1 AUGUST 2018

HALF YEAR RESULTS

FOR THE SIX MONTHS ENDED 30 JUNE 2018

DEVRO

GOOD PROGRESS ON STRATEGIC PRIORITIES AND IMPROVED PROFIT MARGINS

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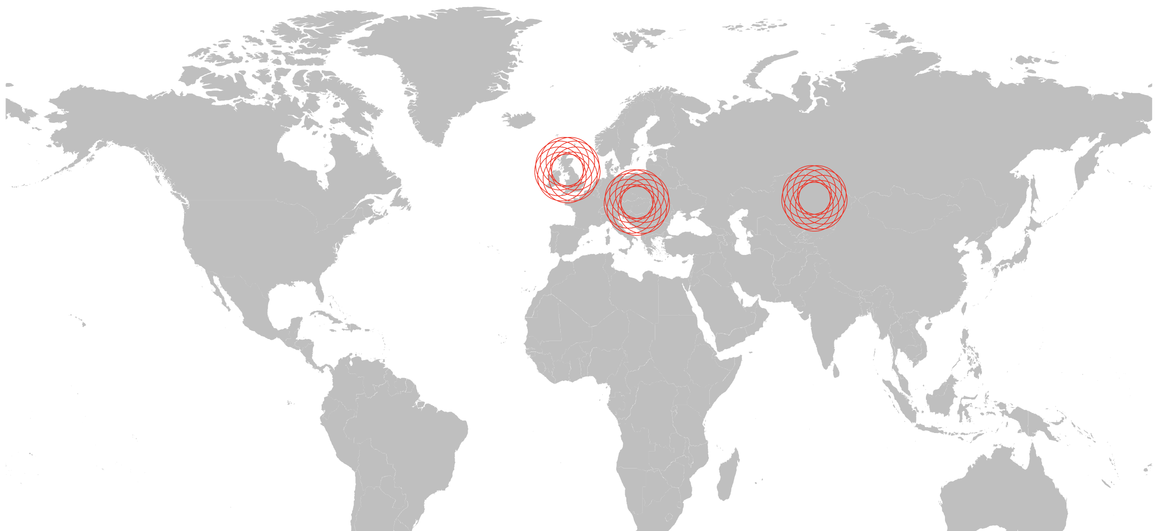
- **Good progress on strategic priorities**
  - North American plant performance significantly improved
  - China Average Selling Price (ASP) up 19%
  - Fine Ultra tested, ready for commercial launch

- **Improved profit margins**
  - Revenues of edible collagen casings up 0.3% at constant currency
  - Strong volume growth in Continental EU (8%), Russia (8%) and Latin America (11%)
  - Asian volumes down 9% impacted by one-off events in 2017, particularly China
  - Sales volumes, excluding Asia, up 3%
  - EBIT margin 15.3% (up 80 bps)

- **Full year outlook unchanged**

EUROPE – STRONG VOLUME GROWTH



Continental EU

- Volumes: + 8%
- Strong snacking growth in Germany and Poland
- Fresh market share gains in Italy
- New customer wins

UK & Ireland

- Volumes: -1%
- A mature market

Russia & East

- Volumes: +8%
- Strong growth building on the momentum seen in H2 2017

Price/Mix & FX

- Price/Mix: +1% some price increase benefit offset by adverse product mix
- FX: +2% due to weakening sterling against euro

AMERICAS: BRAZIL DELIVERS IN LATAM

North America

- Volumes: -2%
- H1 impacted by timing of orders
- Continued growth within snacking market

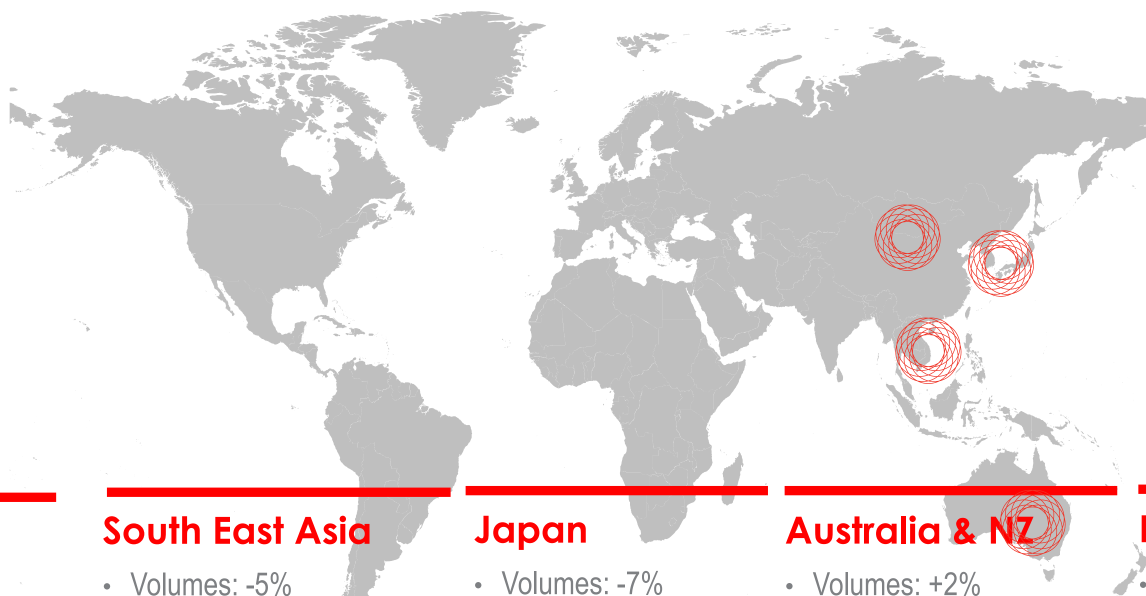
Latin America

- Volumes: +11%
- Strong growth driven by increased imports from Nantong plant and adding new customers

Price/Mix & FX

- Price/Mix: -3%
- FX: -8% due to stronger sterling against USD

ASIA / PACIFIC: IMPACTED BY ONE-OFF EVENTS IN 2017



China

- Volumes: -15%
- Removal of 2017 sales of imported legacy products
- Focus on product differentiation
- China ASP up 19%

South East Asia

- Volumes: -5%
- Strong comparatives
- Timing of shipments

Japan

- Volumes: -7%
- Low priced sheep gut led to reduced usage of collagen for some customers

Australia & NZ

- Volumes: +2%
- Market share gains
- Market growth in snacking

Price & FX

- Price/Mix: +3%, driven by focus on China
- FX: -6% sterling stronger against several key currencies

GOOD OPERATIONAL PROGRESS IN ALL SITES

Sandy Run, USA

- Plant performance significantly improved
- Production yields at target levels
- Focus on increasing speeds further

FINANCIAL REVIEW

FINANCIAL REVIEW – KEY MESSAGES

- Strong volume growth in Continental Europe, Russia, and LatAm, offset by one-off events in 2017 in Asia
- Positive price/mix across Europe and China, offset by the YoY impact of agreements reached in 2017
- Revenues in line with H1 2017, after taking account of FX headwinds
- Underlying operating profit up 2%
- Net debt reduced to £147.3m
- Significantly reduced pension deficit from £82.0m at December 2017 to £57.0m

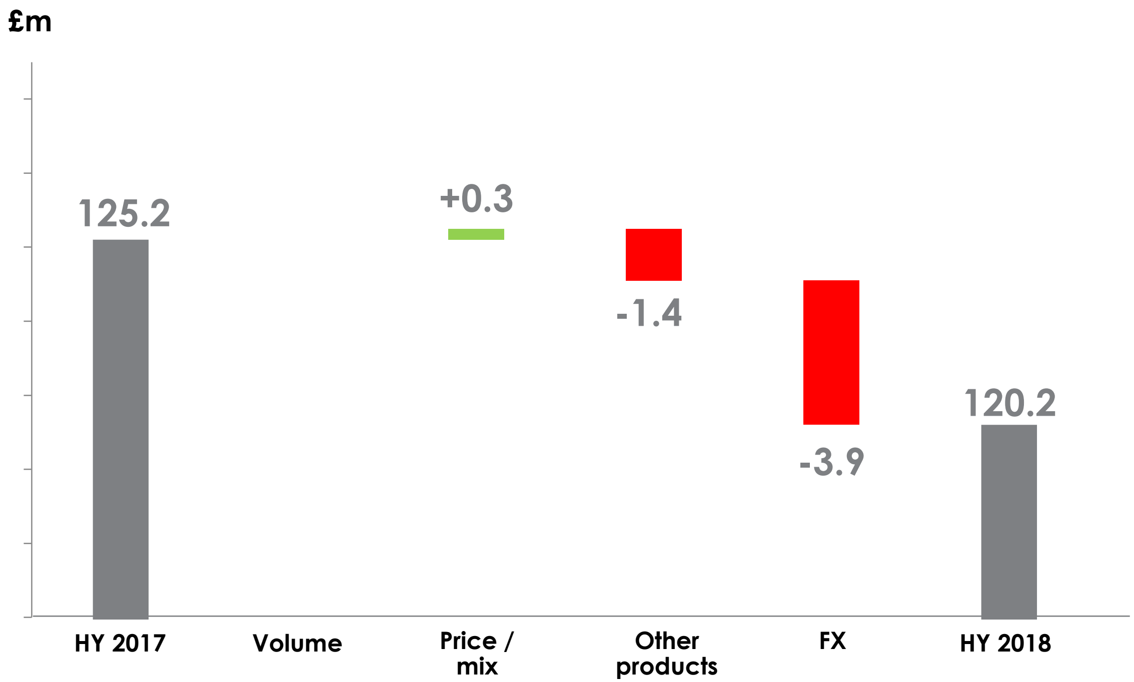
FINANCIAL SUMMARY - IMPROVED PROFIT MARGINS

	Underlying*			Statutory		
	HY 2018 £m	HY 2017 £m	Change	HY 2018 £m	HY 2017 £m	Change
Revenue	120.2	125.2	-4%	120.2	125.2	-4%
EBIT	18.4	18.1	+2%	16.2	15.0	+8%
EBIT margin	15.3%	14.5%	80bps	13.5%	12.0%	150bps
Finance costs	-4.1	-3.6	+14%	-5.3	-5.0	+6%
Tax charge	-3.3	-3.4	-3%	-3.0	-0.7	+329%
Profit after tax	11.0	11.1	-1%	7.9	9.3	-15%
EPS	6.6p	6.6p	-	4.7p	5.5p	-0.8p
Interim dividend per share	2.7p	2.7p	-	2.7p	2.7p	-

* Underlying figures are stated before exceptional items and net finance cost on pensions

DEVRO

GROUP REVENUE – IMPACTED BY FX HEADWINDS



Volumes

- Unchanged vs H1 2017
- Strong growth in Continental EU, Russia, LatAm
- Offset by one-off events in 2017 in Asia

Price/mix

- Positive across Europe and China
- Offset by YoY impact of pricing agreements in 2017

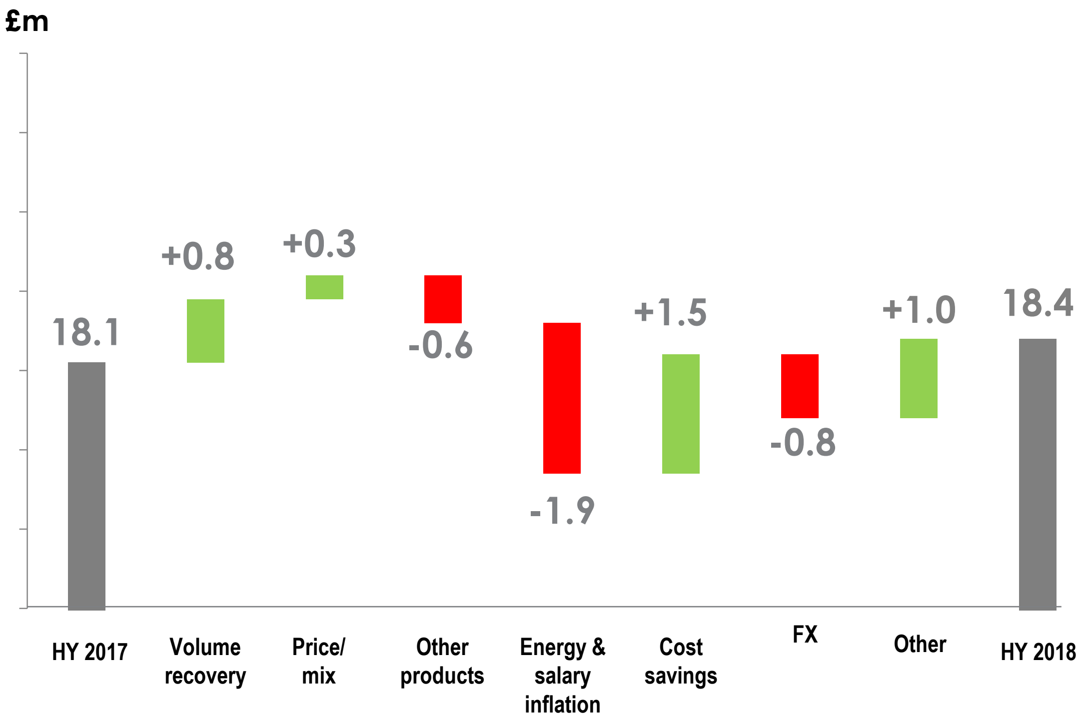
Other products

- Co-ex gel and plastic casings

FX

- Strengthening GBP against major currencies except EUR and CZK

EBIT* - IMPROVED MARGINS



14.5%	EBIT margin* →	15.3%
24.6%	EBITDA margin* →	25.9%

Volume
- Volume recovery from improved manufacturing yields

Price /mix
- Positive across Europe and China
- Offset by YoY impact of pricing agreements in 2017

Other products
- Co-ex gel and plastic casings

Inflation
- Energy and salary inflation in line with guidance

Cost savings
- Devro 100 benefits of £1.5m in H1 with £2.5m estimated for H2

FX
- Strengthening GBP against major currencies except EUR and CZK

*Shown on underlying basis (before exceptional items)

DEVRO 100 – ON TRACK

	Cash costs		Benefits
	Exceptional items £m	Capex £m	Year-on-year £m
Total	£10m-£12m	£7m-£8m	£13m-£16m
2017 (actual)	£5m	£2m	£7m
2018	£5m-£7m	£5m-£6m	£3m-£4m
2019	-	-	£3m-£5m

- 2018 FY savings weighted towards H2
- Further opportunities identified to deliver additional benefits £2m-£4m in 2019/2020 with additional exceptional costs £3m-£5m in 2018

CASH FLOW

	HY 2018 £m	HY 2017 £m	Change £m
EBITDA*	31.1	30.8	+0.3
Working capital/other	-10.6	-3.1	-7.5
Operating cash flow**	20.5	27.7	-7.2
Capital expenditure	-5.0	-5.1	+0.1
Cash exceptional items	-2.2	-3.8	+1.6
Pension deficit funding	-0.9	-	-0.9
Interest	-4.5	-3.3	-1.2
Tax	-5.7	-7.8	+2.1
Other	-2.4	0.2	-2.6
Free cash flow	-0.2	7.9	-8.1
Dividends	-10.2	-10.2	-
FX	-2.0	4.0	-6.0
Movement in net debt	**-12.4**	**1.7**	**-14.1**

- Operating cash flow** impacted by higher inventories in anticipation of H2 sales growth and bonus payments
- Capital expenditure weighted towards H2 due to Devro 100 projects
- Pensions deficit funding expected to be £5m for the full year
- Interest increase due to costs associated with the refinancing of the revolving credit facility and the Chinese renminbi debt
- Tax lower in H1 due to timing of payments
- Other movements impacted by intercompany balance sheet hedges, now closed out
- H1 impacted by adverse FX of £2m, compared with benefits of £4m during H1 2017

* Shown on underlying basis (before exceptional items)

** Shown on underlying basis and before pension deficit funding

NET DEBT

	Jun 2018 £m	Dec 2017 £m	Jun 2017 £m	Current covenant
Net debt	147.3	134.9	151.9	
Net debt** / EBITDA* ratio (times)	2.3	2.1	2.4	<3
EBITDA* / Net finance costs ratio (times)	7	8	9	>4

- Net debt/EBITDA* falls to 2.3x from 2.4x in H1 2017. Up slightly from year-end due to seasonality
- New revolving credit facilities negotiated during H1. Average term increased from 1 to 5 years. Total facility now stands at £90m

* Shown on underlying basis (before exceptional items) ** Includes derivative liabilities prior to Jun 2018 (Dec 2017: £0.4m; Jun 2017: £0.2m; Jun 2016: £5.9m)

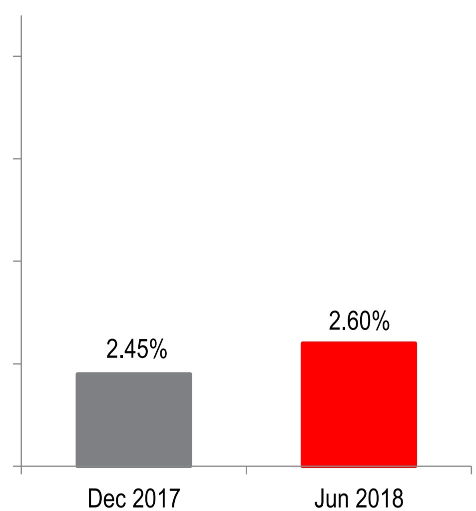
SIGNIFICANT REDUCTION IN PENSION DEFICIT

Net pension deficit

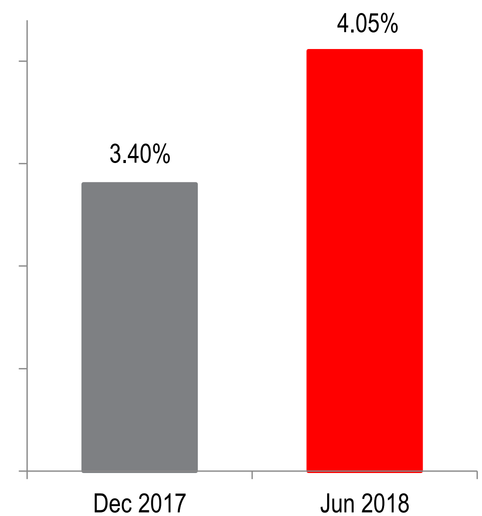
- Decrease due to significant experience gains in UK plan along with increase in discount rates in both UK and US
- Pension deficit funding payments expected to be £5m for FY
- Next triennial review of UK plan 2020

	June 2018 £m	Dec 2017 £m
Net pension deficit	57.0	82.0

UK discount rate



US discount rate



FULL YEAR GUIDANCE AND OUTLOOK

- Comparable edible collagen revenue growth expected in H2
- Devro 100 cost savings on track for £4m
- Exceptional costs expected to be up to £12m (providing additional benefits of £2m-£4m in 2019/2020)
- Interest costs £6.5m-£7m (excluding net finance cost on pensions)
- FY underlying tax rate expected to be 22%-25%
- Maintenance capex of £10m-£15m + Devro 100 capex of £5m-£6m
- Net debt/EBITDA* in-line with 31 December 2017
- FY outlook unchanged

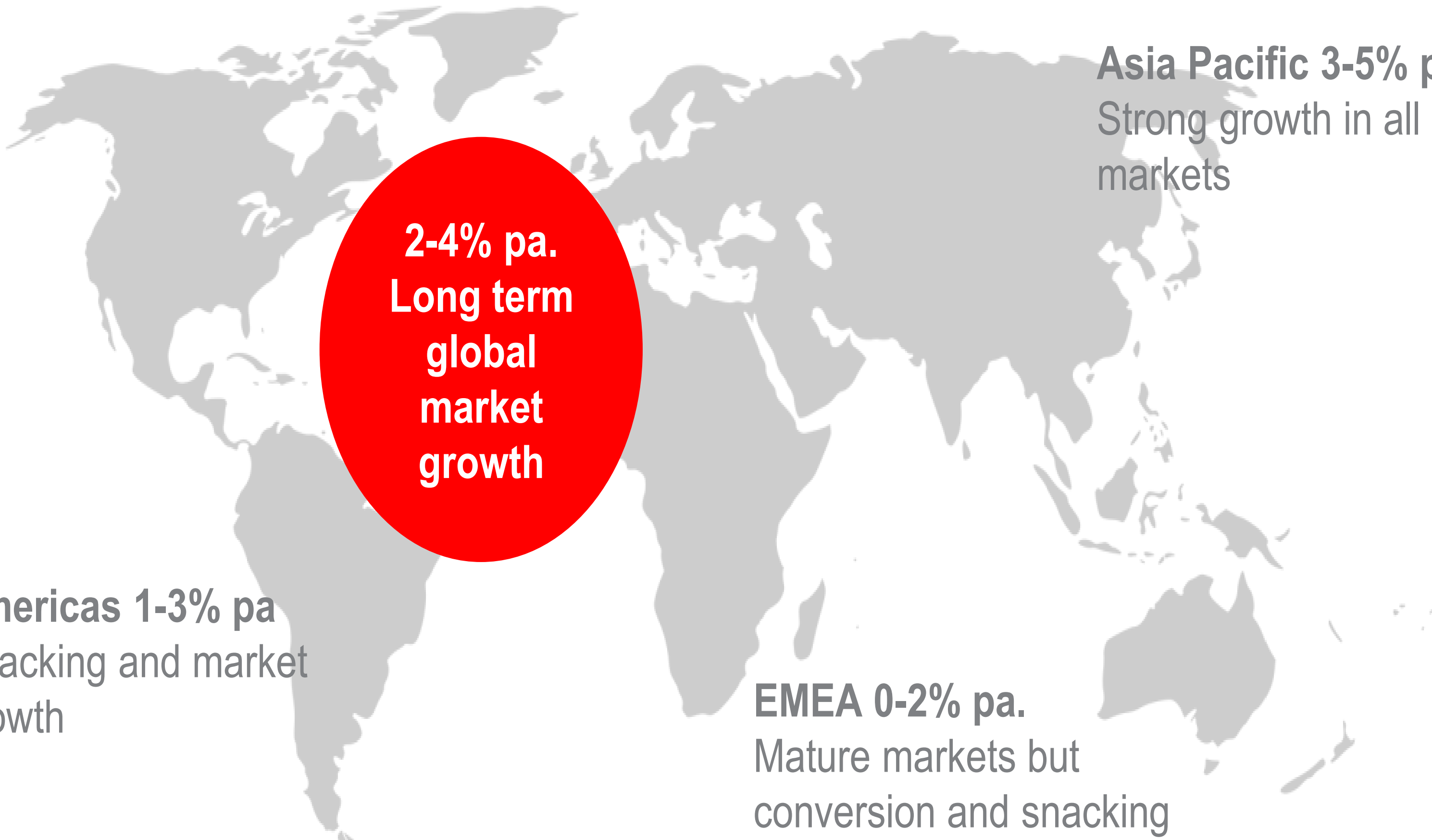
* Shown on underlying basis (before exceptional items)

RUTGER HELBING

CEO H1 ACTIVITIES

- New Executive Board in place
- Working with Devro team world-wide as CEO
- Time in markets with customers and industry partners
- Set context for ambition and vision
  - Development of strategic themes

COLLAGEN CASINGS - A POSITIVE MARKET OUTLOOK

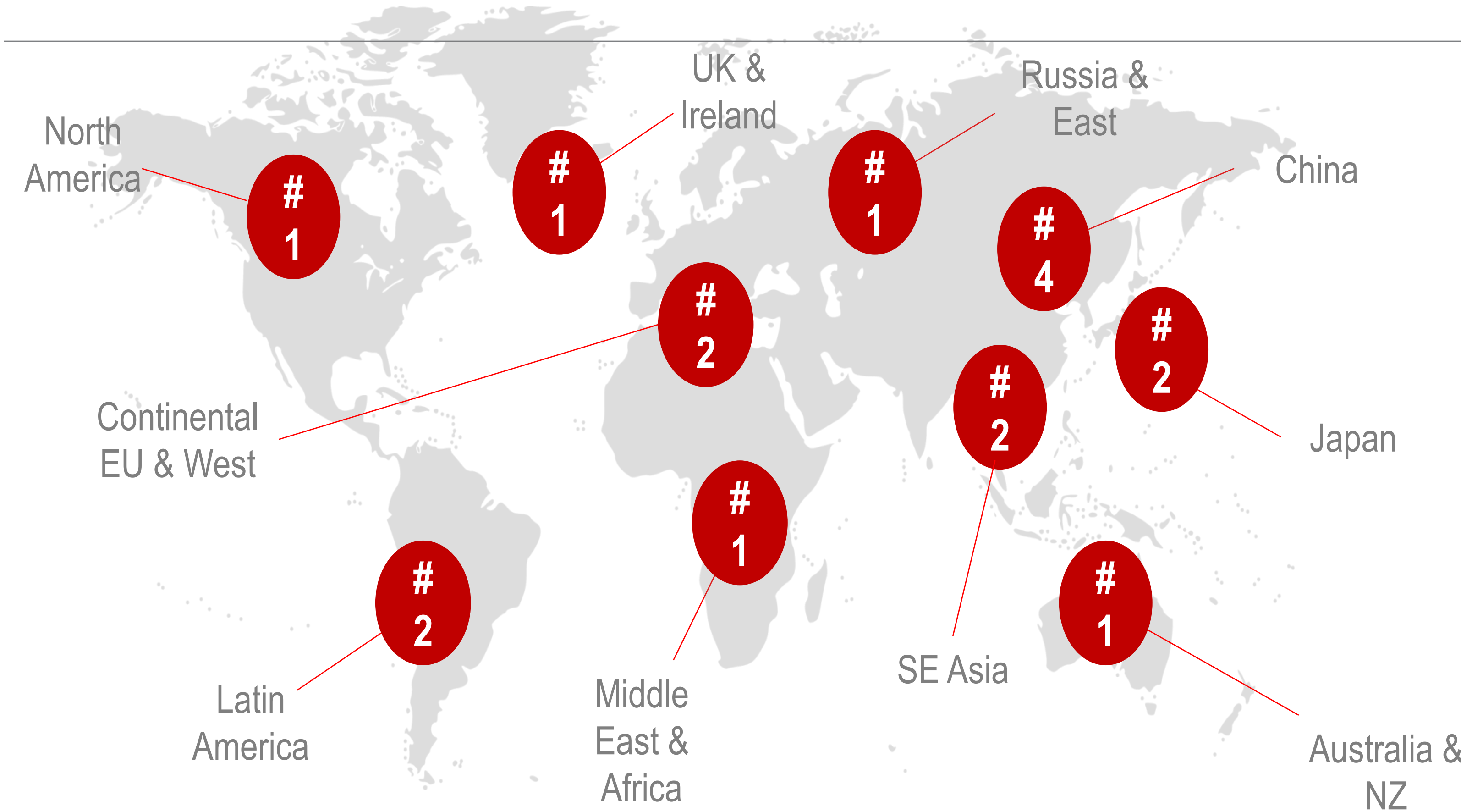


Asia Pacific 3-5% pa.
Strong growth in all major markets

Americas 1-3% pa
Snacking and market growth

EMEA 0-2% pa.
Mature markets but conversion and snacking opportunities

GLOBAL LEADERSHIP - WELL POSITIONED TO CAPTURE GROWTH



Source : Devro plc Market Intelligence

SHARP FOCUS ON DELIVERY

2018

2019

Deliver **D100 benefits**

2021

Realise **mid term ambition**

Future

Inspirational **longer term vision**

ROADMAP TO OUR VISION

THE 3CS

Win with the winning **Customers**	For **revenue** growth
Focus on **Core profitability** drivers	For **margin** improvement
Strengthen **Competencies**	For long term **competitiveness**

THE 3CS – KEY AREAS OF FOCUS

Win with the winning **Customers**

- Deliver superior customer experience
- Win in priority markets, customers and products

Focus on **Core profitability** drivers

- Further optimise current plant capabilities
- Reduce COGS and OPEX

Strengthen **Competencies**

- Define Devro's long term value proposition
- Strengthen capabilities
- Industry partner relationships

DRIVING OUR AMBITION AND VISION

SUMMARY

- Good progress on strategic priorities and improved profit margins
- Opportunity to capitalise on our leading positions in attractive markets
- The 3Cs focussed on:
  - Delivery of D100 benefits
  - Realising our mid term ambition
  - Defining longer term vision
- FY outlook unchanged

DEVRO

APPENDICES

FOREIGN CURRENCY PROFILE FOR REVENUE

% of total 2017	Revenue
US dollar	25%
Euro	24%
Australian dollar	12%
Sterling	12%
Japanese yen	11%
Other	16%
Total	**100%**

DEVRO

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