3 August 2021

Coats Group plc

2021 Half Year Results

Positive momentum continues; strong operational performance

Coats Group plc ('Coats,' the 'Company' or the 'Group'), the world's leading industrial thread manufacturer, announces its unaudited results for the six months ended 30 June 2021 (the 'period').

	H1 2021	H1 2020	H1 2019	H1 2021 vs H1 2020			H1 2021 vs H1 2019		
Continuing operations [3]				Reported	CER	Organic	Reported	CER	Organic
Revenue	$732m	$536m	$705m	37%	35%	34%	4%	6%	1%
Adjusted [1]									
Operating profit	$95m	$34m	$102m	179%	174%	175%	(7)%	(5)%	(4)%
Basic earnings per share	3.1c	0.0c	3.4c						
Free cash flow	$48m	$(5)m	$21m						
Net debt (excl. IFRS 16)	$168m	$207m	$210m						
Reported [2,3]									
Operating profit	$97m	$29m	$101m	235%	229%	230%	(4)%	(2)%	0%
Basic earnings per share	3.4c	(0.6)c	3.4c						
Net cash generated by operating activities	$64m	$15m	$34m						
Interim dividend per share	0.61c	nil	0.55c						

Highlights

- Continued positive momentum during the first half; organic revenues up 1% vs 2019 and 34% vs 2020, despite recent lockdown impacts in India in May and June which have now ended
- Encouraging momentum and recovery in Apparel and Footwear: core thread business up 2% vs 2019 (41% vs 2020); positive end market sentiment across US, Europe and Asia; sports and athleisure perform well due to ongoing casualisation trend
- Performance Materials organic growth of 4% vs 2019 (19% vs 2020), with all segments performing strongly apart from Personal Protection which continues to be impacted by US labour availability issues
- Adjusted operating profit of $95 million; inflationary pressures offset by pricing actions and self-help productivity programmes
- Adjusted EPS of 3.1c per share: significantly up from 2020 (0.0c) due to the recovery of operating profits towards pre-Covid levels, lower finance charges, and a normalisation of the effective tax rate
- Strong cash generation in the period; net debt (excl. IFRS 16) of $168 million and strong adjusted free cash flow of $48 million; 0.8x leverage[4] reflecting our commitment to financial discipline
- Interim dividend of 0.61 cents per share declared
- As stated in a post-close trading update on 14 July, full year 2021 performance is anticipated to be moderately ahead of the Group's previous expectations.

Commenting on the Half Year Results Rajiv Sharma, Group Chief Executive, said:

"We are pleased to have seen continued recovery and positive momentum during the first half of the year. We have won some excellent contracts and programmes, across both divisions, as customers prioritise reliability, speed and flexibility. We also launched 12 new products in the first half, generating $11 million of incremental revenue, with a healthy pipeline of opportunities ahead of us. We have continued the advancement of our

industry-leading sustainability agenda, with strong demand for our EcoVerde product range and revenue of $43m, which was 5x higher than in the first half of 2020. We are also proud to have launched EcoRegen, a biodegradable thread supporting Coats' drive towards a circular economy.

"In the second half of the year we will continue to drive performance by focusing on profitable sales growth, our strong customer relationships, our digital, innovation and sustainability credentials and ongoing pricing and productivity actions."

1 *Adjusted measures are non-statutory measures (Alternative Performance Measures). These are reconciled to the nearest corresponding statutory measure in note 12. Constant Exchange Rate (CER) are 2020 and 2019 results restated at 2021 exchange rates. Organic vs 2020 on a CER basis includes like-for-like contributions from Pharr HP (post acquisition date of February 2020). Organic vs 2019 on a CER basis includes like-for-like contributions from ThreadSol (post acquisition date of February 2019) and excludes contribution from Pharr HP (acquired in February 2020). Revenue figures are an IFRS measure; however CER and Organic growth rates constitute Alternative Performance Measures.*

2 *Reported refers to values contained in the IFRS column of the primary financial statements in either the current or comparative period.*

3 *All figures on a continuing basis, unless otherwise stated.*

4 *Leverage calculated on a frozen GAAP basis, and therefore excludes the impact of IFRS 16 on both adjusted EBITDA and net debt.*

Conference call

Coats Management will present its half year results in a webcast at 9:00am BST today (3 August 2021). The webcast can be accessed via www.coats.com/investors/hy2021. The webcast will also be made available in archive form on www.coats.com.

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About Coats Group plc

Coats is the world's leading industrial thread company. At home in some 50 countries, Coats has a workforce of 17,000 people across six continents. Revenues in 2020 were US$1.2bn. Coats' pioneering history and innovative culture ensure the company continues leading the way around the world. It provides complementary and value added products, services and software solutions to the apparel and footwear industries. It applies innovative techniques to develop high technology Performance Materials threads, yarns and fabrics in areas such as Transportation, Telecommunications and Energy, and Personal Protection. Headquartered in the UK, Coats is a FTSE 250 company, a constituent of the FTSE4Good Index Series, a participant in the UN Global Compact and a member of the Ellen MacArthur Foundation. It has also committed to developing a long-term target to reach net-zero emissions by 2050, the highest level of ambition on climate under the Science Based Target initiative. To find out more about Coats visit www.coats.com.

Cautionary statement

Group Chief Executive's review

We entered 2021 with a robust balance sheet, with healthy levels of cash generation, and with encouraging trading momentum, which has given us a solid base from which to continue to win the Covid recovery.

2021 half year results overview

We have had a strong start to the year with revenues back above 2019 levels despite ongoing Covid-related lockdowns in some of our key markets such as India. The health and safety of our employees remains our number one priority. We continue to mitigate inflationary pressures through pricing and productivity actions. We have had a number of good customer and programme wins in both Apparel & Footwear "A&F" and Performance Materials "PM" due to the ongoing focus on reliability, speed and flexibility for our customers, as well as our continued focus on innovative new products and our industry-leading sustainability agenda.

Adjusted operating profit came in at $95 million for the first half. Adjusted operating profit margin of 13.0% was slightly down on pre-Covid 2019 levels primarily due to the expected dilutive impact of the Pharr acquisition in 2020, the ongoing labour disruption in the wider US business, and the recent India lockdown impacts. Earnings recovery has been strong, and only slightly below pre-Covid levels as operating profit recovery has been supported by a normalisation of our tax rate and lower interest charges. In April we announced the successful completion of a three year $360 million ESG-linked bank refinancing. Net debt (excl. IFRS 16) at the end of the period stands at $168 million, giving 0.8x leverage which is slightly below the lower end of our target leverage range of 1-2x.

Strategic enablers: Digital, Innovation and Sustainability

Our strategic enablers of Digital, Innovation and Sustainability underpin our strategy and give us a competitive advantage.

Covid highlighted the critical need for digital adoption in the industries we serve. During the first half we continued to use digital technology to deliver value creation for our customers in a Covid-affected world. We enhanced our digital customer ecosystem, through which customers can, for example, use automated bulk and sample ordering and status management. We are developing our new TechConnect app to support customers with value-adding technical support in product development, production and quality assurance. We are onboarding key accounts through system integration, refreshing our front end order system and using Dynamics CRM to further professionalise our sales and customer service systems. These developments deliver speed, agility and ease of use benefits to our customers, allowing us to earn greater market share and customer loyalty.

We continued to create innovative new solutions for our customers, with 12 new products launched in the first half of the year, across both A&F and PM, delivering incremental revenues of $11.4 million so far. Examples within A&F include a reflective tape with unique phosphorescent technology which charges up in under ten minutes and glows for over 8 hours. We have also launched new products in our zips and trims ranges, generating early customer wins and stronger medium-term potential. In PM, the largest selling innovation was a new Flamepro product with lighter weight, higher performance and improved strength and protection qualities. Our innovation pipeline to deliver further incremental revenues in the future remains strong and we will continue to accelerate our innovation credentials and solutions in order to deliver tailored solutions to meet customers' design requirements.

A key part of our company purpose is to make a better and more sustainable world. We have made good progress across all our Sustainability targets during the first half, with some particular highlights. One of our sustainability targets is to have external social certifications, such as Great Place to Work, across all our key sites, with over 80% of our employees in certified sites by 2022. During the first half we added certification for India, China and Sri Lanka. As at the end of June, 44% of our employees are covered by the Great Place to Work certification, up from 6% at the end of 2020. During the first half we also re-launched our global engagement surveys and were delighted to achieve a 90% participation rate, significantly above benchmark. Results of the engagement score also showed a highly engaged workforce, at 83%, again significantly above the benchmark of 74%. Demand for our EcoVerde product range (100% recycled threads) continued to increase at pace and revenues in the first half were up strongly to $42.5 million (FY2020 $37 million), with an expected doubling of EcoVerde revenues for the full year vs 2020, and on track for our 2024 target for all our premium polyester threads to be made from 100% recycled material.

During the first half we also developed and launched EcoRegen, a biodegradable thread made from 100% lyocell, a renewable fibre derived from wood pulp sourced from sustainably managed forests. This eco-friendly regenerated fibre is fully biodegradable and compostable due to its cellulosic origin and is suitable for a wide range of apparel applications to accommodate multiple customer needs. The launch of EcoRegen is part of Coats' Eco Journey roadmap to produce innovative sustainable products which supports our drive towards a circular economy. Two further new products will be launched soon: EcoCycle, a range of water dissolvable thread that facilitates garment recycling and end to end circularity; and Eco-B, a recycled polyester thread incorporating an additive which reduces synthetic fibre accumulation in landfills and microfibre pollution in oceans. With the launch of these new sustainable threads we are developing products that allow our customers to design garments with a clear end-of-life strategy built into them.

Lastly, we are particularly pleased with the progress made during the first half on our target to reduce the amount of water used per kilogramme of thread by 40% by 2022, against our 2018 baseline. During the first half of 2021 we achieved an overall 15% reduction vs a 6% reduction at the end of 2020.

Board changes

As previously reported, Mike Clasper retired as Chairman and from the Board of Coats after nearly eight years with the Company, at the conclusion of the Annual General Meeting that took place on 19 May 2021. The company would like to thank Mike for his commitment and service, overseeing a time of unprecedented corporate transformation including the merger of the Guinness Peat Group and Coats plc Boards, delisting from the Australian and New Zealand Stock Exchanges, re-listing as Coats Group plc on the London Stock Exchange and entry to the FTSE 250. Mike was succeeded as Chairman by David Gosnell who has been an Independent Non-Executive Director of Coats for 6 years.

Dividend

The Board is mindful of the importance of income to shareholders and, as a result of the strength of the Group's balance sheet, the continued encouraging recovery out of the Covid pandemic, and its confidence in the strategy and outlook for the Group, it is pleased to declare an ordinary interim dividend of 0.61 cents per share (2020 interim dividend: nil). The interim dividend will be paid on 16 November 2021 to ordinary shareholders on the register at 22 October 2021, with an ex-dividend date of 21 October 2021. The proposed full year dividend will be announced in March 2022 alongside the Full Year 2021 results.

Outlook

In the second half of the year we will continue to drive performance by focusing on profitable sales growth, our strong customer relationships, our digital, innovation and sustainability credentials and ongoing pricing and productivity actions.

The company issued a post-close trading update on 14 July which stated that performance for the full year 2021 was anticipated to be moderately ahead of its previous expectations.

Operating review

	H1 2021 $m	H1 2020 $m	H1 2019 $m	H1 2021 vs H1 2020 Inc / (dec) %	CER [1] inc/(dec) %	Organic [1] inc/(dec) %	H1 2021 vs H1 2019 Inc / (dec) %	CER [1] inc/(dec) %	Organic [1] inc/(dec) %
Revenue [2]									
By segment									
Apparel and Footwear	531	372	539	**43%**	**41%**	**41%**	**(2)%**	**0%**	**0%**
Performance Materials	201	164	165	**23%**	**22%**	**19%**	**22%**	**24%**	**4%**
Total	**732**	**536**	**705**	**37%**	**35%**	**34%**	**4%**	**6%**	**1%**
By region									
Asia	405	283	395	43%	40%	40%	2%	3%	3%
Americas	185	149	167	24%	26%	23%	11%	18%	(2)%
EMEA	143	104	142	38%	34%	34%	0%	2%	2%
Total	**732**	**536**	**705**	**37%**	**35%**	**34%**	**4%**	**6%**	**1%**
Adjusted operating profit [2,3]									
By segment									
Apparel and Footwear	82	27	79	202%	201%	201%	4%	5%	5%
Performance Materials	13	7	23	86%	75%	79%	(43)%	(42)%	(35)%
Total adjusted operating profit	**95**	**34**	**102**	**179%**	**174%**	**175%**	**(7)%**	**(5)%**	**(4)%**
Exceptional and acquisition related items	1	(5)	(1)						
Operating profit	**97**	**29**	**101**	**235%**	**229%**	**230%**	**(4)%**	**(2)%**	**(0)%**
Adjusted operating margin [2,3]									
By segment									
Apparel and Footwear	15.5%	7.3%	14.7%	820bps	820bps	820bps	80bps	70bps	70bps
Performance Materials	6.4%	4.2%	13.7%	220bps	190bps	220bps	(730)bps	(720)bps	(510)bps
Total	**13.0%**	**6.4%**	**14.5%**	**660bps**	**660bps**	**670bps**	**(150)bps**	**(150)bps**	**(70)bps**

1 *Constant Exchange Rate (CER) are 2020 and 2019 results restated at 2021 exchange rates. Organic vs 2020 on a CER basis includes like-for-like contributions from Pharr HP (post acquisition date of February 2020). Organic vs 2019 on a CER basis includes like-for-like contributions from ThreadSol (post acquisition date of February 2019) and excludes contribution from Pharr HP (acquired in February 2020).*
2 *Includes contribution from bolt-on acquisitions made during the period.*
3 *On an adjusted basis which excludes exceptional and acquisition-related items.*

H1 2021 Results overview

Group revenues increased 37% on a reported basis vs 2020, as sentiment improved across all end markets. On a CER basis, Group revenues increased 35%, which was 2% lower than the reported rate of increase as a result of year-on-year currency translation tailwinds (notably the Chinese Yuan and Euro).

Group adjusted operating profit of $95 million increased 174% on a CER basis (H1 2020: $34 million, H1 2019: $102 million on a reported basis). Adjusted operating margins were up 660bps to 13.0% (H1 2020: 6.4%, H1 2019: 14.5% on a reported basis).

Group revenues on an organic basis increased 1% vs 2019.

Adjusted earnings per share ('EPS') for the period increased to 3.1 cents (2020: 0.0 cents, 2019: 3.4 cents). This was due to continued operating profit recovery, an associated normalisation of our tax rate and lower interest charges.

Apparel & Footwear ('A&F')

Our Apparel & Footwear business benefited from its key customer relationships, flexibility and agility as the industry started to recover from the Covid pandemic. Despite recent lockdowns in our core India market and the regional resurgence of Covid in Asia and South America in recent months, our core thread business (c.85% of A&F) returned to growth of 41% vs the first half of 2020. Our global accounts programme, in which we dedicate customer relationship resources to our key brands and retailers, delivered a wide range of customer and programme wins.

End market sentiment is positive across all our regions of the US, Europe and Asia. Trends that started to emerge during 2020 continued to accelerate. Sports and athleisure continue to perform well and the casualisation trend continues. Other continuing trends include digital online adoption, supplier consolidation, nearshoring, changing customer needs for speed, and aggressive digitisation of the supply chain. In particular we are seeing growth from the increasing commitment of our customers to their own sustainability agendas. The demand shift from West to East also played to our strengths, with first half revenue for our China domestic business, up 61% vs 2020.

Our key competitive differentiators have continued to help us win new customers and also share of spend. These competitive differentiators include our market-leading product ranges, technical services, reliability and speed of supply, sustainability credentials and digital technologies. Our geographical proximity to customers across sourcing locations remains a critical differentiator in a fast-changing market environment. The division saw continued customer wins and share gains across key apparel manufacturers, brands and regions.

All of the A&F sub-segments had strong revenue growth vs the first half of 2020; A&F thread up 41%, zips up 43%, Latin America Crafts up 53% and Coats Digital up 12%.

Adjusted operating profit for A&F increased 201%, compared to the Group organic increase of 175%. Organic adjusted operating margin was up 820bps to 15.5% (up 70bps vs 2019) compared to the Group increase of 670bps to 13.0%. This was as a result of excellent commercial and operational delivery, pricing actions and procurement self-help initiatives more than offsetting the heightened inflationary pressures we face.

2019 comparatives

As noted above our Apparel & Footwear business had a strong start to the year with revenues in line with 2019 levels despite ongoing Covid-related lockdowns in some of our key markets such as India. By sub-segment, A&F thread revenues (c.85% of segment revenue) were up 2% vs 2019, which was somewhat offset by a slower recovery in zips, largely due to a slower recovery in high-end, luxury handbags and accessories markets in Europe. Latin America Crafts grew 4% vs 2019. Our Coats Digital business was down 26% vs 2019 with a healthy pipeline for the second half and encouraging growth in SaaS, software sales and annual recurring revenues.

A&F operating margins, after largely normalising in the second half of 2020 post Covid, were 70bps ahead of 2019 with healthy gross margin levels as a result of good customer, product and end use mix, supported by volume recovery.

Performance Materials ('PM')

Our PM business operates in five key market segments; Telecoms and Energy (15% of segment revenues), Personal Protection (40%), Transportation (10%), Household and Recreation (20%), and Other Industrial Applications (15%).

After seeing a heavy impact from Covid during 2020, revenues have recovered well in all segments, except Personal Protection (down 2% on an organic basis vs 2020). Personal Protection continues to be impacted by labour availability issues in the US. All other end uses such as Telecoms and Energy, Transportation and Household and Recreation performed strongly, and have seen growth in the first half vs both 2020 and 2019. The division saw some noteworthy customer wins across all industry segments, such as automotive composites programmes as well as multiple transportation wins with Tier 1 and OEMs across Europe, China and the US.

Overall, PM revenues grew 22% on a CER basis (23% reported), consisting of organic growth of 19% and a 3% contribution from the acquisition of Pharr HP. Organic revenue growth performance in the period was underpinned by strong demand in Telecom and Energy (up 34%), with consumer demand remaining strong in Household and Recreation (up 45%), particularly in US outdoor goods.

Transportation (up 61%) saw good revenue growth from share gains, in spite of semiconductor shortages that continue to impact vehicle builds. These shortages are expected to continue into 2022. Other Industrial Applications end-use sub-segment performed well as demand remained robust in defensive areas.

Adjusted operating profit increased 75% on a CER basis to $13 million and at an adjusted operating margin level, PM margins were up 190 bps to 6.4%. PM margins were however adversely impacted in the US by continuing labour availability issues, labour inflation and raw material inflation. Because of these labour availability issues our US operations, which represent c.50% of PM, are running at only c.60% utilisation, resulting in an under-recovery of costs.

Excluding the US business, PM margins were 16.5% indicating a healthy recovery of margins elsewhere in the Group. We continue to place significant focus on our US operations, with several actions already in place such as: price increases agreed to cover inflationary pressures; self-help initiatives to improve operational efficiencies, such as improved productivity through automation; and the implementation of new shift patterns to help address labour availability issues. We have also integrated the Patrick Yarns and Pharr businesses under a new management team, to form a Coats 'One Performance Yarns' business. As a result of these actions, it is still anticipated that operating margins in PM as a whole, for the full year, will be in the mid to high single digits range.

2019 comparatives

Compared to the first half of 2019 Performance Materials had organic revenue growth of 4% with all segments continuing to perform strongly (and in line with the trends described above) apart from Personal Protection which continues to be impacted by US labour availability issues.

Operating margins remained significantly down on 2019 (720bps on a CER basis) due to the dilutive effect of the Pharr HP acquisition (210bps impact), as well as the operational impacts as a result of the US labour availability issues.

Geographical performance

We saw strong Covid recovery across all geographical regions with significant growth against 2020 levels driven by improving end market sentiment.

In Asia, which is predominantly an A&F business and was most severely impacted by the Covid pandemic in 2020, we saw revenue increase by 40%, driven by key Apparel and Footwear markets. This was 3% up on 2019 revenue levels, as this region saw the fastest recovery from Covid, despite some ongoing impacts in the period, most notably in India which suffered severe lockdowns in May / June (c.$10 million estimated revenue impact). In Vietnam we saw an encouraging return to above pre Covid levels, having performed relatively well throughout 2020 as a result of being less impacted by the pandemic, and being a reliable and attractive alternative sourcing solution to other key Asia A&F markets during the most significant disruption from the pandemic. Performance in China and Bangladesh were notably strong returning to well above pre Covid revenue levels, despite being significantly impacted by the pandemic in 2020.

Our Americas business saw organic revenues grow by 23% above 2020 levels, but remained slightly below 2019 levels largely due to the performance issues impacting our US Performance Materials business which has been impacted by labour availability issues. Despite this, demand outlook remains strong in the US. The US performance was to some extent offset by a strong performance in the smaller South America business where we saw continued significant growth in the crafting part of the business.

In Europe, which was impacted significantly by Covid last year, we saw revenues grow by 34% vs 2020, which was 2% above 2019 pre-Covid levels. This recovery was driven by Performance Materials recovery in telecoms and transportation as fibreoptics and automotive sales remained robust lead by our key markets in Spain and Turkey. Growth in the region was slightly tempered by slower recovery profile in Italy Zips where demand for high end luxury goods remained soft.

Whilst the Covid recovery across all geographies has been encouraging, we are mindful of the risk from ongoing localised disruption as a result of the pandemic. This was illustrated by the significant disruption seen in India in May and June, and most recently some local lockdowns seen in some of our Asian businesses (for example Vietnam and Indonesia). We continue to manage this risk closely, including maintaining alternative sourcing options for our customers by leveraging our global footprint and agility.

Financial Review

Revenues
Group revenues increased 37% on a reported basis, as all markets recovered strongly having been adversely impacted by the Covid pandemic in 2020. On a CER basis, Group revenues increased 35%, which was 2% below the reported rate of decrease as a result of year-on-year currency translation tailwinds (notably the Chinese Yuan and Euro). On an organic CER basis, revenues increased 34% due to the acquisition of Pharr High Performance Yarns (Pharr HP) which was completed in February 2020. All commentary below is on a CER basis unless otherwise mentioned.

When compared to pre-Covid (2019) levels, revenues in the period were 1% up on an organic basis, and this was despite the ongoing Covid disruption seen in India in May and June. Excluding the impact of this recent Covid disruption in India (which has now subsided), revenues would have been up 3% on an organic basis vs 2019.

Operating profit
At a Group level, adjusted operating profit increased from $34 million in 2020 to $95 million (2019: $102 million on a reported basis) and adjusted operating margins were up 660bps to 13.0% (2019: 14.5% on a reported basis). The table below sets out the movement in adjusted operating profit during the period:

	$m	Margin %
2020 H1 adjusted operating profit	**34**	**6.4%**
Volumes impact (direct and indirect)	81	
Pricing / Mix	11	
Raw material inflation	(3)	
Freight inflation	(6)	
Other inflation (e.g. labour)	(7)	
Productivity benefits (manufacturing and sourcing)	9	
Higher SD&A	(24)	
2021 H1 adjusted operating profit	**95**	**13.0%**
Exceptional and acquisition related items	1	
2021 H1 reported operating profit	**97**	**13.2%**

The direct and indirect volume impact of the Covid disruption, particularly in H1 2020, was a significant headwind on profits and margins in the prior period, as lower utilisation of factories led to an under recovery of manufacturing overheads. As a result of the ongoing encouraging Covid recovery, these volume impacts have largely been reversed in the first half of the year, albeit there was some adverse impact still felt in the period, particularly in relation to India in May and June which faced further significant lockdown impacts (which have now subsided) and as a result saw manufacturing under recoveries in those months.

As a result of increasing oil prices in the latter part of 2020 we have started to see some year-on-year inflationary headwinds on raw material costs, in addition to the ongoing structural inflationary pressures we face and specific higher prices in relation to sea freight as a result of container availability. As in previous periods we have been successful in offsetting these inflationary pressures with productivity benefits and pricing / surcharges. We expect these inflationary pressures to continue into the second half of the year, and the pricing actions taken in the first half of the year leave us well placed to continue to offset these heightened year-on-year headwinds.

We experienced positive mix in the period, in particular in PM, which was largely a reversal of the negative mix movements seen in 2020. The above impacts, albeit predominantly the positive volume impacts, led to a significant normalisation of gross margins in the period which were up 380bps compared to 2020 to 32.6%.

We moved decisively to underpin our SD&A cost base during 2020 by minimising discretionary spend (for example travel, staff bonuses, Long Term Incentive Plans and consulting costs) and variable costs of selling, and, as expected, we have seen most of these savings reverse in the period as the business has recovered.

As a result of these factors, the Group's adjusted operating margins significantly increased to 13.0% (2020: 6.4%). This compares to 2019 adjusted operating margins of 14.5% which, excluding the known dilutive impact of the Pharr HP acquisition in February 2020 of 80bps, is broadly in line with the margin delivered in this period.

On a reported basis, Group operating profit (including exceptional and acquisition-related items) was $97 million (2020: $29 million). See below for a breakdown of these exceptional items. Exceptional and acquisition-related items are not allocated to segments, and as such the segmental profitability referred to above is on an adjusted basis only.

Foreign exchange

The Income Statement on a reported basis was impacted by the relative strength of the US Dollar compared to 2020. As the Company reports in US Dollars and given that its global footprint generates significant revenues and expenses in a number of other currencies, a translational currency impact can arise. This resulted in an increase of 37% in reported revenues year-on-year, which is a 2% translation tailwind when compared to the 35% revenue increase on a CER basis. The main currency impacts in the period was the weakening US Dollar against the Chinese Yuan and Euro. At current exchange rates (30 June 2021) we expect a further small translation tailwind on revenues for the Full Year 2021.

Free cash flow

The Group delivered an adjusted free cash flow of $48 million in the period (2020: $5 million outflow). This was a significant improvement on 2020 as the trading of the business continued to recover from the Covid disruption in 2020, whilst keeping close control of working capital and capital expenditure. Adjusted free cash flow of $48 million in the period was also significantly above the levels delivered in 2019 ($21 million), in part due to the impact of Covid underpinning measures that have impacted this period (e.g. non-payment of bonuses for 2020 due to be paid in March 2021), as well as a disciplined approach to capital expenditure in the Covid recovery phase.

Non-operating results

Adjusted earnings per share ('EPS') for the period increased to 3.1 cents (2020: 0.0 cents). This significant increase was due to the recovery in adjusted profit before tax (up from $15.7 million to $85.9 million), and the expected normalisation in the effective tax rate to 31% (H1 2020: 48%) as profitability returns to pre Covid levels. The increase in adjusted profit before tax was due to the increase in adjusted operating profit ($61 million increase), and a net interest charge which was $9 million lower year-on-year (see below for further details). Adjusted EPS of 3.1 cents was marginally below 2019 (3.4 cents) due to lower operating profits, a slightly higher effective tax rate, higher minority interest with some offset from lower net finance costs.

Net finance costs in the period were $10.0 million (pre-exceptional), an $8.8 million decrease year-on-year (2020: $18.8 million). The key drivers of the decrease in net finance costs in the period was a $0.9 million reduction in interest on bank borrowings due to lower interest rates and lower corporate facility utilisation compared to 2020. In addition, the $5.7 million mark-to-market foreign exchange loss seen on forward hedging contracts seen in the first half of the 2020 (due to sterling weakness in H1 2020) reversed as a result of subsequent sterling strengthening since Q2 2020, leading to a year-on-year benefit of $7.0 million.

The taxation charge for the period was $30.0 million (2020: $11.3 million). Excluding the impact of exceptional and acquisition-related items and the impact of IAS19 finance charges, the effective tax rate on pre-tax profit was 31% (H1 2020: 48%). This rate decrease was due to the significant impact of Covid in H1 2020 on Group profit mix and withholding taxes that were still incurred at broadly historic levels as the payment of these amounts are not always directly linked to the lower level of operating profits seen in 2020. As profitability has normalised to pre Covid levels in H1 2021, so has the effective tax rate, as expected.

The reported tax rate was 33% (2020: 107%), which includes the impact of exceptional and acquisition related items.

Profit attributable to minority interests was $12.8 million and was predominantly related to Coats' operations in Vietnam and Bangladesh (in which it has controlling interests). This was 62% above the 2020 level ($7.9 million), which is lower than the overall adjusted operating profit growth for the Group, which reflects the relative strength of performance of those territories during 2020 (in particular Vietnam, which was relatively less impacted by the pandemic), compared to the wider Group.

Exceptional and acquisition-related items
Net exceptional and acquisition-related items before taxation were a $6.1 million credit (2020: $5.1 million charge). This credit primarily related to the recognition of a historic indirect tax claim within Brazil which is now deemed virtually certain, and has resulted in a $5.1 million exceptional credit within operating profit and a further $4.7 million exceptional interest income. Further details on this can be seen in note 3.

The acquisition-related items of $1.8 million consisted of the amortisation of intangible assets acquired ($1.7 million), and acquisition earnouts ($0.1 million).

In the taxation line, exceptional items of $2.6 million predominantly relates to a tax charge on the Brazilian indirect taxes refund claim referred to above.

Cash flow
The Group delivered $48 million of adjusted free cash flow in the period (2020: $5 million outflow). This free cash flow measure is before annual pension deficit recovery payments, acquisitions and dividends, and excludes exceptional items.

This adjusted free cash flow performance was significantly ahead of 2020 as a result of the recovery of adjusted operating profit, alongside continued well controlled albeit higher net working capital outflows ($17 million outflow vs $2 million inflow in 2020) as 2020 benefited from the natural unwinding of working capital from lower activity levels due to Covid in Q2. Adjusted free cash flow in the period of $48 million was also significantly above 2019 levels, as a result of the recovery of profitability to close to 2019 levels, alongside continued well controlled working capital (albeit benefiting from some 2020 Covid cash actions e.g. non payment of staff bonuses in March 2021), and lower capital expenditure.

Capital expenditure was in line with 2020 ($13 million), as we invest selectively in the most appropriate opportunities in the Covid recovery phase. Minority dividend payments of $13 million were incurred (2020: $11 million) which relate to the repatriation of cash from local operations to the Group. Tax paid was $22 million and broadly in line with H1 2020, which is lower than the P/L charge as reflects some timing benefit from the lower tax charge in 2020 as a result of lower profitability levels.

The Group generated a free cash inflow of $13 million in the period (2020: $54 million outflow), which primarily reflects the adjusted free cash flow of $48 million, offset by UK pension payments of $19 million (being $17 million of ongoing deficit recovery payments and administrative expenses, and $2 million catch up of deferred 2020 payments), and shareholder dividends ($15 million).

As a result of the above free cash inflow, net debt (excluding the impact of IFRS 16) as at 30 June 2020 was $168 million (31 December 2020: $181 million). Including the impact of IFRS 16, net debt as at 30 June 2021 was $264 million (31 December 2020: $247 million).

Capital expenditure
Capital expenditure was in line with 2020 ($13 million). As we recover out of Covid, and in order to continue to support our longer-term growth strategy and further reinforce our strong environmental compliance credentials, we anticipate capital expenditure to be in the $35-40 million range for 2021 including strategic growth initiatives primarily in our Asian operations.

Pensions and other post-employment benefits
The net obligation for the Group's retirement and other post-employment defined benefit liabilities (UK and other Group schemes), on an IAS19 financial reporting basis, was $76 million as at 30 June 2021, which was $150 million lower than 31 December 2020 ($226 million). This decrease is primarily due to movements on the UK scheme.

The Coats UK Pension Scheme, which is a key constituent of the Group defined benefit liabilities, shows a $19 million IAS19 surplus at 30 June 2021 (£14 million), which is $148 million better than at 31 December 2020 (deficit of $129 million, or £94 million). This reduction in deficit predominantly relates to net actuarial gains of $134 million (higher discount rate assumption due to higher corporate bond yields which more than offset asset losses), and $17 million employer contributions (excluding administrative expenses). The IAS19 discount rate remains underpinned by AA corporate bond yield spreads, unlike the Technical Provisions basis of valuation (relevant for the triennial valuation process) which is linked to gilt yields. The company, in conjunction with the pension trustees, regularly monitors the funding position of the UK Pension Scheme.

In agreement with the trustees of the Coats UK Pension Scheme, and as part of the wider Covid underpinning actions, in 2020 we agreed to defer the remaining deficit recovery payments for that year (April-December inclusive), to provide an additional c.$21 million of headroom cover. The catch up of these payments commenced in May and will be evenly spread over a period of around 18 months. As a result, total payments in 2021 are expected to be around $43 million (which includes $9 million in relation to the start of the catch-up of the 2020 deferred contributions).

The effective date for the next UK scheme triennial is 31 March 2021, and this will be required to be finalised by no later than 30 June 2022.

Balance sheet and liquidity

Group net debt (excluding IFRS 16) as at 30 June 2021 was $168 million ($264 million including IFRS 16), which was lower than 31 December 2020 ($181 million) and the same point in 2020 ($207 million), and reflects strong cash management (adjusted free cash flow of $48 million, UK pension payments ($19 million; being $17 million of ongoing deficit recovery payments and administrative expenses, and $2 million catch up of deferred 2020 payments), and shareholder dividends ($15 million).

At 30 June 2021, our leverage ratio (net debt to EBITDA; both excluding IFRS 16) was 0.8x and remains well within our 3x covenant limit, and slightly below the lower end of our target leverage range of 1-2x. Our interest cover covenant also maintained significant headroom at 30 June 2021 at 17.3x vs a covenant of 4x. These covenants are tested twice annually at June and December, and are monitored throughout the year. Committed headroom on our banking facilities was around $330 million at 30 June, which remains at a comfortable level allowing us strategic optionality to consider the most attractive investments in the post Covid recovery phase.

INDEPENDENT REVIEW REPORT TO COATS GROUP PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated statement of financial position, the condensed consolidated statement of changes in equity, the condensed consolidated cash flow statement and related notes 1 to 18. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted International Financial Reporting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34, "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2021 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, United Kingdom
3 August 2021

Condensed consolidated financial statements

Condensed consolidated income statement
For the half year ended 30 June 2021

	Note	**Half year 2021** Before exceptional and acquisition related items unaudited US$m	Exceptional and acquisition related items (note 3) unaudited US$m	Total unaudited US$m	Half year 2020 Before exceptional and acquisition related items unaudited US$m	Exceptional and acquisition related items (note 3) unaudited US$m	Total unaudited US$m	Full year 2020 Total audited US$m
Continuing operations								
Revenue		**732.4**	**-**	**732.4**	535.8	-	535.8	1,163.3
Cost of sales		**(493.7)**	**5.1**	**(488.6)**	(381.5)	(5.0)	(386.5)	(811.5)
Gross profit		**238.7**	**5.1**	**243.8**	154.3	(5.0)	149.3	351.8
Distribution costs		**(63.1)**	**-**	**(63.1)**	(55.0)	-	(55.0)	(116.1)
Administrative expenses		**(80.4)**	**(3.7)**	**(84.1)**	(65.1)	(1.7)	(66.8)	(134.0)
Other operating income		**-**	**-**	**-**	-	1.3	1.3	1.4
Operating profit		**95.2**	**1.4**	**96.6**	34.2	(5.4)	28.8	103.1
Share of profit of joint ventures		**0.7**	**-**	**0.7**	0.3	-	0.3	0.6
Finance income	**4**	**0.2**	**4.7**	**4.9**	0.3	0.3	0.6	1.4
Finance costs	**5**	**(10.2)**	**-**	**(10.2)**	(19.1)	-	(19.1)	(25.5)
Profit before taxation		**85.9**	**6.1**	**92.0**	15.7	(5.1)	10.6	79.6
Taxation	**6**	**(27.4)**	**(2.6)**	**(30.0)**	(8.4)	(2.9)	(11.3)	(37.4)
Profit/(loss) for the period		**58.5**	**3.5**	**62.0**	7.3	(8.0)	(0.7)	42.2
Attributable to:								
Equity shareholders of the company		**45.7**	**3.5**	**49.2**	(0.6)	(8.0)	(8.6)	26.4
Non-controlling interests		**12.8**	**-**	**12.8**	7.9	-	7.9	15.8
		58.5	**3.5**	**62.0**	7.3	(8.0)	(0.7)	42.2
Earnings/(loss) per share (cents)	**7**							
Basic				**3.38**			(0.59)	1.81
Diluted				**3.38**			(0.59)	1.81
Adjusted earnings/(loss) per share	**12 (d)**	**3.14**			(0.04)			2.42

Condensed consolidated statement of comprehensive income
For the half year ended 30 June 2021

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Profit/(loss) for the period	**62.0**	(0.7)	42.2
Items that will not be reclassified subsequently to profit or loss:			
Actuarial gains/(losses) in respect of retirement benefit schemes (note 13)	**134.2**	27.1	(39.7)
Tax relating to items that will not be reclassified	**-**	-	0.1
	134.2	27.1	(39.6)
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value of cash flow hedges	**-**	4.2	(2.4)
Transferred to profit or loss on cash flow hedges	**-**	(0.4)	-
Exchange differences on translation of foreign operations	**(5.3)**	(13.4)	(13.3)
	(5.3)	(9.6)	(15.7)
Other comprehensive income and expense for the period	**128.9**	17.5	(55.3)
Net comprehensive income and expense for the period	**190.9**	16.8	(13.1)
Attributable to:			
Equity shareholders of the company	**178.3**	9.2	(28.9)
Non-controlling interests	**12.6**	7.6	15.8
	190.9	16.8	(13.1)

Condensed consolidated statement of financial position
At 30 June 2021

	Note	**30 June 2021 unaudited US$m**	30 June 2020 unaudited US$m	31 December 2020 audited US$m
Non-current assets				
Intangible assets		**285.0**	289.0	288.6
Property, plant and equipment		**248.2**	261.2	254.4
Right-of-use assets	**11 (f)**	**90.1**	56.6	60.7
Investments in joint ventures		**11.7**	11.7	11.1
Other equity investments		**6.0**	6.0	6.0
Deferred tax assets		**24.0**	21.5	22.7
Pension surpluses	**13**	**71.5**	12.9	11.4
Trade and other receivables		**25.7**	14.0	19.0
		762.2	672.9	673.9
Current assets				
Inventories		**226.0**	186.2	187.0
Trade and other receivables		**331.2**	225.0	274.5
Other investments		**0.1**	0.1	0.1
Pension surpluses	**13**	**4.8**	4.7	4.8
Cash and cash equivalents	**11 (f)**	**85.7**	90.7	71.9
		647.8	506.7	538.3
Total assets		**1,410.0**	1,179.6	1,212.2
Current liabilities				
Trade and other payables		**(342.4)**	(230.3)	(255.7)
Current income tax liabilities		**(16.9)**	(12.7)	(13.9)
Bank overdrafts and other borrowings		**(17.2)**	(14.6)	(22.8)
Lease liabilities		**(16.1)**	(13.4)	(16.4)
Retirement benefit obligations:				
- Funded schemes	**13**	**(42.3)**	(15.1)	(35.3)
- Unfunded schemes	**13**	**(6.7)**	(6.5)	(7.1)
Provisions		**(6.7)**	(9.1)	(8.2)
		(448.3)	(301.7)	(359.4)
Net current assets		**199.5**	205.0	178.9
Non-current liabilities				
Trade and other payables		**(20.5)**	(20.3)	(18.1)
Deferred tax liabilities		**(11.4)**	(7.4)	(9.0)
Borrowings		**(236.2)**	(283.6)	(229.7)
Lease liabilities		**(80.5)**	(46.5)	(49.6)
Retirement benefit obligations:				
- Funded schemes	**13**	**(6.4)**	(45.5)	(100.1)
- Unfunded schemes	**13**	**(97.0)**	(91.2)	(99.5)
Provisions		**(27.8)**	(27.9)	(27.9)
		(479.8)	(522.4)	(533.9)
Total liabilities		**(928.1)**	(824.1)	(893.3)
Net assets		**481.9**	355.5	318.9
Equity				
Share capital	**8**	**90.1**	89.7	90.1
Share premium account		**10.5**	10.5	10.5
Own shares	**8**	**(2.6)**	(6.0)	(3.2)
Translation reserve		**(94.3)**	(89.0)	(89.2)
Capital reduction reserve		**59.8**	59.8	59.8
Other reserves		**246.3**	252.5	246.3
Retained profit/(loss)		**143.7**	10.5	(23.8)
Equity shareholders' funds		**453.5**	328.0	290.5
Non-controlling interests		**28.4**	27.5	28.4
Total equity		**481.9**	355.5	318.9

Condensed consolidated statement of changes in equity
For the half year ended 30 June 2021

	Share capital US$m	Share premium account US$m	Own shares US$m	Translation reserve US$m	Capital reduction reserve US$m	Other reserves US$m	Retained profit/(loss) US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance as at 1 January 2020 (audited)	89.6	10.5	(5.7)	(75.9)	59.8	248.7	(5.9)	321.1	30.4	351.5
(Loss)/profit for the period	-	-	-	-	-	-	(8.6)	(8.6)	7.9	(0.7)
Other comprehensive income and expense for the period	-	-	-	(13.1)	-	3.8	27.1	17.8	(0.3)	17.5
Dividends	-	-	-	-	-	-	-	-	(10.5)	(10.5)
Issue of ordinary shares	0.1	-	-	-	-	-	(0.1)	-	-	-
Purchase of own shares	-	-	(3.1)	-	-	-	-	(3.1)	-	(3.1)
Movement in own shares	-	-	2.8	-	-	-	(2.5)	0.3	-	0.3
Share based payments	-	-	-	-	-	-	0.8	0.8	-	0.8
Deferred tax on share schemes	-	-	-	-	-	-	(0.3)	(0.3)	-	(0.3)
Balance as at 30 June 2020 (unaudited)	89.7	10.5	(6.0)	(89.0)	59.8	252.5	10.5	328.0	27.5	355.5
Balance as at 1 January 2020 (audited)	89.6	10.5	(5.7)	(75.9)	59.8	248.7	(5.9)	321.1	30.4	351.5
Profit for the year	-	-	-	-	-	-	26.4	26.4	15.8	42.2
Other comprehensive income and expense for the year	-	-	-	(13.3)	-	(2.4)	(39.6)	(55.3)	-	(55.3)
Dividends	-	-	-	-	-	-	-	-	(17.8)	(17.8)
Issue of ordinary shares	0.5	-	-	-	-	-	(0.5)	-	-	-
Movement in own shares	-	-	2.5	-	-	-	(5.8)	(3.3)	-	(3.3)
Share based payments	-	-	-	-	-	-	1.6	1.6	-	1.6
Balance as at 31 December 2020 (audited)	**90.1**	**10.5**	**(3.2)**	**(89.2)**	**59.8**	**246.3**	**(23.8)**	**290.5**	**28.4**	**318.9**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**49.2**	**49.2**	**12.8**	**62.0**
Other comprehensive income and expense for the period	**-**	**-**	**-**	**(5.1)**	**-**	**-**	**134.2**	**129.1**	**(0.2)**	**128.9**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(18.8)**	**(18.8)**	**(12.6)**	**(31.4)**
Movement in own shares	**-**	**-**	**0.6**	**-**	**-**	**-**	**-**	**0.6**	**-**	**0.6**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**2.6**	**2.6**	**-**	**2.6**
Deferred tax on share schemes	**-**	**-**	**-**	**-**	**-**	**-**	**0.3**	**0.3**	**-**	**0.3**
Balance as at 30 June 2021 (unaudited)	**90.1**	**10.5**	**(2.6)**	**(94.3)**	**59.8**	**246.3**	**143.7**	**453.5**	**28.4**	**481.9**

Condensed consolidated cash flow statement
For the half year ended 30 June 2021

	Note	**Half year 2021 unaudited US$m**	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Cash inflow from operating activities				
Cash generated from operations	**11 (a)**	**91.2**	48.5	128.0
Interest paid		**(5.5)**	(10.3)	(16.1)
Taxation paid	**11 (b)**	**(21.9)**	(23.5)	(46.3)
Net cash generated by operating activities		**63.8**	14.7	65.6
Cash outflow from investing activities				
Investment income	**11 (c)**	**-**	-	0.9
Net capital expenditure and financial investment	**11 (d)**	**(12.9)**	(9.7)	(12.3)
Acquisitions and disposals	**11 (e)**	**-**	(36.9)	(36.9)
Net cash absorbed in investing activities		**(12.9)**	(46.6)	(48.3)
Cash outflow from financing activities				
Purchase of own shares		**-**	(3.1)	(3.1)
Dividends paid to equity shareholders		**(14.7)**	(0.2)	(0.2)
Dividends paid to non-controlling interests		**(12.6)**	(10.5)	(17.8)
Payment of lease liabilities		**(11.0)**	(8.5)	(19.4)
Net increase/(decrease) in other borrowings		**10.0**	4.8	(58.7)
Net cash absorbed in financing activities		**(28.3)**	(17.5)	(99.2)
Net increase/(decrease) in cash and cash equivalents		**22.6**	(49.4)	(81.9)
Net cash and cash equivalents at beginning of the period		**52.1**	135.9	135.9
Foreign exchange losses on cash and cash equivalents		**(1.0)**	(3.4)	(1.9)
Net cash and cash equivalents at end of the period	**11 (f)**	**73.7**	83.1	52.1
Reconciliation of net cash flow to movement in net debt				
Net increase/(decrease) in cash and cash equivalents		**22.6**	(49.4)	(81.9)
Net (increase)/decrease in other borrowings		**(10.0)**	(4.8)	58.7
Change in net debt resulting from cash flows (Free cash flow)	**12 (e)**	**12.6**	(54.2)	(23.2)
Net movement in lease liabilities during the period		**(30.8)**	3.1	(0.3)
Movement in fair value hedges		**1.4**	-	(5.4)
Other non-cash movements		**(0.8)**	(0.4)	(0.7)
Foreign exchange losses		**(0.1)**	(1.0)	(2.1)
Increase in net debt		**(17.7)**	(52.5)	(31.7)
Net debt at start of period		**(246.6)**	(214.9)	(214.9)
Net debt at end of period	**11 (f)**	**(264.3)**	(267.4)	(246.6)

1. Basis of preparation

These condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 31 December 2020, which were prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. The Group's consolidated financial statements for the year ending 31 December 2021 will be prepared in accordance with International Financial Reporting Standards as adopted by the United Kingdom Endorsement Board (UKEB). The condensed consolidated financial statements for the six months ended 30 June 2021 included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting, as adopted by the UKEB, and the requirements of the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority (FCA) in the United Kingdom as applicable to interim financial reporting.

The condensed consolidated financial statements for the six months ended 30 June 2021 have been reviewed but have not been audited. The condensed consolidated financial statements for the equivalent period in 2020 were also reviewed but not audited.

The condensed consolidated financial statements represent a 'condensed set of financial statements' as referred to in the DTR issued by the FCA. Accordingly, they do not include all of the information required for a full annual financial report and are to be read in conjunction with the Group's financial statements for the year ended 31 December 2020, which were prepared in accordance with International Financial Reporting Standards (IFRS) adopted for use by the UKEB. The information for the year ended 31 December 2020 does not constitute statutory accounts (as defined in section 434 of the Companies Act 2006). The financial information for the year ended 31 December 2020 is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The audit report on the statutory accounts for the year ended 31 December 2020 was not qualified, did not draw attention to any matters by way of emphasis and did not contain statements under Sections 498(2) or 498(3) of the Companies Act 2006.

The same accounting policies, presentation and methods of computation are followed in the condensed set of financial statements as applied in the Group's latest annual audited financial statements, and are expected to be applied in the annual audited financial statements for the current year other than the following new and revised standards, amendments and improvements to existing standards that were effective as of 1 January 2021:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16); and
- COVID-19-Related Rent Concessions (Amendment to IFRS 16).

The adoption of these standards and amendments has not had a material impact on the financial statements of the Group.

The preparation of condensed consolidated financial information, in conformity with generally accepted accounting principles, requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the condensed consolidated financial information, and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. In preparing the condensed consolidated financial statements, the critical accounting judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2020.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

In assessing the Group's going concern position, the Directors have considered a number of factors, including the current balance sheet position and available liquidity, the principal and emerging risks which could impact the performance of the Group and compliance with borrowing covenants.

1. Basis of preparation (continued)

Going concern (continued)

In order to assess the going concern status of the Group management has prepared:

- A base case scenario, aligned to the latest Group forecast for 2021 as well as the Group's updated Medium Term Plan for 2022;
- A severe but plausible downside scenario, assumes that the global economic environment is severely depressed over the assessment period; and
- A reverse stress test flexing sales to determine what circumstance would be required to either reduce headroom to nil on committed borrowing facilities or breach borrowing covenants, whichever occurred first.

The severe but plausible downside scenario includes further management actions that would be deployed if required (for example further reduction in costs).

The reverse stress test also includes further controllable management actions that could be deployed if required. The outcome of the reverse stress test was that the interest cover covenant would be breached, however, at the breaking point in the test the Group still maintained a comfortable level of liquidity on committed borrowing facilities. The Directors consider the likelihood of the condition in the reverse stress test occurring to be remote.

Liquidity headroom

As at 30 June 2021 the Group's net debt (excluding IFRS16 leases) was $168 million. The Group's committed debt facilities total $585 million across both its Banking and US Private Placement group, with a range of maturities from 2024 through to 2027, as of 30 June 2021 the Group has around $330 million of headroom against these committed banking facilities.

In both the base case and the severe but plausible downside scenario liquidity is comfortable throughout the assessment period.

Covenant testing

The Group's committed borrowing facilities are subject to ongoing covenant testing. Covenants are measured twice a year, at full year and half year and are measured under frozen accounting standards and therefore exclude the effects of IFRS 16. The financial covenants under the borrowing agreements are for leverage (net debt / EBITDA) less than 3.0 and interest cover (EBITDA / interest charge) to be in excess of 4.0.

All banking covenants tests were met comfortably at 30 June 2021, with leverage of 0.8x and interest cover of 17.3x. The base case forecast indicates that banking covenants will be comfortably met throughout the assessment period. Under the severe but plausible downside scenario covenant compliance is still projected to be achieved throughout the assessment period, although with reduced but adequate headroom.

Conclusion

In conclusion, after reviewing the base case, the severe but plausible downside scenario and considering the remote likelihood of the scenario in the reverse stress test occurring, the Directors have formed the judgement that, at the time of approving the condensed consolidated financial statements, there are no material uncertainties that cast doubt on the Group's going concern status and that it is appropriate to prepare the condensed consolidated financial statements on the going concern basis.

Principal exchange rates

The principal exchange rates (to the US dollar) used are as follows:

		June 2021	June 2020	December 2020
Average	Sterling	**0.72**	0.79	0.78
	Euro	**0.83**	0.91	0.88
	Brazilian Real	**5.39**	4.92	5.16
	Chinese Renminbi	**6.47**	7.03	6.90

1. Basis of preparation (continued)

Principal exchange rates (continued)

		June 2021	June 2020	December 2020
Average	Indian Rupee	**73.33**	74.15	74.11
	Turkish Lira	**7.90**	6.49	7.02
Period end	Sterling	**0.72**	0.81	0.73
	Euro	**0.84**	0.89	0.82
	Brazilian Real	**4.97**	5.47	5.19
	Chinese Renminbi	**6.46**	7.07	6.53
	Indian Rupee	**74.36**	75.54	73.04
	Turkish Lira	**8.70**	6.85	7.43

2. Segmental analysis

Operating segments are components of the Group's business activities about which separate financial information is available that is evaluated regularly by the chief operating decision maker (the Group Executive Team). The Group's customers are grouped into two segments Apparel & Footwear and Performance Materials which have distinct different strategies and differing customer/end-use market profiles.

Segment revenue and results

Six months ended 30 June 2021	**Apparel & Footwear unaudited US$m**	**Performance Materials unaudited US$m**	**Total unaudited US$m**
Continuing operations			
Revenue	**531.1**	**201.3**	**732.4**
Segment profit	**82.4**	**12.8**	**95.2**
Exceptional and acquisition related items (note 3)			**1.4**
Operating profit			**96.6**
Share of profits of joint ventures			**0.7**
Finance income			**4.9**
Finance costs			**(10.2)**
Profit before taxation from continuing operations			**92.0**

Six months ended 30 June 2020	**Apparel & Footwear unaudited US$m**	**Performance Materials unaudited US$m**	**Total unaudited US$m**
Continuing operations			
Revenue	372.1	163.7	535.8
Segment profit	27.3	6.9	34.2
Exceptional and acquisition related items (note 3)			(5.4)
Operating profit			28.8
Share of profit of joint ventures			0.3
Finance income			0.6
Finance costs			(19.1)
Profit before taxation from continuing operations			10.6

2. Segmental analysis (continued)

Year ended 31 December 2020	Apparel & Footwear audited US$m	Performance Materials audited US$m	Total audited US$m
Continuing operations			
Revenue	822.7	340.6	1,163.3
Segment profit	95.5	15.1	110.6
Exceptional and acquisition related items (note 3)			(7.5)
Operating profit			103.1
Share of profits of joint ventures			0.6
Finance income			1.4
Finance costs			(25.5)
Profit before taxation from continuing operations			79.6

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Exceptional and acquisition related items are not allocated to segments. In addition no measures of total assets and total liabilities are reported for each reportable segment as such amounts are not regularly provided to the chief operating decision maker.

Disaggregation of revenue

The following table shows revenue disaggregated by primary geographical markets with a reconciliation of the disaggregated revenue with the Group's reportable segments.

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Continuing operations			
Primary geographic markets			
Asia	**404.8**	283.4	629.4
Americas	**184.9**	148.6	314.5
EMEA	**142.7**	103.8	219.4
Total	**732.4**	535.8	1,163.3
Continuing operations			
Apparel & Footwear	**531.1**	372.1	822.7
Performance Materials	**201.3**	163.7	340.6
Total	**732.4**	535.8	1,163.3
Timing of revenue recognition			
Goods transferred at a point in time	**727.1**	531.5	1,154.8
Software solutions services transferred over time	**5.3**	4.3	8.5
Total	**732.4**	535.8	1,163.3

The software solutions business is included in the Apparel & Footwear segment.

The Group had no revenue from a single customer which accounts for more than 10% of the Group's revenue.

3. Exceptional and acquisition related items

The Group's consolidated income statement format is presented both before and after exceptional and acquisition related items.

Adjusted results exclude exceptional and acquisition related items on a consistent basis with the previous reporting period to provide a more meaningful comparison of how the business is managed and measured on a day-to-day basis. Further details on alternative performance measures are set out in note 12.

Exceptional items may include significant restructuring associated with a business or property disposal, litigation costs and settlements, profit or loss on disposal of property, plant and equipment, gains or losses arising from significant one off changes to the assumptions underlying the defined benefit pension obligations, regulatory investigation costs and impairment of assets. Acquisition related items include amortisation of acquired intangible assets, acquisition transaction costs, contingent consideration linked to employment and adjustments to contingent consideration.

Judgement is used by the Group in assessing the particular items, which by virtue of their scale and nature, should be presented in the income statement and disclosed in the related notes as exceptional items. In determining whether an event or transaction is exceptional, materiality is a key consideration and qualitative factors, such as frequency or predictability of occurrence, are also considered. This is consistent with the way financial performance is measured by management and reported to the Board.

Total exceptional and acquisition related items (credited)/charged to operating profit for the six months ended 30 June 2021 were a credit of $1.4 million (six months ended 30 June 2020: charge of $5.4 million; year ended 31 December 2020: charge of $7.5 million). This comprises exceptional items for the six months ended 30 June 2021 of a $3.2 million credit (six months ended 30 June 2020: charge of $3.7 million; year ended 31 December 2020 charge of $3.5 million) and acquisition related items for the six months ended 30 June 2021 of $1.8 million (six months ended 30 June 2020: $1.7 million; year ended 31 December 2020: $4.0 million). Tax in respect of exceptional and acquisition related items is set out in note 6.

Exceptional items

Exceptional items (credited)/charged to operating profit are set out below:

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Exceptional items:			
Cost of sales:			
Brazil indirect taxes	**(5.1)**	-	-
Impairment charges	**-**	5.0	4.9
Administrative expenses:			
Other exceptional costs	**1.9**	-	-
Other operating income:			
Profit from sale of property	**-**	(1.3)	(1.4)
Total exceptional items (credited)/charged to operating profit from continuing operations	**(3.2)**	3.7	3.5

3. Exceptional and acquisition related items (continued)

Brazil indirect taxes – During the six months ended 30 June 2021 the Brazilian Supreme Federal Court concluded its judgement that Brazilian ICMS (indirect tax on goods and services) should not be included in the calculation basis of PIS (Program of Social Integration) and COFINS (Contribution for the Financing of Social Security) indirect taxes.

As a result, estimated refunds have been recognised in the results for the six months ended 30 June 2021 of $5.1 million (year ended 31 December 2020: $nil; six months ended 30 June 2020: $nil) which has been included in cost of sales and in addition exceptional interest income has been recognised of $4.7 million (year ended 31 December 2020: $0.7 million; six months ended 30 June 2020: $0.3 million).

These refunds date back to 2003 and the estimated tax credit amounts are expected to be utilised over a period of approximately six years, based upon current assumptions, once the Group has received a favourable Court ruling, which is considered virtually certain.

Other exceptional costs – During the six months ended 30 June 2021 other non-recurring exceptional costs were $1.9 million.

Exceptional items during 2020 are set out below:

Impairment charges - At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the assets are estimated in order to determine the extent of the impairment loss, if any. During the year ended 31 December 2020, following this review impairment charges totalling $4.9 million (30 June 2020: $5.0 million) were made in smaller markets in EMEA ($4.1 million relating to property, plant and equipment and $0.8 million relating to right-of-use assets). The impairment charges were attributable to the increased economic uncertainty as a result of Covid.

Profit from sale of property - During the year ended 31 December 2020 a profit of $1.4 million (six months ended 30 June 2020: $1.3 million) was made from the sale of a property in a non-core market.

Acquisition related items

Acquisition related items are set out below:

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Administrative expenses:			
Acquisition earnouts and contingent consideration	**0.1**	0.1	0.8
Amortisation of acquired intangibles	**1.7**	1.6	3.2
Total acquisition related items charged to operating profit	**1.8**	1.7	4.0

The Group has made acquisitions with earn outs to allow part of the consideration to be based on the future performance of the businesses acquired and to lock in key management. Where consideration paid or contingent consideration payable in the future is employment linked, it is treated as an expense and part of statutory results. However, all consideration of this type is excluded from adjusted operating profit and adjusted earnings per share as in management's view, these items are part of the capital transaction.

Acquisition transaction costs and amortisation of intangible assets acquired through business combinations are not included within adjusted earnings. These costs are acquisition related and management consider them to be capital in nature and they do not reflect the underlying trading performance of the Group.

Excluding amortisation of intangible assets acquired through business combinations and recognised in accordance with IFRS 3 "Business Combinations" from adjusted results also ensures that the performance of the Group's acquired businesses is presented consistently with its organically grown businesses. It should be noted that the use of acquired intangible assets contributed to the Group's results for the periods presented and will contribute to the Group's results in future periods as well. Amortisation of acquired intangible assets will recur in future periods. Amortisation of software is included within adjusted results as management consider these costs to be part of the underlying trading performance of the business.

4. Finance income

	Half year 2021 unaudited	Half year 2020 unaudited	Full year 2020 audited
	US$m	US$m	US$m
Income from investments	**-**	-	0.1
Other interest receivable and similar income	**4.9**	0.6	1.3
	4.9	0.6	1.4

Other interest receivable and similar income for the six months ended 30 June 2021 includes exceptional interest income of $4.7 million (six months ended 30 June 2020: $0.3 million; year ended 31 December 2020: $0.7 million) relating to Brazil refunds of indirect taxes (see note 3 for further details).

5. Finance costs

	Half year 2021 unaudited	Half year 2020 unaudited	Full year 2020 audited
	US$m	US$m	US$m
Interest on bank and other borrowings	**5.2**	6.1	11.2
Interest expense on lease liabilities	**2.6**	1.9	3.9
Net interest on pension scheme assets and liabilities	**2.2**	2.4	4.7
Other finance costs including unrealised gains and losses on foreign exchange contracts	**0.2**	8.7	5.7
	10.2	19.1	25.5

6. Taxation

The taxation charges for the six months ended 30 June 2021 and 30 June 2020 are based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments. For the six months ended 30 June 2021 the tax charge in respect of exceptional and acquisition related items was $2.6 million (six months ended 30 June 2020: $2.9 million; year ended 31 December 2020: $2.2 million).

Included within the exceptional tax charge for the six months ended 30 June 2021 is a charge of $2.7 million relating to Brazil refunds of indirect taxes (see note 3). The exceptional tax charge for the six months ended 30 June 2020 included a charge of $1.9 million relating to deferred tax assets that were written down as they were no longer expected to be realised based on future expected taxable profits due to Covid impacts.

7. Earnings/(loss) per share

The calculation of basic earnings/(loss) per ordinary share is based on the profit/(loss) attributable to equity shareholders and the weighted average number of ordinary shares in issue during the period, excluding shares held by the Employee Benefit Trust but including shares under share incentive schemes which are not contingently issuable.

For diluted earnings per ordinary share, the weighted average number of ordinary shares in issue is adjusted to include all potential dilutive ordinary shares to the extent that this does not dilute a loss. The Group has two classes of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company’s ordinary shares during the period and those long-term incentive plan awards for which the performance criteria would have been satisfied if the end of the reporting period were the end of the contingency period.

7. Earnings/(loss) per share (continued)

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Profit/(loss) attributable to equity shareholders	**49.2**	(8.6)	26.4

	Half year 2021 unaudited Number of shares m	Half year 2020 unaudited Number of shares m	Full year 2020 audited Number of shares m
Weighted average number of ordinary shares in issue for basic earnings per share	**1,456.9**	1,456.4	1,455.6
Adjustment for share options and LTIP awards	**-**	-	1.4
Weighted average number of ordinary shares in issue for diluted earnings per share	**1,456.9**	1,456.4	1,457.0

	Half year 2021 unaudited Cents	Half year 2020 unaudited Cents	Full year 2020 audited Cents
Basic earnings/(loss) per ordinary share	**3.38**	(0.59)	1.81
Diluted earnings/(loss) per ordinary share	**3.38**	(0.59)	1.81

8. Issued share capital

During the six months ended 30 June 2021 the Company issued 493,113 Ordinary Shares of 5p each (six months ended 30 June 2020: 1,234,543; year ended 31 December 2020: 7,261,231) following the exercise of awards under the Group’s share based incentive plans as set out below:

	Number of Shares	**US$m**
At 1 January 2021	1,452,077,272	90.1
Issue of ordinary shares	493,113	-
At 30 June 2021	**1,452,570,385**	**90.1**

The own shares reserve of $2.6 million at 30 June 2021 (31 December 2020: $3.2 million; 30 June 2020: $6.0 million) represents the cost of shares in Coats Group plc purchased in the market and held by an Employee Benefit Trust to satisfy awards under the Group's share based incentive plans. The number of shares held by the Employee Benefit Trust at 30 June 2021 was 5,944,427 (31 December 2020: 7,010,248; 30 June 2020: 12,317,109).

9. Dividends

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
2020 final dividend paid – 1.30 cents per share	**18.8**	-	-

The directors have declared an ordinary interim dividend per share of 0.61 cents (30 June 2020: nil) to be paid on 16 November 2021 to shareholders on the register on 22 October 2021. In line with the requirements of IAS 10 Events after the Reporting Period, these condensed consolidated financial statements do not reflect this interim dividend payable.

10. US environmental matters

As noted in previous reports, the US Environmental Protection Agency ('EPA') has notified Coats & Clark, Inc. ('CC') that CC is a 'potentially responsible party' ('PRP') under the US Superfund law for investigation and remediation costs at the 17-mile Lower Passaic River Study Area ('LPR') in New Jersey in respect of alleged operations of a predecessor's former facilities in that area prior to 1950. Over 100 PRPs have been identified by EPA. Approximately 50 PRPs are currently members of a cooperating parties group ('CPG') of companies, formed to fund and conduct a remedial investigation and feasibility study of the area. CC joined the CPG in 2011.

CC has analysed its predecessor's operating history prior to 1950, when it left the LPR, and has concluded that it was not responsible for the contaminants and environmental damage that are the primary focus of the EPA process. CC also believes that there are many parties that will participate in the LPR's remediation, including those that are the most responsible for its contamination.

In March 2016, EPA issued a Record of Decision selecting a remedy for the lower 8 miles of the LPR at an estimated cost of $1.38 billion on a net present value basis. The EPA's Record of Decision did not include a remedial decision for the upper 9 miles of the LPR. The EPA may consider a remedial alternative proposed by the CPG for the upper 9 miles, or it may select a different remedy. Discussions with EPA regarding the nature and timing of such a decision are ongoing.

EPA has entered into an administrative order on consent ('AOC') with Occidental Chemical Corporation ('OCC'), which has been identified as being responsible for the most significant contamination in the river, concerning the design of the selected remedy for the lower 8 miles of the LPR. Maxus Energy Corporation ('Maxus'), which provided an indemnity to OCC that covered the LPR, has been granted Chapter 11 bankruptcy protection, but OCC remains responsible for its remedial obligations even in the absence of Maxus' indemnity. The approved bankruptcy plan also created a liquidating trust to pursue potential claims against Maxus' parent entity, YPF SA, and potentially others, which could result in additional funding for the LPR remedy. While the ultimate costs of the remedial design and the final remedy are expected to be shared among hundreds of parties, including many who are not currently in the CPG, the final allocation of remedial costs among those parties in a settlement or court ruling has not yet been determined.

In March 2017, EPA notified 20 parties not associated with the disposal or release of any contaminants of concern as being eligible for early cash out settlements. As expected, EPA did not identify CC as one of the 20 parties. EPA invited approximately 80 other parties, including CC, to participate in an allocation process to determine their respective allocation shares and potential eligibility for future cash out settlements. In the allocation, CC presented factual and scientific evidence that it is not responsible for the discharge of dioxins, furans or PCBs – the contaminants that are driving the remediation of the LPR – and that it is a de minimis or even smaller de micromis party. The confidential allocation process concluded in December 2020. CC continues to believe that it should be a de minimis or even smaller de micromis party in an eventual settlement or court ruling allocating remedial costs.

On 30 June 2018, OCC filed a lawsuit against approximately 120 defendants, including CC, seeking recovery of past environmental costs and contribution toward future environmental costs. OCC released claims for certain past costs from 41 of the defendants, including CC, and is not seeking recovery of those past costs from CC. OCC's lawsuit seeks resolution of many of the same issues being addressed in the EPA sponsored allocation process, and does not alter CC's defences or CC's continued belief that it is a de minimis or even smaller de micromis party.

In 2015, a provision of $9.0 million was recorded for remediation costs for the entire 17 miles of the LPR. This provision was based on CC's estimated share of de minimis costs for EPA's selected remedy for the lower 8 miles of the LPR and the remedy proposed by the CPG for the upper 9 miles. A separate provision of $6.8 million was recorded for associated legal and professional costs in defence of CC's position. Both of these charges to the income statement were net of insurance reimbursements and were stated on a net present value basis. During the year ended 31 December 2018, an additional provision of $8.0 million was recorded as an exceptional item to cover legal and professional fees. The Group will continue to mitigate additional costs as far as possible through insurance and other avenues.

10. US environmental matters (continued)

As at 30 June 2021, $12.9 million of this provision had been utilised. The remaining provision at 30 June 2021, taking into account insurance reimbursement, was $11.9 million (31 December 2020: $12.6 million). The process concerning the LPR continues to evolve and these estimates are subject to change based upon legal defence costs associated with the EPA sponsored allocation and OCC's lawsuit, the scope of the remedy selected by EPA for the upper nine miles, the share of remedial costs to be paid by the major polluters on the river, and the share of remaining remedial costs apportioned among CC and other companies.

Coats believes that CC's predecessor did not generate any of the contaminants which are driving the current and anticipated remedial actions in the LPR, that it has valid legal defences which are based on its own analysis of the relevant facts, that it is a de minimis or even smaller de micromis party, and that additional parties not currently in the CPG will be responsible for a significant share of the ultimate costs of remediation. However, as this matter evolves, additional provisions could be recorded and such provisions could increase materially based on further decisions by EPA, negotiations among the parties, and other future events.

Following the sale of the North America Crafts business, including CC, announced on 22 January 2019, Coats North America Consolidated Inc. (the seller) retains the control and responsibility for the eventual outcome of the ongoing LPR environmental matters, including the rights to the related insurance reimbursements.

11. Notes to the condensed consolidated cash flow statement

a) Reconciliation of operating profit to net cash inflow from operations

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Operating profit	**96.6**	28.8	103.1
Depreciation of owned property, plant and equipment	**14.3**	15.3	30.5
Depreciation of right-of-use assets	**9.7**	8.1	18.3
Amortisation of intangible assets	**3.3**	3.4	7.2
(Increase)/decrease in inventories	**(41.6)**	1.5	4.9
(Increase)/decrease in debtors	**(60.3)**	50.4	1.1
Increase/(decrease) in creditors	**82.7**	(49.2)	(28.7)
Provision and pension movements	**(18.9)**	(13.8)	(14.0)
Foreign exchange and other non-cash movements	**5.4**	4.1	5.7
Discontinued operations	**-**	(0.1)	(0.1)
Cash generated from operations	**91.2**	48.5	128.0

b) Taxation paid

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Overseas tax paid	**(21.9)**	(23.5)	(46.3)

11. Notes to the condensed consolidated cash flow statement (continued)

c) Investment income

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Dividends received from joint ventures	**-**	-	0.9

d) Capital expenditure and financial investment

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Acquisition of property, plant and equipment and intangible assets	**(13.1)**	(12.5)	(15.4)
Disposal of other equity investments	**0.1**	-	0.1
Disposal of property, plant and equipment	**0.1**	2.8	3.0
	(12.9)	(9.7)	(12.3)

e) Acquisitions and disposals

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Acquisition of businesses	**-**	(36.9)	(36.9)

f) Net debt

A summary of net debt is set out below:

	30 June 2021 unaudited US$m	30 June 2020 unaudited US$m	31 December 2020 audited US$m
Cash and cash equivalents	**85.7**	90.7	71.9
Bank overdrafts	**(12.0)**	(7.6)	(19.8)
Net cash and cash equivalents	**73.7**	83.1	52.1
Other borrowings	**(241.4)**	(290.6)	(232.7)
Net debt excluding lease liabilities	**(167.7)**	(207.5)	(180.6)
Lease liabilities	**(96.6)**	(59.9)	(66.0)
Total net debt`	**(264.3)**	(267.4)	(246.6)

For financial covenant purposes, the Group’s leverage is calculated on the basis of net debt without IFRS 16 lease liabilities and at the Coats Group Finance Company Limited level. Net debt excluding IFRS 16 lease liabilities at the Coats Group Finance Company Limited level at 30 June 2021 for covenant purposes was $170.2 million (30 June 2020: $209.5 million; 31 December 2020: $177.0 million).

11. Notes to the condensed consolidated cash flow statement (continued)

f) Net debt (continued)

The components of net debt and movements during the periods are set out below:

	Series A and Series B Senior Notes US$m	Bank loans US$m	Lease liabilities US$m	Bank overdrafts US$m	Total financing activity liabilities US$m	Cash at bank and in hand US$m	Net debt US$m
At 1 January 2020 (audited)	(225.0)	(60.8)	(65.0)	(41.5)	(392.3)	177.4	(214.9)
Cash flows	-	(4.8)	8.5	33.9	37.6	(83.3)	(45.7)
Non-cash movements	-	(0.4)	(5.4)	-	(5.8)	-	(5.8)
Foreign exchange	-	0.4	2.0	-	2.4	(3.4)	(1.0)
At 30 June 2020 (unaudited)	(225.0)	(65.6)	(59.9)	(7.6)	(358.1)	90.7	(267.4)
At 1 January 2020 (audited)	(225.0)	(60.8)	(65.0)	(41.5)	(392.3)	177.4	(214.9)
Cash flows	-	58.7	19.4	21.7	99.8	(103.6)	(3.8)
Non-cash movements	(5.4)	(0.7)	(19.7)	-	(25.8)	-	(25.8)
Foreign exchange	-	0.5	(0.7)	-	(0.2)	(1.9)	(2.1)
At 31 December 2020 (audited)	(230.4)	(2.3)	(66.0)	(19.8)	(318.5)	71.9	(246.6)
Cash flows	-	(10.0)	11.0	7.8	8.8	14.8	23.6
Non-cash movements	1.4	(0.8)	(41.8)	-	(41.2)	-	(41.2)
Foreign exchange	-	0.7	0.2	-	0.9	(1.0)	(0.1)
At 30 June 2021 (unaudited)	**(229.0)**	**(12.4)**	**(96.6)**	**(12.0)**	**(350.0)**	**85.7**	**(264.3)**

The non-cash movement during the six months ended 30 June 2021 of $1.4 million (six months ended 30 June 2020: $nil; year ended 31 December 2020: $5.4 million) within Series A and Series B Senior Notes represents the movement in the fair value adjustment to the nominal amount outstanding of $225.0 million and relates to interest rate swaps which are accounted for as fair value hedges.

The non-cash movement during the six months ended 30 June 2021 of $41.8 million (six months ended 30 June 2020: $5.4 million; year ended 31 December 2020: $19.7 million) within lease liabilities relates to the following: the unwind of lease liabilities of $2.6 million (six months ended 30 June 2020: $1.8 million; year ended 31 December 2020: $3.9 million) and the impact of entering into new leases, disposals and modification of existing leases of $39.2 million (six months ended 30 June 2020: $3.6 million; year ended 31 December 2020: $15.8 million).

Right-of-use assets at 30 June 2021 were $90.1 million (31 December 2020: $60.7 million; 30 June 2020: $56.6 million). The increase in the six months ended 30 June 2021 was primarily due to the impact of entering into new leases, disposals and modification of existing leases of $39.2 million, with a corresponding change in lease liabilities (see above) offset by depreciation of right-of-use assets during the six months ended 30 June 2021 of $9.7 million.

12. Alternative performance measures

This half year financial report contains both statutory measures and alternative performance measures which are presented on a consistent basis with the previous reporting period and, in management's view, provide a more meaningful comparison of how the Group's business is managed and measured on a day-to-day basis.

The Group's alternative performance measures and key performance indicators are aligned to the Group's strategy and together are used to measure the performance of the business. A number of these measures form the basis of performance measures for remuneration incentive schemes.

12. Alternative performance measures (continued)

Alternative performance measures are non-GAAP (Generally Accepted Accounting Practice) measures and provide supplementary information to assist with the understanding of the Group's financial results and with the evaluation of operating performance for all the periods presented. Alternative performance measures, however, are not a measure of financial performance under International Financial Reporting Standards ('IFRS') as adopted by the United Kingdom Endorsement Board and should not be considered as a substitute for measures determined in accordance with IFRS. As the Group's alternative performance measures are not defined terms under IFRS they may therefore not be comparable with similarly titled measures reported by other companies.

More information on the Group's alternative performance measures and key performance indicators, including explanations as to why they are used, are set out in Coats Group plc's Annual Report and Accounts for the year ended 31 December 2020.

A reconciliation of alternative performance measures to the most directly comparable measures reported in accordance with IFRS is provided below.

a) Organic growth on a constant exchange rate (CER) basis

Organic growth measures the change in revenue and operating profit before exceptional and acquisition related items after adjusting for acquisitions. The effect of acquisitions is equalised by:

- removing from the year of acquisition, their revenue and operating profit; and
- in the following year, removing the revenue and operating profit for the number of months equivalent to the pre-acquisition period in the prior year.

The effects of currency changes are removed through restating prior year revenue and operating profit at current period exchange rates. The principal exchange rates used are set out in note 1.

Organic revenue growth on a CER basis measures the ability of the Group to grow sales by operating in selected geographies and segments and offering differentiated cost competitive products and services.

Adjusted organic operating profit growth on a CER basis measures the underlying profitability progression of the Group.

Adjusted operating profit is calculated by adding back exceptional and acquisition related items (see note 3 for further details).

Revenue	**Half year 2021 unaudited US$m**	Half year 2020 unaudited US$m	% Growth
Revenue from continuing operations	**732.4**	535.8	37%
Constant currency adjustment	**-**	6.0	
Revenue on a CER basis	**732.4**	541.8	35%
Revenue from acquisitions	**(4.3)**	-	
Organic revenue on a CER basis	**728.1**	541.8	34%

12. Alternative performance measures (continued)

a) Organic growth on a constant exchange rate (CER) basis (continued)

Operating profit	**Half year 2021 unaudited US$m**	Half year 2020 unaudited US$m	% Growth
Operating profit from continuing operations[1]	**96.6**	28.8	235%
Exceptional and acquisition related items (note 3)	**(1.4)**	5.4	
Adjusted operating profit from continuing operations	**95.2**	34.2	179%
Constant currency adjustment	**-**	0.5	
Adjusted operating profit on a CER basis	**95.2**	34.7	174%
Operating loss from acquisitions	**0.2**	-	
Organic adjusted operating profit on a CER basis	**95.4**	34.7	175%

[1] Refer to the condensed consolidated income statement for a reconciliation of profit before taxation to operating profit from continuing operations.

b) Adjusted EBITDA

Adjusted EBITDA is presented as an alternative performance measure to show the underlying operating performance of the Group excluding the effects of depreciation of owned fixed assets and right-of-use assets, amortisation and impairments and excluding exceptional and acquisition related items.

Operating profit before exceptional and acquisition related items and before depreciation of owned fixed assets and right-of-use assets and amortisation (Adjusted EBITDA) is set out below:

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Profit before taxation from continuing operations	**92.0**	10.6	79.6
Share of profit of joint ventures	**(0.7)**	(0.3)	(0.6)
Finance income (note 4)	**(4.9)**	(0.6)	(1.4)
Finance costs (note 5)	**10.2**	19.1	25.5
Operating profit from continuing operations	**96.6**	28.8	103.1
Exceptional and acquisition related items (note 3)	**(1.4)**	5.4	7.5
Adjusted operating profit from continuing operations	**95.2**	34.2	110.6
Depreciation of owned property, plant and equipment	**14.3**	15.3	30.5
Amortisation of intangible assets	**1.6**	1.8	4.0
Adjusted EBITDA including IFRS 16 depreciation of right-of-use assets (Pre-IFRS 16 basis)	**111.1**	51.3	145.1
Depreciation of right-of-use assets	**9.7**	8.1	18.3
Adjusted EBITDA	**120.8**	59.4	163.4

Adjusted EBITDA on a last twelve months basis to 30 June 2021 was $224.8 million (30 June 2020: $180.7 million).

Adjusted EBITDA on a last twelve months basis to 30 June 2021 of $224.8 million is the adjusted EBITDA for the six months ended 30 June 2021 of $120.8 million plus the adjusted EBITDA for the year ended 31 December 2020 of $163.4 million less the adjusted EBITDA for the six months ended 30 June 2020 of $59.4 million.

12. Alternative performance measures (continued)

b) Adjusted EBITDA (continued)

Net debt including lease liabilities under IFRS 16 was $264.3 million at 30 June 2021 (31 December 2020: $246.6 million; 30 June 2020: $267.4 million).

This gives a leverage ratio of net debt including lease liabilities to Adjusted EBITDA at 30 June 2021 of 1.2 (31 December 2020: 1.5; 30 June 2020: 1.5).

On a pre-IFRS 16 basis adjusted EBITDA on a last twelve months basis to 30 June 2021 was $204.9 million (30 June 2020: $164.5 million).

Net debt excluding lease liabilities under IFRS 16 was $167.7 million at 30 June 2021 (31 December 2020: $180.6 million; 30 June 2020: $207.5 million).

This gives a leverage ratio on a pre-IFRS 16 basis at 30 June 2021 of 0.8 (31 December 2020: 1.2; 30 June 2020: 1.3).

For the definition and calculation of net debt including and excluding lease liabilities see note 11(f).

c) Underlying effective tax rate

The underlying effective tax rate removes the tax impact of exceptional and acquisition related items and net interest on pension scheme assets and liabilities to arrive at a tax rate based on the underlying profit before taxation.

A significant proportion of the Group's net interest on pension scheme assets and liabilities relates to UK pension plans for which there is no related current or deferred tax credit or charge recorded in the income statement. The Group's net interest on pension scheme assets and liabilities is adjusted in arriving at the underlying effective tax shown below and, in management's view, were this not adjusted would distort the alternative performance measure. This is consistent with how the Group monitors and manages the underlying effective tax rate.

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Profit before taxation from continuing operations	**92.0**	10.6	79.6
Exceptional and acquisition related items (note 3)	**(6.1)**	5.1	6.8
Net interest on pension scheme assets and liabilities (note 5)	**2.2**	2.4	4.7
Underlying profit before taxation from continuing operations	**88.1**	18.1	91.1
Taxation charge from continuing operations	**30.0**	11.3	37.4
Tax charge in respect of exceptional and acquisition related items	**(2.6)**	(2.9)	(2.2)
Tax credit in respect of net interest on pension scheme assets and liabilities	**0.3**	0.2	0.5
Underlying taxation charge	**27.7**	8.6	35.7
Underlying effective tax rate	**31%**	48%	39%

12. Alternative performance measures (continued)

d) Adjusted earnings/(loss) per share

The calculation of adjusted earnings per share is based on the profit from continuing operations attributable to equity shareholders before exceptional and acquisition related items as set out below. Adjusted earnings per share growth measures the underlying progression of the benefits generated for shareholders.

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Profit/(loss) from continuing operations	**62.0**	(0.7)	42.2
Non-controlling interests	**(12.8)**	(7.9)	(15.8)
Profit/(loss) from continuing operations attributable to equity shareholders	**49.2**	(8.6)	26.4
Exceptional and acquisition related items net of non-controlling interests (note 3)	**(6.1)**	5.1	6.8
Tax charge in respect of exceptional and acquisition related items	**2.6**	2.9	2.2
Adjusted profit/(loss) from continuing operations	**45.7**	(0.6)	35.4
Weighted average number of Ordinary Shares	**1,456,883,189**	1,456,414,822	1,455,587,353
Adjusted earnings/(loss) per share	**3.14**	(0.04)	2.42

The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per share is the same as that used for basic earnings per Ordinary Share from continuing operations (see note 7).

e) Adjusted free cash flow

Net cash generated by operating activities, a GAAP measure, reconciles to changes in net debt resulting from cash flows (free cash flow) as set out in the consolidated cash flow statement. A reconciliation of free cash flow to adjusted free cash flow is set out below.

Consistent with previous periods, adjusted free cash flow is defined as cash generated from continuing activities less capital expenditure, interest, tax, dividends to minority interests and other items, and excluding exceptional and discontinued items, acquisitions, purchase of own shares by the Employee Benefit Trust and payments to the UK pension scheme.

Adjusted free cash flow measures the Group's underlying cash generation that is available to service shareholder dividends, pension obligations and acquisitions.

	Half year 2021 unaudited US$m	Half year 2020 unaudited US$m	Full year 2020 audited US$m
Change in net debt resulting from cash flows (free cash flow)	**12.6**	(54.2)	(23.2)
Acquisition of businesses	**-**	37.3	37.3
Net cash outflow from discontinued operations	**-**	0.1	0.1
Payments to UK pension scheme	**19.3**	8.5	10.9
Net cash flows in respect of exceptional and acquisition related items	**1.1**	(0.3)	(1.1)
Purchase of own shares by Employee Benefit Trust	**-**	3.1	3.1
Dividends paid to equity shareholders	**14.7**	0.2	0.2
Tax outflow in respect of adjusted cash flow items	**-**	-	0.7
Adjusted free cash flow	**47.7**	(5.3)	28.0

12. Alternative performance measures (continued)

f) Return on capital employed

Return on capital employed ('ROCE') is defined as operating profit before exceptional and acquisition related items on a last twelve months' basis divided by period end capital employed as set out below. ROCE measures the ability of the Group's assets to deliver returns.

	30 June 2021 unaudited US$m	30 June 2020 unaudited US$m	31 December 2020 audited US$m
Operating profit before exceptional and acquisition related items on a last twelve months' basis[1]	**171.6**	130.2	110.6
Non-current assets			
Acquired intangible assets	**39.6**	40.4	41.8
Property, plant and equipment	**248.2**	261.2	254.4
Right-of-use assets	**90.1**	56.6	60.7
Trade and other receivables	**25.7**	14.0	19.0
Current assets			
Inventories	**226.0**	186.2	187.0
Trade and other receivables	**331.2**	225.0	274.5
Current liabilities			
Trade and other payables	**(342.4)**	(230.3)	(255.7)
Lease liabilities	**(16.1)**	(13.4)	(16.4)
Non-current liabilities			
Trade and other payables	**(20.5)**	(20.3)	(18.1)
Lease liabilities	**(80.5)**	(46.5)	(49.6)
Capital employed	**501.3**	472.9	497.6
ROCE	**34%**	28%	22%

[1] Operating profit before exceptional and acquisition related items on a last twelve months basis to 30 June 2021 of $171.6 million is the operating profit before exceptional and acquisition related items for the six months ended 30 June 2021 of $95.2 million (see note 12(a)) plus the operating profit before exceptional and acquisition related items for the year ended 31 December 2020 of $110.6 million less the operating profit before exceptional and acquisition related items for the six months ended 30 June 2020 of $34.2 million. Refer to note 3 for details of exceptional and acquisition related items.

13. Retirement and other post-employment benefit arrangements

The net obligation for the Group's retirement and other post-employment defined benefit arrangements (UK and other Group schemes), on an IAS 19 basis, was $76.1 million as at 30 June 2021 (31 December 2020: $225.8 million; 30 June 2020: $140.7 million). The decrease during the six months ended 30 June 2021 is primarily due to movements on the UK scheme.

The Coats UK Pension Scheme, which is a key constituent of the Group defined benefit liabilities, had a surplus on an IAS 19 surplus basis at 30 June 2021 of $19.4 million (31 December 2020 deficit of $128.5 million; 30 June 2020: deficit of $53.6 million). The reduction in the deficit during the six months ended 30 June 2021 of $147.9 million predominantly relates to net actuarial gains of $134.2 million (increase in the discount rate assumption from 1.25% per annum at 31 December 2020 to 1.8% per annum at 30 June 2021 due to higher corporate bond yields which more than offset asset losses), and employer contributions (excluding administrative expenses) of $16.5 million.

14. Fair value of assets and liabilities

As at 30 June 2021 there were no significant differences between the book value and fair value (as determined by market value) of the Group's financial assets and liabilities.

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not observable market data (unobservable inputs).

Financial assets measured at fair value

30 June 2021	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	**5.0**	**-**	**5.0**	**-**
Derivatives designated as effective hedging instruments	**3.3**	**-**	**3.3**	**-**
Financial assets measured at fair value through the statement of other comprehensive income:				
Other investments	**6.0**	**1.0**	-	**5.0**
Total	**14.3**	**1.0**	**8.3**	**5.0**

30 June 2020	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	1.8	-	1.8	-
Financial assets measured at fair value through the statement of other comprehensive income:				
Derivatives designated as effective hedging instruments	5.3	-	5.3	-
Other investments	6.2	1.2	-	5.0
Total	13.3	1.2	7.1	5.0

14. Fair value of assets and liabilities (continued)

Financial assets measured at fair value (continued)

31 December 2020	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	4.4	-	4.4	-
Derivatives designated as effective hedging instruments	4.6	-	4.6	-
Financial assets measured at fair value through the statement of other comprehensive income:				
Other investments	6.1	1.1	-	5.0
Total	15.1	1.1	9.0	5.0

Financial liabilities measured at fair value

30 June 2021	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	**(1.0)**	**-**	**(1.0)**	**-**
Borrowings	**(69.0)**	**-**	**(69.0)**	**-**
Total	**(70.0)**	**-**	**(70.0)**	**-**

30 June 2020	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	(5.1)	-	(5.1)	-
Financial liabilities measured at fair value through the statement of comprehensive income:				
Derivatives designated as effective hedging instruments	(0.1)	-	(0.1)	-
Total	(5.2)	-	(5.2)	-

14. Fair value of assets and liabilities (continued)

Financial liabilities measured at fair value (continued)

31 December 2020	Total US$m	Level 1 US$m	Level 2 US$m	Level 3 US$m
Financial liabilities measured at fair value through the income statement:				
Trading derivatives	(0.3)	-	(0.3)	-
Borrowings	(70.4)	-	(70.4)	-
Total	(70.7)	-	(70.7)	-

Level 1 financial instruments are valued based on quoted bid prices in an active market. Level 2 financial instruments are measured by discounted cash flow. For interest rates swaps future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the various counterparties. For foreign exchange contracts future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the various counterparties. For equity instruments that are classified as level 3 financial instruments the carrying value approximates to fair value.

15. Principal risks and uncertainties

The principal risks and uncertainties which may have an impact on the Group's operations, performance or future prospects remain those detailed in Coats Group plc's Annual Report and Accounts for the year ended 31 December 2020 and these are expected to stay the same for the remainder of 2021. These principal risks and uncertainties are as follows:

Strategic risks

1. M&A scale ambition risk
2. Risk of ever increasing customer expectations and continuing ability to meet and exceed those expectations
3. Risk of failure to attract and retain talent and capability

External risks

4. Economic and geopolitical risk arising from political and demand uncertainty
5. Risk of cyber incidents
6. Climate change risk
7. Environmental non-performance risk

Operational risks

8. Health and Safety risk
9. Bribery and anti-competitive behaviour risk

Legacy risks

10. Risk of potential volatility in UK pension gross liabilities and total assets
11. Lower Passaic River legacy environmental matter

More information on these principal risks and uncertainties together with an explanation of the Group's approach to risk management is set out in Coats Group plc's Annual Report and Accounts for the year ended 31 December 2020 on pages 34 to 44, a copy of which is available on the Group's website, www.coats.com.

15. Principal risks and uncertainties (continued)

In addition to the ongoing general risk landscape we, like other companies, have since early 2020 been responding to and mitigating the immediate and ongoing impacts of the Covid pandemic. The risk trends in relation to the above listed risks are considered to be the same as those detailed in Coats Group plc's Annual Report and Accounts for the year ended 31 December 2020 with the exception of the Geopolitical element of risk four listed above, which is now considered to be stable (previously increasing). We still consider the Economic element of this risk to be increasing. More detail is set out below.

4. Economic and geopolitical risk arising from political and demand uncertainty - This year the Geopolitical risk has moved from global risk to a regional risk and therefore, in comparison to 2020, we now consider Geopolitical risk to be stable rather than increasing. In 2020 we had shutdowns/lockdowns across many regions. Comparatively in the first half of 2021 we have seen localised disruptions in our Indian, Vietnamese and South American operations leading to shutdowns and impacted revenue streams. We anticipate dealing with this regional risk for some time to come and we have a clear play book and experience on how we will deal with this and offset those impacts.

16. Related party transactions

There have been no related party transactions or changes in related party transactions described in the 2020 Annual Report that could have a material effect on the financial position or performance of the Group in the first six months of the financial year.

17. Directors

The following persons were directors of Coats Group plc during the half year ended 30 June 2021 and up to the date of this report:

D Gosnell OBE	
M Clasper CBE	(Resigned 19 May 2021)
R Sharma	
S Boddie	(Resigned 31 March 2021)
N Bull	
J Callaway	
A Fahy	
H Lu	
F Philip	
J Sigurdsson	

18. Publication

This statement will be available at the registered office of the Company, 4 Longwalk Road, Stockley Park, Uxbridge, UB11 1FE. A copy will also be displayed on the Company's website, www.coats.com.

DIRECTORS' RESPONSIBILITIES STATEMENT

We confirm that to the best of our knowledge:

(a) the condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';

(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and

(c) the interim management report includes a fair review of the information required by DTR 4.28R (disclosure of related parties' transactions and changes therein).

The Directors of Coats Group plc are listed in Note 17 to the Condensed Consolidated Financial Statements.

By order of the Board,

D Gosnell
Chairman
3 August 2021

United Kingdom

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Registered in England and Wales No. 103548