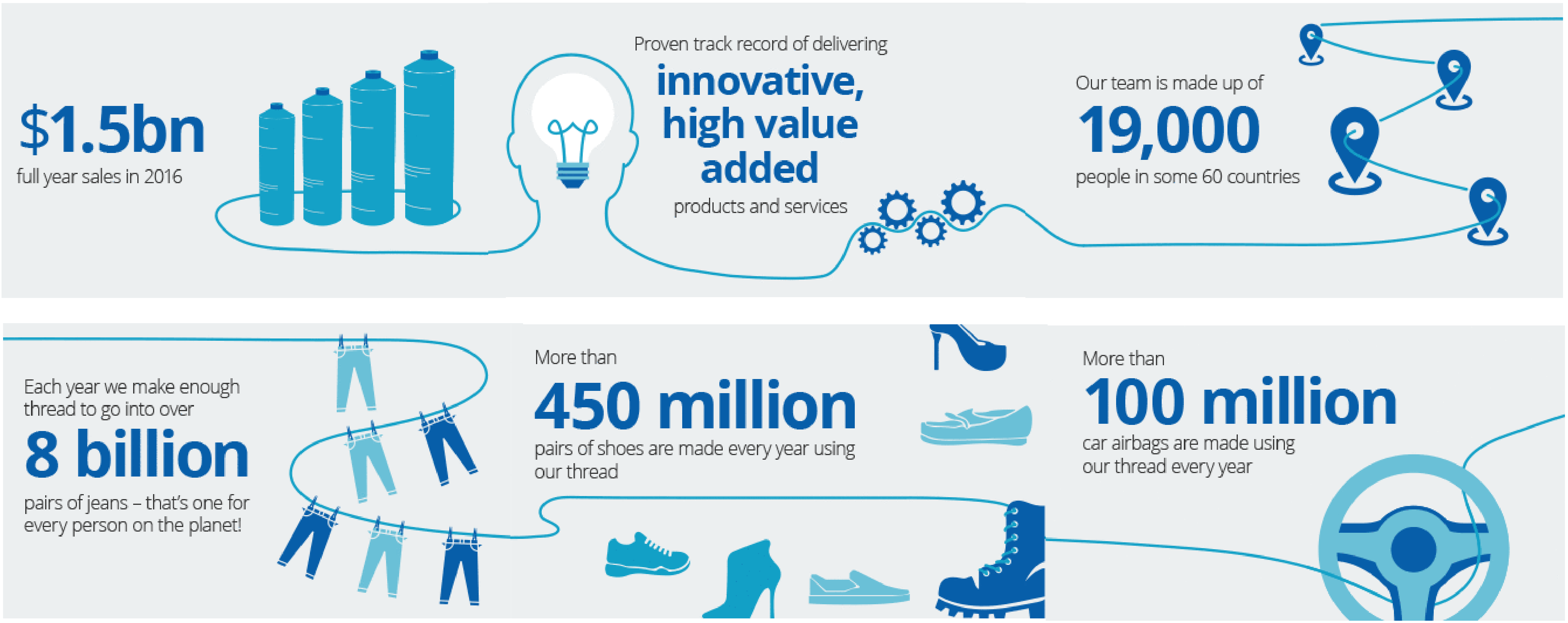


- Developing competencies beyond traditional core
- Expanding into new market sectors like personal protection, fiber optics, and composites

- Zero Defect global quality system
- Digital IoT linkage control
- Manufacturing excellence

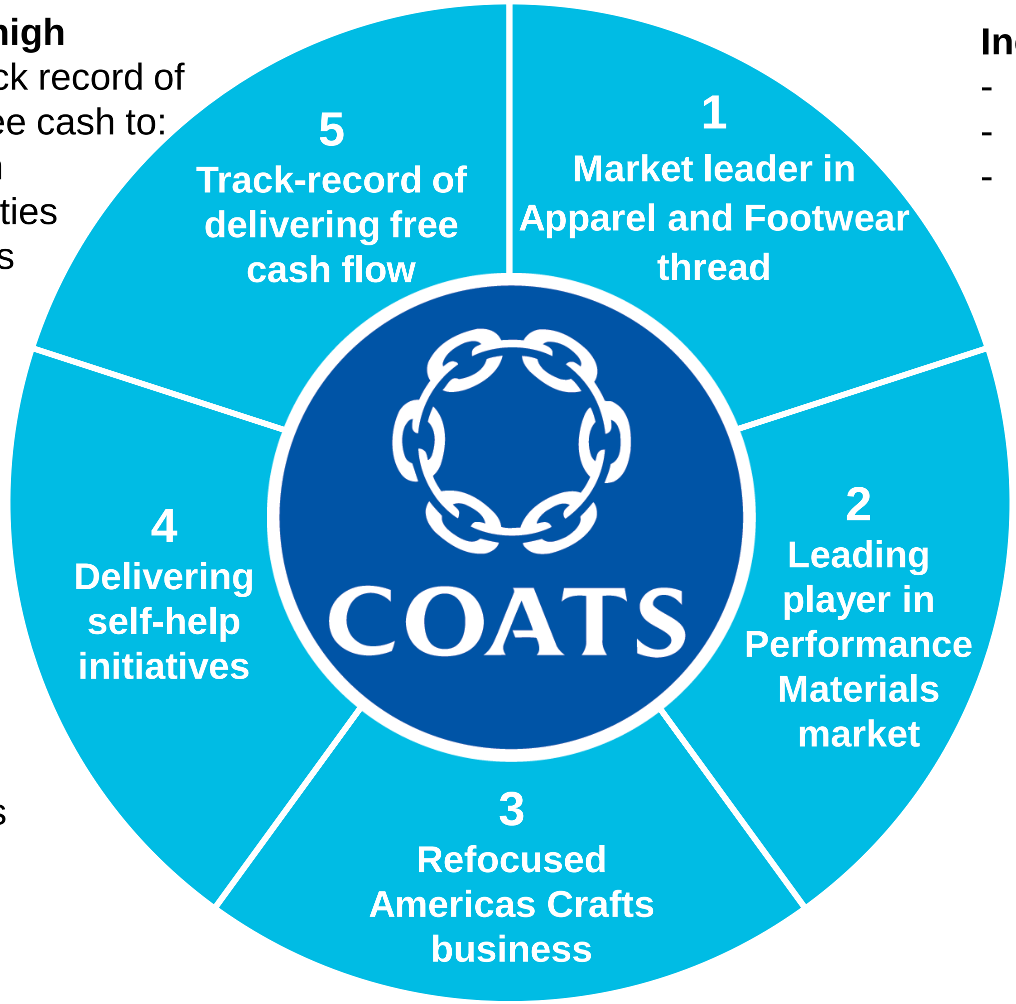
Innovation and quality assurance are critical success factors

Global market leader



Our investment case – a strategy that is working

Defendable business with **high returns on capital** and track record of delivering good levels of free cash to:
- invest in organic growth
- manage pensions liabilities
- fund bolt-on acquisitions
- pay dividends



Increasing share through:
- deep customer insight
- corporate responsibility
- value adding services such as digital platforms, cross-selling and consultancy

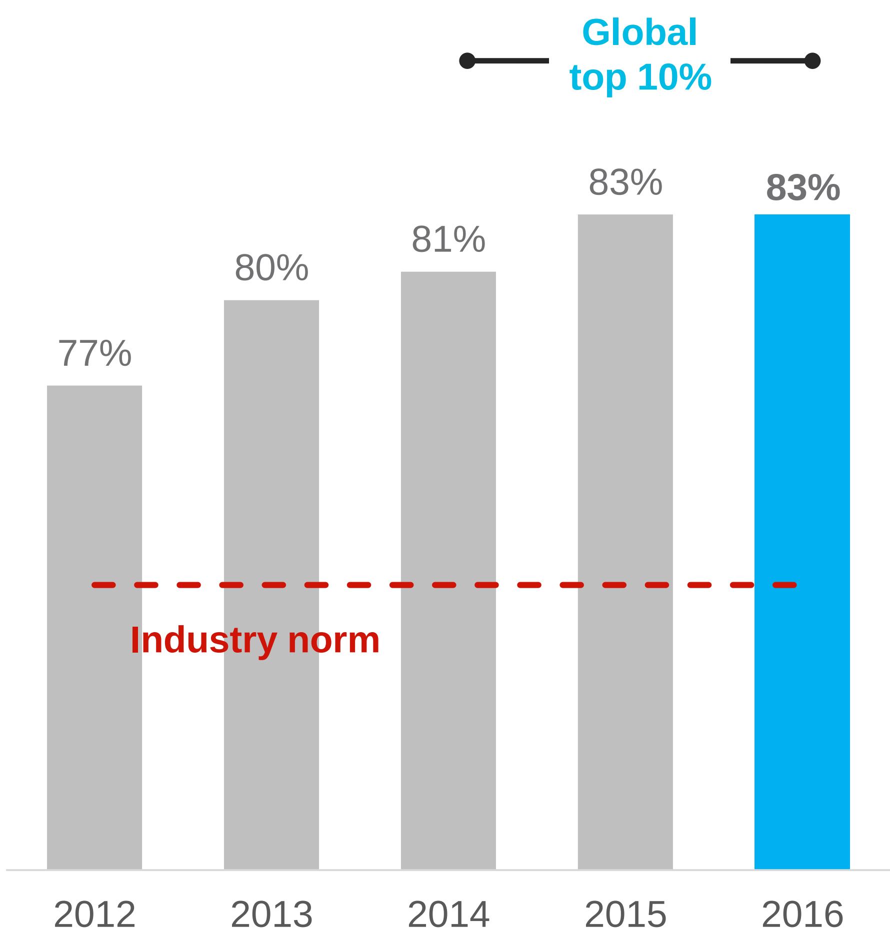
Experienced management team and **highly engaged workforce** delivering self-help initiatives (eg **productivity, procurement and SD&A savings**) to support margins

Opportunity to grow in **fragmented, high growth market** through
- geographic expansion
- product innovation
- bolt-on acquisitions

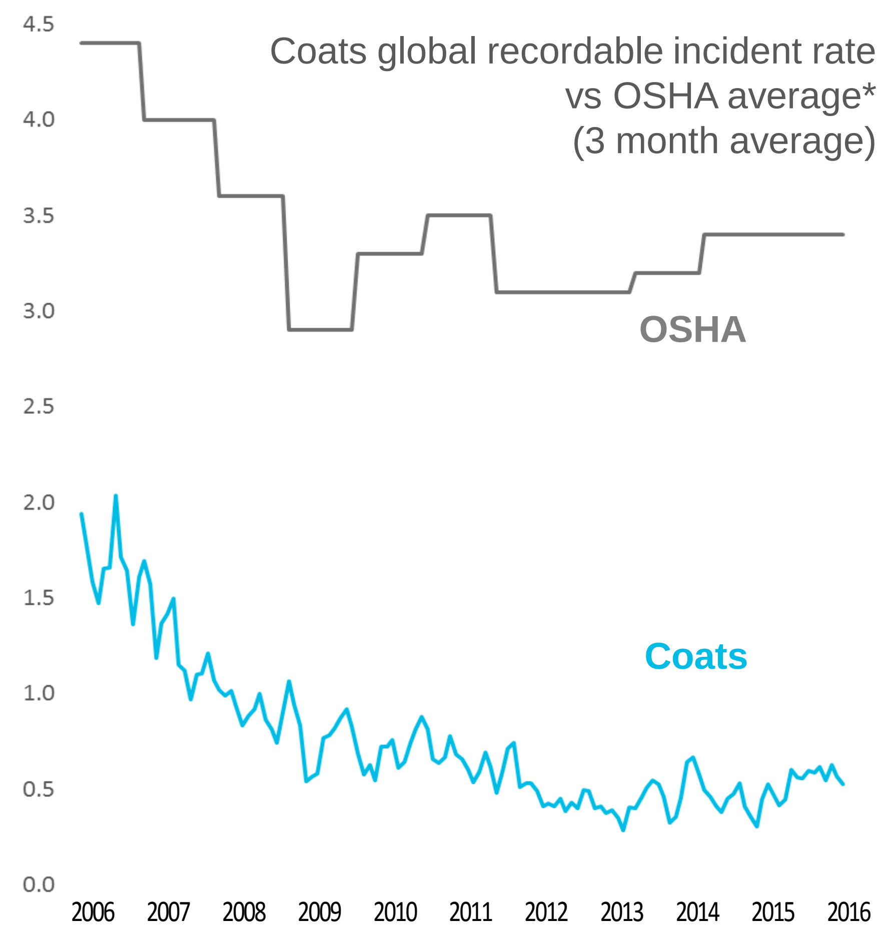
Leading consumer brands, strong market positions and customer relationships; ability to **improve margins and deliver consistent cash flow**

Safe and engaged workforce

Employee engagement



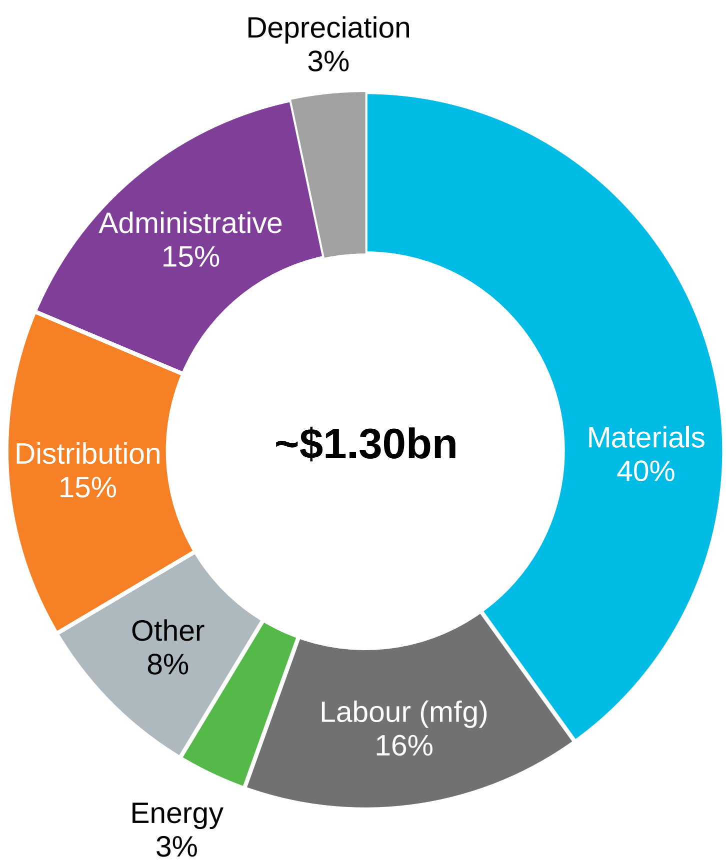
Recordable incident rate



* *Occupational Safety and Health Administration, agency of US Department of Labor, average of US textiles mills*

Cost base

Pre-exceptional costs – 2016



- Materials: raw materials (polyester, nylon, cotton) and intermediates (grey thread); direct materials (dyes, cones) and bought-in finished goods (craft products)
- Labour (mfg): ongoing inflationary pressures in the locations in which we operate
- Energy: sourced from local and national grids, price linked to regional supply / demand dynamics
- Other includes maintenance, insurance and water
- Distribution includes freight and warehousing
- Administrative includes corporate costs

Capital allocation policy and dividend

- The Group aims to use the free cash flow it generates to balance its various capital demands
- Whilst maintaining its strong Balance Sheet position (target leverage 1-2x)
- We have adopted a progressive dividend policy where we aim to grow dividends along with underlying earnings and cash
- The Board has announced a first interim dividend per share of 0.44c (2016: 0.41c pro-forma), reflecting 7% growth
- The final dividend will be announced in February along with the FY17 financial results

COATS Coats Group plc

The Board has set out clear capital allocation policies:

Grow earnings and free cash flow by delivering on our 3 strategic goals – which will be used for:

Reinvesting in organic growth	Supporting pensions	Paying a progressive dividend	Acquisitions in line with strategy

Whilst maintaining a strong balance sheet with a target leverage ratio of 1-2 times net debt to EBITDA

Finance costs and foreign exchange movements

Operating items

- Interest on bank and other borrowings marginally down on 2016 due to a reduction in fixed rate swaps
- Other items significantly reduced primarily due to $4m MTM foreign exchange losses in 2016 ($1m gains in 2017)

Parent group

- Interest income on parent cash now minimal following settlement of UK pensions schemes

Pensions finance costs

- Pension finance costs lower following reduced IAS19 deficits following settlement of UK pension schemes – largely offset by lower interest income as referred to above

$m	H1 2017 Reported	H1 2016 Reported
Operating items		
- Interest on bank and other borrowings	**(7)**	(7)
- Investment income from operating activities	**1**	1
- Other (including unrealised gains / (losses) on FX contracts)	**(1)**	**(7)**
Parent Group		
- Investment income on parent group cash	**0**	1
Pension finance costs	**(5)**	(7)
Total finance costs	**(11)**	(18)

All data shown on a reported basis, i.e. 2016 not CER basis

Pension schemes: income statement and cash flow impact

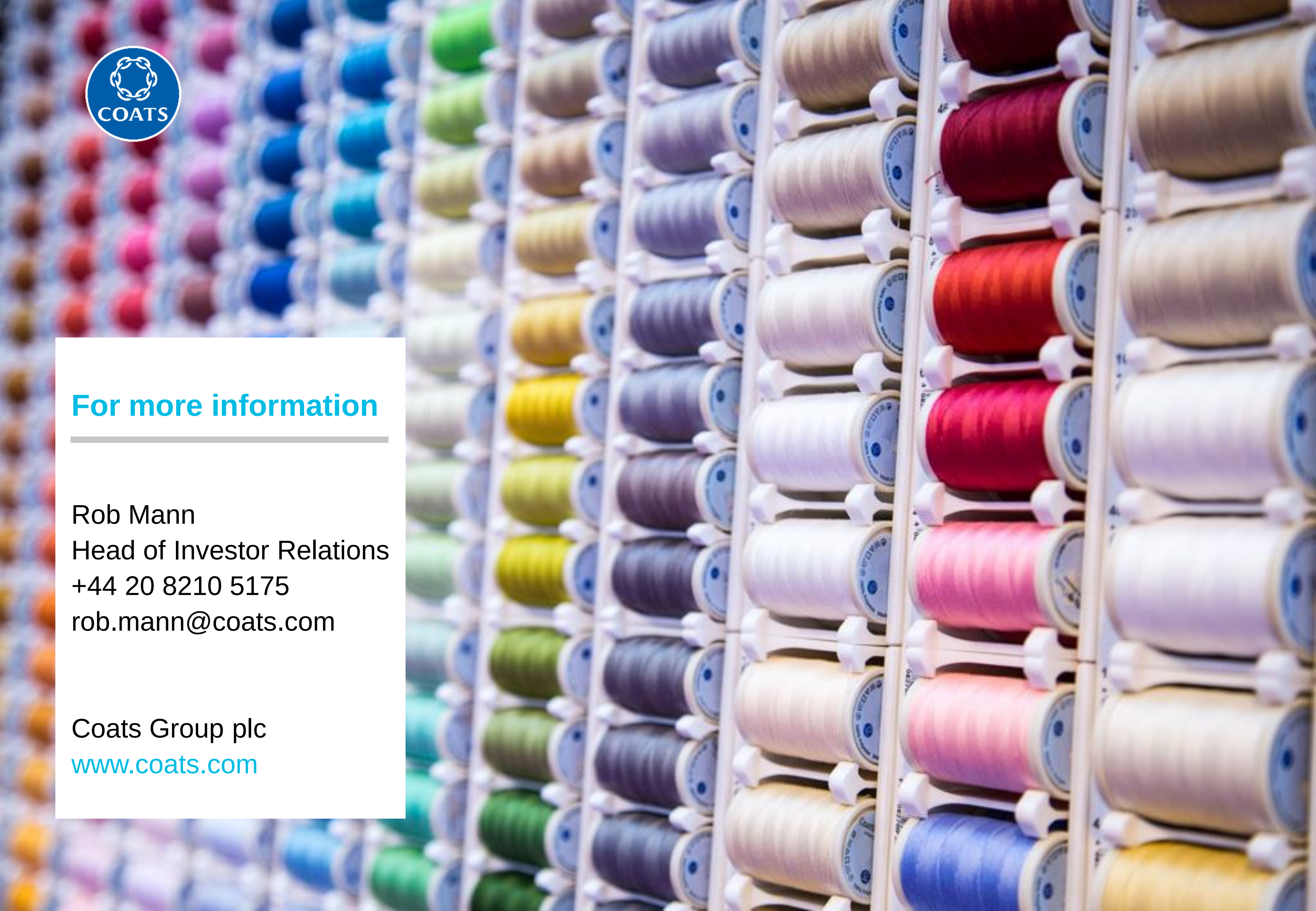
$m	Brunel		Staveley		Coats UK		UK Total		Coats other		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Service charge	-	-	-	-	-	2	-	2	4	4	4	6
Administrative expenses [1]	1	1	1	1	2	3	4	5	1	1	4	6
Operating profit impact	**1**	**1**	**1**	**1**	**2**	**5**	**4**	**7**	**5**	**5**	**9**	**12**
Finance charge	1	1	1	1	4	5	5	7	-	-	5	7
Total income statement impact	**2**	**2**	**2**	**2**	**6**	**10**	**9**	**14**	**5**	**5**	**14**	**19**
UK contributions for active members	-	-	-	-	-	1	-	1	-	-	-	1
Cash payments to pensioners and other	-	-	-	-	-	-	-	-	4	4	4	4
Cash outflow within adjusted FCF	**-**	**-**	**-**	**-**	**-**	**1**	**-**	**1**	**4**	**4**	**4**	**5**
UK settlement lump sum payments[2]	43	-	45	-	252	-	340	-	-	-	340	-
UK recovery contributions and admin expenses paid [2]	3	4	3	51	7	10	13	65	-	-	13	65
Total cash outflow	**45**	**4**	**48**	**51**	**259**	**11**	**352**	**66**	**4**	**4**	**357**	**70**

1. Administrative expenses of Brunel, Staveley and Coats UK plan equate to UK Pension admin charge in segmental operating profit split on slide 13
2. As per pensions recovery payments line in adjusted FCF to change in net cash reconciliation table on slide 17

Pension schemes: balance sheet positions

	Brunel		Staveley		Coats UK		Other		Total	
	Jun 2017	Dec 2016	Jun 2017	Dec 2016	Jun 2017	Dec 2016	Jun 2017	Dec 2016	Jun 2017	Dec 2016
$m										
Assets	213	157	336	274	2,272	1,886				
Liabilities	(243)	(222)	(345)	(319)	(2,413)	(2,353)				
Net deficit	**(29)**	**(64)**	**(9)**	**(45)**	**(141)**	**(467)**				
Unrecognised asset	-	-	-	-	-	-				
Net deficit recognised	**(29)**	**(64)**	**(9)**	**(45)**	**(141)**	**(467)**	**(57)**	**(51)**	**(236)**	**(627)**
£m										
Equities	37	30	21	43	483	529			541	606
Bonds	61	56	200	169	1,187	870			1,448	1,102
Other	66	24	37	10	75	130			178	171
Total assets	164	128	258	222	1,745	1,529			2,166	1,879
Liabilities	(187)	(180)	(265)	(258)	(1,853)	(1,907)			(2,304)	(2,345)
Net obligation	**(23)**	**(52)**	**(7)**	**(37)**	**(108)**	**(378)**			**(138)**	**(467)**
Discount rate (%) [1]	2.50	2.50	2.50	2.50	2.50	2.50				
Inflation (%) [2]	3.25	3.30	3.25	3.30	3.25	3.30				
Rate of increase in pensions in payment (%)	3.10	3.15	3.10	3.15	3.10	3.15				
Life expectancy	26.0	26.2	25.4	25.5	26.7	25.8	For male retiring today at 60			
Increase in real discount rate to eliminate deficit (bps) [3]	200	90	60	130	105	95				

1. Assumption derived using a yield curve approach, based on Sterling AA corporate bonds
2. Assumption based on a market implied long-term rate of inflation
3. As at 30 June 2017: 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. 2016 comparatives were adjusted in FY16 presentation for the £235m settlement payments that had been made at the time of announcement.



For more information

Rob Mann
Head of Investor Relations
+44 20 8210 5175
rob.mann@coats.com

Coats Group plc
www.coats.com