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Coats Group PLC
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Coats Group plc

2024 Full Year Results

6 March 2025

Strong delivery, exciting medium-term targets with compounding cash and earnings growth

Coats Group plc ('Coats,' the 'Company' or the 'Group'), the world's leading industrial thread and footwear components manufacturer, announces its audited results for the year ended 31 December 2024.

Continuing operations	**2024**	**2023**	Reported	CER
Revenue	1,501m	1,394m	8%	9%
Adjusted [1]				
EBIT[5]	270m	233m	16%	18%
Basic earnings per share	9.5c	8.0c	18%	
Free cash flow	153m	131m		
Net debt (excl. lease liabilities)	449m	384m		
Reported [2]				
EBIT[5]	200m	184m		
Basic earnings per share [4]	5.0c	5.2c		
Net cash generated by operating activities[6]	185m	124m		
Final dividend per share (cents)	2.19c	1.99c		

Strategic Highlights

- Continued outperformance against the industry in Apparel and Footwear - further market share gains[8] (+100bps Apparel and +200bps Footwear)
- Extended global market leadership position in 100% recycled thread products - revenue grew 144% to 405 million, a further significant acceleration in industry adoption
- Strategic projects actions now largely complete - 8 million incremental EBIT to be delivered in 2025 (taking total savings to 75 million)
- Performance Materials Americas manufacturing footprint right-sized in Q4 with the closure of the Toluca site to align to structural softness in North American Yarns - will drive immediate margin improvement
- UK pension de-risking - c.£1.3 billion buy-in delivered in September 2024; now 100% of benefits payable from the scheme insured following a cash payment of £100 million in September 2024; no further cash contributions required
- Once again, received Great Place to Work accolade with the latest survey achieving 94% participation and 90% engagement rate - Coats recognised as one of the top 25 manufacturing and production companies globally

Financial Highlights

- Revenue up 8% on a reported basis and 9% CER:
    - Normalised customer buying patterns versus 2023 which was impacted by industry destocking
    - Apparel and Footwear revenue growth of 13% and 10% respectively
    - Performance Materials (PM) impacted by weakness across all North America end markets; structural softness in North American Yarns
- Group adjusted EBIT margin of 18.0%, ahead of previously announced 2024 margin target of 17%, and despite in-year margin headwinds from PM division
- Adjusted earnings per share growth of 18% to 9.5 cents
- Strong adjusted free cash flow of 153 million - 101% cash conversion[7]

- Net debt (excluding lease liabilities) at 449 million with leverage[3] reduced to 1.5x net debt: EBITDA (ahead of 1.6-1.7x guidance post pensions settlement), comfortably within 1-2x target range and providing significant capacity to support the Group's capital allocation strategy
- Proposed final dividend of 2.19 cents, +10%, reflecting the Board's confidence in growth strategy and future performance

New medium-term targets

- Updated medium-term targets reflect the next stage of delivery:
  - >5% average organic revenue growth
  - EBIT margins to grow to 19-21%
- Expect to generate > 750m adjusted FCF (after interest and tax and before dividend distribution) over next five years which will support an active capital allocation policy, focused on accelerating compound earnings growth:
  - Maintain strong financial position, with leverage at 1-2x
  - Managed investment to sustain organic growth
  - Retain our progressive dividend policy
  - Increasing opportunity to enhance value-creation through acquisitions
  - Additional returns to investors if leverage is expected to fall below 1x net debt:EBITDA for a sustained period
- EPS CAGR of >10% (from 2025 base line) post execution of M&A or share buybacks

Outlook for 2025

Based on current market conditions and normalised customer buying behaviour, we anticipate another year of financial and strategic progress in 2025, in line with market expectations.

This guidance reflects continued organic growth for Apparel and Footwear, in line with the medium- term growth targets for these divisions. Organic growth in Performance Materials is expected to be modest with no expected recovery in the America's Yarns business and a gradual recovery in the Telecoms and Energy business. Margins in 2025 should benefit from further growth, improvement in Performance Materials and the final benefits from strategic projects, which will be balanced in part by some targeted reinvestment to drive long term growth initiatives.

Free cash generation is again expected to be strong in 2025, supporting the Group's capital allocation strategy.

Commenting on the results David Paja, Group Chief Executive, said:

"*We are pleased to have delivered another strong financial performance in 2024, despite wider macroeconomic uncertainties and I would like to thank all Coats employees for this achievement.*

"I joined Coats because it is a global market leader with significant potential for further profitable and cash generative growth. I have now visited almost all our sites worldwide and met employees, customers and shareholders, which has confirmed my views about the exciting opportunity ahead. Our unparalleled customer base, high-quality product portfolio and global footprint, make Coats a true market leader and are a great foundation to build upon. The focus for the next phase of strategic development will be to generate sustainable growth at compelling returns - supported by our financial strength.

Today we are updating our medium-term targets outlining higher performance in our three divisions which, together with our active capital allocation policy, will deliver an acceleration in earnings growth.

I am excited to lead Coats in delivering on these many opportunities for growth and creating further value for all our stakeholders."

Notes:

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. From continuing operations.

5. EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L. Reconciliation between the Adjusted EBIT and Reported EBIT is disclosed in the Financial Review section on page 15.

6. *Excludes £100 million payment in relation to the pension settlement*

7. *Cash conversion defined as adjusted free cash flow divided by normalised attributable profit before exceptional and acquisition items*

8. *Coats' estimates*

Conference Call

Coats Management will present its full year results in a webcast at 9.00am GMT today (Thursday, 6 March, 2025). The webcast can be accessed via https://coats.com/en/investors/investors-overview/ or this Viewing "Coats Group plc - Full Year Results - 6 March 2025". The webcast will also be made available in archive form on www.coats.com.

Enquiry details			
Investors	Anjali Kotak	Coats Group plc	+44 (0) 7880 471 350
Media	Richard Mountain / Nick Hasell	FTI Consulting	+44 (0) 20 3727 1374

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 2024 was 1.5 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 a 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 16,000, 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.

Group Chief Executive's review

Purpose and Strategy

Coats is the world's leading industrial thread and footwear components provider and a pioneer in performance materials. 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 Full Year Results Overview

A world-class industrial business

I would like to begin by thanking Rajiv Sharma for his years of service to Coats and the quality of the business that I have taken over from him. Since joining Coats in September 2024, I have visited almost all of the company's sites and have enjoyed meeting many employees, customers and shareholders. These visits have reinforced my view that Coats is a high-quality industrial business with a strong culture and excellent people. The core strengths of the business include our unparalleled customer relationships, innovative and high-quality products, global footprint, sustainability leadership and financial strength. The business is a great platform for growth with further potential for operational improvement.

As a result of this review of the Group's operations and markets, and after gathering inputs from across the business, I have reflected on the opportunities ahead and, in conjunction with the Board, updated the Group's medium-term targets. Focusing on our existing strong positions, together with a targeted expansion into some attractive near adjacencies in our markets, will underpin continued medium-term organic revenue growth of >5% CAGR. We are also in a strong position to drive Group profitability forward, with a focus on continuous operational improvement. This will deliver higher Group margins over the medium-term of 19-21%, and in turn deliver adjusted cumulative free cash flow of over 750 million (after interest and tax, before dividend distribution) over the next five years and high single-digit organic EPS CAGR.

We believe a strong financial position is key to our long-term ambitions and will continue to maintain our current target leverage ratio of 1-2x net debt:EBITDA. After investing in organic growth, we will continue to use our adjusted free cash flow to maintain a progressive dividend and execute disciplined and accretive M&A to further enhance our position in certain of our markets. With a sustainable step change in cash generation enabled by higher margins and the de-risking of the UK pension position, we believe it is important to be both dynamic and flexible in our approach to capital allocation. As such, we will look to make additional returns to investors if leverage is expected to fall below 1x net debt:EBITDA for a sustained period, supporting our overall ambition to deliver a >10% EPS growth CAGR (from 2025 base line).

2024 results

We have delivered another strong financial performance in 2024, despite wider macroeconomic uncertainties. Group CER revenue increased by 9% in the year, with accelerating growth in Footwear (up 10%) and continued momentum in Apparel (up 13%), partly offset by some ongoing weakness in Performance Materials (down 1%). Customer inventory and buying patterns returned to more normalised levels in Apparel and Footwear. Our strategy of 'Winning with the Winners' continues to align us with key local and global growth brands, and we are also seeing attractive opportunities arising with Chinese and Indian domestic brands. Performance Materials remains an attractive growth business with exposure to multiple industrial end markets which are showing improving trends and good prospects longer term. However, results were affected by structural issues in the North American Yarns business (21% of the division) and destocking at some US telecommunications customers.

After detailed analysis, we took decisive action to address the structural issues in the North American Yarns business at the end of 2024 by right-sizing the Americas footprint and closing our site in Toluca to align it to the latest industry demand trends. While disappointing, it is clear that this was the right course of action given the deterioration in the long-term outlook for North American Yarns.

We have continued to make significant progress against our strategic objectives, and we again increased our market share. In Apparel we estimate our global market share grew in the year to c.26% (2023: c.25%), up c.100bps. In Footwear we estimate our global market share grew by c.200bps to c.29% (2023: c.27%). In Performance Materials, we continued to gain share within the Automotive sector and won new Energy programmes.

The share gains across the Group are testament to the commercial strategy we have been pursuing, and our ability to offer a unique customer proposition. The business has a truly global presence and footprint, delivering customer flexibility and responsiveness for its wide range of high-quality products, enabling customers to trust in Coats to deliver critical, innovative, and sustainable solutions.

We have worked hard to deliver further efficiency savings, and we produced another strong operational performance with adjusted EBIT increasing to 270 million, 18% higher on a CER basis. As a result, we exceeded our 2024 Group adjusted EBIT margin target of 17%, achieving 18% margins for the Group in the year, despite the ongoing headwind from the Performance Materials division. As we look forward, we see this margin level as a new base, from which we can focus on driving sustainable future revenue growth, alongside continued strong cash generation.

This strong margin performance is supported by the Group's strong overall sales growth, savings from our strategic projects, and acquisition-related synergies. Margins expanded significantly within the Apparel and Footwear divisions, which were both well ahead of their original 2024 margin targets. However, within Performance Materials margins were lower year-on-year, and we have already taken steps to address this (as set out above).

Our strategic project actions are now largely complete, and these projects delivered further in-year savings of 10 million, taking the cumulative total to 67 million at the end of 2024. We will deliver a further 8 million of savings in 2025 from the actions that we have taken. These remaining savings will be delivered from the additional footprint projects within the Footwear structural components business. This gives a total of 75 million of efficiencies delivered, for a total cash cost of 50 million.

We have now completed the acquisition-related integration synergies project we began in 2022, which focused on back-office rationalisation and procurement related savings. These synergies delivered 22 million annualised cost savings, double the pre-acquisition expectations of 11 million by 2024.

We have continued to deliver strong cash generation with cash conversion of 101% (2023:101%) and adjusted free cash flow of 153 million (2023: 131 million). This, alongside the ending of pension deficit repair payments in January 2024 and the final de-risking of the UK Pension Scheme in September 2024, underpins our expectation of strong cash generation going forward. Net debt (excluding lease liabilities) at 31 December 2024 was 449 million (31

December 2023: 384 million), with leverage of
1.5x net debt/EBITDA remaining comfortably within our target range of 1-2x net debt/EBITDA and providing significant capacity to support the Group's capital allocation strategy.

Coats is positioned for continued growth and higher margins - updated medium-term targets Coats today is a global market leader in over 85% of our portfolio and able to achieve premium profitability from its scale and product leadership. From this position we are now focused on delivering sustainable growth together with growing returns. We have undertaken a fresh review of our businesses in light of our growth over recent years, our ability to continue to grow market share, as well as latest forecasts for market growth. We have updated our strategy and financial targets which will drive performance in the three divisions.

We expect Coats to grow organic revenue at >5% CAGR (previously c.6%) over the medium-term with Group EBIT margins of 19-21% (previously c.17%). Over a five-year period we expect to generate adjusted free cash (after interest and tax but before dividend distribution) in excess of 750 million which will support an active capital allocation policy focused on accelerating compound earnings growth:

- Maintain strong financial position, with leverage at 1-2x
- Managed investment to sustain organic growth
- Retain our progressive dividend policy
- Increasing opportunity to enhance value-creation through acquisitions
- Additional returns to investors if leverage is expected to fall below 1x net debt:EBITDA for a sustained period

We expect EPS CAGR of >10% (from a 2025 baseline) post M&A or share buybacks.

Medium-term Targets	**Underlying market CAGR**	**Revenue CAGR**	**EBIT%**
Apparel	1-2%	3-4%	>19%
Footwear	4-5%	7-9%	24-26%
Performance Materials	3-4%	6-8%	13-15%
Coats Group	**3%**	**>5%**	**19-21%**
Cumulative adj. FCF (after interest and tax before dividend distribution) > 750 million over 5 years			
Organic EPS[1] CAGR			**HSD%[3]**
Total EPS[1] CAGR[2]			**>10%**

1. From a 2025 baseline

2. Post M&A or share buyback

3. High single digit

The underlying markets in which Coats operates are expected to grow at around 3% p.a. over the medium-term. Coats will be able to continue to grow faster than this supported by share gains from sustainability, innovation and digital. We also see organic growth from certain attractive adjacent markets. These include:

- Coats Digital - software products to help customers optimise production planning and costs
- New market opportunities in Footwear such as woven uppers and structural components for premium leather handbags (lifestyle)
- PPE fabrics and composite tapes for Energy markets in Performance Materials

Together these adjacencies represent an additional addressable market estimated at 1.3 billion growing at >5% CAGR.

Our continued focus on operational performance means we will continue to improve productivity and deliver efficiencies across the business. There is potential to drive the EBIT margin of each division higher, with the greatest opportunity in Performance Materials, benefitting from footprint actions taken, market recovery and a renewed focus on execution from the new management team.

With the expected strong cash generation, and low organic investment needs of the business, we anticipate a more active programme of M&A. We have a good pipeline of targets focused on industry consolidation or from entering one-step adjacencies with common customers or technology platforms. This includes opportunities to enlarge our Footwear division, and also potential targets in Performance Materials as revenue and margins recover.

Should leverage fall below 1x net debt:EBITDA for a sustained period the Board will consider the potential for additional shareholder returns.

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.

Innovation

Innovation remains a core driver of our incremental growth, enabling us to meet evolving market demands with highly-engineered, differentiated solutions. We continue to strengthen our core technology in five areas - textile engineering, surface science, polymer science, fire science, and colour science - through strategic investments in capabilities and talent across our global Innovation hubs and spokes. These platforms not only allow us to solve customer challenges within our existing business but also enable us to enter adjacent markets, expanding our impact and growth potential.

Our commitment to innovation is exemplified by key advancements across all divisions:

*Apparel:*Our focus on material transitions and recycled thread products has yielded exceptional results, with sales of recycled threads growing 144% to 405m. These products underscore our leadership in sustainable innovations.

Footwear: We continue to push the boundaries with Rhenoprint RP 2.0, a breakthrough in lightweight structural components that significantly reduces carbon footprints, enabled by our expertise in process and machine design. Additionally, we are expanding into the footwear woven uppers market, an exciting adjacency where we are leveraging our textile engineering expertise to develop high-performance, breathable, and durable woven uppers.

*Performance Materials:*In the Energy sector, we are pioneering advanced tape solutions that reinforce and protect flexible offshore and onshore pipelines, addressing the need for durability and extreme environmental resistance. Additionally, we are expanding into Personal Protection Equipment (PPE) fabrics, applying our expertise to develop next-generation materials that improve worker safety and comfort.

Sustainability

Sustainability is at the very heart of our strategy at Coats. It encompasses the products we create and sell through innovation, as well as how we manage our operations. Our investment in sustainability, and leadership in sustainable innovation provides a strong competitive advantage with our customers. Brands are increasingly driven by consumer preference, seeking sustainable products with technical excellence and a lower carbon footprint. They also want to align with a supply chain having compliant and sustainable operations. Our ability to meet this demand has driven growth in market share and is a foundation for future growth and competitiveness, with an increasing portion of our sales now stemming from products made with recycled or preferred materials.

Our long-term commitment is to be Net Zero by 2050, with ambitious 2030 goals to reduce our scope 1 and 2 emissions by 46%, and our scope 3 emissions by 33%, compared to the 2019 baseline. By 2030 we also aim to have 70% of our global energy consumption from renewables. Our near and long-term emissions reduction targets were validated in 2024 by the Science Based Targets initiative (SBTi), and we remain on track to achieve them. The improvements are underpinned by the transition to recycled, circular, or bio-based materials, by transitioning to renewable electricity, and by driving energy reduction initiatives across all divisions.

In March 2023, we announced new and challenging interim sustainability targets for 2026 and we have made good progress in 2024.

Since our 2022 baseline, Coats has reduced Scope 1 & 2 absolute emissions by 51%, and 74% of our electricity consumption is now green certified, a marked increase from 29% in the 2022 baseline year. The key highlights in 2024 include two new industrial solar panel installations at our thread manufacturing unit in Chittagong, Bangladesh, and at our Footwear Components production unit in Pleret, Indonesia. Together, the new installations are capable of generating up to 1,750,000 kWH of solar electricity each year.

Reflecting the progress we have made driving sustainability, we received a Carbon Disclosure Project (CDP) Climate Change rating in February 2025 of B and Water rating of A-.

We remain the clear global market leader in the sale of 100% recycled thread products, and we have again delivered further strong growth. As customers continue their transition to sustainable materials, we have scaled up our recycled product offering, broadening the range from premium threads to all product types, and we have seen an acceleration in demand for these products. In the year, revenue increased by 144% on a CER basis to 405 million (2023: 172 million). The proportion of preferred materials within our overall production also increased during the period to 46%, (December 2023: 35%), driven by increased recycled polyester fibres and filaments in our thread products. Our target is to transition to 60% of preferred primary raw materials by 2026.

Our commitment to diversity, inclusion, and belonging is a foundation of our people strategy at Coats with our "Coats for All" and "Coats for Her" programmes driving significant positive momentum in this critical area. We made substantial progress in female representation in senior leadership roles, increasing from 19% in 2022 to 30% in 2024, achieving our 2026 target two years early.

This year, we are also proud to report that 95% of our workforce is covered by country-level Great Place to Work (GPTW) certification, and in the latest survey we received 94% participation and a 90% engagement rate, a testament to our ongoing efforts to create a positive and inclusive work environment. Additionally, we have been recognised by GPTW as one of the top 25 manufacturing and production companies globally.

Digital

Our digital offering is another differentiator and enhancing our global digital infrastructure and capability is a key piece of our strategy.

We are accelerating our vision to build a digital platform that creates end-to-end superior customer value for manufacturers and brands globally, spanning across product selection, sampling, ordering, tracking, customer service and payment management.

In 2024, over 80% of customer orders in Apparel were processed through our leading ShopCoats platform, with improved customer satisfaction and growth from new digital features such as the ShopCoats mobile app. The app allows orders to be placed anywhere anytime, increased visibility to our available inventories, improved technical support through our TechConnect solution which enables our customers to seek real-time online support for issues encountered; and for China, the launch of an online store on WeChat.

Coats Digital, our software products business, offers industry-leading productivity solutions to manufacturers and brands by bringing transparency and standardisation to the calculation of production costs across the value chain, and enabling manufacturers to plan their production lines more effectively to cope with frequent order changes. In an increasingly volatile, uncertain and complex world, in which speed, productivity, operational and cost efficiency are terms of trade, our solutions are increasingly becoming the software of choice. In 2024, Coats Digital reported top-line revenue growth of 21% (11 million), a 50% increase in order bookings, and a 12% rise in annual recurring revenue.

Dividend

We have delivered a strong financial performance, including strong revenue growth, an increased margin and strong levels of free cash flow. Additionally, with the UK pension fully de-risked, 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.

With these factors in mind, the Board has decided to propose a final dividend of 2.19 cents per share, a 10% increase on the prior year. This equates to a full year dividend of 3.12 cents per share, an increase of 11%. Subject to approval at the AGM, the final dividend will be paid on 29 May 2025 to ordinary shareholders on the register at 2 May 2025, with an ex-dividend date of 1 May 2025.

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.

Operating Review

	FY2024	**FY2023**	**FY2023 CER[1]**	**Inc / (dec)**	**CER[1] inc / (dec)**
Continuing operations	**m**	**m**	**m**	**%**	**%**
Revenue					
By division					
Apparel	770	689	678	12%	13%
Footwear	403	368	368	10%	10%
Performance Materials	328	336	330	-3%	-1%
Total	**1,501**	**1,394**	**1,377**	**8%**	**9%**
By region					
Asia	964	823	818	17%	18%
Americas	234	246	248	-5%	-5%
EMEA	302	325	310	-7%	-3%
Total	**1,501**	**1,394**	**1,377**	**8%**	**9%**
Adjusted EBIT [2,3]					
By division					
Apparel	151	120	118	25%	28%
Footwear	95	84	84	13%	13%
Performance Materials	24	29	28	-16%	-12%
Total adjusted EBIT	**270**	**233**	**229**	**16%**	**18%**
Exceptional and acquisition related items	-70	-49			
EBIT[3]	**200**	**184**			
Adjusted EBIT [2,3]					
By division					
Apparel	19.6%	17.5%	17.4%	210 bps	220 bps
Footwear	23.5%	22.8%	22.8%	70 bps	70 bps
Performance Materials	7.4%	8.6%	8.4%	(120 bps)	(100 bps)
Total	**18.0%**	**16.7%**	**16.7%**	**120 bps**	**130 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 *EBIT (Earnings before interest and tax) relates to Operating Profit as shown on the face of the P/L.*

2024 Operating Results Overview

Group revenue of 1,501 million increased 8% on a reported basis and 9% on a CER basis. We continued to see the recovery from the widespread industry destocking in Apparel and Footwear which was reflected in softer prior year comparators, partly offset by ongoing weakness in Performance Materials.

Group adjusted EBIT of 270 million increased by 18% on a CER basis (2023: 229 million on a CER basis), largely driven by improved revenue performance and continued benefits from strategic projects and acquisition synergies. 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 130bps to 18.0% (2023: 16.7% on a CER basis), ahead of our stated 2024 Group adjusted EBIT margin target of 17%.

On a reported basis EBIT was 200 million (2023: 184 million), after 70 million of exceptional and acquisition-related items (2023: 49 million) which predominantly relate to the execution of our strategic projects, delivery of the 2022 footwear acquisitions synergies, as well as the recent decision to right- size our North American Yarns footprint to the medium-term demand trends.

Adjusted earnings per share ('EPS') increased by 18% to 9.5 cents (2023: 8.0 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 5.0 cents (2023: 5.2 cents) was broadly flat year-on-year due to the higher level of exceptional and acquisition-related items as we completed our actions from our strategic project initiatives and acquisition integration activities. Exceptional related items are expected to be significantly reduced going forward due to the completion of these actions during 2024.

Our Group cash performance was strong with adjusted free cash flow of 153 million (2023: 131 million) as we returned to normalised levels of working capital alongside ongoing market recovery. This cash performance represented a cash conversion level of 101% (2023: 101%) and reflects our ability to deliver high quality of earnings, and cash flow efficiencies, whilst continuing to deliver top-line growth, together with some one-off timing benefits such as tax payments and VAT receipts.

Our Balance Sheet remains in a strong position, with net debt (excluding lease liabilities) of 449 million (December 2023: 384 million), and leverage of 1.5x. Leverage was flat year-on-year despite the £100 million contribution made to complete the remaining 80% buy-in of the UK pension scheme liabilities during the year.

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 services and software, and our portfolio of world-class products and services provide exceptional value creation for our customers, brands and retailers.

Revenue of 770 million (2023: 689 million) was up 13% on a CER basis (12% reported). As previously guided we saw 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, particularly in the first half of the year.

The Apparel business continues to benefit from market share gains (2024 market share c.26% vs c.25% in 2023). 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 normalising, our strong market position, agile supply chain, global presence, differentiation at scale and focus winning brands and manufacturers provide further opportunities for growth and market share gains.

Adjusted EBIT of 151 million (2023: 120 million) increased 28% versus the prior year on a CER basis. The adjusted EBIT margin was 220bps higher at 19.6% on a CER basis (2023: 17.5% reported), which is well ahead of our 2024 margin target of 15-16%. This was driven by improving volumes, alongside continued savings from our strategic projects, ongoing procurement benefits, and some foreign exchange gains. Excluding these foreign exchange gains, underlying margins were around 19%.

Over the medium-term we expect Apparel to grow at a 3-4% CAGR, ahead of underlying market growth at 1-2% with market share gains and new organic adjacencies driving the outperformance. Continued market share gains will come from our deep customers relationships and our position as leader in sustainability, innovation and digital. We see opportunities in the China and India domestic markets with the growing middle class and opportunities to drive our fashion technology business Coats Digital. We expect the medium-term EBIT margin to be >19%.

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 as well as structural components for premium leather *handbags (lifestyle).*

Footwear revenue increased 10% to 403 million (2023: 368 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 contributed to weaker comparators through most of 2024), albeit the recovery profile has been slightly behind that of the Apparel division, as previously reported.

Our Footwear division has a focus on innovation and sustainability, and this year we have introduced new products and technologies that meet environmental sustainability criteria, aligned with market and customer needs. Our combined capability as Coats Footwear has accelerated this process. Not only do we have a broad portfolio, but we also have a strong focus on fast-growth sports and athleisure brands which attract premium pricing. Our longstanding partnerships with leading brands enables our growth to be ahead of the market. We have also continued to deliver share gains and new programme wins taking our estimated market share to 29% (2023 market share c.27%), strengthening our position as a trusted partner for the footwear industry. We continue investing in dedicated resources to key brands and retailer and sustainable innovation capabilities.

Part of the strategic rationale for combining the three footwear businesses (Coats' existing Footwear thread business, Texon and Rhenoflex), has been to enable cross-selling of 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 and we are pleased with the progress in 2024. We are now seeing the benefits of this, and in the period succeeded in cross-selling our products to two large well-known European sports brands, as well as a leading US brand.

Adjusted EBIT of 95 million (2023: 84 million) with adjusted EBIT margin 70bps higher at 23.5% on a CER basis, significantly in excess of our 2024 margin target of >20%, driven by a combination of improved volumes, strong commercial delivery and continued benefits from the acquisition integration synergies. Acquisition integration has focused on commercial and general & administrative costs, as well as on procurement, and consequently we have delivered 22 million of annualised efficiency savings (significantly ahead of our initial guidance of 11 million savings). During the second half of the year we commenced some consolidation of sites within Europe to drive improved operating efficiencies. We also expanded our Indonesia operations to provide greater capacity in this fast growing footwear market which is becoming increasingly important to our customer and supplier base.

Over the medium-term we expect Footwear to grow at a 7-9% CAGR, ahead of underlying market growth at 4-5% with market share gains and organic expansion into adjacencies driving the outperformance. Market share gains will come from our position as leader in sustainability, innovation and digital. We see opportunities to cross sell to customers in legacy thread or structural components businesses and in the China domestic market. We will also focus on structural components and threads for lifestyle products. We expect the medium-term EBIT margin to be in 24-26% range.

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 textile engineering we incorporate specific design features to provide highly engineered solutions for our customers. The division operates across Personal Protection Equipment (PPE), Telecom & Energy and Industrials. PPE offers multi- hazard industrial applications for industrial thermal protection, firefighting and military wear. Telecom & Energy provides products and solutions for fibre optic cables and oil & gas pipeline sectors. Industrials 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.

PM is structured as three sub-segments: PPE (38% of 2024 divisional revenue) which includes both the American yarns business and PPE threads and fabrics, Telecom & Energy (17% of 2024 divisional revenue) and Industrials (45% of 2024 divisional revenue).

PM revenue declined 1% to 328 million (2023: 336 million) on a CER basis (3% decline on a reported basis), with PPE flat on a CER basis, Telecom & Energy decreasing by 7% (CER) against particularly strong comparators, and Industrials increasing by 1% (CER). As previously disclosed there have been issues in some US markets as well as destocking at some US telecommunication customers in Telecoms & Energy.

Adjusted EBIT was 12% lower vs 2023 on a CER basis at 24 million (2023: 29 million). Adjusted EBIT margins were 7.4% (2023: 8.6% reported), below the 2024 margin target of 13-14%, reflecting the softness of our end markets (which we expect to continue in 2025) as well as the under-utilisation of our footprint in Mexico. Action has been taken to right-size the footprint capacity in Mexico in relation to the changing medium-term demand dynamics in the North American Yarns business with the announcement of the closure of the Toluca facility in December 2024. 2024 PM EBIT margins included c. 6 million of under-recovered costs in relation to the US / Mexico plant transitions, which will no longer be incurred following the decision to close the Toluca plant. Although actions taken in Toluca will yield immediate benefits, the progression of the margin will be dependent on volume recovery in yarns and benefits, the progression of the margin will be dependent on volume recovery in yarns and stabilisation of the macroeconomic environment in Turkey.

Medium-term revenue growth potential is expected to be high single digits for PPE which reflects lower growth potential for North American Yarns offset by the higher growth PPE threads and fabrics business, low double-digits for Telecom & Energy (underlying market growth of >5% CAGR), and growth in line with global GDP for Industrials. The overall medium-term revenue growth target for the division is a 6-8% CAGR and we expect the EBIT margin to reach 13-15% in the medium-term through a combination of operational improvements, market recovery in Industrials and Telecom and growth initiatives in composite tapes for the Energy markets and PPE fabrics.

Financial Review

Revenue

Group revenue from continuing operations increased 8% on a reported basis and 9% 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 18% to 270 million and adjusted EBIT margins increased 130bps to 18.0%. The table sets out the movement in adjusted EBIT during the year.

	m	Margin %
2023 adjusted EBIT	**233**	**16.7%**
Volumes impact (direct and indirect)	37	
Price/mix	11	
Raw material deflation	9	
Labour inflation	(22)	
Other inflation (incl. energy / freight)	(9)	
Productivity benefits (manufacturing and sourcing)	25	
Strategic projects savings	10	
Increased incentive payments (SD&A)	(10)	
Other SD&A increases	(16)	
Others	(5)	
Texon and Rhenoflex synergies	6	
2024 adjusted EBIT	**270**	**18.0%**
Exceptional and acquisition related items	(70)	
2024 reported EBIT	**200**	

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 2024 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 as the benefits of easing raw material costs seen during 2023 and H1 2024 have largely now ended. Other cost categories such as freight and energy have returned to an inflationary trend, and labour inflation has maintained throughout and remains at relatively normal levels. Overall, our ability to deliver price gains and continue to generate productivity benefits has again 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. This increase is 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, as well as higher incentive payouts due to the strong financial performance in the year. We have also benefited from a further 10 million of efficiency savings (total savings to date are 67 million), in relation to our strategic projects announced in March 2022, for which the actions are now largely complete as planned during 2024. Our 2022 acquisitions, Texon and Rhenoflex, will deliver a total of 22 million of annualised synergy benefits with 6 million of incremental benefits versus 2023.

The Group's adjusted EBIT margins increased by 130bps to 18.0% on a CER basis (2023: 16.7%), 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 200 million (2023: 184 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. During the year, 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 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 2025 (excluding any future hyperinflation impact in Turkey, which cannot be forecasted with accuracy).

Non-operating Results

Adjusted EPS increased by 18% year-on-year to 9.5 cents (2023: 8.0 cents), supported by a return to growth in Apparel and Footwear during the year. Interest costs were broadly flat year-on-year, despite the higher net debt due to the UK pensions settlement payment, as we managed our cash position well throughout the year. Our effective tax rate remained well controlled, alongside a marginal increase in profit attributable to minority interests as a result of strong operational performance in Vietnam and Bangladesh. Reported EPS of 5.0 cents (2023: 5.2 cents) was broadly flat year-on-year as improved trading performance was offset by higher exceptional items as we largely completed our strategic project and acquisition integration actions.

The adjusted taxation charge for the year was 70 million (2023: 58 million). Excluding the impact of exceptional and acquisition-related items, the effective tax rate on pre-tax profit remained at 29% (2023: 29%), in line with our guidance. The reported tax rate for the year was 42% (2023: 35%), after exceptional and acquisition related items.

Exceptional and Acquisition-related Items

Net exceptional and acquisition-related items before taxation were 70 million (2023: 49 million). These include 27 million of restructuring costs in relation to the remaining actions on our strategic projects, 15 million of costs in relation to the closure of the Toluca site, Footwear integration synergy costs of 1 million, UK pension related costs of 2 million, and other acquisition-related items of 25 million.

Strategic project costs of 27 million relate to the strategic initiatives commenced during 2022; and primarily consist of severance costs of 7 million, legal / advisor / closure costs of 12 million, and non- cash asset impairments of 8 million. These costs have supported the acceleration of project benefits, with 10 million of incremental adjusted EBIT delivered in the year (with 67 million incremental savings on the projects to date). These costs include the activities in relation to our Footwear division footprint transition in Europe where we are consolidating two sites into one in order to drive operating efficiencies, and the expansion of our Indonesian operations in a strong footwear industry growth market.

A 15 million charge was incurred in relation to the rightsizing of the North American Yarns footprint (Toluca) to align to long-term demand expectations, and consisted of 1 million of severance costs, 10 million of non-cash impairment charges on PPE and right-of-use lease facilities and 5 million of advisor / decommissioning fees. Expected cash costs of this closure are 8 million.

A further 1 million of costs have been incurred in relation to the delivery of the Footwear acquisition synergies, which has now yielded annualised savings of 22 million, significantly ahead of the original 11 million target.

Other acquisition-related items of 25 million consisted of the amortisation charges from the recognised intangible assets from the Texon and Rhenoflex acquisitions, and the amortisation of intangible assets acquired with previous acquisitions.

Exceptional P&L costs in 2025 in relation to strategic projects and the footwear acquisition synergies are expected to be minimal, following completion of the actions in respect of those initiatives. The remaining cash exceptional costs of up to around 7 million (net of property proceeds) in relation to the strategic project actions are expected to be incurred in 2025, keeping overall project cash costs within the 50 million total project guidance for 75 million total savings. In addition, the remaining cash costs in relation to the Toluca plant closure of around 6 million will be incurred in 2025.

Cash flow

The Group delivered a strong adjusted free cash flow of 153 million (2023: 131 million), driven by improved profitability as a result of market recovery and a return to normalised levels of working capital, as well as some one-off timing benefits such as tax payments and VAT receipts. Adjusted free cash flow is measured before acquisitions, disposals and dividends, and excludes exceptional items.

We have continued to manage net working capital closely, with a focus on inventory (inventory days down by four days during the year), 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 28 million (2023: 31 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 2025 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 18 million (2023: 20 million) were paid, as cash was repatriated from those relevant overseas entities to the Group. Tax paid was 71 million (2023: 61 million). Interest paid was 32 million (2023: 34 million).

The Group delivered an overall free cash outflow of 58 million (2023: 15 million inflow). This primarily reflects the adjusted free cash inflow of 153 million, offset by:

- Exceptional and other non-recurring, mainly relating to strategic projects of 21 million;
- UK pension settlement of £100 million (128 million);
- Dividend payments of 46 million.

Net debt (excluding lease liabilities) at 31 December 2024 was 449 million (31 December 2023: 384 million). Including lease liabilities, net debt was 533 million (31 December 2023: 471 million).

UK pension update

As referred to above, in September we announced that the trustee of the Coats UK Pension Scheme (the "scheme") purchased a c.£1.3 billion (1.7 billion) bulk annuity policy ("buy-in") from Pension Insurance Corporation plc ("PIC") which insures benefits payable under the scheme in respect of the remaining 80% of the scheme's liabilities. This is further to the purchase of a bulk annuity policy for 20% of the scheme liabilities in December 2022.

As a result of the buy-in, all the financial and demographic risks relating to the scheme's liabilities are now fully hedged, with the two policies paying the scheme a regular stream of income that matches its pension payments to all members.

This buy-in is the final and most significant step in Coats fully insuring its UK pension obligations. Subject to customary post-transaction data reconciliations and the scheme liquidating certain assets in order to meet a deferred element of the PIC premium, it will also give Coats the option to remove the scheme fully from the Group balance sheet in the future at very limited further administrative cost.

The agreement with PIC is anticipated to require up to c.£100 million (128 million) of additional funding from the Group, with Coats making a £70 million (90 million) upfront cash contribution to the scheme and a further £30 million (38 million) provided initially as a loan to the scheme. The £100 million cash contribution was made in H2 2024.

As previously reported, deficit repair contributions to the scheme, of around 30 million per annum, were temporarily switched off in January 2024 and will now permanently cease as a result of this agreement.

Balance sheet and liquidity

Group net debt (excluding lease liabilities) at 31 December 2024 was 449 million (533 million including lease liabilities), which was above 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 the UK pensions settlement during H2.

During 2024, we successfully refinanced our revolving credit facility with our banks (increased by 60 million to 420 million) and replaced the original 125 million 2017 tranche of USPP notes with 250 million 6-to-10-year notes at attractive investment grade rates. This leaves our total committed debt facilities at 1,020 million with well diversified source and tenor; being 420 million revolving credit facility, and 600 million USPP notes (with a range of remaining tenors between 3 and 10 years). The committed headroom on our banking facilities was approximately 420 million at 31 December 2024.

At 31 December 2024, our leverage ratio (net debt to EBITDA; both excluding lease liabilities) 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 31 December 2024 which was 11.4x, with a covenant limit of greater than 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 30 June 2026, 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.

Coats Group plc

Consolidated income statement

For the year ended 31 December	Before	Exceptional	2024	Before	Exceptional	2023

	Notes	exceptional and acquisition related items US m	and acquisition related items (see note 3) US m	Total US m	exceptional and acquisition related items US m	and acquisition related items (see note 3) US m	Total US m
Continuing operations							
Revenue		**1,500.9**	**-**	**1,500.9**	1,394.2	-	1,394.2
Cost of sales		**(953.1)**	**(36.8)**	**(989.9)**	(910.9)	(18.2)	(929.1)
Gross profit		**547.8**	**(36.8)**	**511.0**	483.3	(18.2)	465.1
Distribution costs		**(122.3)**	**(1.5)**	**(123.8)**	(115.9)	(2.6)	(118.5)
Administrative expenses		**(155.9)**	**(31.5)**	**(187.4)**	(134.0)	(34.4)	(168.4)
Other operating income		**-**	**-**	**-**	-	5.8	5.8
Operating profit		**269.6**	**(69.8)**	**199.8**	233.4	(49.4)	184.0
Share of profits of joint ventures		**1.9**	**-**	**1.9**	1.1	-	1.1
Finance income	**4**	**3.1**	**-**	**3.1**	4.6	-	4.6
Finance costs	**5**	**(32.7)**	**-**	**(32.7)**	(33.9)	-	(33.9)
Profit before taxation		**241.9**	**(69.8)**	**172.1**	205.2	(49.4)	155.8
Taxation	**6**	**(70.1)**	**(1.8)**	**(71.9)**	(57.9)	2.9	(55.0)
Profit from continuing operations		**171.8**	**(71.6)**	**100.2**	147.3	(46.5)	100.8
Loss from discontinued operations	**12**	**-**	**(0.5)**	**(0.5)**	(1.3)	(25.4)	(26.7)
Profit for the year		**171.8**	**(72.1)**	**99.7**	146.0	(71.9)	74.1
Attributable to:							
EQUITY SHAREHOLDERS OF THE COMPANY		**152.2**	**(72.1)**	**80.1**	127.8	(71.3)	56.5
Non-controlling interests		**19.6**	**-**	**19.6**	18.2	(0.6)	17.6
		171.8	**(72.1)**	**99.7**	146.0	(71.9)	74.1
Earnings per share (cents)	**7**						
Continuing operations:							
Basic				**5.03**			5.18
Diluted				**4.96**			5.13
Continuing and discontinued operations:							
Basic				**4.99**			3.52
Diluted				**4.93**			3.48
Adjusted earnings per share	**13 (d)**	**9.49**			8.04		

Coats Group plc

Consolidated statement of comprehensive income

Year ended 31 December	**2024 US m**	2023 US m
Profit for the year	**99.7**	74.1
Items that will not be reclassified subsequently to profit or loss:		
Remeasurements of defined benefit schemes (note 14)	**(225.1)**	(70.8)
Tax on items that will not be reclassified	**(0.6)**	(0.2)
	(225.7)	(71.0)

Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	**(20.4)**	(0.4)
Remeasurement of equity investment at fair value	**-**	(6.7)
	(20.4)	(7.1)
Items reclassified to profit or loss:		
Exchange differences transferred to income statement on sale of business	**-**	6.6
Other comprehensive income and expense for the year	**(246.1)**	(71.5)
Net comprehensive income and expense for the year	**(146.4)**	2.6

Attributable to:		
EQUITY SHAREHOLDERS OF THE COMPANY	**(165.6)**	(14.3)
Non-controlling interests	**19.2**	16.9
	(146.4)	2.6

Coats Group plc

Consolidated statement of financial position

	Notes	**31 December 2024 US m**	31 December 2023 US m
Non-current assets			
Goodwill		**120.4**	126.1
Other intangible assets		**443.5**	470.7
Property, plant and equipment		**226.3**	243.2
Right-of-use assets		**68.9**	74.4
Investments in joint ventures		**13.7**	12.8
Other equity investments		**0.6**	0.9
Deferred tax assets		**13.6**	18.0
Pension surpluses	**14**	**44.0**	148.2
Loan receivable	**14**	**38.3**	-
Trade and other receivables		**25.0**	19.5
		994.3	1,113.8
Current assets			
Inventories		**176.1**	173.5
Trade and other receivables		**292.2**	292.0
Pension surpluses	**14**	**1.5**	1.6
Cash and cash equivalents	**11 (g)**	**146.0**	132.4
Non-current assets classified as held for sale		**0.6**	1.0
		616.4	600.5
Total assets		**1,610.7**	1,714.3
Current liabilities			
Trade and other payables		**(299.2)**	(285.6)
Income tax liabilities		**(49.5)**	(45.5)
Bank overdrafts and other borrowings	**11 (g)**	**(0.2)**	(144.3)
Lease liabilities	**11 (g)**	**(16.6)**	(17.5)
Retirement benefit obligations:			
- Funded schemes	**14**	**(0.4)**	(0.8)
- Unfunded schemes	**14**	**(7.5)**	(7.7)
Provisions		**(26.5)**	(17.1)
		(399.9)	(518.5)
Net current assets		**216.5**	82.0
Non-current liabilities			
Trade and other payables		**(7.4)**	(3.2)
Deferred tax liabilities		**(58.0)**	(63.9)
Borrowings	**11 (g)**	**(595.1)**	(372.2)
Lease liabilities	**11 (g)**	**(66.6)**	(69.3)
Retirement benefit obligations:			
- Funded schemes	**14**	**(14.4)**	(2.9)
- Unfunded schemes	**14**	**(65.6)**	(75.6)
Provisions		**(25.1)**	(19.3)
		(832.2)	(606.4)

Total liabilities		**(1,232.1)**	(1,124.9)
Net assets		**378.6**	589.4
Equity			
Share capital	8	**99.0**	99.0
Share premium account		**111.4**	111.4
Own shares	8	**(5.3)**	(6.1)
Translation reserve		**(129.7)**	(109.7)
Capital reduction reserve		**59.8**	59.8
Other reserves		**246.3**	246.3
Retained (loss)/profit		**(35.4)**	157.4
EQUITY SHAREHOLDERS' FUNDS		**346.1**	558.1
Non-controlling interests		**32.5**	31.3
Total equity		**378.6**	589.4

Coats Group plc
Consolidated statement of changes in equity

For the year ended 31 December 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/ (loss) profit US m	Total US m	Non-controlling interests US m	Total equity US m
Balance as at 1 January 2023	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 Employment 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	**99.0**	**111.4**	**(6.1)**	**(109.7)**	**59.8**	**246.3**	**157.4**	**558.1**	**31.3**	**589.4**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**80.1**	**80.1**	**19.6**	**99.7**
Other comprehensive income and expense for the year	**-**	**-**	**-**	**(20.0)**	**-**	**-**	**(225.7)**	**(245.7)**	**(0.4)**	**(246.1)**
Dividends	**-**	**-**	**-**	**-**	**-**	**-**	**(46.5)**	**(46.5)**	**(18.0)**	**(64.5)**
Purchase of own shares by Employee Benefit Trust	**-**	**-**	**(8.7)**	**-**	**-**	**-**	**-**	**(8.7)**	**-**	**(8.7)**
Movement in own shares	**-**	**-**	**9.5**	**-**	**-**	**-**	**(8.6)**	**0.9**	**-**	**0.9**
Share based payments	**-**	**-**	**-**	**-**	**-**	**-**	**7.9**	**7.9**	**-**	**7.9**
Balance as at 31 December 2024	**99.0**	**111.4**	**(5.3)**	**(129.7)**	**59.8**	**246.3**	**(35.4)**	**346.1**	**32.5**	**378.6**

Coats Group plc

Consolidated statement of cash flows

For the year ended 31 December	**Note**	**2024 US m**	2023 US m
Cash inflow from operating activities			
Cash generated from operations	**11 (a)**	**196.7**	217.3

Cash generated from operations	11 (a)	196.7	217.3
Interest paid	**11 (b)**	**(31.5)**	(33.7)
Taxation paid	**11 (c)**	**(69.4)**	(59.7)
Net cash generated by operating activities		**95.8**	123.9
Cash outflow from investing activities			
Investment income	**11 (d)**	**1.0**	0.6
Net capital expenditure and financial investment	**11 (e)**	**(24.0)**	(19.7)
Disposal of businesses	**11 (f)**	**-**	(1.2)
Loan made to UK Pension Scheme	**11 (a)**	**(38.3)**	-
Net cash absorbed in investing activities		**(61.3)**	(20.3)
Cash inflow/(outflow) from financing activities			
Purchase of own shares by Employee Benefit Trust		**(8.7)**	(10.1)
Dividends paid to equity shareholders		**(46.2)**	(40.3)
Dividends paid to non-controlling interests		**(18.0)**	(19.7)
Payment of lease liabilities		**(19.2)**	(18.5)
Repayment of term loan acquisition facility		**-**	(240.0)
Issue of senior notes		**248.7**	248.6
Repayment of senior notes		**(125.0)**	-
Net decrease in other borrowings		**(28.0)**	(67.0)
Net cash generated from/(absorbed in) financing activities		**3.6**	(147.0)
Net increase/(decrease) in cash and cash equivalents		**38.1**	(43.4)
Net cash and cash equivalents at beginning of the year		**111.5**	157.7
Foreign exchange losses on cash and cash equivalents		**(3.8)**	(2.8)
Net cash and cash equivalents at end of the year	**11 (g)**	**145.8**	111.5
Reconciliation of net cash flow to movement in net debt			
Net increase/(decrease) in cash and cash equivalents		**38.1**	(43.4)
Repayment of term loan acquisition facility		**-**	240.0
Issue of senior notes		**(248.7)**	(248.6)
Repayment of senior notes		**125.0**	-
Net decrease in other borrowings		**28.0**	67.0
Change in net debt resulting from cash flows (Free cash flow)	**13 (e)**	**(57.6)**	15.0
Net movement in lease liabilities during the year		**1.0**	17.5
Movement in fair value hedges		**(1.6)**	(1.2)
Other non-cash movements		**(2.2)**	(1.5)
Foreign exchange losses		**(1.2)**	(0.9)
(Increase)/decrease in net debt		**(61.6)**	28.9
Net debt at the start of the year		**(470.9)**	(499.8)
Net debt at the end of the year	**11 (g)**	**(532.5)**	(470.9)

Notes to the consolidated financial information for the year ended 31 December 2024

1. Basis of preparation

The financial information set out in this statement does not constitute the Coats Group plc's statutory accounts for the years ended 31 December 2024 or 2023. The financial information for the year ended 31 December 2023 and 2024 is derived from the statutory accounts for 2023 (which have been delivered to the Registrar of Companies) and 2024 (which will be delivered to the Registrar of Companies following the AGM in May 2025). The auditors have reported on the 2023 and 2024 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Sections 498(2) or 498(3) of the Companies Act 2006.

The Group's financial statements for the year ended 31 December 2024 have been prepared in accordance with United Kingdom adopted international accounting standards and with the requirements of the Companies Act 2006, and complies with the disclosure requirements of the Listing Rules of the UK Financial Conduct Authority. The accounting policies adopted by the Group are consistent with those set out in the 2023 Annual Report. A full list of accounting policies will be presented in the 2024 Annual Report. For details of new accounting policies applicable to the Group in 2024 and their impact please refer below.

Whilst the financial information included in this statement has been compiled in accordance with the recognition and measurement principles of applicable United Kingdom adopted international accounting standards ('IFRS'), this statement does not itself contain sufficient information to comply with IFRS. Full financial statements that comply with IFRS are included in the 2024 Annual Report; these will be available to shareholders in March 2025.

Critical accounting judgements and key sources of estimation uncertainty

The principal accounting policies adopted by the Group are set out in the 2024 Annual Report. Certain of the Group's accounting policies inherently rely on subjective assumptions and judgements, such that it is possible over time the actual results could differ from the estimates based on the assumptions and judgements used by the Group. Due to the size of the amounts involved, changes in the assumptions relating to the following policies could potentially have a significant impact on the result for the year and/or the carrying values of assets and liabilities in the consolidated financial statements.

Critical judgements in applying the Group's accounting policies

In the course of preparing the financial statements, the critical judgement set out below has had a significant effect on the amounts recognised in the financial statements for the year ended 31 December 2024.

Exceptional and acquisition related items

Judgement is used to determine those items which should be separately disclosed as exceptional and acquisition related items to provide valuable additional information for users of the financial statements in understanding the Group's performance. This judgement includes assessment of whether an item is of sufficient size or of a nature that is not consistent with normal trading activities. Please see note 3 for further details.

This critical accounting judgement made by management in applying the Group's accounting policies also applied to the consolidated financial statements for the year ended 31 December 2023.

In addition, in the course of preparing the financial statements for the year ended 31 December 2023, critical accounting judgements were made by management in relation to the recognition of the surplus in the UK pension scheme and discontinued operations. These were not critical accounting judgements which had a significant effect on the amounts recognised in the financial statements for the year ended 31 December 2024.

Discontinued operations

In management's judgement the European Zips business which was sold in August 2023 represented a separate major line of business and therefore its results for 2023 were presented as a discontinued operation.

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.

If the Group had concluded that the disposal of the European Zips business did not represent a discontinued operation, the Group's revenue and operating profit before exceptional and acquisition related items from continuing operations for the year ended 31 December 2023 would have been 1,419.5 million and 232.1 million respectively.

Key sources of estimation uncertainty

There are no sources of estimation uncertainty at the 31 December 2024 balance sheet date, that may have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

At 31 December 2023 key assumptions were made in the determination of UK pension scheme defined benefit obligations which represented a key source of estimation uncertainty. These key assumptions were discount rates, beneficiary mortality and inflation rates. Changes in any or all of these assumptions could have materially changed scheme liabilities. However, as set out in note 14, as a result of buy-ins, all the financial and demographic risks relating to the UK pension scheme's liabilities are fully hedged at 31 December 2024. Future changes in scheme liabilities due to movements in discount and inflation rates would have fully offsetting impacts from the buy-in assets. Accordingly, the net UK pension amount recognised in the consolidated statement of financial position will not change in the future as a result of changes in any or all of these assumptions.

Other areas of estimation uncertainty

Other areas of estimation uncertainty include the assumptions used in determining the value in use for the US and Mexico cash generating unit ("CGU"). A change in key revenue and margin growth assumptions could result in a change in the assessed recoverable amount of the CGU. The impact of sensitivities on key assumptions are set out below.

Revenue growth and operating margin improvement assumptions in 2028-2029 for the US and Mexico CGU are as follows:

	Revenue growth 2028 %	Revenue growth 2029 %	Operating margin improvement 2028 %	Operating margin improvement 2029 %	Terminal value growth rate %
US and Mexico CGU	**3.3**	**3.3**	**0.6**	**0.4**	**1.9**

The following scenarios would result in headroom being completely eliminated in the US and Mexico CGU value in use impairment assessment:

- the discount rate increasing by 340 bps; or
- revenue CAGR for 2025-2029 decreasing to 2%; or
- operating margin for 2029 and the terminal period decreasing by 230 bps.

New IFRS accounting standards, interpretations and amendments adopted in the year

Except for the changes arising from the adoption of new accounting standards, interpretations and amendments (as detailed below), the same accounting policies, presentation and methods of computation have been followed in the financial information set out in this statement as applied in the Group's annual financial statements for the year ended 31 December 2023.

During the year, the Group adopted the following standards, interpretations and amendments:

- 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.

Discontinued operations

On 30 June 2023 the Group entered into an agreement to sell its European Zips business to Aequita, a German family office. The sale was completed on 31 August 2023, the date which control passed to the acquirer. 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 were presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023. Note 12 provides further details of the sale.

Going concern

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 30 June 2026. 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 Full Year Results Overview section of the Chief Executive's Review included in the 2024 Annual Report, 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 budget for 2025 as well as the Group's updated Medium Term Plan for 2026;
- A downside scenario has been prepared, which assumes that the global economic environment is depressed over the assessment period. This scenario assumes trading below 2024 levels, this scenario is considered to be severe but plausible given the current uncertain global macro-economic and geo- political environment; 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 Annual Report, the Directors anticipate, based on current market conditions and normalised customer buying behaviour, another year of financial and strategic progress in 2025, in line with market expectations. 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 31 December 2024 the Group's net debt (excluding IFRS 16 leases liabilities) was 449.3 million (2023: 384.1 million). The Group's committed debt facilities total 1,020 million across its Banking and US Private Placement group, with a range of maturities from August 2027 through to 2034. As of 31 December 2024 the Group had around 420 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) to be less than 3.0 and interest cover (EBITDA / interest charge) to be in excess of 4.0. All banking covenants tests were met at 31 December 2024, with leverage of 1.6x and interest cover of 11.4x. 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 and the Company'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 30 June 2026.

Principal exchange rates

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

		2024	2023
Average	Sterling	**0.78**	0.80
	Euro	**0.92**	0.92
	Chinese Renminbi	**7.20**	7.08
	Indian Rupee	**83.66**	82.56
	Turkish Lira *	**32.82**	23.79
Period end	Sterling	**0.80**	0.79
	Euro	**0.97**	0.91
	Chinese Renminbi	**7.30**	7.10
	Indian Rupee	**85.55**	83.19
	Turkish Lira	**35.34**	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 the year end exchange rate.

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 the year end balance sheet date. The income statement of the Company's subsidiary in Turkey is adjusted for inflation during the reporting period. A net monetary gain of 0.3 million for the year ended 31 December 2024 (2023: 2.3 million) was recognised within finance income on non-monetary items held in Turkish Lira. The inflation rate used is the consumer price index published by the Turkish Statistical Institute, TurkStat. The movement in the price index for the year ended 31 December 2024 was 44% (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) in deciding how to allocate resources and in assessing performance.

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. The Footwear Division consists of the footwear thread business and the acquired structural components businesses, Texon and Rhenoflex.

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.

Segment revenue and results

Year ended 31 December 2024	**Apparel US m**	**Footwear US m**	**Performance Materials US m**	**Total US m**
Continuing operations				
Revenue	**769.8**	**403.5**	**327.6**	**1,500.9**
Segment profit	**150.6**	**94.8**	**24.2**	**269.6**
Exceptional and acquisition related items (note 3)				**(69.8)**
Operating profit				**199.8**

Share of profits of joint ventures	**1.9**
Finance income	**3.1**
Finance costs	**(32.7)**
Profit before taxation from continuing operations	**172.1**

Year ended 31 December 2023	Apparel US m	Footwear US m	Performance Materials US m	Total 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. Exceptional and acquisition related items are not allocated to segments. In addition, no measures of total assets and total liabilities are reported for each reportable segment as such amounts are not regularly provided to the chief operating decision maker.

Disaggregation of revenue

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

Year ended 31 December	2024 US m	2023 US m
Continuing operations		
Primary geographic markets		
Asia	**964.2**	822.6
Americas	**234.4**	246.3
EMEA	**302.3**	325.3
Total	**1,500.9**	1,394.2
Continuing operations		
Apparel	**769.8**	689.4
Footwear	**403.5**	368.4
Performance Materials	**327.6**	336.4
Total	**1,500.9**	1,394.2
Timing of revenue recognition		
Goods transferred at a point in time	**1,489.6**	1,385.1
Software solution services transferred over time	**11.3**	9.1
Total	**1,500.9**	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.

3. Exceptional and acquisition related items

The Group's consolidated income statement format is presented 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 costs and settlements, profit or loss on disposal of property, plant and equipment, nonlitigation costs and settlements, 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, are 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 profit before taxation from continuing operations for the year ended 31 December 2024 were 69.8 million (2023: 49.4 million) comprising exceptional items for the year ended 31 December 2024 of 45.2 million (2023: 27.9 million) and acquisition related items for the year ended 31 December 2024 of 24.6 million (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 profit before taxation from continuing operations during the year ended 31 December 2024 are set out below:

Year ended 31 December	2024 US m	2023 US m
Exceptional items:		
Strategic project costs/(income):		
- Cost of sales	**21.5**	18.2
- Distribution costs	**1.0**	1.3
- Administrative costs	**4.3**	9.1
	26.8	28.6
- Other operating income - profit on sale of property	**-**	(5.8)
	26.8	22.8
Costs to deliver Footwear acquisitions integration synergies:		
- Distribution costs	**0.5**	1.3
- Administrative costs	**0.8**	0.2
	1.3	1.5
Costs relating to rightsizing North America Yarns footprint:		
- Cost of sales	**15.3**	-
Lower Passaic River non-cash impairment charge:		
- Administrative costs	**-**	3.6
UK pension scheme costs		
- Administrative costs	**1.8**	-
Total exceptional items charged to profit before taxation from continuing operations	**45.2**	27.9

Strategic project costs/(income)

Strategic project initiatives commenced during 2022 to optimise the Group's portfolio and footprint and improve the overall cost base efficiency.

During the year ended 31 December 2024 the Footwear division continued with the optimisation of its footprint with the expansion of operations in Indonesia and the closing of facilities in the UK and Germany, which had been acquired in 2022 through the Texon acquisition.

Further site reorganisation activities continued in the Americas to deliver operating efficiencies and, in India, further optimisation activities were completed.

These strategic project activities have been largely concluded.

As a result of the above activities, exceptional restructuring costs totalling 26.8 million were incurred during the year ended 31 December 2024 (2023: 28.6 million) which included:

- severance and related employee costs of 6.6 million (2023: 14.8 million);
- non-cash impairment charges of property, plant and equipment and right-of-use assets of 8.0 million (2023: 5.5 million); and
- site related costs, legal and advisor fees and other restructuring costs of 12.2 million (2023: 8.3 million).

During the year ended 31 December 2024 profit from the sale of land and buildings as part of strategic projects was nil (2023: 5.8 million). Strategic project costs net of income from sale of property for the year ended 31 December 2024 were 26.8 million (2023: 22.8 million).

Costs to deliver Footwear acquisitions integration synergies

During the year ended 31 December 2024 exceptional costs of 1.3 million (2023: 1.5 million) were charged to the profit and loss account relating to the integration of the Texon and Rhenoflex businesses, which were acquired in 2022.

These costs to deliver integration synergies has resulted in the Footwear Division now being one customer- facing organisation with an integrated back office. The exceptional costs primarily relates to severance and related employee costs. These integration synergy initiatives are now largely completed.

Costs relating to rightsizing North America Yarns footprint

In December 2024, the Group announced the closure of its Performance Materials site in Toluca, Mexico. The Group concluded that volume expectations when the site was originally planned and launched will not materialise due to structural market changes and that it can serve its North America yarns customers more efficiently from a single site in the US. As a result of the above, costs totalling 15.3 million relating to Toluca have been charged in the year ended 31 December 2024 which includes severance and related employee costs of 0.6 million, non-cash impairment charges of property, plant and equipment and right-of-use leased assets of 9.7 million and closure, decommissioning costs, advisor and other related costs of 5.0 million.

In addition, in connection with the closure of the Performance Materials site in Toluca intangible assets relating to North America Yarns businesses acquired in 2017 and 2020 were fully impaired. This resulted in non-cash impairment charges totalling 3.0 million of which 2.6 million related to goodwill and 0.4 million related to other acquired intangible assets. The total impairment charge relating to these acquired intangible assets of 3.0 million is included within acquisition related items (see below).

Lower Passaic River non-cash impairment charge

A non-cash exceptional impairment charge of 3.6 million was made for the year ended 31 December 2023 relating to the full amount of an insurance asset that had previously been recognised for the expected partial recovery of future remediation costs and associated legal and professional costs in connection with the Lower Passaic River legacy environmental matter. The impairment charge was recognised for accounting purposes because at the end of 2023 the insurer was placed into liquidation. This is without prejudice to any future claims against the insurer in the liquidation proceedings.

UK Pension Scheme costs

In September 2024 the Group and the UK pension scheme Trustees agreed to purchase a £1.3 billion bulk annuity policy ("buy-in") purchase from Pension Insurance Corporation plc, which insures the remaining 80% of UK scheme's pension liabilities. As a result of the buy-in, all the financial and demographic risks relating to the scheme's liabilities are now fully hedged. This buy-in represents a significant step in Coats fully insuring its UK pension obligations.

During the year ended 31 December 2024 following the buy-in, a provision for estimated administration costs relating to the UK pension scheme of 8.5 million has been made and was charged to the profit and loss account. In addition an exceptional past service credit of 6.7 million has been recognised in the profit and loss account as a result of adjustments made to member benefits during the year ended 31 December 2024. As a result, the overall exceptional charge relating to the UK pension scheme recognised in the profit and loss account in the year ended 31 December 2024 was 1.8 million.

Acquisition related items

Acquisition related items are set out below:

Year ended 31 December	**2024** **US m**	2023 US m
Acquisition related items:		
Administrative expenses:		
Acquired intangible assets - amortisation and impairment charges	**24.6**	21.5
Total acquisition related items charged to profit before taxation from continuing operations	**24.6**	21.5

Amortisation and impairment charges of intangible assets acquired through business combinations are not included within adjusted operating profit and adjusted earnings per share. These costs 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 and impairment charges 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 years 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 operating results as management consider these cost to be part of the trading performance of the business.

4. Finance income

Year ended 31 December	**2024** **US m**	2023 US m
Income from investments	**0.3**	0.1
Net monetary gain arising from hyperinflation accounting (see note 1)	**0.3**	2.3
Other interest receivable and similar income	**2.5**	2.2
	3.1	4.6

5. Finance costs

Year ended 31 December	**2024** **US m**	2023 US m
Interest on bank and other borrowings	**31.3**	30.3
Interest expense on lease liabilities	**5.2**	5.6
Net interest on pension scheme assets and liabilities	**(4.2)**	(4.4)
Other finance costs including unrealised gains and losses on foreign exchange contracts	**0.4**	2.4
	32.7	33.9

6. Tax on profit from continuing operations

Year ended 31 December	**2024** **US m**	2023 US m
Current tax charge	**(72.6)**	(64.0)
Deferred tax credit	**0.7**	9.0
Total tax charge	**(71.9)**	(55.0)

The current tax charge includes withholding tax charges for the year ended 31 December 2024 of 16.7 million (2023: 10.2 million) including withholding taxes arising from the repatriation of earnings and payment of intra- group charges mainly to the United Kingdom. The United Kingdom current corporation tax charge at 25% (2023: 23.5%) was nil for the year ended 31 December 2024 and 2023.

For the year ended 31 December 2024 the tax charge in respect of exceptional and acquisition related items was 1.8 million (2023: credit of 2.9 million). This includes exceptional tax credits of 1.1 million (2023: 2.3 million) in connection with the exceptional strategic projects, an exceptional deferred tax

(2023: 2.3 million) in connection with the exceptional strategic projects, an exceptional deferred tax charge on writing down deferred tax assets in Mexico of 7.2 million (2023: nil) and an exceptional tax credit totalling 4.3 million (2023: 0.6 million) relating to the unwinding of deferred tax liabilities on the amortisation of acquired intangible assets which in 2023 included the impact of tax rate differences.

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 year, 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. 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 were the end of the contingency period.

Year Ended 31 December	**2024 US m**	2023 US m
Profit from continuing operations attributable to equity shareholders	**80.6**	83.2
Profit from continuing and discontinued operations attributable to equity shareholders	**80.1**	56.5

Profit from continuing operations attributable to equity shareholders for the year ended 31 December 2024 of 80.6 million (2023: 83.2 million) comprises the profit from continuing operations for the year ended 31 December 2024 of 100.2 million (2023: 100.8 million) less non-controlling interests for the year ended 31 December 2024 of 19.6 million (2023: 17.6 million) as reported in the income statement.

Year Ended 31 December	**2024 Number of shares m**	2023 Number of shares m
Weighted average number of ordinary shares in issue for basic earnings per share	**1,604.5**	1,605.0
Adjustment for share options and LTIP awards	**20.1**	16.4
Weighted average number of ordinary shares in issue for diluted earnings per share	**1,624.6**	1,621.4

Year Ended 31 December	**2024 cents**	2023 cents
Continuing operations:		
Basic earnings per ordinary share	**5.03**	5.18
Diluted earnings per ordinary share	**4.96**	5.13
Continuing and discontinued operations:		
Basic earnings per ordinary share	**4.99**	3.52
Diluted earnings per ordinary share	**4.93**	3.48

8. Issued share capital

During the year ended 31 December 2024 the Company had 1,597,810,385 Ordinary shares of 5p each in issue.

	Number of Shares	**US m**
At 31 December 2024 and 31 December 2023	**1,597,810,385**	**99.0**

The own shares reserve of 5.3 million at 31 December 2024 (2023: 6.1 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 31 December 2024 was 4,905,769 (2023: 6,124,223).

9. Dividends

Year Ended 31 December	2024 US m	2023 US m
2024 interim dividend paid - 0.93 cents per share	**14.8**	-
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
	46.5	40.6

The proposed final dividend of 2.19 cents per ordinary share for the year ended 31 December 2024 is not recognised as a liability in the consolidated statement of financial position in line with the requirements of IAS 10 Events after the Reporting Period and, subject to shareholder approval, will be paid on 29 May 2025 to ordinary shareholders on the register on 2 May 2025, with an ex-dividend date of 1 May 2025.

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 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 31 December 2024, the remaining provision was 11.2 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 costs 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. In December 2024, the court approved the settlement, finding that it is fair and reasonable and consistent with applicable law. OCC is opposed to the settlement and has appealed the court's approval. Although the Company believes the court's approval of the settlement is well founded, it is nonetheless possible that the appellate court could reverse the lower court's approval in whole or in part. It is also possible that the lower court may permit OCC's separate private party 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 consolidated cash flow statement

a) Reconciliation of operating profit to cash generated from operations

Year Ended 31 December	**2024 US m**	2023 US m
Operating profit[1]	**199.8**	184.0
Depreciation of owned property, plant and equipment	**25.4**	27.0
Deprecation of right-of-use assets	**18.0**	18.8
Amortisation and impairment of intangible assets	**26.2**	22.9
Impairment of property, plant and equipment and other assets	**18.9**	9.4
(Increase)/decrease in inventories	**(9.4)**	21.1
Increase in debtors	**(16.4)**	(22.8)
Increase in creditors	**26.5**	18.9
Provisions and pension movements	**(93.0)**	(53.1)
Foreign exchange and other non-cash movements	**2.1**	(4.9)
Discontinued operations	**(1.4)**	(4.0)
Cash generated from operations	**196.7**	217.3

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

In connection the UK pension buy-in transaction, which represents a significant step in Coats fully insuring its UK pension obligations (see note 14), additional funding was provided to the UK pension scheme by the Group totalling 127.8 million. The Group made a 89.5 million (£70 million) upfront cash contribution to the scheme and a further 38.3 million (£30 million) was provided to the UK pension scheme as a loan. The upfront cash contribution is included in cash generated from operations in the consolidated statement of cash flows. The cash paid to the UK pension scheme as a loan is included in cash absorbed in investing activities in the consolidated statement of cash flows. Cash generated from operations and net cash from operations (after interest and tax paid) for the year ended 31 December 2024 was 286.2 million (2023: 217.3 million) and 185.3 million (2023: 123.9 million) respectively excluding the upfront cash contribution to the UK pension scheme.

b) Interest paid

Year Ended 31 December	**2024 US m**	2023 US m
Interest paid	**(31.5)**	(33.7)

c) Taxation paid

Year Ended 31 December	**2024 US m**	2023 US m
Overseas tax paid	**(69.4)**	(59.7)

d) Investment income

Year Ended 31 December	2024 US m	2023 US m
Dividends received from joint ventures	**1.0**	0.6

e) **Capital expenditure and financial investment**

Year Ended 31 December	2024 US m	2023 US m
Purchase of property, plant and equipment and intangible assets	**(27.7)**	(31.0)
Purchase of other equity investments	**-**	(0.4)
Proceeds from disposal of property, plant and equipment	**3.7**	11.8
Discontinued operations	**-**	(0.1)
	(24.0)	(19.7)

f) **Acquisitions and disposals of businesses**

Year Ended 31 December	2024 US m	2023 US m
Disposal of businesses	**-**	(1.2)
	-	(1.2)

g) **Summary of net debt**

Year Ended 31 December	2024 US m	2023 US m
Cash and cash equivalents	**146.0**	132.4
Bank overdrafts	**(0.2)**	(20.9)
Net cash and cash equivalents	**145.8**	111.5
Borrowings	**(595.1)**	(495.6)
Net debt excluding lease liabilities	**(449.3)**	(384.1)
Lease liabilities	**(83.2)**	(86.8)
Total net debt	**(532.5)**	(470.9)

For financial covenant purposes under the Group's borrowing arrangements, 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 31 December 2024 for covenant purposes was 454.3 million (31 December 2023: 388.8 million).

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. The sale was completed on 31 August 2023, the date which control passed to the acquirer. The European Zips business is 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 were presented as a discontinued operation in the consolidated income statement for the year ended 31 December 2023.

a) Discontinued operations

The results of the discontinued European Zips business for the year ended 31 December 2023 is presented below:

presented below.

	US m
Revenue	25.3
Cost of sales	(23.7)
Gross profit	1.6
Distribution costs	(2.6)
Administrative expenses	(2.0)
Operating loss from discontinued operations	(3.0)
Loss on disposal (note 12 (b))	(17.1)
Exchange losses transferred to income statement on disposal	(6.6)
Total loss from discontinued operations	(26.7)

The operating loss before exceptional items of the European zips business for the year ended 31 December 2023 was 1.3 million. Exceptional items charged to operating loss from discontinued operations was 1.7 million. As a result the operating loss of the European Zips business for the year ended 31 December 2023 was
3.0 million.

During the year ended 31 December 2024 the loss from discontinued operations was 0.5 million which related to businesses disposed in prior years.

Exceptional items charged to loss from discontinued operations for the year ended 31 December 2023 are set out below:

	US m
Strategic project costs	(1.7)
Loss on disposal	(17.1)
Exchange losses transferred to income statement on disposal	(6.6)
Total exceptional items - discontinued operations	(25.4)

Loss per ordinary share from discontinued operations

The loss per ordinary share from discontinued operations is as follows:

Year Ended 31 December	**2024 cents**	2023 cents
Loss per ordinary share from discontinued operations:		
Basic loss per ordinary share	**(0.04)**	(1.66)
Diluted loss per ordinary share	**(0.03)**	(1.64)

Cash flows from discontinued operations

The table below sets out the cash flows from discontinued operations:

Year Ended 31 December	**2024 US m**	2023 US m
Net cash outflow from operating activities	**(1.4)**	(4.0)
Net cash outflow from investing activities	**-**	(0.1)
Net cash flows from discontinued operations	**(1.4)**	(4.1)

b) Loss on disposal

Net assets disposed during the year ended 31 December 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

The financial information in this statement contains both statutory measures and alternative performance measures which, in management's view, provide valuable additional information for users of the financial statements in understanding the Group's performance.

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 United Kingdom adopted international accounting standards ('IFRS') 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. 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 year ended 31 December 2024 and 2023.

The effects of currency changes are removed through restating prior year revenue and operating profit at current year 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).

Year Ended 31 December	2024 US m	2023 US m	% Growth
Revenue from continuing operations	**1,500.9**	1,394.2	8%
Constant currency adjustment	**-**	(17.7)	
Organic revenue on a CER basis	**1,500.9**	1,376.5	**9%**

Year Ended 31 December	2024 US m	2023 US m	% Growth
Operating profit from continuing operations[1]	**199.8**	184.0	9%
Exceptional and acquisition related items (note 3)	**69.8**	49.4	
Adjusted operating profit from continuing operations	**269.6**	233.4	16%
Constant currency adjustment	**-**	(4.1)	
Organic adjusted operating profit on a CER basis	**269.6**	229.3	**18%**

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

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

b) Adjusted EBITDA

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

Operating profit from continuing operations before exceptional and acquisition related items and before depreciation of property, plant and equipment and right-of-use assets and amortisation (Adjusted EBITDA) is set out below:

Year Ended 31 December	**2024 US m**	2023 US m
Profit before taxation from continuing operations	**172.1**	155.8
Share of profit of joint ventures	**(1.9)**	(1.1)
Finance income (note 4)	**(3.1)**	(4.6)
Finance costs (note 5)	**32.7**	33.9
Operating profit from continuing operations1	**199.8**	184.0
Exceptional and acquisition related items (note 3)	**69.8**	49.4
Adjusted operating profit from continuing operations	**269.6**	233.4
Depreciation of owned property, plant and equipment	**25.4**	27.0
Amortisation of intangible assets	**1.6**	1.4
Adjusted EBITDA including IFRS 16 depreciation of right-of-use assets (Pre-IFRS 16 basis)	**296.6**	261.8
Depreciation of right-of-use assets	**18.0**	18.8
Adjusted EBITDA	**314.6**	280.6

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

Net debt including lease liabilities under IFRS 16 at 31 December 2024 was 532.5 million (2023: 470.9 million).

This gives a leverage ratio of net debt including lease liabilities to adjusted EBITDA at 31 December 2024 of 1.7 (2023: 1.7).

Net debt excluding lease liabilities under IFRS 16 at 31 December 2024 was 449.3 million (2023: 384.1 million).

This gives a leverage ratio on a pre-IFRS 16 basis at 31 December 2024 of 1.5 (2023: 1.5).

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

For financial covenant purposes under the Group's borrowing arrangements, leverage is measured at the Coats Group Finance Company consolidated level under frozen accounting standards and excludes the effects of IFRS 16. Adjusted EBITDA at the Coats Group Finance Company Limited consolidated level for the year ended 31 December 2024 for covenant purposes was 290.8 million (2023: 260.0 million). Net debt excluding IFRS 16 lease liabilities at the Coats Group Finance Company Limited consolidated level at 31 December 2024 for covenant purposes was 454.3 million (2023: 388.8 million). This gives a leverage ratio at 31 December 2024 of 1.6 (2023: 1.5) for covenant purposes. The financial covenant under the Group's borrowing arrangements is for leverage to be less than 3.0 and this covenant was met at 31 December 2024 and 31 December 2023.

c) Adjusted effective tax rate

The adjusted effective tax rate removes the tax impact of exceptional and acquisition related items to arrive at a tax rate based on the adjusted profit before taxation.

Year Ended 31 December	**2024 US m**	2023 US m
Profit before taxation from continuing operations	**172.1**	155.8
Exceptional and acquisition related items (note 3)	**69.8**	49.4
Net interest on pension scheme assets and liabilities*	**-**	(4.4)
Adjusted profit before taxation from continuing operations	**241.9**	200.8
Taxation charge from continuing operations	**71.9**	55.0
Tax (charge)/credit in respect of exceptional and acquisition related items	**(1.8)**	2.9
Tax credit in respect of net interest on pension scheme assets and liabilities*	**-**	0.2
Adjusted tax charge from continuing operations	**70.1**	58.1
Adjusted effective tax rate	**29%**	29%

* In September 2024 the Group and the UK pension scheme Trustees agreed to purchase a bulk annuity policy ("buy- in"), which insures the remaining 80% of the UK scheme's pension liabilities. As a result of the buy-in, all the financial and demographic risks relating to the UK pension scheme's liabilities are now fully hedged (see note 14). The Group no longer adjusts net interest on pension scheme assets and liabilities in arriving at the adjusted effective tax rate as volatility in this interest for the Coats UK pension scheme has now been eliminated. This is the basis on which management now monitors and manages the effective tax rate. For the year ended 31 December 2023 and prior periods, net interest on pension scheme assets and liabilities was adjusted in arriving at the adjusted effective tax rate. The adjusted effective tax rate for the year ended 31 December 2023 would have been 28% if the same basis of calculation used for the year ended 31 December 2024 had been applied.

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.

Year Ended 31 December	**2024 US m**	2023 US m
Profit from continuing operations	**100.2**	100.8
Non-controlling interests	**(19.6)**	(17.6)
Profit from continuing operations attributable to equity shareholders	**80.6**	83.2
Exceptional and acquisition related items net of non-controlling interests (note 3)	**69.8**	48.8
Tax charge/(credit) in respect of exceptional and acquisition related items	**1.8**	(2.9)
Adjusted profit from continuing operations	**152.2**	129.1
Weighted average number of Ordinary Shares	**1,604,461,401**	1,604,955,182
Adjusted earnings per share (cents)	**9.49**	8.04
Adjusted earnings per share (growth %)	**18%**	

The weighted average number of Ordinary Shares used for the calculation of adjusted earnings per share for the year ended 31 December 2024 is 1,604,461,401 (2023: 1,604,955,182), the same as that used for basic earnings per ordinary share from continuing operations (see note 7).

e) Adjusted free cash flow

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

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

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

Year Ended 31 December	2024 US m	2023 US m
Change in net debt resulting from cash flows (free cash flow)	**(57.6)**	15.0
Disposal of businesses	**-**	1.2
Net cash outflow from discontinued operations	**1.4**	4.1
Payments to UK pension scheme	**135.6**	48.9
Net cash flows in respect of other exceptional and acquisition related items	**20.9**	12.6
Purchase of own shares by Employee Benefit Trust	**8.7**	10.1
Dividends paid to equity shareholders	**46.2**	40.3
Tax inflow in respect of adjusted cash flow items	**(2.0)**	(1.7)
Adjusted free cash flow	**153.2**	130.5

f) Adjusted return on capital employed

Adjusted return on capital employed ('ROCE') is defined as operating profit before exceptional and acquisition related items adjusted for the full year impact of acquisitions divided by period end capital employed as set out below. Adjusted ROCE measures the ability of the Group's assets to deliver returns.

Year Ended 31 December	2024 US m	2023 US m
Operating profit from continuing operations before exceptional and acquisition related items[1]	**269.6**	233.4
Non-current assets		
Acquired intangible assets	**317.2**	349.6
Property, plant and equipment	**226.3**	243.2
Right-of-use assets	**68.9**	74.4
Trade and other receivables	**25.0**	19.5
Current assets		
Inventories	**176.1**	173.5
Trade and other receivables	**292.2**	292.0
Current liabilities		
Trade and other payables	**(299.2)**	(285.6)
Lease liabilities	**(16.6)**	(17.5)
Non-current liabilities		
Trade and other payables	**(7.4)**	(3.2)
Lease liabilities	**(66.6)**	(69.3)
Capital employed	**715.9**	776.6
Adjusted ROCE	**38%**	30%

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

14 Retirement and other post-employment benefit arrangements

The net deficit for the Group's retirement and other post-employment defined benefit arrangements (UK and other Group schemes), on an IAS 19 basis, was 4.1 million as at 31 December 2024 (2023: net surplus of 62.8 million), excluding a loan payable by the Coats UK Pension Scheme to the Group of 38.3 million (2023: nil).

Including the loan of 38.3 million as a liability of the Coats UK Pension Scheme payable to the Group, the net deficit for the Group's retirement and other post-employment defined benefit arrangements, on an

IAS 19 basis, was 42.4 million as at 31 December 2024 (2023: net surplus of 62.8 million).

The Coats UK Pension Scheme had a surplus on an IAS 19 basis at 31 December 2024 of 29.2 million (31 December 2023: 102.2 million), excluding a loan payable by the Coats UK Pension Scheme to the Group of 38.3 million (2023: nil). Including the loan of 38.3 million as a liability of the Coats UK Pension Scheme payable to the Group, the Coats UK Pension Scheme had a deficit on an IAS 19 basis at 31 December 2024 of 9.1 million (31 December 2023: surplus of 102.2 million).

Coats UK Pension Scheme Buy-ins

In December 2022, the Coats UK Pension Scheme purchased a £350 million bulk annuity policy from Aviva, which insures all the benefits payable in respect of around 3,700 pensioner members (a "buy-in"). This policy saw all financial and demographic risks, including those related to longevity, covered for approximately 20% of Scheme members.

In September 2024 the Group and the UK pension scheme Trustees agreed to purchase a £1.3 billion bulk annuity policy purchase from Pension Insurance Corporation plc ("PIC"), which insures the remaining 80% of UK scheme's pension liabilities. As a result of the buy-in, all the financial and demographic risks relating to the scheme's liabilities are now fully hedged. This buy-in represents a significant step in Coats' fully insuring its UK pension obligations.

The agreement with PIC required up to c.£100 million (128 million) of additional funding from the Group, with Coats making a £70 million (90 million) upfront cash contribution to the scheme and a further £30 million (38 million) provided initially as a loan to the Scheme. As the insurance premium for the purchase of the PIC policy was higher than the pension liabilities measured on an IAS 19 basis, an actuarial loss arose, which for the year ended 31 December 2024 totalled 224.9 million (2023: 72.3 million). This has been recognised in the consolidated statement of comprehensive income and includes a provision for the estimated costs relating to completion of the buy-in transaction of 6.8 million.

At 31 December 2024 the loan receivable from the UK pension scheme including accrued interest was 38.3 million (2023: nil). The loan is due for repayment on 4 September 2029 or on winding up of the UK Pension Scheme, whichever is earlier, or at an earlier date if agreed between the parties. The interest rate on the loan is SONIA (Sterling Over Night Indexed Average) plus 150 basis points per annum.

15 Directors

The following persons were, except where noted, directors of Coats Group plc during the whole of the year ended 31 December 2024 and up to the date of this report:

D Gosnell OBE	
D Paja	(Appointed 1 September 2024)
R Sharma	(Resigned 30 September 2024)
N Bull	(Resigned 22 May 2024)
J Callaway	
S Highfield	
H Lu	
S Murray	
S Phatak	(Appointed 1 September 2024)
F Philip	
J Sigurdsson	

J Callaway will step down from her role as Group Chief Financial Officer at the conclusion of the AGM on 21 May 2025. H Nichols will join the Group on 24 April 2025 and will assume CFO responsibilities at the conclusion of the AGM.

On behalf of

the Board

D Gosnell

Chair

5 March 2025

United Kingdom

4th Floor,14 Aldermanbury Square, London, EC2V 7HS Tel: 0208 210 5000

Registered in England and Wales No. 103548

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