

18 May 2016

Coats Group plc

Trading update

Coats Group plc ('Coats' or the 'Company'), the world's leading industrial thread and consumer textile crafts business, announces a trading update for the period 1 January to 30 April 2016 ahead of its Annual General Meeting later today.

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

	CER sales*	Reported sales
Industrial	4%	(1)%
Apparel & Footwear	4%	0%
Speciality	3%	(1)%
Crafts	(18)%	(23)%
Group	0%	(5)%

* Constant exchange rate (CER) restates 2015 figures at 2016 exchange rates

In the following commentary all comparisons are on a CER basis for the period unless stated otherwise.

Group sales for the period were stable year-on-year despite the decline in Crafts. The 5% decline in group sales on a reported basis reflected the stronger US dollar, primarily against the Brazilian Real and Indian Rupee, compared to the same period in 2015.

Industrial sales in the period increased 4%. This was largely driven by the continued growth of the core Apparel & Footwear business (up 4%), which generated share gains in a number of key markets despite signs of softer demand at some US and Western European retailers. Speciality grew 3% despite tough comparators (14% growth in the same period in 2015) and challenging market conditions in the US in traditional end markets such as bedding and furniture. Emerging markets continued to deliver good sales growth. Management expects to deliver higher Speciality growth for the remainder of the year.

Crafts sales declined 18% year-on-year with the softness in the US handknitting market that began in the Q4 2015 worsening in early 2016. Customer systems issues also negatively impacted demand. However, there was continued growth in lifestyle fabrics during the period and there has been some improvement in handknitting point of sale data in recent weeks. The Company has taken actions to maintain margins, and this will remain a focus throughout 2016.

Pensions

The December 2013 triennial funding valuation for the Staveley scheme has been agreed with the Trustee. It revealed a Technical Provisions deficit of approximately £100 million including expenses. This will be repaired by a deficit recovery plan consisting a £34 million upfront payment, drawn from the Company's parent group cash balance (31 December 2015: £342 million, \$505 million) which has been committed to support the Company's pension schemes, and annual cash payments to the scheme of £4.4 million over 9 years (approximately \$50 million and \$6.5 million at 30 April 2016 rates). The April 2015 valuation for the Coats scheme is ongoing.

The Company continues constructive settlement discussions with the Trustees of the Company's three UK pension schemes to attempt a resolution of the ongoing pensions investigations.

Outlook

While trading conditions are expected to remain challenging, the Company continues to gain market share and deliver productivity and procurement gains. Therefore expectations for the year remain unchanged, to deliver modest year-on-year growth in Group pre-exceptional operating profit, with improvements to non-operating items further benefiting adjusted EPS.

The recruitment process for a new Chief Financial Officer is ongoing.

Enquiry details

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About Coats Group plc

Coats is the world's leading industrial thread manufacturer and a major player in the Americas textile crafts market. At home in more than 60 countries, Coats employs over 19,000 people across six continents. Revenues in 2015 were US\$1.5bn. Coats' pioneering history and innovative culture ensure the company continues leading the way around the world, providing complementary and value added products and services to the apparel and footwear industries; applying innovative techniques to develop high technology Speciality threads and yarns in areas such as automotive and fibre optics; and extending the crafts offer into new markets and online. Headquartered in the UK, Coats has a premium listing on the London Stock Exchange. To find out more about Coats visit www.coats.com.