GOOD PROGRESS ON STRATEGIC PRIORITIES AND IMPROVED PROFIT MARGINS
GOOD PROGRESS ON STRATEGIC PRIORITIES AND IMPROVED PROFIT MARGINS

• 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

24% Group revenue
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

31% Group revenue
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

<table>
<thead>
<tr>
<th></th>
<th>Underlying*</th>
<th>Statutory</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HY 2018 £m</td>
<td>HY 2017 £m</td>
</tr>
<tr>
<td>Revenue</td>
<td>120.2</td>
<td>125.2</td>
</tr>
<tr>
<td>EBIT</td>
<td>18.4</td>
<td>18.1</td>
</tr>
<tr>
<td>EBIT margin</td>
<td>15.3%</td>
<td>14.5%</td>
</tr>
<tr>
<td>Finance costs</td>
<td>-4.1</td>
<td>-3.6</td>
</tr>
<tr>
<td>Tax charge</td>
<td>-3.3</td>
<td>-3.4</td>
</tr>
<tr>
<td>Profit after tax</td>
<td>11.0</td>
<td>11.1</td>
</tr>
<tr>
<td>EPS</td>
<td>6.6p</td>
<td>6.6p</td>
</tr>
<tr>
<td>Interim dividend per share</td>
<td>2.7p</td>
<td>2.7p</td>
</tr>
</tbody>
</table>

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

**Chart Details:**
- **HY 2017**: £125.2
- **Volume**: +0.3
- **Price / mix**: -1.4
- **Other products**: -3.9
- **FX**: -3.9
- **HY 2018**: £120.2
EBIT* - IMPROVED MARGINS

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

<table>
<thead>
<tr>
<th>Year</th>
<th>Exceptional items £m</th>
<th>Capex £m</th>
<th>Benefits Year-on-year £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>£10m-£12m</td>
<td>£7m-£8m</td>
<td>£13m-£16m</td>
</tr>
<tr>
<td>2017 (actual)</td>
<td>£5m</td>
<td>£2m</td>
<td>£7m</td>
</tr>
<tr>
<td>2018</td>
<td>£5m-£7m</td>
<td>£5m-£6m</td>
<td>£3m-£4m</td>
</tr>
<tr>
<td>2019</td>
<td>-</td>
<td>-</td>
<td>£3m-£5m</td>
</tr>
</tbody>
</table>

- 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

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

* Shown on underlying basis (before exceptional items)

** Shown on underlying basis and before pension deficit funding

- 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
# NET DEBT

<table>
<thead>
<tr>
<th></th>
<th>Jun 2018 £m</th>
<th>Dec 2017 £m</th>
<th>Jun 2017 £m</th>
<th>Current covenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>147.3</td>
<td>134.9</td>
<td>151.9</td>
<td></td>
</tr>
<tr>
<td>Net debt** / EBITDA* ratio (times)</td>
<td>2.3</td>
<td>2.1</td>
<td>2.4</td>
<td>&lt;3</td>
</tr>
<tr>
<td>EBITDA* / Net finance costs ratio (times)</td>
<td>7</td>
<td>8</td>
<td>9</td>
<td>&gt;4</td>
</tr>
</tbody>
</table>

- 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

<table>
<thead>
<tr>
<th></th>
<th>June 2018 £m</th>
<th>Dec 2017 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension deficit</td>
<td>57.0</td>
<td>82.0</td>
</tr>
</tbody>
</table>

UK discount rate

- Dec 2017: 2.45%
- Jun 2018: 2.60%

US discount rate

- Dec 2017: 3.40%
- Jun 2018: 4.05%
• 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)
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

2-4% pa.
Long term global market growth

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

ROADMAP TO OUR VISION

2018
Deliver D100 benefits

2019
Realise mid term ambition

2021
Inspirational longer term vision

Future
THE 3CS

Win with the winning Customers

Focus on Core profitability drivers

Strengthen Competencies

For revenue growth

For margin improvement

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
APPENDICES
## FOREIGN CURRENCY PROFILE FOR REVENUE

<table>
<thead>
<tr>
<th>% of total 2017</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>US dollar</td>
<td>25%</td>
</tr>
<tr>
<td>Euro</td>
<td>24%</td>
</tr>
<tr>
<td>Australian dollar</td>
<td>12%</td>
</tr>
<tr>
<td>Sterling</td>
<td>12%</td>
</tr>
<tr>
<td>Japanese yen</td>
<td>11%</td>
</tr>
<tr>
<td>Other</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>