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Coats Group plc

2024 Interim Results

Continued growth, 18% EBIT margin, full year upgrades

Coats Group plc ('Coats,' the 'Company' or the 'Group'), the world's leading industrial thread and footwear components manufacturer, announces its unaudited results for the six months ended 30 June 2024.

Continuing operations	H1 2024	H1 2023 [4]	Reported	CER
Revenue	$741m	$695m	7%	8%
Adjusted [1]				
EBIT [6]	$133m	$108m	24%	26%
Basic earnings per share	4.5c	3.5c		
Free cash flow	$59m	$51m		
Net debt (excl. lease liabilities)	$381m	$399m		
Reported [2]				
EBIT [6]	$118m	$92m		
Basic earnings per share [5]	3.8c	2.8c		
Net cash generated by operating activities	$74m	$53m		
Interim dividend per share (cents)	0.93c	0.81c		

Strategic Highlights

- Continued outperformance against the industry - further market share gains in Apparel and Footwear
- Performance Materials Americas footprint transition nearing completion, expected to support future margin progression after challenging market continued in first half
- Strategic projects overall savings updated to $75 million - some further footprint optimisation (c.$5 million savings) now identified
- Total integration synergies from Texon and Rhenoflex on track to deliver $22 million savings, ahead of pre-acquisition expectations
- Reinforced position as global market leader in 100% recycled thread products - revenue grew 141% to $159 million in the period - on track for in excess of $300 million in 2024 (2023: $172 million)
- Science based targets initiative (SBTi) validated Coats' near and long-term science-based emissions reduction targets, including verification of the Group net-zero target for 2050
- Outstanding Engagement Score of 85% in 'Your Voice Matters Survey', 11 points above average external benchmark

Financial Highlights

- Reported revenue up 7%, with recovery from destocking cycle now well underway
- CER revenue up 8% on a further improving trend (January - April 2024 up 7%):
  - Weak prior year comparator which was impacted by industry destocking
  - Apparel customer inventory and buying patterns returned to more normalised levels, despite macro concerns (up 14%)
  - Footwear recovery slightly behind Apparel as destocking commenced later, but now back to robust growth (up 7%)
  - Performance Materials continues to be impacted by US customer phasing and operational challenges (3% lower), but on an improving trend - returning to year-on-year growth in Q2
- Group adjusted EBIT margin of 18% in the period, ahead of previously announced 2024 margin target of 17%
- Strong adjusted free cash flow of $59 million
- Net debt (excluding lease liabilities) at $381 million with leverage[3] further reduced to 1.4x, comfortably within 1-2x target range and providing significant capacity to support the Group's capital allocation strategy
- Proposed interim dividend of 0.93 cents, +15%, reflecting the Board's confidence in growth strategy and future performance

Outlook

The Group continues to make good progress and has delivered a first half out-turn above our expectations. As such the Board now expects a full year performance modestly above current market expectations[7], as these trends continue. Whilst a level of uncertainty in our markets remains, our outlook is underpinned by ongoing evidence of the recovery in Apparel and Footwear, a slower, but improving recent trend in Performance Materials, and the continued benefits from our strategic projects and margin delivery.

Over the medium term, we remain confident in the Group's ability to deliver strong profit growth and cash generation, owing to our scale, global footprint, innovation, strong digital platform and technical support capabilities, alongside continued investment in sustainability and innovation.

Commenting on the results Rajiv Sharma, Group Chief Executive, said:
"It has been a privilege to lead Coats over the last eight years. I am extremely proud of my team and together we have delivered a material improvement in the quality of the Group and its prospects through transitioning the portfolio, a relentless focus on operational improvement, investing in sustainability and targeting better cash generation. As I handover it will be exciting to watch the new heights the company achieves. For the remainder of 2024, we see generally encouraging trends supporting a year with a more equal weighting than in the prior year."

1. *Adjusted measures are non-statutory measures (Alternative Performance Measures). These are reconciled to the nearest corresponding statutory measure in note 13. Constant Exchange Rate (CER) metrics are 2023 results restated at 2024 exchange rates.*
2. *Reported metrics refer to values contained in the IFRS column of the primary financial statements in either the current or comparative period.*
3. *Leverage calculated on a frozen GAAP basis and therefore excludes the impact of IFRS 16 on both adjusted EBITDA and net debt. See note 13b for details.*
4. *Restated to reflect the results of the EMEA Zips business, divested in 2023, as a discontinued operation.*
5 *From continuing operations.*
6. *EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.*
7. *The current company compiled analyst consensus expectation for FY24 is for adjusted operating profit of $261.1m with a range of $256.3m-$266.5m*

Conference Call

Coats Management will present its half year results in a webcast at 10.00 BST today (Thursday, 1 August 2024). The webcast can be accessed via https://coats.com/en/investors/investors-overview/ or this link. The webcast will also be made available in archive form on www.coats.com.

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About Coats Group plc
Coats is a world leader in thread manufacturing and structural components for apparel and footwear, as well as an innovative pioneer in performance materials. These critical solutions are used to create a wide range of products, including ones that provide safety and protection for people, data and the environment. Headquartered in the UK, Coats is a FTSE250 company and a FTSE4Good Index constituent. Revenue in 2023 was $1.4 billion.

Trusted by the world's leading companies to deliver crucial, innovative, and sustainable solutions, Coats provides value-adding products including apparel, accessory and footwear threads, structural footwear components, fabrics, yarns and software applications. Customer partners include companies from the apparel, footwear, automotive, telecoms, personal protection, and outdoor goods industries.

With a proud heritage dating back more than 250 years and spirit of evolution to constantly stay ahead of changing market needs, Coats has operations across some 50 countries with a permanent workforce of more than 15,000, serving its customers worldwide.

Coats connects talent, textiles, and technology, to make a better and more sustainable world. Worldwide, there are four dedicated Coats Innovation Hubs, where experts collaborate with partners to create the materials and products of tomorrow. It participates in the UN Global Compact and is committed to validated Science Based sustainability targets for 2030 and beyond, with an aspiration of achieving net-zero by 2050. Coats is also committed to achieving its goals in Diversity, Equity & Inclusion, workplace health & safety, employee & community wellbeing, and supplier social performance. To find out more about Coats visit www.coats.com.

Cautionary statement
Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

The information contained within this announcement is deemed by the Company to constitute inside information stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018. Upon the publication of this announcement via the Regulatory Information Service, this inside information is now considered to be in the public domain. For the purposes of Article 2 of Commission Implementing Regulation (EU) 2016/1055, the person responsible for arranging for the release of this announcement on behalf of Coats Group plc is Jackie Callaway, Chief Financial Officer.

Group Chief Executive's review

Purpose and Strategy
Coats is the world's leading industrial thread and footwear components company. Our purpose is to connect talent, textiles and technology to make a better and more sustainable world. Our strategy is to accelerate profitable sales growth by leveraging innovation, sustainability, digital technologies and our global scale to create world class products and services, delivering value to our stakeholders.

2024 Interim Results Overview

Introduction

Reported revenue was up 7% in the period, as a more broad-based recovery from the destocking cycle is now underway and we continue to see improving trends in each of the three divisions. Group CER revenue increased by 8%, albeit against a weak prior year comparator. This growth was driven by Apparel (CER growth of 14%) as customer inventory and buying patterns returned to more normalised levels, with our strategy of 'Winning with the Winners' aligning us with the key growth brands. As previously indicated, the destocking cycle in Footwear commenced later, creating a slight lag effect in the recovery relative to Apparel. With this destocking now at its end, and the recovery beginning, Footwear returned to growth in the period (CER growth of 7%), as demand from several major brand customers picked up. CER revenues in Performance Materials were 3% lower. While the division continues to be impacted by customer phasing issues in some US end markets and some cyclical destocking, the division is on an improving trend, with revenue increasing sequentially on a quarterly basis and Q2 returning to year-on-year growth. The 2023 customer insourcing of production in Performance Materials is behind us and, as expected, we are seeing signs of revival in certain segments, such as military and fire department tenders. This together with the operational progress made on the US / Mexico footprint transition leaves this part of the business well set for further recovery in volumes and margins.

We have continued to make significant progress against our strategic objectives, and we expect to have again outperformed the industry and estimate we gained market share in both Apparel and Footwear (2023 estimated market share of 25% for Apparel, 27% for Footwear). Within Performance Materials we have also seen share wins, in particular gains at two large automotive OEMs and two large cable manufacturers in the US and Europe. These share gains across the Group are testament to the commercial strategy we have been pursuing and our ability to offer a unique customer proposition. This includes a global presence and leadership positions offering customers a wide range of top-quality products, customer flexibility and responsiveness, technical support and IT systems integrated with our customers. This enables us to align ourselves with many of the fastest-growing global brands and grow our customer portfolio. In addition, our continued focus on innovation and close collaboration with our customers, enables us to quickly align ourselves with key market trends and introduce a growing and industry-leading range of in-demand, sustainably sourced products. This is complemented by an ongoing programme to make our own operations demonstrably sustainable, which further gives brands added confidence to work with us.

We have delivered further efficiency savings in the period and this has helped deliver another strong operational performance with adjusted EBIT 26% higher on a CER basis to $133 million. As a result, we are pleased to have achieved an adjusted EBIT margin of 18% in the period, ahead of our 2024 Group adjusted EBIT margin target of 17%. This strong margin performance is supported in part by the market recovery and associated pick-up in volumes, as well as savings from our strategic projects, and acquisition-related synergies. Margins expanded significantly within the Apparel and Footwear divisions, however, within Performance Materials margins were slightly lower year-on-year, owing to the timing of volume recovery and operational set-up challenges in one of our new Mexican plants, which we are working hard to rectify.

Our strategic projects delivered accelerated in-year savings of $7 million, taking the cumulative total to $64 million. We continue to expect to deliver cumulative strategic project savings of at least $70 million in 2024, in line with our guidance. We now expect to deliver these savings for a cash cost of c.$40 million, considerably less than the previous guidance of $50 million. Consequently, we have identified some further footprint optimisation projects across our portfolio delivering an additional $5 million of savings at a cash cost of around $10 million. These projects will be actioned in the second half of the year with the additional $5 million savings delivered by the end of 2025.

Our acquisition-related synergies delivered $5 million of further efficiencies in the first half, and we now expect to deliver $22 million annualised cost savings by the end of the year, well ahead of pre-acquisition expectations ($11 million by 2024) and a further increase from our most recent update.

Beyond these projects, we have benefited from an effective pricing strategy, and maintained a focus on our operational performance and good cost control, including delivery of procurement savings. Customer loyalty reflects our market differentiation, including the quality of our products, our high levels of customer service and our ability to be highly integrated with customer systems and processes. Reported operating profit was $118 million (H1 2023: $92 million).

With a return to normalised levels of working capital, alongside ongoing market recovery, we have continued to deliver strong cash generation, with increased adjusted free cash flow in the period of $59 million (H1 2023: $51 million). Net debt (excluding lease liabilities) at 30 June 2024 was $381 million (31 December 2023: $384 million), with leverage of 1.4x net debt/EBITDA remaining comfortably within our target range of 1-2x net debt/EBITDA.

Strategic Enablers: Innovation, Sustainability and Digital

Our strategic enablers are Innovation, Sustainability and Digital and these underpin our strategy to accelerate profitable sales growth while delivering sustainable value to our stakeholders. We have continued to progress our enablers during the year, with pleasing results.

Innovation

We innovate to deliver differentiated, highly-engineered products with a focus on driving profitable growth. It is carried out in close collaboration with our customers and, recognising key market trends, our innovation project pipeline is aligned to industry demands and the provision of cutting-edge solutions. The primary focus of our innovation is sustainability, most notably around the adoption of products made from recycled products and biomaterials. However, it also encompasses more efficient production techniques, increasingly lightweight, safety critical products with enhanced protective characteristics, and end-of-life recycling technologies.

Coats has a rich history of new and innovative products, and as the market transitions to products made from biomaterials or recycled and circular materials we are again at the leading edge in our industry. Examples of our innovation, which have been recently launched, include the following:

innovation, which have been recently launched, include the following:

- Coats Gral™ EcoVerde™ Ripcord - a sustainable, continuous filament yarn. Launched in May 2024, this is a first in the telecom market and has application within the attractive fibre optic cable market, which is expected to grow strongly over the medium term. This eco-friendly yarn is proven to perform as good as original polyester, providing durability and efficiency.

- RHENOPRINT™ RP 5.0 - the most sustainable development in the RHENOPRINT™ product range, with a focus on addressing the growing demand for sustainable solutions. RHENOPRINT™ is a market-leading process that allows for a zero waste production of structured components and tailor-made products. Under RP 5.0 the material uses 70% recycled content. This development enables a reduced carbon footprint and enhanced environmental responsibility.

Our innovation hubs, in close collaboration with customers and, in some cases, university research bodies are working on a range of other innovations that have an overarching sustainability goal, including a focus on hard-to-recycle products, circular solutions, bonding agents and safety critical items. These ongoing innovations enable the use of recycled and biomaterials across this range of hard-to-recycle and safety critical materials for the first time.

Sustainability

Sustainability remains at the very heart of our business. It encompasses the products we create and sell through innovation, as well as how we manage our operations. Our investment in sustainability is a compelling proposition to the increasing number of brands who, often driven by consumer sentiment and preference, demand sustainable products and who want to align with a supply chain having compliant and sustainable operations. Our historic and ongoing investment in sustainability therefore helps us increase our market share over time, as well as reduce our costs, as we become more efficient and use less resources.

Our long-term commitment is to be Net Zero by 2050, initially by achieving our existing 2030 SBTi goals, which are to reduce our scope 1 and 2 emissions by over 46%, with scope 3 reduced by 33% over the same time frame. We are pleased that in May 2024, the Science Based Targets initiative (SBTi) validated Coats' near and long-term science-based emissions reduction targets, including verification of the Group's net-zero target for 2050. This latest independent verification is a further key milestone in the Group's sustainability strategy and demonstrates significant progress in the Group's commitment to achieve its 2050 net-zero targets across the value chain.

Reflecting our ongoing commitment to reducing emissions and enhancing sustainability, Coats has also been included in the "Europe's Climate Leaders" list by the Financial Times and Statista. This acknowledges European companies that have demonstrated a significant reduction in their core emissions intensity, and is clear recognition of our considerable progress.

In March 2023, we announced new and challenging interim sustainability targets for 2026. The seven targets reflect the ongoing focus on our people, water, emissions and waste reduction categories, as well as product innovation and materials transition. We have improved our performance against these targets during the period. Notably, we have achieved our scope 1 and 2 CO_2e emissions reduction target, reducing emissions by 49% thus far, versus a 2026 target of 22%.

We remain the clear global market leader in the sale of 100% recycled thread products, and we have delivered further strong growth. As customers continue their transition to sustainable materials, we have scaled up our recycled product offering, and we have seen an acceleration in demand for these products. In the period revenue increased by 141% on a CER basis to $159 million, consequently, we are on track for in excess of $300 million of sales in 2024 (2023: $172 million) - a significant milestone. The proportion of sustainable materials within our overall production also increased during the period to 41%, (December 2023: 32%[1]) driven by increased recycled polyester fibres and filaments in our thread products. Our target is to transition to 60% of sustainable primary raw materials by 2026, and 100% by 2030.

We are committed to providing a safe and respectful working environment for our employees and other stakeholders and aim to have an organisational culture which promotes inclusion, diversity, belonging, equal opportunities, personal development, and mutual respect. Through the course of 2024 we have implemented various programmes and initiatives to promote female diversity across our business and have delivered an increase in the female representation in senior leadership roles to 28%, up from 21% in our 2022 baseline, and on track for the 30% target set for the end of 2026. Highlighting our commitment to an inclusive culture, we asked our employees to complete the 'Your Voice Matters Survey' this year and are delighted to have achieved an outstanding Engagement Score of 85%, 11 points above the average external benchmark of 74% and 6 points higher than our 2023 score. Participation rates for this survey were exceptionally high at 94% of our global workforce.

[1] Restated from 29% to reflect reclassification of certain materials.

Digital

Our digital offering is another differentiator and enhancing our global digital infrastructure and capability is a key piece of our strategy. We are able to invest in our digital operations by virtue of our scale, and this investment has allowed us to flex our supply chain, react to situations with speed and ensure we are focused on customer, employee, and shareholder value creation.

During the period, we continued to expand our digital offering, with the Coats customer catalogue now digitised. This enables products and colours to be shared in digital format with customers, and incorporated into customers' design systems. With a focus on high-quality customer service, we have also developed Tech Connect - the Coats technical customer support system - enabling customers to now seek real-time online support for issues encountered.

Going forward, we will continue to investigate AI and emerging technologies as a way of connecting with our customers, including building a ShopCoats mobile application which will enable the remainder of e-commerce customers to transition to ShopCoats. From its inception in 2021 to the end of the first half of 2024, the ShopCoats digital system has processed just under $1.7 billion of customer orders, with the value of customer orders through ShopCoats continuing to increase year-on-year.

Our Coats Digital business, part of Apparel, sells software to third party customers, with an overarching theme of making operations more efficient. With the growing importance of productivity, operational and cost efficiency, interest in our software products is also increasing. The business had an excellent first half, onboarding 12 new customers and doubling order bookings compared to the same period last year. The recurring software-as-a-service (SaaS) based revenue also continues to increase.

Board Update
In May 2024 we announced that Rajiv Sharma had decided to step down after eight years as Group Chief Executive. Following a comprehensive selection process, the Board has appointed David Paja as Group Chief Executive designate. David Paja was until recently CEO of GKN Aerospace, part of Melrose Industries PLC, where he played a major role in the successful turnaround of the business and delivery of profitable growth. Prior to this, David held senior leadership positions at Aptiv, Honeywell and Valeo. David will join the Group and become an Executive Director of the Board on 1 September 2024 and assume responsibilities from Rajiv on 1 October 2024 when Rajiv steps down as a Director from the Board.

Following the May 2024 AGM, Nicholas Bull, Senior Independent Director, stepped down from the Board after nine years. Steve Murray, an existing Non-executive Director, succeeded Nicholas as Senior Independent Director.

Dividend
With ongoing evidence of the expected recovery in Apparel and Footwear, and an improving recent revenue trend in Performance Materials we delivered a strong financial performance, including an increased margin and strong levels of free cash flow. With further progress made on pension de-risking during the year, the Group's Balance Sheet remains strong. We are well-positioned in our markets; we continue to gain market share and see further growth and margin opportunities as the market gradually recovers from destocking and other headwinds.

With these factors in mind, the Board has decided to pay an interim dividend of 0.93 cents per share, a 15% increase on the prior year. The interim dividend will be paid on 14 November 2024 to ordinary shareholders on the register at 18 October 2024, with an ex-dividend date of 17 October 2024.

The Board will continue to review the level of dividend payment to shareholders on the basis of the performance of the business and its longer-term potential, including margin and earnings progression, as well as cash generation, within the context of our capital allocation policy.

Operating Review

	H1 2024	H1 2023[3]	H1 2023 CER[1, 3]	Inc / (dec)	CER[1] inc / (dec)
Continuing operations	$m	$m	$m	%	%
Revenue					
By division					
Apparel	376	334	329	12%	14%
Footwear	198	184	184	7%	7%
Performance Materials	167	177	173	(5%)	(3%)
Total	**741**	**695**	**686**	**7%**	**8%**
	0	0	0		
By region					
Asia	458	398	393	15%	16%
Americas	123	133	135	(7%)	(8%)
EMEA	160	165	158	(3%)	1%
Total	**741**	**695**	**686**	**7%**	**8%**
Adjusted EBIT [2, 4]					
By division					
Apparel	72	53	52	34%	37%
Footwear	48	38	38	25%	25%
Performance Materials	14	16	15	(14%)	(11%)
Total adjusted EBIT	**133**	**108**	**106**	**24%**	**26%**
Exceptional and acquisition related items	(15)	(16)			
EBIT[4]	**118**	**92**			
Adjusted EBIT margin [2, 4]					
By division					
Apparel	19.1%	16.0%	15.9%	310 bps	320 bps

Apparel	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Footwear	24.1%	20.8%	20.7%	330 bps	340 bps
Performance Materials	8.3%	9.1%	9.0%	(80 bps)	(70 bps)
Total	**18.0%**	**15.5%**	**15.4%**	**250 bps**	**250 bps**

1 Constant Exchange Rate (CER) are 2023 results restated at 2024 exchange rates.
2 On an adjusted basis which excludes exceptional and acquisition-related items.
3 2023 restated for the disposal of the European Zips business, which is now shown as a discontinued operation. This has resulted in a reduction in previously reported 2023 revenues of $20 million and an increase in adjusted EBIT of $0.4 million.
4 EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.

H1 2024 Operating Results Overview

Group revenue of $741 million increased 7% on a reported basis and 8% on a CER basis. There has been an improving trend through the year with Jan-Apr CER revenues up 7% vs 2023, as we continue to see improving market conditions for each of the three divisions. The revenue growth reflects the recovery from the widespread industry destocking in Apparel and Footwear against softer prior year comparators, and continued quarter-on-quarter improvements in Performance Materials.

Group adjusted EBIT of $133 million increased by 26% on a CER basis (2023: $106 million CER), largely driven by improved revenue performance and continued benefits from strategic projects and acquisition synergies, as well as certain foreign exchange gains. Inflationary pressures continued to be well managed through pricing and productivity levers, and we have made targeted reinvestments in our cost base as our end markets continue to recover. As a result, adjusted EBIT margins were up 250bps to 18.0% (2023: 15.4% CER), ahead of our stated 2024 Group adjusted EBIT margin target of 17%.

On a reported basis EBIT was $118 million (2023: $92 million), after $15 million of exceptional and acquisition-related items (2023: $16 million) which predominantly related to the execution of our strategic projects and 2022 footwear acquisitions.

Adjusted earnings per share ('EPS') increased by 27% to 4.5 cents (2023: 3.5 cents) and was driven by our improved operating performance. In addition we continued to tightly manage our interest costs, tax charge and profit attributable to minority interests. Reported EPS of 3.8 cents (2023: 1.5 cents) was significantly higher, also including the impact of discontinued operations (European Zips) in 2023 and exceptional and acquisition-related items, which were significantly reduced year on year.

Our Group cash performance remained strong with adjusted free cash flow of $59 million (2023: $51 million) as we returned to normalised levels of working capital alongside ongoing market recovery. Our Balance Sheet remains in a strong position, with net debt (excluding lease liabilities) of $381 million (December 2023: $384 million), and leverage of 1.4x.

Apparel

Coats is the global market leader in supplying premium sewing thread to the Apparel industries. We are the trusted value-adding partner, providing critical supply chain components and services, and our portfolio of world-class products and services exist to serve the needs and requirements of our customers and brand owners.

Revenue of $376 million (2023: $334 million) was up 14% on a CER basis (12% reported). As previously guided we have seen customer inventory and buying patterns return to more normalised levels during the year despite wider macro concerns. This follows a prolonged period of industry destocking that commenced in 2022 and continued throughout the majority of 2023, and as such significantly impacts prior year comparators.

The Apparel business continues to benefit from market share gains (2023 market share 25%). We were also able to maintain pricing, and owing to our proactive procurement strategy, leverage moderating input costs in some areas. We continue to be very well-positioned in our markets, as the global partner of choice for our customers, with market-leading product ranges and customer service, and a clear leadership position in innovation and sustainability. With market conditions continuing to improve, our strong market position, agile supply chain, global presence, differentiation and focus on leading brands provide further opportunities for growth and market share gains.

Adjusted EBIT of $72 million (2023: $53 million) increased 37% vs the prior year on a CER basis. The adjusted EBIT margin was 320bps higher at 19.1% on a CER basis (2023: 16.0%), a record level, which is well ahead of our 2024 margin target. This was driven by improving volumes, alongside continued savings from our strategic projects, ongoing procurement benefits, and some positive foreign exchange gains. Excluding these foreign exchange gains, underlying margins were around 18.4%.

Footwear

We are the trusted partner to the footwear industry, shaping the future of footwear for better performance through sustainable and innovative solutions. The combination of Coats, Texon and Rhenoflex makes us a global champion with a portfolio of highly engineered products with strong brand component specification, primarily targeted at the attractive athleisure, performance, and sports markets.

Footwear revenue increased 7% to $198 million (2023: $184 million) on a CER and reported basis. The revenue growth was driven by the normalisation of customer buying patterns and inventory levels post the significant destocking cycle seen in 2022 and 2023 (which contributes to weaker comparators), albeit the recovery profile is slightly behind that of the Apparel division, as expected.

Our Footwear business has a focus on innovation and sustainability, and this year we have introduced new products and technologies that meet environmental sustainability criteria, as well as the needs of customers. Our combined capability as Coats Footwear has accelerated this process. Not only do we have a comprehensive portfolio, but we also have a strong focus on fast-growth sports and athleisure brands which attract premium pricing. Our brand-specified positions have considerable longevity, typically lasting over the production life of the end-product. This is an enabler of growth ahead of the market. We have also continued to deliver share gains and programme wins (2023 market share 27%), reflecting our position as a trusted partner with our global accounts programme, in which we dedicate resources to key brands and retailers.

Part of the strategic rationale for combining the three footwear businesses (Coats' legacy Footwear business, Texon and Rhenoflex), has been the potential to cross-sell our broad range of products to customers through a single customer-facing commercial team. We have created a number of opportunities for complementary offerings, with our customers seeing the potential to simplify and optimise their supply chains. We are now seeing the benefits of this, and in the period succeeded in cross-selling our products to two large well-known German sports brands, as well as a leading US brand.

Adjusted EBIT was $48 million with adjusted EBIT margins up 340bps to 24.1% on a CER basis, another record, as improved volumes, strong commercial delivery and continued benefits from the acquisition integration synergies impact and mean that we have delivered significantly in excess of our 2024 margin target of >20%. Acquisition integration has so far focused on commercial and general & administrative costs, as well as on procurement, and integration has so far focused on commercial and general & administrative costs, as well as on procurement, and consequently we will deliver $22 million of annualised efficiency savings (significantly ahead of our initial guidance of $11 million savings). Most recently, we have announced the merger of two of our French operating entities, to create Coats Footwear France. This single business entity will further streamline activities and leverage synergies, as well as bring clear benefits for our customers, suppliers and partners.

Performance Materials ('PM')
We are experts in the design and supply of a diverse range of technical products that serve a variety of strategic end use markets. Building on over 250 years of leadership in thread, we incorporate specific design features to provide highly engineered solutions for our customers. The division operates across Personal Protection, Composites and Performance Threads. Personal Protection offers multi-hazard industrial applications for industrial, energy, firefighting and military wear. Composites provides products and solutions for fibre optic cables and oil & gas piping sectors, and light weighting solutions for automotive components. Performance Threads has applications in a range of sewn products including safety-critical automotive airbags and seat belts, outdoor goods, household products like bedding and furniture, hygiene-sensitive consumer goods like feminine hygiene products and tea bags.

The Group discloses three PM sub-segments: Personal Protection (39% of H1 2024 divisional revenue), Composites (17% of H1 2024 divisional revenue) and Performance Thread (44% of H1 2024 divisional revenue). Medium-term revenue growth potential for each of the sub-segments is expected to be high single digits for Personal Protection, low double-digits for Composites, and growth in line with global GDP for Performance Threads. The overall medium-term growth target for the division is a 6-9% CAGR.

PM revenue declined 3% to $167 million (2023: $177 million) on a CER basis (5% decline on a reported basis), with Personal Protection decreasing by 1% on a CER basis, Composites decreasing by 19% (CER) against particularly strong comparators, and Performance Threads growing by 3% (CER). As previously disclosed there have been customer phasing issues in some US markets as well as destocking at some US telecommunication customers in Composites. However, all three sub-segments are on improving trends and the Division as a whole has returned to year-on-year growth in the second quarter. In Personal Protection it has been encouraging to see a steady improvement in military and fire department tender activity in the US and, together with the operational progress made on the US / Mexico footprint transition, this part of the business is well set for further recovery in volumes and margins.

Adjusted EBIT was 11% lower vs 2023 on a CER basis at $14 million (2023: $16 million). Adjusted EBIT margins were 8.3% (2023: 9.1%), below the 2024 margin target of 13-14%, reflecting the timing of volume recovery in the industries served as well as the ongoing transition of the US / Mexico footprint transition that both continued to impact. This includes operational challenges in one of our new Mexican plants, which we are working hard to rectify. PM margins included c.$4 million of under-recovered costs in relation to the US / Mexico plant transitions as volumes ramp up to expected levels. Excluding these costs, PM margins were 140bps higher at 10.5%. We now anticipate to realise the main benefits of the US / Mexico footprint projects in 2025, one year later than originally planned, largely as a result of the subdued market conditions within the Personal Protection sub-segment.

Financial Review

Revenue
Group revenue from continuing operations increased 7% on a reported basis and 8% on a CER basis. All commentary below is on a CER basis unless otherwise stated.

Operating Profit (EBIT)
At a Group level, adjusted EBIT from continuing operations increased 26% to $133 million and adjusted EBIT margins increased 250bps to 18.0%. The table sets out the movement in adjusted EBIT during the year.

	$m	Margin %
H1 2023 adjusted EBIT	**108**	**15.5%**
Volumes impact (direct and indirect)	19	
Price/mix	2	
Raw material deflation	8	
Freight inflation	(2)	
Other cost inflation (e.g. labour, energy)	(13)	
Productivity benefits (manufacturing and sourcing)	14	
Strategic projects savings	7	
Increased SD&A	(13)	
Others	(2)	
Texon and Rhenoflex synergies	5	
H1 2024 adjusted EBIT	**133**	**18.0%**
Exceptional and acquisition related items	(15)	
H1 2024 reported EBIT	**118**	

Following the significant volume headwinds during 2023, primarily due to widespread industry destocking in Apparel and Footwear, there has been a return to year-on-year volume growth during H1 against these weaker comparators. The direct and indirect impact of this contributed to a significant improvement in operating profits and margins vs 2023.

We have benefited from an effective pricing strategy, maintaining price during a period in which we have seen an easing of some key raw material input costs, though other cost categories such as freight and energy have returned to an inflationary trend. Labour inflation has maintained throughout and remains at relatively normal levels. Overall, our ability to hold price and continue to generate productivity benefits has more than offset our overall inflationary pressures.

Selling, Distribution and Administration (SD&A) costs are above last year as certain costs have returned to the business, in part due to the return to top line growth, but also due to targeted reinvestments into the business after a period of significant cost containment during the destocking cycle. We have also benefited from a further $7 million of efficiency savings (total savings to date are $64 million), in relation to our strategic projects announced in March 2022. Our 2022 acquisitions, Texon and Rhenoflex, will deliver a total of $22 million of annualised synergy benefits with $5 million of incremental benefits vs H1 2023.

The Group's adjusted EBIT margins increased by 250bps to 18.0% on a CER basis (2023: 15.5%), with the impact of the year-on-year volume increases, self-help actions, strategic project savings and acquisition synergies all contributing.

On a reported basis, Group EBIT, including exceptional and acquisition-related items, increased to $118 million (2023: $92 million). A breakdown of these items is provided below. Exceptional and acquisition-related items are not allocated to divisions and, as such, the divisional profitability referred to above is on an adjusted basis.

Foreign exchange
The Group reports in US Dollars and translational currency impacts can arise, as its global footprint generates significant revenue and expenses in a number of other currencies. For the period, this was a headwind of 1% on revenue and 2% on adjusted EBIT. As previously announced, these adverse translation impacts were primarily due to the previous adoption of hyperinflation accounting in Turkey, and furthermore saw local EBIT headwinds as inflationary pressures continued to accelerate. Aside from the impact of the Turkish Lira, and the resulting volatility of hyperinflation accounting, underlying headwinds were modest and driven primarily by the depreciation of Chinese and Egyptian currencies. At latest exchange rates, we expect a 1-2% headwind impact on revenue and adjusted EBIT for full year 2024 (excluding any future hyperinflation impact in Turkey, which cannot be forecasted with accuracy).

Non-operating Results
Adjusted EPS increased by 27% year-on-year to 4.5 cents (2023: 3.5 cents), supported by a return to growth in Apparel and Footwear. Interest costs were slightly higher than 2023 at $16 million, as we managed our cash position well throughout the period. Our effective tax rate was slightly lower at 28% due to certain timing benefits in H1 (2023: 29%), with a marginal increase in profit attributable to minority interests. Reported EPS of 3.8 cents (2023: 1.5 cents) was significantly higher year-on-year, driven by the improved trading performance, lower exceptional and acquisition related items, and the impact of discontinued operations (European Zips) in 2023.

The adjusted taxation charge for the period was $33 million (2023: $26 million). Excluding the impact of exceptional and acquisition-related items, we expect the effective tax rate on pre-tax profit to remain at 29% for the full year (2023: 29%), in line with our guidance, as the H1 timing benefits referred to in H1 reverse. The reported tax rate for the half was 29% (2023: 29%), after exceptional and acquisition related items.

Profit attributable to minority interests is predominantly related to Coats' operations in Vietnam and Bangladesh, in which it has controlling interests. Profit attributable to minority interests increased to $13 million (2023: $12 million) reflective of the ongoing market recovery in these territories.

Exceptional and Acquisition-related Items
Net exceptional and acquisition-related items before taxation were $15 million (2023: $16 million). These include strategic project costs of $4 million, footwear integration costs of $1 million and other acquisition-related items of $11 million.

Strategic project costs of $4 million relate to the strategic initiatives commenced during 2022; and primarily consist of severance costs of $1 million and legal / advisor / closure costs of $3 million. These costs have supported the acceleration of project benefits, with $7 million of incremental adjusted EBIT delivered in the half (with $64 million incremental savings on the projects to date).

A further $1 million of costs have been incurred in relation to the delivery of acquisition-related synergies which, as mentioned above, are ahead of expectation, with a total of $22 million of annualised savings to be delivered since acquisition.

Other acquisition-related items of $11 million consisted of the amortisation charges from the newly recognised intangible assets from the Texon and Rhenoflex acquisitions, and the amortisation of intangible assets acquired with previous acquisitions.

Cash flow
The Group delivered strong $59 million (2023: $51 million) adjusted free cash flow, driven by improved profitability as a result of market recovery and a return to normalised levels of working capital. Adjusted free cash flow is measured before UK pension administrative costs, acquisitions, disposals and dividends, and excludes exceptional items.

We have continued to manage net working capital closely, with a focus on inventory, without compromising service levels. We also continued our disciplined approach to payables and receivables management during the year as an input to working capital efficiency.

Capital expenditure was $11 million (2023: $12 million) as we continued to maintain a selective approach to investing in growth opportunities and in strategic projects which will favourably impact long-term returns. We anticipate 2024 full year capital expenditure to remain in the $30-40 million range as we continue to invest in support of our growth strategy, in productivity and in our environmental performance.

Minority dividends of $9 million (2023: $12 million) were paid, as cash was repatriated from those relevant overseas entities to the Group. Tax paid was $31 million (2023: $23 million). Interest paid was $14 million (2023: $14 million).

The Group delivered an overall free cash inflow of $7 million (2023: $2 million outflow). This primarily reflects the adjusted free cash inflow of $59 million, offset by:

- UK pension administrative expenses of $3 million - significantly below H1 2023 ($17 million) due to the switch off of deficit recovery payments;
- Exceptional and other non-recurring, mainly relating to strategic projects of $10 million;
- Dividend payments of $31 million.

Net debt (excluding lease liabilities) at 30 June 2024 was $381 million (31 December 2023: $384 million). Including lease liabilities, net debt was $465 million (31 December 2023: $471 million).

Pensions and other post-employment benefits
The pre-tax surplus for the Group's retirement and other post-employment defined benefit liabilities (UK and other Group schemes), on an IAS 19 financial reporting basis, was $72 million at 30 June 2024, which was $9 million higher than 31 December 2023 ($63 million surplus). This increase was 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 basis at 30 June 2024 of $107 million (31 December 2023: $102 million). The increase in the surplus during the year of $5 million predominantly relates to net actuarial gains of $3 million.

UK funding update
We continue to maintain strong and collaborative relations with the Scheme Trustees around strategic planning and have established a joint working group between the Company and Trustees to review further opportunities for de-risking the scheme beyond the significant positive progress that has already taken place. This included the successful partial buy-in transaction with Aviva, representing full insurance of the benefits of c.20% of the scheme liabilities in December 2022.

The Aviva buy-in is consistent with Coats' medium-term aspiration of fully insuring the Scheme and potentially removing it from the Group balance sheet and we remained actively engaged with the insurance industry to achieve a full insurance of the benefits of the remaining 80% of the scheme liabilities in a cost effective manner.

Balance sheet and liquidity
Group net debt (excluding lease liabilities) at 30 June 2024 was $381 million ($465 million including lease liabilities), broadly in line with 31 December 2023 ($384 million). This reflects strong and disciplined cash management as noted above, offset by residual exceptional cash costs in relation to strategic projects, shareholder dividends, and ongoing pensions administrative expenses.

Our total committed debt facilities remain at $835 million with well diversified source and tenor; being $360 million revolving credit facility, $225 million of original USPP notes (2024 and 2027 tenors), as well as the new $250 million of USPP notes (2028 and 2030 tenors). The committed headroom on our banking facilities was approximately $320 million at 30 June 2024.

At 30 June 2023, our leverage ratio (net debt to EBITDA; both excluding lease liabilities) was 1.4x (31 December 2023: 1.5x) and remains well within our 3x covenant limit, and towards the middle of our target leverage range of 1-2x.

There was also significant headroom on our interest cover covenant at 30 June 2024 which was 9.7x, with a covenant limit of 4x. The covenants are tested twice annually in June and December and monitored throughout the year.

Going concern
On the basis of current financial projections and the facilities available, the Directors are satisfied that the Group and the Company has sufficient resources to continue in operation for the period from the date of this report to 31 December 2025, and, accordingly, consider it appropriate to adopt the going concern basis in preparing the financial statements. Further details of our going concern assessment, financial scenarios and conclusions are set out in note 1.

INDEPENDENT REVIEW REPORT TO COATS GROUP PLC

Conclusion

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 2024 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 the related notes 1 to 20. 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.

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 2024 is not prepared, in all material respects, in accordance with International Accounting Standard 34: Interim Financial Reporting as adopted for use in the United Kingdom, and the requirements of the Disclosure and Transparency Rules (DTR) of the FCA as applicable to interim financial reporting.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. A review of interim financial information consists of making enquiries, 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.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of 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.

In preparing the half-yearly financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the Company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
Luton
31 July 2024

Condensed consolidated financial statements

Condensed consolidated income statement
For the half year ended 30 June 2024

		Half year 2024			Half year 2023*			Full year 2023
	Note	**Before exceptional and acquisition related items unaudited US$m**	**Exceptional and acquisition related items (note 3) unaudited US$m**	**Total unaudited US$m**	Before exceptional and acquisition related items unaudited US$m	Exceptional and acquisition related items (note 3) unaudited US$m	Total unaudited US$m	Total audited US$m
Continuing operations								
Revenue		**740.7**	**-**	**740.7**	695.0	-	695.0	1,394.2
Cost of sales		**(468.1)**	**(3.0)**	**(471.1)**	(461.5)	(6.7)	(468.2)	(929.1)
Gross profit		**272.6**	**(3.0)**	**269.6**	233.5	(6.7)	226.8	465.1
Distribution costs		**(60.4)**	**-**	**(60.4)**	(60.1)	-	(60.1)	(118.5)

	Note							
Administrative expenses		**(79.0)**	**(12.2)**	**(91.2)**	(65.6)	(15.1)	(80.7)	(168.4)
Other operating income		**-**	**-**	**-**	-	5.7	5.7	5.8
Operating profit		**133.2**	**(15.2)**	**118.0**	107.8	(16.1)	91.7	184.0
Share of profit of joint ventures		**1.1**	**-**	**1.1**	0.7	-	0.7	1.1
Finance income	4	**1.2**	**-**	**1.2**	2.1	-	2.1	4.6
Finance costs	5	**(17.4)**	**-**	**(17.4)**	(15.9)	-	(15.9)	(33.9)
Profit before taxation		**118.1**	**(15.2)**	**102.9**	94.7	(16.1)	78.6	155.8
Taxation	6	**(33.1)**	**3.4**	**(29.7)**	(26.2)	3.2	(23.0)	(55.0)
Profit from continuing operations		**85.0**	**(11.8)**	**73.2**	68.5	(12.9)	55.6	100.8
Loss from discontinued operations	12	**-**	**-**	**-**	(0.4)	(19.2)	(19.6)	(26.7)
Profit for the period		**85.0**	**(11.8)**	**73.2**	68.1	(32.1)	36.0	74.1
Attributable to:								
Equity shareholders of the company		**72.3**	**(11.8)**	**60.5**	56.5	(31.8)	24.7	56.5
Non-controlling interests		**12.7**	**-**	**12.7**	11.6	(0.3)	11.3	17.6
		85.0	**(11.8)**	**73.2**	68.1	(32.1)	36.0	74.1
Earnings per share (cents)	7							
Continuing operations:								
Basic				**3.77**			2.77	5.18
Diluted				**3.74**			2.75	5.13
Continuing and discontinued operations:								
Basic				**3.77**			1.54	3.52
Diluted				**3.74**			1.53	3.48
Adjusted earnings per share	13 (d)	**4.50**			3.54			8.04

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Condensed consolidated statement of comprehensive income

For the half year ended 30 June 2024

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Profit for the period	**73.2**	36.0	74.1
Items that will not be reclassified subsequently to profit or loss:			
Remeasurements of defined benefit schemes	**2.3**	8.8	(70.8)
Tax relating to items that will not be reclassified	**-**	-	(0.2)
	2.3	8.8	(71.0)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(12.1)**	0.8	(0.4)
Remeasurement of equity investment at fair value	**-**	-	(6.7)
	(12.1)	0.8	(7.1)
Items reclassified to profit or loss:			
Exchange differences transferred to income statement on sale of business (note 12)	**-**	-	6.6
Other comprehensive income and expense for the period	**(9.8)**	9.6	(71.5)
Net comprehensive income and expense for			

the period	**63.4**	45.6	2.6
Attributable to:			
Equity shareholders of the company	**50.9**	34.9	(14.3)
Non-controlling interests	**12.5**	10.7	16.9
	63.4	45.6	2.6

Condensed consolidated statement of financial position

At 30 June 2024

	Note	**30 June 2024 unaudited US$m**	Restated* 30 June 2023 unaudited US$m	31 December 2023 audited US$m
Non-current assets				
Goodwill		**124.7**	125.6	126.1
Other intangible assets		**456.8**	480.5	470.7
Property, plant and equipment		**243.2**	239.9	243.2
Right-of-use assets		**73.1**	82.2	74.4
Investments in joint ventures		**12.9**	13.8	12.8
Other equity investments		**0.6**	5.7	0.9
Deferred tax assets		**17.0**	22.0	18.0
Pension surpluses	**14**	**154.2**	193.7	148.2
Trade and other receivables		**24.3**	21.4	19.5
		1,106.8	1,184.8	1,113.8
Current assets				
Inventories		**202.4**	193.5	173.5
Trade and other receivables		**311.4**	294.1	292.0
Pension surpluses	**14**	**1.6**	2.0	1.6
Cash and cash equivalents	**11 (g)**	**130.7**	128.1	132.4
Assets of disposal group and non-current assets classified as held for sale		**1.0**	11.0	1.0
		647.1	628.7	600.5
Total assets		**1,753.9**	1,813.5	1,714.3
Current liabilities				
Trade and other payables		**(323.2)**	(274.4)	(285.6)
Income tax liabilities		**(47.5)**	(31.4)	(45.5)
Bank overdrafts and other borrowings	**11 (g)**	**(128.2)**	(3.7)	(144.3)
Lease liabilities		**(16.5)**	(17.3)	(17.5)
Retirement benefit obligations:				
- Funded schemes	**14**	**(0.1)**	(0.2)	(0.8)
- Unfunded schemes	**14**	**(8.7)**	(6.2)	(7.7)
Provisions		**(13.3)**	(12.4)	(17.1)
Liabilities of disposal group classified as held for sale		**-**	(10.6)	-
		(537.5)	(356.2)	(518.5)
Net current assets		**109.6**	272.5	82.0
Non-current liabilities				
Trade and other payables		**(4.3)**	(27.1)	(3.2)
Deferred tax liabilities		**(58.3)**	(71.9)	(63.9)
Borrowings	**11 (g)**	**(383.0)**	(523.7)	(372.2)
Lease liabilities		**(68.3)**	(75.6)	(69.3)
Retirement benefit obligations:				
- Funded schemes	**14**	**(2.8)**	(3.3)	(2.9)
- Unfunded schemes	**14**	**(72.0)**	(79.3)	(75.6)
Provisions		**(17.1)**	(20.3)	(19.3)
		(605.8)	(801.2)	(606.4)
Total liabilities		**(1,143.3)**	(1,157.4)	(1,124.9)
Net assets		**610.6**	656.1	589.4
Equity				
Share capital	**8**	**99.0**	99.0	99.0
Share premium account		**111.4**	111.4	111.4
Own shares	**8**	**(5.2)**	(0.1)	(6.1)
Translation reserve		**(121.6)**	(115.2)	(109.7)
Capital reduction reserve		**59.8**	59.8	59.8
Other reserves		**246.3**	246.3	246.3
Retained profit		**186.1**	222.3	157.4
Equity shareholders' funds		**575.8**	623.5	558.1
Non-controlling interests		**34.8**	32.6	31.3
Total equity		**610.6**	656.1	589.4

* Pension surplus amounts at 30 June 2023 for the Coats US Pension Scheme has been restated to reflect a change in measurement as further described in note 1. There is no impact on either profits or cash flows for the six months ended 30 June 2023.

Condensed consolidated statement of changes in equity
For the half year ended 30 June 2024

	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 US$m	Total US$m	Non-controlling interests US$m	Total equity US$m
Balance as at 1 January 2023 (audited)	99.0	111.4	(0.1)	(116.6)	59.8	246.3	216.7	616.5	34.1	650.6
Profit for the period	-	-	-	-	-	-	24.7	24.7	11.3	36.0
Other comprehensive income and expense for the period	-	-	-	1.4	-	-	8.8	10.2	(0.6)	9.6
Dividends	-	-	-	-	-	-	(27.6)	(27.6)	(12.2)	(39.8)
Purchase of own shares by Employee Benefit Trust	-	-	(3.1)	-	-	-	-	(3.1)	-	(3.1)
Movement in own shares	-	-	3.1	-	-	-	(3.0)	0.1	-	0.1
Share based payments	-	-	-	-	-	-	2.7	2.7	-	2.7
Balance as at 30 June 2023* (unaudited)	99.0	111.4	(0.1)	(115.2)	59.8	246.3	222.3	623.5	32.6	656.1
Balance as at 1 January 2023 (audited)	99.0	111.4	(0.1)	(116.6)	59.8	246.3	216.7	616.5	34.1	650.6
Profit for the year	-	-	-	-	-	-	56.5	56.5	17.6	74.1
Other comprehensive income and expense for the year	-	-	-	6.9	-	-	(77.7)	(70.8)	(0.7)	(71.5)
Dividends	-	-	-	-	-	-	(40.6)	(40.6)	(19.7)	(60.3)
Purchase of own shares by Employee Benefit Trust	-	-	(10.1)	-	-	-	-	(10.1)	-	(10.1)
Movement in own shares	-	-	4.1	-	-	-	(4.5)	(0.4)	-	(0.4)
Share based payments	-	-	-	-	-	-	7.0	7.0	-	7.0
Balance as at 31 December 2023 (audited)	**99.0**	**111.4**	**(6.1)**	**(109.7)**	**59.8**	**246.3**	**157.4**	**558.1**	**31.3**	**589.4**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**-**	**60.5**	**60.5**	**12.7**	**73.2**
Other comprehensive income and expense for the period	**-**	**-**	**-**	**(11.9)**	**-**	**-**	**2.3**	**(9.6)**	**(0.2)**	**(9.8)**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(31.7)**	**(31.7)**	**(9.0)**	**(40.7)**
Purchase of own shares by Employee Benefit Trust	**-**	**-**	**(6.6)**	**-**	**-**	**-**	**-**	**(6.6)**	**-**	**(6.6)**
Movement in own shares	**-**	**-**	**7.5**	**-**	**-**	**-**	**(6.6)**	**0.9**	**-**	**0.9**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**4.2**	**4.2**	**-**	**4.2**
Balance as at 30 June 2024 (unaudited)	**99.0**	**111.4**	**(5.2)**	**(121.6)**	**59.8**	**246.3**	**186.1**	**575.8**	**34.8**	**610.6**

* Pension surplus amounts at 30 June 2023 for the Coats US Pension Scheme has been restated to reflect a change in measurement as further described in note 1. There is no impact on either profits or cash flows for the six months ended 30 June 2023.

Condensed consolidated cash flow statement
For the half year ended 30 June 2024

	Note	**Half year 2024 unaudited US$m**	Half year 2023 unaudited US$m	Full year 2023 audited US$m
Cash inflow from operating activities				
Cash generated from operations	**11 (a)**	**121.7**	92.2	217.3
Interest paid	**11 (b)**	**(16.7)**	(16.9)	(33.7)
Taxation paid	**11 (c)**	**(31.2)**	(22.1)	(59.7)
Net cash generated by operating activities		**73.8**	53.2	123.9
Cash outflow from investing activities				
Investment income	**11 (d)**	**1.0**	-	0.6
Net capital expenditure and financial investment	**11 (e)**	**(10.8)**	(4.3)	(19.7)
Disposal of businesses	**11 (f)**	**-**	0.9	(1.2)
Net cash absorbed in investing activities		**(9.8)**	(3.4)	(20.3)

Net cash absorbed in investing activities		**(9.8)**	(3.4)	(20.3)
Cash outflow from financing activities				
Purchase of own shares by Employee Benefit Trust		**(6.6)**	(3.1)	(10.1)
Dividends paid to equity shareholders		**(31.4)**	(27.5)	(40.3)
Dividends paid to non-controlling interests		**(9.0)**	(12.2)	(19.7)
Payment of lease liabilities		**(9.6)**	(9.2)	(18.5)
Repayment of term loan acquisition facility		**-**	(240.0)	(240.0)
Issue of senior notes		**-**	248.6	248.6
Net increase/(decrease) in other borrowings		**10.0**	(37.1)	(67.0)
Net cash absorbed in financing activities		**(46.6)**	(80.5)	(147.0)
Net increase/(decrease) in cash and cash equivalents		**17.4**	(30.7)	(43.4)
Net cash and cash equivalents at beginning of the period		**111.5**	157.7	157.7
Foreign exchange losses on cash and cash equivalents		**(2.3)**	(2.6)	(2.8)
Net cash and cash equivalents at end of the period	**11 (g)**	**126.6**	124.4	111.5
Reconciliation of net cash flow to movement in net debt				
Net increase/(decrease) in cash and cash equivalents		**17.4**	(30.7)	(43.4)
Repayment of term loan acquisition facility		**-**	240.0	240.0
Issue of senior notes		**-**	(248.6)	(248.6)
Net (increase)/decrease in other borrowings		**(10.0)**	37.1	67.0
Change in net debt resulting from cash flows (Free cash flow)	**13 (e)**	**7.4**	(2.2)	15.0
Net movement in lease liabilities during the period		**0.2**	10.7	17.5
Movement in fair value hedges		**(0.7)**	(0.1)	(1.2)
Other non-cash movements		**(0.8)**	(0.7)	(1.5)
Foreign exchange losses		**(0.5)**	(0.1)	(0.9)
Decrease in net debt		**5.6**	7.6	28.9
Net debt at start of period		**(470.9)**	(499.8)	(499.8)
Net debt at end of period	**11 (g)**	**(465.3)**	(492.2)	(470.9)

Notes to the condensed consolidated financial statements
For the half year ended 30 June 2024

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 2023, which were prepared in accordance with United Kingdom adopted international accounting standards in conformity with the requirements of the Companies Act 2006, and complied with the disclosure requirements of the Listing Rules of the United Kingdom Financial Conduct Authority ('FCA'). The condensed consolidated financial statements for the six months ended 30 June 2024 included in this half-yearly financial report have been prepared in accordance with International Accounting Standard 34: Interim Financial Reporting as adopted for use in the United Kingdom, and the requirements of the Disclosure and Transparency Rules (DTR) of the FCA as applicable to interim financial reporting.

The condensed consolidated financial statements for the six months ended 30 June 2024 have been reviewed but have not been audited. The condensed consolidated financial statements for the equivalent period in 2023 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 2023, which were prepared in accordance with United Kingdom international accounting standards in conformity with the requirements of the Companies Act 2006. The information for the year ended 31 December 2023 does not constitute statutory accounts (as defined in section 434 of the Companies Act 2006). The financial information for the year ended 31 December 2023 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 2023 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 2024:

- Non-current Liabilities with Covenants and classification of Liabilities as Current or Non-current (Amendments to IAS 1);
- Lease liability in a Sale and Leaseback (Amendments to IFRS 16); and
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7).

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 2023.

Sensitivities regarding the discount rate and inflation assumptions used to measure the liabilities of the UK pension scheme are set out in note 14.

Discontinued operations

On 30 June 2023 the Group entered into an agreement to sell its European Zips business to Aequita, a German family office and the sale was completed on 31 August 2023. The exit from the European Zips business was in line with Coats' previously announced strategic initiatives to optimise the Group's portfolio and footprint, and improve the overall cost base efficiency.

In management's judgement the European Zips business represented a separate major line of business and therefore its results for the year ended 31 December 2023 were presented as a discontinued operation in the Group's 2023 Annual Report.

Judgement is used by the Group in assessing whether a disposal of a business represents a disposal of a separate major line of business considering the facts and circumstances of each disposal. In determining whether a disposal represents a separate major line of business, the Group considers both quantitative and qualitative factors.

The results of the European Zips business for six months ended 30 June 2023 was previously presented as a continuing operation and has been represented to reclassify the results from continuing operations to discontinued operations, consistent with the presentation of results for the year ended 31 December 2023. Note 12 provides further details of the sale.

Prior period restatement of pension surplus

The pension surplus amount at 30 June 2023 for the Coats US defined benefit pension scheme has been restated to reflect a change in measurement as set out in note 14 and is consistent with the basis of measurement at 31 December 2023 included in the Group's 2023 Annual Report. There is no impact on either profits or cash flows for the six months ended 30 June 2023.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the period from the date of this report to 31 December 2025. Accordingly, they continue to adopt the going concern basis in preparing the 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 current trading performance as set out in the 2024 Interim Results Overview section of the Chief Executive's Review, the principal and emerging risks which could impact the performance of the Group and compliance with borrowing covenants.

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 2024 as well as the Group's updated Medium Term Plan for 2025, which takes into account the repayment of $125 million of US Private Placement debt that matures during the going concern assessment period;
- A downside scenario has been prepared, which assumes that the global economic environment is depressed over the assessment period. This scenario assumes trading below 2023, this scenario is considered to be severe but plausible as 2023 was impacted by high inflation, elevated interest rates and the unprecedented industry destocking, which is not expected to reoccur given improving sales trends and normalising customer inventory levels; 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.

As more fully described in the Outlook section included in the 2024 Interim Report, the Directors expect the 2024 full year expectations to be modestly above current market expectations underpinned by ongoing evidence of the recovery in Apparel and Footwear, an improving trend in Performance Materials and the continued benefits from our strategic projects albeit a level of uncertainty in our markets remain. 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 noted an implausible decrease in trading performance, with revenues almost 30% below the base case, would be required. The test also includes further controllable management actions that could be deployed if required (for example no bonus payments, reduced discretionary costs and significantly reduced capital expenditure). The outcome of the reverse stress test was that the leverage covenant would be breached, however, at the breaking point in the test the Group still maintained sufficient liquidity on committed borrowing facilities. The Directors consider the likelihood of the condition in the reverse stress test occurring to be remote on the basis that the Group has not experienced such a decline historically.

Liquidity headroom

As at 30 June 2024 the Group's net debt (excluding IFRS 16 leases liabilities) was $380.5 million (31 December 2023: $384.1 million). The Group's committed debt facilities total $835 million across its Banking and US Private Placement group, with a range of maturities from December 2024 through to 2030. In the base case, severe but plausible downside scenario and reverse stress test scenario it has been assumed that the $125 million of US Private Placement maturing during the going concern assessment period in December 2024 will be repaid in full through a drawdown in the Group's revolving credit facility. The Directors have considered the strong operating performance, current market conditions, the current leverage and credit rating as well as a successful history of extending the revolving credit facility, most recently extended in April 2023. Based on this consideration, as well as the time period available to refinance the revolving credit facility of $360 million, the Directors expect that the revolving credit facility, which matures in April 2026, will be refinanced on similar terms. As of 30 June 2024 the Group had around $320 million of headroom against these committed banking facilities. In each scenario liquidity headroom exists 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 on a twelve month rolling basis 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 at 30 June 2024, with leverage of 1.4x and interest cover of 9.7x. The base case forecast indicates that banking covenants will be met throughout the assessment period. Under the severe but plausible downside scenario covenant compliance is still projected to be achieved throughout the assessment period.

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 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 consolidated financial statements on the going concern basis for the period from the date of this report to 31 December 2025.

Principal exchange rates

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

		June 2024	June 2023	December 2023
Average	Sterling	**0.79**	0.81	0.80
	Euro	**0.93**	0.93	0.92
	Chinese Renminbi	**7.21**	6.93	7.08
	Indian Rupee	**83.22**	82.16	82.56
	Turkish Lira *	**31.63**	19.94	23.79
Period end	Sterling	**0.79**	0.79	0.79
	Euro	**0.93**	0.92	0.91
	Chinese Renminbi	**7.27**	7.25	7.10
	Indian Rupee	**83.36**	82.09	83.19
	Turkish Lira	**32.65**	26.05	29.48

* Cumulative inflation rates over a three-year period exceeded 100% in Turkey in May 2022 and since then Turkey is considered as hyperinflationary. As a result, IAS 29 "Financial Reporting in Hyperinflationary Economies" has been applied. In accordance with IAS 29, the financial statements of the Company's subsidiary in Turkey are translated into the Group's US Dollar presentational currency at period end exchange rates. Monetary assets and liabilities are not restated. All non-monetary items recorded at historical rates are restated for the change in purchasing power caused by inflation from the date of initial recognition to period end balance sheet dates. The income statement of the Company's subsidiary in Turkey is adjusted for inflation during the reporting period. A net monetary gain of $0.4 million has been recognised within finance income in the six months ended 30 June 2024 on non-monetary items held in Turkish Lira (six months ended 30 June 2023: $1.2 million, year ended 31 December 2023: $2.3 million). The inflation rate used is the consumer price index published by the Turkish Statistical Institute, TurkStat. The movement in the price index for the six months ended 30 June 2024 was 25% (six months ended 30 June 2023: 20%, year ended 31 December 2023: 65%).

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 organisational structure and reporting structure consists of three divisions: Apparel, Footwear and Performance Materials. The Group's customers are grouped into three segments Apparel, Footwear and Performance Materials which have distinct different strategies and differing customer/end-use market profiles. This is the basis on which financial information is reported internally to the chief operating decision maker (CODM) for the purpose of allocating resources between segments and assessing their performance.

Six months ended 30 June 2024	**Apparel unaudited US$m**	**Footwear unaudited US$m**	**Performance Materials unaudited US$m**	**Total unaudited US$m**
Continuing operations				
Revenue	**375.8**	**197.7**	**167.2**	**740.7**
Segment profit	**71.7**	**47.7**	**13.8**	**133.2**
Exceptional and acquisition related items (note 3)				**(15.2)**
Operating profit				**118.0**
Share of profits of joint ventures				**1.1**
Finance income				**1.2**
Finance costs				**(17.4)**
Profit before taxation from continuing operations				**102.9**

Six months ended 30 June 2023*	**Apparel unaudited US$m**	**Footwear unaudited US$m**	**Performance Materials unaudited US$m**	**Total unaudited US$m**
Continuing operations				
Revenue	334.2	184.2	176.6	695.0
Segment profit	53.4	38.3	16.1	107.8
Exceptional and acquisition related items (note 3)				(16.1)
Operating profit				91.7
Share of profits of joint ventures				0.7
Finance income				2.1
Finance costs				(15.9)
Profit before taxation from continuing operations				78.6

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Segment revenue and results

Year ended 31 December 2023	**Apparel audited US$m**	**Footwear audited US$m**	**Performance Materials audited US$m**	**Total audited US$m**
Continuing operations				
Revenue	689.4	368.4	336.4	1,394.2
Segment profit	120.4	84.1	28.9	233.4
Exceptional and acquisition related items (note 3)				(49.4)
Operating profit				184.0
Share of profits of joint ventures				1.1
Finance income				4.6
Finance costs				(33.9)
Profit before taxation from continuing operations				155.8

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Cost of sales and other operating costs not directly attributable to a segment are allocated to segments on an aggregated basis. Exceptional and acquisition related items are not allocated to segments to align to the reporting provided to the chief operating decision maker. 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 2024 unaudited US$m	Half year 2023* unaudited US$m	Full year 2023 audited US$m
Continuing operations			
Primary geographic markets			
Asia	**457.8**	397.6	822.6
Americas	**123.4**	132.7	246.3
EMEA	**159.5**	164.7	325.3
Total	**740.7**	695.0	1,394.2
Continuing operations			
Apparel	**375.8**	334.2	689.4
Footwear	**197.7**	184.2	368.4
Performance Materials	**167.2**	176.6	336.4
Total	**740.7**	695.0	1,394.2
Timing of revenue recognition			
Goods transferred at a point in time	**735.6**	690.7	1,385.1
Software solutions services transferred over time	**5.1**	4.3	9.1
Total	**740.7**	695.0	1,394.2

The software solutions business is included in the Apparel segment. The Group had no revenue from a single customer which accounts for more than 10% of the Group's revenue.

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

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 valuable additional information for users of the financial statements in understanding the Group's performance and reflects how the performance of the business is managed and measured on a day-to-day basis. Further details on alternative performance measures are set out in note 13.

Exceptional items may include significant restructuring associated with a business or property disposal, litigation

Exceptional items may include significant restructuring associated with a business or property disposal, litigation costs and settlements, profit or loss on disposal of businesses, profit or loss on disposal of property, plant and equipment, non-actuarial gains or losses arising from significant one off changes to 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 charged to operating profit for the six months ended 30 June 2024 was $15.2 million (six months ended 30 June 2023: $16.1 million; year ended 31 December 2023: $49.4 million).

This comprises exceptional items for the six months ended 30 June 2024 of $4.1 million (six months ended 30 June 2023: $5.2 million; year ended 31 December 2023: $27.9 million) and acquisition related items for the six months ended 30 June 2024 of $11.1 million (six months ended 30 June 2023: $10.9 million; year ended 31 December 2023: $21.5 million).

Taxation in respect of exceptional and acquisition related items is set out in note 6.

Exceptional items

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

	Half year 2024 unaudited US$m	Half year 2023* unaudited US$m	Full year 2023 audited US$m
Exceptional items:			
Strategic project costs:			
- Cost of sales	**2.8**	6.7	13.4
- Distribution costs	**-**	-	1.3
- Administrative expenses	**0.8**	3.1	9.1
	3.6	9.8	23.8
Profit on sale of property and businesses:			
- Other operating income	**-**	(5.7)	(5.8)
Costs from integration of Footwear acquisitions:			
- Cost of sales	**0.2**	-	4.8
- Distribution costs	**-**	-	1.3
- Administrative expenses	**0.3**	1.1	0.2
	0.5	1.1	6.3
Lower Passaic River non-cash impairment charge:			
- Administrative expenses	**-**	-	3.6
Total exceptional items charged to operating profit from continuing operations	**4.1**	5.2	27.9

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Strategic project costs

At the end of 2021 the Group commenced a strategic project to improve margins by optimising the portfolio and footprint, improving the overall cost base efficiency, and mitigating structural labour availability issues in the US.

During the six months ended 30 June 2024 further initiatives were undertaken in the US and Mexico to deliver operating efficiencies and mitigate structural labour availability.

During the year ended 31 December 2023 a second new plant in Mexico at Toluca was commissioned. In addition the Group undertook optimisation initiatives in China and India. In China, manufacturing activities of lower-margin zip production ceased and were outsourced to a third party supplier. In India, office and warehouse space was consolidated.

Primarily as a result of these activities, exceptional restructuring costs totalling $3.6 million were incurred during the six months ended 30 June 2024 (six months ended 30 June 2023: $9.8 million; year ended 31 December 2023: $23.8 million) which included:

- severance and related employee costs of $0.6 million (six months ended 30 June 2023: $6.3 million; year ended 31 December 2023: $11.1 million);
- non-cash impairment charges of property, plant and equipment, right-of-use assets and inventories of $nil (six months ended 30 June 2023: $0.1 million; year ended 31 December 2023: $5.2 million); and
- legal, advisers, closure and related costs of $3.0 million (six months ended 30 June 2023: $3.4 million; year ended 31 December 2023: $7.5 million).

Profit on sale of property and businesses

During the year ended 31 December 2023 the Group sold land and buildings in connection with the above strategic project and completed the sale of its businesses in Mauritius and Madagascar generating a profit on disposal of $5.7 million (six months ended 30 June 2023: $5.8 million).

Costs from integration of Footwear acquisitions

During the six months ended 30 June 2024 exceptional costs of $0.5 million was incurred as a result of the continued integration of the Texon and Rhenoflex businesses, which were acquired in July 2022 and August 2022 respectively (six months ended 30 June 2023: $1.1 million, year ended 31 December 2023: $6.3 million).

Acquisition related items

Acquisition related items are set out below:

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Acquisition related items:			
Administrative expenses:			
Amortisation of acquired intangible assets	**11.1**	10.9	21.5
Total acquisition related items charged to profit before taxation	**11.1**	10.9	21.5

Amortisation of intangible assets acquired through business combinations are not included within adjusted operating profit and adjusted earnings per share. These charges are acquisition related and management consider them to be capital in nature and are not included in profitability measures by which management assess the 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 trading performance of the business.

4. Finance income

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Income from investments	**-**	-	0.1
Net monetary gain arising from hyperinflation accounting (see note 1)	**0.4**	1.2	2.3
Other interest receivable and similar income	**0.8**	0.9	2.2
	1.2	2.1	4.6

5. Finance costs

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Interest on bank and other borrowings	**14.8**	15.5	30.3
Interest expense on lease liabilities	**2.5**	2.9	5.6

Net interest on pension scheme assets and liabilities	**(1.3)**	(2.7)	(4.4)
Other finance costs including unrealised gains and losses on foreign exchange contracts	**1.4**	0.2	2.4
	17.4	15.9	33.9

6. Taxation

The taxation charge for the six months ended 30 June 2024 and 30 June 2023 is based on the estimated effective tax rate for the full year, including the effect of prior period tax adjustments. The tax charge for the six months ended 30 June 2024 was $29.7 million (six months ended 30 June 2023: $23.0 million; year ended 31 December 2023: $55.0 million).

For the six months ended 30 June 2024 the tax credit in respect of exceptional and acquisition related items was $3.4 million (six months ended 30 June 2023: $3.2 million; year ended 31 December 2023: $2.9 million) which comprised the following amounts:

- Exceptional tax credits of $1.2 million for the six months ended 30 June 2024 (six months ended 30 June 2023: $1.0 million; year ended 31 December 2023: $2.3 million) in connection with the strategic project set out in note 3; and
- An exceptional tax credit for the six months ended 30 June 2024 of $2.2 million relating to the unwinding of tax liabilities on the amortisation of intangible assets acquired as a result of the acquisitions of Texon and Rhenoflex and the impact of tax rate differences (six months ended 30 June 2023 $2.2 million; year ended 31 December 2023: $0.6 million).

The Group has recognised provisions for uncertain tax positions. As at 30 June 2024 amounts relating to uncertain tax positions of $26.0 million (31 December 2023: $29.2 million) are included as income tax liabilities within current liabilities in the condensed consolidated statement of financial position. As at 30 June 2023 uncertain tax positions are included in trade and other payables within non-current liabilities.

International Tax Reform: Pillar Two Model Rules (Amendments to IAS 12)

On 20 December 2021, the Organisation for Economic Co-operation and Development ("OECD") published its proposals in relation to Global Anti-Base Erosion Rules, which provide for an internationally co-ordinated system of taxation to ensure that large multinational groups pay a minimum level of corporate income tax in countries where they operate. The Group is within the scope of the OECD Pillar Two model rules which became effective from 1 January 2024 in the United Kingdom, where Coats Group plc is incorporated, and other jurisdictions in which the Group operates. Under the Pillar Two rules the Group is liable to pay top-up tax on profits of jurisdictions that are taxed at an effective tax rate of less than 15%.

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognises nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The current tax charge for the six months ended 30 June 2024 includes Pillar 2 top-up taxes of $0.4 million and relates to Honduras and Hungary (six months ended 30 June 2023: $nil; year ended 31 December 2023: $nil).

7. Earnings per share

The calculation of basic earnings per ordinary share from continuing operations is based on the profit from continuing operations 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.

The calculation of basic earnings per ordinary share from continuing and discontinued operations is based on the profit attributable to equity shareholders. The weighted average number of ordinary shares used for the calculation of basic earnings per ordinary share from continuing and discontinued operations is the same as that used for basic earnings per ordinary share from continuing operations.

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 shares relating to awards under the Group Deferred Bonus Plan which have been awarded but not yet reached the end of the three year retention period and those long-term incentive plan awards for which the performance criteria would have been satisfied if the end of the reporting period was the end of the contingency period.

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Profit from continuing operations attributable to equity shareholders	**60.5**	44.3	83.2
Profit from continuing and discontinued operations attributable to equity shareholders	**60.5**	24.7	56.5

Profit from continuing operations attributable to equity shareholders for the six months ended 30 June 2024 of $60.5 million (six months ended 30 June 2023: $44.3 million; year ended 31 December 2023: $83.2 million) comprises the profit from continuing operations for the six months ended 30 June 2024 of $73.2 million (six months ended 30 June 2023: $55.6 million; year ended 31 December 2023: $100.8 million) less non-controlling interests for the six months ended 30 June 2024 of $12.7 million (six months ended 30 June 2023: $11.3 million; year ended 31 December 2023: $17.6 million) as reported in the income statement.

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	Number of shares m	Number of shares m	Number of shares m
Weighted average number of ordinary shares in issue for basic earnings per share	**1,606.4**	1,605.2	1,605.0
Adjustment for deferred bonus plan and LTIP awards	**9.2**	10.5	16.4
Weighted average number of ordinary shares in issue for diluted earnings per share	**1,615.6**	1,615.7	1,621.4

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	cents	cents	cents
Continuing operations:			
Basic earnings per ordinary share	**3.77**	2.77	5.18
Diluted earnings per ordinary share	**3.74**	2.75	5.13
Continuing and discontinued operations:			
Basic earnings per ordinary share	**3.77**	1.54	3.52
Diluted earnings per ordinary share	**3.74**	1.53	3.48

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

8. Issued share capital

At 30 June 2024 the share capital of the Company comprised 1,597,810,385 Ordinary Shares of 5p each (31 December 2023: 1,597,810,385; 30 June 2023: 1,597,810,385).

During the six months ended 30 June 2024, six months ended 30 June 2023 and year ended 31 December 2023 the Company did not issue any Ordinary Shares.

The own shares reserve of $5.2 million at 30 June 2024 (31 December 2023: $6.1 million; 30 June 2023: $0.1 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 2024 was 5,194,871 (31 December 2023: 6,124,223; 30 June 2023: 150,000).

9. Dividends

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
2023 final dividend paid - 1.99 cents per share	**31.7**	-	-

2023 interim dividend paid - 0.81 cents per share	-	-	13.0
2022 final dividend paid - 1.73 cents per share	-	27.6	27.6
	31.7	27.6	40.6

The directors have declared an ordinary interim dividend per share of 0.93 cents (30 June 2023: 0.81 cents) to be paid on 14 November 2024 to shareholders on the register on 18 October 2024. 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, in December 2009, the US Environmental Protection Agency ('EPA') 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. In 2011, CC joined a cooperating parties group ('CPG') of companies formed to fund and conduct a remedial investigation and feasibility study of the area.

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. In September 2021, EPA issued a Record of Decision selecting an interim remedy for the upper 9 miles of the LPR (involving targeted removal of contaminants and ongoing monitoring to assess whether additional contaminant removal would be necessary), at an estimated cost of $441 million on a net present value basis.

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 created a liquidating trust to pursue potential claims against Maxus' parent entity, YPF SA, and potentially others. A settlement of those claims is expected to result in additional funding for the LPR remedy.

While the ultimate costs of the remedial design and the final remedy for the full 17-mile LPR are expected to be shared among more than a hundred parties, including many who are not currently in the CPG, a pending settlement involving CC and other parties has not yet been approved by the court and the share of payments for other parties has not yet been determined.

In March 2017, EPA notified 20 parties not associated with the disposal or release of any contaminants of concern that they were eligible for early cash out settlements. As expected, EPA did not identify CC as one of those 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 allocation process concluded in December 2020. The EPA-appointed allocator determined that CC is in the lowest tier (Tier 5) of allocation parties, and is responsible for only a de micromis share of 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 addressed in the EPA sponsored allocation process, and does not alter CC's defences or CC's continued belief that it is a de micromis party.

In 2015, a provision totalling $15.8 million was recorded for remediation costs for the entire 17 miles of the LPR and

In 2016, a provision totalling $10.0 million was recorded for remediation costs for the entire 17 miles of the LPR and the estimated associated legal and professional costs in defence of CC's position. The provision for remediation costs was based on CC's estimated share of de minimis costs for (a) EPA's selected remedy for the lower 8 miles of the LPR and (b) the remedy for the upper 9 miles proposed by the CPG, which was later substantively adopted by the EPA. This charge to the income statement was net of insurance reimbursements and was 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.

At the end of 2023, CC's insurer was placed into liquidation. As a result, the previously recognised insurance receivable for future expected partial recovery of remediation costs and associated legal and professional costs was treated for accounting purposes as being impaired in full resulting in an exceptional charge of $3.6 million being recognised for the year ended 31 December 2023, without prejudice to any future claims against the insurer in the liquidation proceedings.

At 30 June 2024, the remaining provision was $11.5 million (31 December 2023: $12.2 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 process and OCC's lawsuit, 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.

In 2022, CC and other parties entered into a settlement with EPA in which the settling parties agreed to pay $150 million toward remediation of the full 17-mile LPR in exchange for a release for those matters addressed in the settlement. CC's share of the cash-out settlement is consistent with a de micromis share of total remedial costs for the full 17-mile LPR. EPA has indicated it will seek the balance of LPR remedial costs from OCC and a small number of other parties that EPA has determined were not eligible to participate in a cash-out settlement. These other parties would be responsible for most remedial cost over-runs. The settlement does not address claims for natural resource damages by federal natural resource trustees. The Group believes that CC's share, if any, of such costs would be de micromis.

In late 2022, the cash-out settlement for the full 17-mile LPR was lodged with the court by the Department of Justice (DOJ) on behalf of EPA. In January 2024, DOJ moved for entry of the settlement on behalf of EPA, with amendments that are not material to CC. Court approval is necessary for the settlement to go into effect, and OCC is opposing such approval. DOJ and EPA have asserted that the settlement is fair and reasonable and that it should be approved by the court, and courts have generally deferred to EPA's judgment on such matters. However, it is nonetheless possible that the court may not approve the settlement. It is also possible that the court may approve the settlement but permit OCC's litigation against the settling parties to continue in whole or in part. Because of these continued uncertainties, the Group is maintaining its current provision for the LPR for the present time.

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 the EPA-appointed allocator correctly concluded that it has a de micromis share of the total remediation costs, and that OCC and other parties will be responsible for a significant share of the ultimate costs of remediation. As this matter evolves, the provision may be reduced if the settlement is approved by the court and if the court bars further litigation against CC and other settling parties. It is nonetheless still possible that additional provisions could be recorded and that such provisions could increase materially based on further decisions by the court, 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.

11. Notes to the condensed consolidated cash flow statement

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

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Operating profit[1]	**118.0**	91.7	184.0
Depreciation of owned property, plant and equipment	**12.8**	13.9	27.0
Depreciation of right-of-use assets	**9.0**	9.7	18.8

Amortisation of intangible assets	**11.9**	11.8	22.9
(Increase)/decrease in inventories	**(32.6)**	1.1	21.1
Increase in debtors	**(34.6)**	(16.3)	(22.8)
Increase in creditors	**44.3**	6.8	18.9
Provision and pension movements	**(9.4)**	(21.5)	(53.1)
Foreign exchange and other non-cash movements	**3.7**	(3.4)	4.5
Discontinued operations	**(1.4)**	(1.6)	(4.0)
Cash generated from operations	**121.7**	92.2	217.3

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

b) Interest paid

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Interest paid	**(16.7)**	(16.9)	(33.7)

c) Taxation paid

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Overseas tax paid	**(31.2)**	(22.1)	(59.7)

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

d) Investment income

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Dividends received from joint ventures	**1.0**	-	0.6

e) Capital expenditure and financial investment

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Purchase of property, plant and equipment and intangible assets	**(11.3)**	(11.8)	(31.0)
Sale/(purchase) of other equity investments	**0.1**	0.3	(0.4)
Proceeds from disposal of property, plant and equipment	**0.4**	7.3	11.8
Discontinued operations	**-**	(0.1)	(0.1)
	(10.8)	(4.3)	(19.7)

f) Acquisitions and disposals of businesses

	Half year 2024 unaudited	Half year 2023 unaudited	Full year 2023 audited
	US$m	US$m	US$m
Disposal of businesses	**-**	0.9	(1.2)

g) Net debt

A summary of net debt is set out below:

	30 June 2024 unaudited	30 June 2023 unaudited	31 December 2023 audited
	US$m	US$m	US$m
Cash and cash equivalents	**130.7**	128.1	132.4
Bank overdrafts	**(4.1)**	(3.7)	(20.9)

Bank overdrafts	(4.1)	(3.7)	(20.9)
Net cash and cash equivalents	**126.6**	124.4	111.5
Other borrowings	**(507.1)**	(523.7)	(495.6)
Net debt excluding lease liabilities	**(380.5)**	(399.3)	(384.1)
Lease liabilities	**(84.8)**	(92.9)	(86.8)
Total net debt	**(465.3)**	(492.2)	(470.9)

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 2024 for covenant purposes was $383.8 million (30 June 2023: $406.2 million; 31 December 2023: $388.8 million).

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

	Series A and Series B Senior Notes	Bank loans	Lease liabilities	Total financing activity liabilities	Bank overdrafts	Cash at bank and in hand	Net debt
	US$m	US$m	US$m	US$m	US$m	US$m	US$m
At 1 January 2023 (audited)	(222.3)	(329.8)	(105.4)	(657.5)	(14.7)	172.4	(499.8)
Financing cash flows	(248.6)	277.1	9.2	37.7	-	-	37.7
Other cash flows	-	-	2.9	2.9	11.0	(41.7)	(27.8)
Non-cash movements	(0.1)	(0.7)	(1.4)	(2.2)	-	-	(2.2)
Foreign exchange	-	0.7	1.8	2.5	-	(2.6)	(0.1)
At 30 June 2023 (unaudited)	(471.0)	(52.7)	(92.9)	(616.6)	(3.7)	128.1	(492.2)
At 1 January 2023 (audited)	(222.3)	(329.8)	(105.4)	(657.5)	(14.7)	172.4	(499.8)
Financing cash flows	(248.6)	307.0	18.5	76.9	-	-	76.9
Other cash flows	-	-	5.6	5.6	(6.2)	(36.0)	(36.6)
Disposal of subsidiaries	-	-	0.9	0.9	-	(1.2)	(0.3)
Non-cash movements	(1.4)	(1.3)	(7.5)	(10.2)	-	-	(10.2)
Foreign exchange	-	0.8	1.1	1.9	-	(2.8)	(0.9)
At 31 December 2023 (audited)	**(472.3)**	**(23.3)**	**(86.8)**	**(582.4)**	**(20.9)**	**132.4**	**(470.9)**
Financing cash flows	**-**	**(10.0)**	**9.6**	**(0.4)**	**-**	**-**	**(0.4)**
Other cash flows	**-**	**-**	**2.5**	**2.5**	**16.8**	**0.6**	**19.9**
Non-cash movements	**(0.8)**	**(0.7)**	**(11.9)**	**(13.4)**	**-**	**-**	**(13.4)**
Foreign exchange	**-**	**-**	**1.8**	**1.8**	**-**	**(2.3)**	**(0.5)**
At 30 June 2024 (unaudited)	**(473.1)**	**(34.0)**	**(84.8)**	**(591.9)**	**(4.1)**	**130.7**	**(465.3)**

The non-cash movement during the six months ended 30 June 2024 of $0.8 million (six months ended 30 June 2023: $0.1 million; year ended 31 December 2023: $1.4 million) within Series A and Series B Senior Notes predominantly represents the movement in the fair value adjustment to the nominal amount outstanding and relates to interest rate swaps which are accounted for as fair value hedges.

12. Discontinued operations

Sale of European Zips business

On 30 June 2023 the Group entered into an agreement to sell its European Zips business to Aequita, a German family office and the sale was completed on 31 August 2023. The European Zips business was included in the Apparel segment. The exit from the European Zips business was in line with Coats' previously announced strategic initiatives to optimise the Group's portfolio and footprint, and improve the overall cost base efficiency.

The results of the European Zips business was presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023. The results of the European Zips business for six months ended 30 June 2023 was previously presented as a continuing operation and has been represented to reclassify the results from continuing operations to discontinued operations, consistent with the presentation of results for the year ended 31 December 2023.

a) Discontinued operations

The results of the discontinued operations are presented below:

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Revenue	**-**	20.1	25.3

Revenue		20.1	25.3
Cost of sales	-	(19.1)	(23.7)
Gross profit	-	1.0	1.6
Distribution costs	-	(2.2)	(2.6)
Administrative expenses	-	(1.2)	(2.0)
Operating loss and loss from discontinued operations	-	(2.4)	(3.0)
Impairment loss on measurement to fair value less costs to sell	-	(17.2)	-
Loss on disposal (note 14(b))	-	-	(17.1)
Exchange loss transferred to income statement on disposal	-	-	(6.6)
Total loss from discontinued operations	-	(19.6)	(26.7)

The operating loss before exceptional items of the European zips business for the six months ended 30 June 2023 was $0.4 million (year ended 31 December 2023: $1.3 million). Exceptional items for the six months ended 30 June 2023 charged to operating loss from discontinued operations was $2.0 million (year ended 31 December 2023: $1.7 million). As a result the operating loss of the European Zips business for the six months ended 30 June 2023 was $2.4 million (year ended 31 December 2023: $3.0 million).

Exceptional items - discontinued operations

Exceptional items charged to loss from discontinued operations are set out below:

	Half year 2024 unaudited US$m	Half year 2023* unaudited US$m	Full year 2023 audited US$m
Strategic project costs	-	(2.0)	(1.7)
Impairment loss on measurement to fair value less costs to sell	-	(17.2)	-
Loss on disposal	-	-	(17.1)
Exchange loss transferred to income statement on disposal	-	-	(6.6)
Total exceptional items - discontinued operations	-	(19.2)	(25.4)

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

Loss per ordinary share from discontinued operations

	Half year 2024 unaudited cents	Half year 2023* unaudited cents	Full year 2023 audited cents
Loss per ordinary share from discontinued operations:			
Loss per ordinary share	-	**(1.23)**	(1.66)
Diluted loss per ordinary share	-	**(1.22)**	(1,64)

Cash flows from discontinued operations

	Half year 2024 unaudited US$m	Half year 2023* unaudited US$m	Full year 2023 audited US$m
Net cash outflow from operating activities	**(1.4)**	(1.6)	(4.0)
Net cash outflow from investing activities	-	(0.1)	(0.1)
Net cash flows from discontinued operations	**(1.4)**	(1.7)	(4.1)

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

b) Loss on disposal

The assets and liabilities at 30 June 2023 of the European Zips business were classified as a disposal group held for sale. Net assets disposed in August 2023 relating to the European Zips business amounted to $13.9 million. The exceptional loss on disposal included in the results of discontinued operations for the year ended 31 December 2023 was $17.1 million, which included disposal costs and completion adjustments of $5.1 million.

The consideration received for the sale of the European Zips business was $1.9 million and, net of cash and cash equivalents and bank overdrafts disposed, there was a net inflow of $0.7 million. Disposal costs of $2.7 million were paid in the year ended 31 December 2023 and as a result the cash outflow in the year ended 31 December 2023 on the sale of the European Zips business was $2.0 million.

13. 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 additional useful information to users of the accounts 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.

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 2023.

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.

There were no acquisitions in the six months ended 30 June 2024 or the six months ended 30 June 2023.

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 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 2024 unaudited US$m**	Half year 2023* Unaudited US$m	% Increase
Revenue from continuing operations	**740.7**	695.0	7%
Constant currency adjustment	**-**	(8.7)	
Organic revenue on a CER basis	**740.7**	686.3	8%

Operating profit	Half year 2024 unaudited US$m	Half year 2023* unaudited US$m	% Increase
Operating profit from continuing operations[1]	**118.0**	91.7	29%
Exceptional and acquisition related items (note 3)	**15.2**	16.1	
Adjusted operating profit from continuing operations	**133.2**	107.8	24%
Constant currency adjustment	**-**	(1.9)	
Organic adjusted operating profit on a CER basis	**133.2**	105.9	26%

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

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

b) Adjusted EBITDA

Adjusted EBITDA is presented as an alternative performance measure to show the 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 2024 unaudited US$m	Half year 2023* unaudited US$m	Full year 2023 audited US$m
Profit before taxation from continuing operations	**102.9**	78.6	155.8
Share of profit of joint ventures	**(1.1)**	(0.7)	(1.1)
Finance income (note 4)	**(1.2)**	(2.1)	(4.6)
Finance costs (note 5)	**17.4**	15.9	33.9
Operating profit from continuing operations[1]	**118.0**	91.7	184.0
Exceptional and acquisition related items (note 3)	**15.2**	16.1	49.4
Adjusted operating profit from continuing operations	**133.2**	107.8	233.4
Depreciation of owned property, plant and equipment	**12.8**	13.8	27.0
Amortisation of intangible assets	**0.8**	0.9	1.4
Adjusted EBITDA including IFRS 16 depreciation of right-of-use assets (Pre-IFRS 16 basis)	**146.8**	122.5	261.8
Depreciation of right-of-use assets	**9.0**	9.7	18.8
Adjusted EBITDA	**155.8**	132.2	280.6

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

Adjusted EBITDA on a last twelve months basis to 30 June 2024 was $304.2 million (30 June 2023: $267.3 million).

Adjusted EBITDA on a last twelve months basis to 30 June 2024 of $304.2 million is the adjusted EBITDA for the six months ended 30 June 2024 of $155.8 million plus the adjusted EBITDA for the year ended 31 December 2023 of $280.6 million less the adjusted EBITDA for the six months ended 30 June 2023 of $132.2 million.

Net debt including lease liabilities under IFRS 16 was $465.3 million at 30 June 2024 (31 December 2023: $470.9 million; 30 June 2023: $492.2 million). This gives a leverage ratio of net debt including lease liabilities to Adjusted EBITDA at 30 June 2024 of 1.5 (31 December 2023: 1.7; 30 June 2023: 1.8).

On a pre-IFRS 16 basis adjusted EBITDA on a last twelve months basis to 30 June 2024 was $286.1 million (30 June 2023: $248.3 million).

Net debt excluding lease liabilities under IFRS 16 was $380.5 million at 30 June 2024 (31 December 2023: $384.1 million; 30 June 2023: $399.3 million). This gives a leverage ratio on a pre-IFRS 16 basis at 30 June 2024 of 1.3 (31

December 2023: 1.5; 30 June 2023: 1.6).

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

For bank 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. Leverage for bank covenant purposes at 30 June 2024 was 1.4.

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

c) Adjusted effective tax rate

The adjusted 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 adjusted 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 adjusted effective tax rate 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 effective tax rate.

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Profit before taxation from continuing operations	**102.9**	78.6	155.8
Exceptional and acquisition related items (note 3)	**15.2**	16.1	49.4
Net interest on pension scheme assets and liabilities (note 5)	**(1.3)**	(2.7)	(4.4)
Adjusted profit before taxation from continuing operations	**116.8**	92.0	200.8
Taxation charge from continuing operations	**29.7**	23.0	55.0
Tax credit in respect of exceptional and acquisition related items	**3.4**	3.2	2.9
Tax credit in respect of net interest on pension scheme assets and liabilities	**0.1**	0.3	0.2
Adjusted taxation charge from continuing operations	**33.2**	26.5	58.1
Adjusted effective tax rate	**28%**	29%	29%

d) Adjusted earnings 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 progression of the benefits generated for shareholders.

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Profit from continuing operations	**73.2**	55.6	100.8
Non-controlling interests	**(12.7)**	(11.3)	(17.6)
Profit from continuing operations attributable to equity shareholders	**60.5**	44.3	83.2
Exceptional and acquisition related items net of non-controlling interests (note 3)	**15.2**	16.1	48.8
Tax credit in respect of exceptional and acquisition related items	**(3.4)**	(3.2)	(2.9)
Adjusted profit from continuing operations	**72.3**	57.2	129.1
Weighted average number of Ordinary Shares	**1,606,358,559**	1,605,222,055	1,604,955,182
Adjusted earnings per share	**4.50**	3.54	8.04

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).

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

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 non-controlling 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 cash generation that is available to service shareholder dividends, pension obligations and acquisitions.

	Half year 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Change in net debt resulting from cash flows (free cash flow)	**7.4**	(2.2)	15.0
Disposal of businesses	**-**	(0.9)	1.2
Net cash outflow from discontinued operations	**1.4**	1.7	4.1
Payments to UK pension scheme	**2.6**	16.7	48.9
Net cash flows in respect of exceptional and acquisition related items	**9.7**	5.3	12.6
Purchase of own shares by Employee Benefit Trust	**6.6**	3.1	10.1
Dividends paid to equity shareholders	**31.4**	27.5	40.3
Tax inflow in respect of adjusted cash flow items	**(0.2)**	-	(1.7)
Adjusted free cash flow	**58.9**	51.2	130.5

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

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 adjusted for full year impact of acquisitions divided by period end capital employed as set out below. ROCE measures the ability of the Group's assets to deliver returns.

	30 June 2024 unaudited	Half year 2023* unaudited	Full year 2023 audited
	US$m	US$m	US$m
Operating profit from continuing operations before exceptional and acquisition related items on a last twelve months' basis[1]	**258.8**	219.8	233.4
Non-current assets			
Acquired intangible assets	**334.7**	358.7	349.6
Property, plant and equipment	**243.2**	239.9	243.2
Right-of-use assets	**73.1**	82.2	74.4
Trade and other receivables	**24.3**	21.4	19.5
Current assets			
Inventories	**202.4**	193.5	173.5
Trade and other receivables	**311.4**	294.1	292.0
Current liabilities			
Trade and other payables	**(323.2)**	(274.4)	(285.6)
Lease liabilities	**(16.5)**	(17.3)	(17.5)
Non-current liabilities			
Trade and other payables	**(4.3)**	(27.1)	(3.2)
Lease liabilities	**(68.3)**	(75.6)	(69.3)
Capital employed	**776.8**	795.4	776.6
ROCE	**33%**	28%	30%

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

* Represented to reflect the results of the European Zips business as a discontinued operation (see note 1).

14. Retirement and other post-employment benefit arrangements

The net surplus for the Group's retirement and other post-employment defined benefit arrangements (UK and other Group schemes), on an IAS 19 basis, was $72.2 million as at 30 June 2024 (31 December 2023: $62.8 million; 30 June 2023: $106.7 million).

The Coats UK Pension Scheme, which is a key constituent of the Group defined benefit liabilities, had a surplus on an IAS 19 basis at 30 June 2024 of $107.1 million (31 December 2023: $102.2 million; 30 June 2023: $151.9 million).

Sensitivities regarding the discount rate and inflation assumptions used to measure the liabilities of the Coats UK Pension Scheme, along with the impact they would have on the scheme liabilities, are set out below. Interrelationships between assumptions might exist and the analysis below does not take the effect of these interrelationships into account:

		30 June 2024		30 June 2023		31 December 2023
	+0.25%	**-0.25%**	+0.25%	-0.25%	+0.25%	-0.25%
	US$m	**US$m**	US$m	US$m	US$m	US$m
Discount rate	**(50.6)**	**53.1**	(47.0)	49.5	(55.9)	58.7
Inflation rate	**30.3**	**(34.1)**	27.9	(26.7)	32.3	(36.6)

An increase of 1.0% in the discount rate would result in the Coats UK Pension Scheme liabilities decreasing by $189.6 million (31 December 2023: $208.7 million; 30 June 2023: $176.6 million). A decrease of 1.0% in the discount rate would result in the Coats UK Pension Scheme liabilities increasing by $228.8 million (31 December 2023: $253.1 million; 30 June 2023: $213.4 million). The above sensitivity analysis (on a IAS 19 basis) is pre-tax and considers the impact on the scheme liabilities only and excludes any impacts on scheme assets from changes in discount and inflation rates. As noted in the 2023 Annual Report, the Coats UK Pension Scheme is hedged against interest rate and inflation rate movements (currently over 90% hedged). Therefore on a Technical Provision basis, to the extent there is a change in the scheme liabilities due to movements in discount and inflation rates there would be offsetting impacts from the scheme assets due to the hedging in place. If members of the Coats UK Pension Scheme live one year longer the scheme liabilities will increase by $59.4 million (31 December 2023: $66.3 million; 30 June 2023: $57.2 million).

United Kingdom Pension Benefits - High Court of Justice Ruling on Actuarial Confirmations

In June 2023, the High Court ruled in the case between Virgin Media and the NTL Pension Trustees II Limited (and others) that the absence of a "Section 37" certificate accompanying an amendment to benefits in a contracted-out pension scheme would render the amendment void. The appeal on the Virgin Media and the NTL Pension Trustees II Limited (and others) case has been dismissed on 25 July 2024. The Group's position has not changed from that disclosed in annual financial statements of the Group for the year ended 31 December 2023 and the Group and the Trustee of the Coats UK Pension Scheme will continue to keep this matter under review.

Prior period restatement of US pension surplus

In the Group's 2023 Annual Report, pension surplus amounts at 31 December 2022 and 31 December 2021 were restated for the Coats US defined benefit pension scheme to reflect a change in measurement. As originally reported the IAS 19 accounting surplus for the US pension scheme was not recognised in full but recognised based on the expected utilisation of the accounting surplus for transfers to a US medical plan and future pension scheme administrative costs. In the Group's 2023 Annual Report, prior period amounts were restated to recognise the accounting surplus in full on the basis that the future economic benefits are unconditionally available to the Group, which is assumed to be via a refund net of applicable US taxes.

The pension surplus amount at 30 June 2023 for the Coats US defined benefit pension scheme has also been restated to reflect this change. There is no impact on either profits or cash flows for the six months ended 30 June 2023.

The US pension scheme accounting surplus under IAS 19 in the restated condensed consolidated statement of financial position is $40.3 million at 30 June 2023. This represents an increase of $27.4 million from the original financial position is $40.3 million at 30 June 2023. This represents an increase of $27.4 million from the original reported US pension surplus amount of $12.9 million.

Amounts as of 30 June 2023 have been restated as set out below:

	As reported	US Pension Adjustment	As restated
	US$m	US$m	US$m
Condensed consolidated statement of financial position			
30 June 2023			
Non-current assets:			
Pension surpluses	166.3	27.4	193.7
Total assets	1,786.1	27.4	1,813.5
Deferred tax liabilities	(59.0)	(12.9)	(71.9)
Total liabilities	(1,144.5)	(12.9)	(1,157.4)
Net assets and total equity	641.6	14.5	656.1

15. Fair value of assets and liabilities

As at 30 June 2024 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

	Total	Level 1	Level 2	Level 3
30 June 2024	US$m	US$m	US$m	US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	**0.5**	**-**	**0.5**	**-**
Financial assets measured at fair value through the statement of comprehensive income:				
Other investments	**0.6**	**-**	-	**0.6**
Total	**1.1**	**-**	**0.5**	**0.6**

	Total	Level 1	Level 2	Level 3
30 June 2023	US$m	US$m	US$m	US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	2.2	-	2.2	-
Financial assets measured at fair value through the statement of comprehensive income:				
Other investments	5.7	0.7	-	5.0
Total	7.9	0.7	2.2	5.0

	Total	Level 1	Level 2	Level 3
31 December 2023	US$m	US$m	US$m	US$m
Financial assets measured at fair value through the income statement:				
Trading derivatives	1.3	-	1.3	-
Financial assets measured at fair value through the				

	Total	Level 1	Level 2	Level 3
Financial assets measured at fair value through the statement of comprehensive income:				
Other investments	0.9	-	-	0.9
Total	2.2	-	1.3	0.9

Financial liabilities measured at fair value

30 June 2024	**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	**(1.4)**	**-**	**(1.4)**	**-**
Derivatives designated as effective hedging instruments	**(1.0)**	**-**	**(1.0)**	-
Total	**(2.4)**	**-**	**(2.4)**	**-**

30 June 2023	**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	(3.7)	-	(3.7)	-
Derivatives designated as effective hedging instruments	(2.9)	-	(2.9)	-
Total	(6.6)	-	(6.6)	-

31 December 2023	**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	(1.8)	-	(1.8)	-
Derivatives designated as effective hedging instruments	(1.8)	-	(1.8)	-
Total	(3.6)	-	(3.6)	-

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. There were no changes in the Group's valuation processes, valuation techniques, and types of inputs used in the fair value measurements during the six months ended 30 June 2024.

16. Post balance sheet events

There have been no events between the balance sheet date, and the date on which the condensed consolidated financial statements were approved by the Board, which would require adjustment to the condensed consolidated financial statements or any additional disclosures.

17. 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

2023 and these are expected to stay the same for the remainder of 2024. These principal risks and uncertainties are as follows:

Strategic risks

1. M&A programme ambition risk in light of the Group's increasing ambition in the scale of its acquisition programme and its ability to source, satisfactorily acquire and integrate suitable targets.
2. Risk of ever-increasing customer product and sustainability expectations and continuing ability to meet and exceed those expectations as part of its strategic growth and sustainability ambitions.
3. Risk of failure to attract, retain and develop diverse and inclusive set of talent and capability given business changes, growth in new areas and labour availability challenges.

External risks

4. Economic and geopolitical risk arising from significant macroeconomic and demand uncertainty - across both key Asian and developed markets - including risk to free trade conventions - as well as global inflationary pressures and ongoing geopolitical developments.
5. Cyber risk - risk of cyber incidents leading to corruption of applications, critical IT infrastructure, compromised networks, operational technology and/or loss of data.
6. Risk of supplier non-performance, unavailability and/or price increases of raw materials, labour and freight and/or logistical challenges causing major disruption to Coats' supply chain and/or reputational damage as result of noncompliance with Group's ethical standards.
7. Environmental non-performance risk given changing standards, increasing scrutiny, customer and investor demands and expectations and scale of Group's own self-imposed standards and ambitions, creating commercial, financial and reputational risks as well as opportunities.
8. Climate change risk arising from either (i) the impact of failing to sufficiently address the need to decarbonise the Company's operations and reduce emissions including potentially as result of energy security challenges and ability to access sufficient renewable energy in relevant locations), leading principally to commercial and reputational risks and the financial risk of emissions taxes or other legislative changes, or (ii) the physical impact of climate change on the Company's operations and business model, and that of its customers in the textile supply chain.

Operational risks

9. Health and Safety risk - risk of (i) safety incident(s) leading to injury or fatality involving our employees or other interested parties such as contractors, visitors, onsite suppliers etc along with potential resulting prosecution, financial costs, business disruption and/or reputational damage; and/ or (ii) physical and mental health issues, including as a result of the pandemic, impacting wellbeing, engagement, productivity and talent retention.
10. Legal and regulatory compliance risk - risk of breach of law in relation to areas such as anti-corruption, competition or sanctions, resulting in material fine and/or reputational damage.

Legacy risks

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 2023 on pages 52 to 58, a copy of which is available on the Group's website, www.coats.com.

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 2023 with the exception of the risk in relation to supplier non-performance, unavailability and/or price increases of raw materials, labour and freight and/or logistical challenges (risk number 6 in the above list), which is now considered to be increasing (previously stable). More detail is set out below.

6. Risk of supplier non-performance, unavailability and/or price increases of raw materials, labour and freight and/or logistical challenges - With the ongoing Red Sea-related sea freight disruptions and logistical challenges which have resulted in higher freight costs, longer delivery times, port congestion, occasional supply disruption and a knock-on impact on freight reliability more broadly, we now consider this risk to be increasing rather than stable. While these

disruptions have persisted, and may continue to persist, for longer than was generally anticipated, we are successfully managing this risk and challenges through our strategic engagement with key suppliers and intensive follow-up with freight service providers. Significant additional container capacity, which is now being introduced by the shipping industry, may also help to further mitigate this risk and challenges.

18. Related party transactions

There have been no related party transactions or changes in related party transactions described in the 2023 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.

19. Directors

The following persons were directors of Coats Group plc during the half year ended 30 June 2024 and up to the date of this report:

D Gosnell OBE
R Sharma
N Bull (Resigned 22 May 2024)
J Callaway
S Highfield
H Lu
S Murray
F Philip
J Sigurdsson

20. Publication

This statement will be available at the registered office of the Company, 4th Floor,14 Aldermanbury Square, London, EC2V 7HS. 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 UK adopted 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 19 to the Condensed Consolidated Financial Statements.
By order of the Board,

D Gosnell
Chair
31 July 2024