DEVRO

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

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Devro plc

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

Devro plc ("Devro" or the "group"), one of the world's leading manufacturers of collagen products for the food industry, announces its results for the year ended 31 December 2017.

	Underlying results*		Statutory results	
	2017	2016	2017	2016
	Unaudited		Unaudited	
Revenue	£256.9m	£241.1m	£256.9m	£241.1m
EBITDA	£64.1m	£58.8m		
Operating profit	£38.1m	£38.1m	£33.0m	£15.4m
Profit before tax	£26.7m	£28.9m	£21.6m	£6.2m
Basic earnings per share	12.5p	13.3p	9.3p	1.3p
Total dividend per share	8.8p	8.8p		
Net debt	£134.9m	£153.6m		
Covenant net debt* / EBITDA	2.1 times	2.7 times		

* *Underlying figures are stated before exceptional items; Covenant net debt is defined as net debt including derivative financial liabilities (see Alternative Performance Measures section of the Financial Review for definitions, explanations and reconciliations to equivalent statutory measures)*

Highlights

- Devro 100 programme progressing well; accelerated revenue growth with significant cost savings
- Return to volume growth with revenue increasing 7% year on year
  - Increased volumes (+7%) and favourable exchange rates (+4%), offset price/mix** (-4%)
  - Volume growth strongest in China, South East Asia and Russia
  - Strong H2 growth in Europe
  - As expected, volume decline in Latin America, impacted by 2016 transition in supply
- Underlying EBITDA ahead of 2016 by 9%
  - Volume growth, cost savings and exchange rate benefits, partially offset by price/mix and full costs for new plants started up in 2016
  - Devro 100 cost reduction target exceeded with £7 million savings in manufacturing
- Statutory operating profit ahead of 2016 due to lower exceptional items in 2017
- Strong cash flow reduced net debt, achieving covenant ratio*** of 2.1 times (2016: 2.7 times)
- Rutger Helbing to succeed Peter Page as Chief Executive from 28 February 2018

** *Price/mix is defined as the movement in average selling price, calculated using prior year average exchange rates for both current and prior year average selling price*

*** *Covenant ratio is defined as covenant net debt / underlying EBITDA (see Alternative Performance Measures section of the Financial Review for definitions, explanation and reconciliation to equivalent statutory measures)*

Peter Page, Chief Executive of Devro, commented

"Our priorities at the start of 2017 included sales growth to regain market share and cost reduction in operations. We made strong progress on both objectives, with 8% growth in sales volumes of edible collagen casings and a £7 million reduction in the manufacturing cost base, supporting a significant reduction in net debt.

"Over the past 10 years Devro has successfully moved from operating as a series of regional subsidiaries to an efficiently managed single global organisation. Revenue from edible collagen has doubled, due to a combination of pricing and volume growth in an increasing variety of markets and applications. Numerous excellent and dedicated colleagues have contributed to the development of the business in many ways, for which I am sincerely grateful.

"Growth in demand will continue as the global population increases, consumer spending progresses and tastes become more varied. The business is well positioned for the future."

Rutger Helbing, Group Finance Director of Devro, commented

"I am delighted to succeed Peter as Chief Executive.

"Our strategy is unchanged. In 2018, we will continue to focus on maintaining the momentum of the Devro 100 programme to deliver revenue growth and further cost savings across our global operations. The total forecast benefits, associated exceptional costs and capital expenditure over the three year period remain unchanged, although given the accelerated cost savings achieved in 2017, the phasing will differ slightly from our original expectations.

"We expect further volume growth in 2018, supported by the introduction of the new Fine Ultra product platform, and continued manufacturing efficiency improvements, in particular at our US plant. We will continue to reduce net debt, building on the good progress made in 2017.

"Whilst mindful of ongoing pressures from input cost inflation and exchange rate volatility, at this early stage of the year the Board believes that Devro is well placed to make good progress in 2018."

Contacts

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Rutger Helbing	Group Finance Director	020 3727 1340
Richard Mountain/Nick Hasell	FTI Consulting	020 3727 1340

There will be a presentation today at 9.00am for investors and analysts at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. A live audio feed will be available to those unable to attend this meeting in person. To connect to the webcast facility, please go to the following link: http://view-w.tv/943-1289-19404/en approximately 10 minutes before the start of the briefing (8.50am). The presentation will also be available on the company's website.

CHAIRMAN'S STATEMENT

Global consumption of collagen casings and related products grew by an estimated 7% in 2017, with most major markets providing opportunities for growth. Food manufacturers continue to recognise the benefits of using collagen casings, including more efficient production and greater traceability of raw materials supporting brand security and food safety.

Devro's total revenue increased 7% in 2017, with growth in sales volumes of edible collagen casings of 8%. This return to volume growth follows the substantial investments and extensive organisational change of recent years.

The group's manufacturing performance continued to improve as our global supply chain settles into more stable operations. The Devro 100 programme achieved cost reductions of £7 million in the first year, ahead of the original plan, and provides a strong foundation for further improvements in manufacturing efficiency in 2018 and beyond.

FINANCIAL HIGHLIGHTS

Underlying EBITDA increased 9% to £64.1 million (2016: £58.8 million) as a result of volume growth, planned cost reductions, and exchange rate benefits of £4.2 million (2016: £5.3 million), partially offset by price/mix and the full costs for the new plants that started up in 2016. Underlying operating profit was in line with 2016, after higher depreciation on the new plants.

Operating profit was £33.0 million (2016: £15.4 million), with the improvement mainly due to lower exceptional items in 2017 following the completion of the new plants in 2016. A more detailed explanation of the group financial performance is set out in the Financial Review below.

With improved underlying EBITDA and strong cash generation, covenant net debt closed at £135.3 million, down by £20.9 million on prior year, reducing as envisaged in the original capital investment plan. The covenant net debt to underlying EBITDA ratio now stands at 2.1, down from 2.7 a year ago.

During December 2017 the funding review linked to the triennial valuation of the UK pension scheme was completed, with no increase in company contributions required, and with the recovery plan reducing from 9 to 7 years. This reflects the improved funding position of the scheme and the positive working relationship between scheme trustees and the group.

BOARD

In December 2017 we announced that Peter Page will be completing his tenure as Chief Executive at the end of February 2018, after more than 10 years leading the company. Peter has been instrumental in making Devro fit for the future through a programme of major capital investments and by transforming a group of regional subsidiaries into a more integrated global business.

Following an extensive search process, Rutger Helbing, currently Group Finance Director, was appointed to succeed Peter as Chief Executive. We have initiated a search for a new Group Finance Director. We are confident that Rutger will lead the company and its

Devro 100 strategy forward with a strong focus on delivering value.

From 28 February 2018, Matthew Peacock will assume the role of Interim Group Finance Director. Matthew has been our Group Financial Controller since 2012.

Malcolm Swift joined the Board as Non-Executive Director in April 2017, bringing significant experience of the global food sector, particularly business-to-business sales and marketing in the strategically important Asia-Pacific region.

Paul Neep, Senior Independent Non-Executive Director, retired from the Board in April 2017 after 12 years' service for which we are extremely grateful. Paul Withers succeeded Paul Neep as Senior Independent Non-Executive Director.

EMPLOYEES

All employees have contributed to the growth and development we have seen in 2017. On behalf of the whole Board, I am most grateful for their commitment and professionalism. We see increasing levels of engagement and involvement in all areas of the business to make Devro an even better global company.

DIVIDEND

The Board is proposing a final dividend of 6.1p per share (2016: 6.1p) bringing the total for the year to 8.8p per share (2016: 8.8p). Subject to shareholder approval at the Annual General Meeting in April, the dividend will be paid on 11 May 2018, to those shareholders on the register at 3 April 2018.

OUTLOOK

Our strategy is unchanged. In 2018, we will focus on maintaining the momentum of the Devro 100 programme to deliver revenue growth and further cost savings across our global operations. The total forecast benefits, associated exceptional costs and capital expenditure over the three year period remain unchanged, although given the accelerated cost savings achieved in 2017, the phasing will differ slightly from our original expectations.

We expect further volume growth in 2018, supported by the introduction of the new Fine Ultra product platform, and continued manufacturing efficiency improvements, in particular at our US plant. We will continue to reduce net debt, building on the good progress made in 2017.

Whilst mindful of ongoing pressures from input cost inflation and exchange rate volatility, at this early stage of the year the Board believes that Devro is well placed to make good progress in 2018.

Gerard Hoetmer
Chairman

BUSINESS REVIEW

Our priorities at the start of 2017 included sales growth to regain market share and cost reduction in operations. We made strong progress on both objectives, with 8% growth in sales volumes of edible collagen casings and a £7 million reduction in the manufacturing cost base, supporting a significant reduction in net debt.

MARKETS OVERVIEW

Devro supplies collagen casings, gel and film to customers in over 100 countries worldwide. Demand for collagen casings is estimated to have increased 7% in 2017, with growth in most markets, including China.

The global food manufacturing sector is dynamic with growing demand for specific casing functionality in traditional sausage applications as well as in emerging categories such as protein snacks and confectionery.

STRATEGY

Devro's three-part strategy involves revenue growth, manufacturing efficiency and product differentiation. In the last quarter of 2016 the Devro 100 programme was launched to accelerate progress in all three elements of the strategy.

Revenue growth

Devro's sales volumes of edible collagen casings, which represent over 80% of the group's sales, increased 8% worldwide, contributing to a reported revenue increase of 7%, reflecting a mix of markets, products, pricing initiatives and exchange rate variances. Of the total price/mix impact (-4%), approximately half is due to mix, primarily related to the significant increase in volumes in China. Our pricing actions continue to reflect the dynamics of the specific markets in which we operate.

USA volumes increased 3% as the protein snack stick segment continued to grow at a faster rate than total food consumption. A 5% reduction in average pricing reflects investment in securing valuable long-term relationships with leading brand owners with significant growth potential.

Latin America volumes declined 25%, with final quarter sales recovering to a level comparable to prior year. The year-on-year volume reduction follows the previously-announced changes in product sourcing in 2016, whilst the reduction in the overall average selling price reflects the resulting changes in country mix. Our technical and product development specialists continue to focus on opportunities to regain business in these markets.

Whilst the UK sausage market overall has shown little growth for several years, 2017 volumes of Devro casings increased 2%, along with a similar increase in average prices, reflecting a changing customer mix, particularly the continuing success of Select Fresh casings in the premium sausage market.

Continental European sales recovered well, with 13% volume growth in the second half leading to 6% growth overall, accompanied by price movements related to specific market opportunities.

Volumes sold in Russia and surrounding countries grew 21%, recovering Devro's market share and presence following a period in which a number of specific factors, including currency devaluation and restrictions on EU-sourced pork products, had disrupted sales in the region. The movement in overall average selling price reflects changes in product mix.

Following the successful start-up of Devro's new plant in Nantong during the second half of 2016, and strong sales in the final quarter last year, further activity in China during 2017 led to a 69% volume increase at constant prices in most accounts. As the year progressed, a wider base of customers resulted in higher monthly sales volumes and the development of some specialist opportunities for Devro's differentiated products.

South East Asia sales volumes increased 29%, reflecting a higher level of activity in the region following an increase in capacity availability and product introductions.

Japan continued a 10 year period of sales growth, with volumes increasing 5% in 2017.

Australia and New Zealand are mature markets, with a high proportion of collagen casings principally supplied from Devro's plant in New South Wales. Volumes declined 3%, whilst a 5% reduction in average selling price reflected investments to secure long term global relationships, together with some changes in customer and product mix.

Total volumes of collagen gel sold across the group were marginally lower than prior year. Gel provides a low cost alternative for high volume users of cellulose and volumes grew in previous years as new capacity was added. 2017 was a year of consolidation in this sector.

Manufacturing efficiency

Manufacturing performance progressed well during the past year at most locations, with the new single global supply chain organisation structure enabling the business to improve performance through benchmarking, sharing of best practice, and specialist input to technical development opportunities.

2017 was the first full year of operation of the new plants in China and the US, leading to a greater consistency and standardisation of the process technology in use at all manufacturing locations.

The plant in Nantong performed particularly strongly in 2017, achieving high levels of efficiency and productivity across a range of products. This plant is close to achieving the output levels originally envisaged, with sales matching output in the latter part of the year.

Whilst there has been some good progress at the plant in South Carolina, output volumes in 2017 fell short of projections. As a result, productivity and output efficiencies in the US plant continue to be a matter of priority for the management team, as improvements in this area will support growth ambitions.

Devro 100

A key element of the Devro 100 programme has been to enhance Devro's sales capability through a programme of targeted training and individual development. The benefits of this are reflected in the volume and share gains throughout the year, with further advances expected in 2018.

As a result of the Devro 100 programme, the manufacturing cost base has been reduced by £7 million during the year, which is in addition to the cost savings realised in H1 related to the closure of the old US plant. Following the establishment in late 2016 of a single global supply chain and associated management structure, the group has benefitted from the implementation of new and more effective ways of working and procurement in all areas of activity.

During 2017 a single global team established robust processes for product development and bringing these new products to market. In the final quarter, following extensive commercial scale testing, Devro's Fine Ultra casings were introduced to key customers in Asia and Europe, providing the opportunity for volume growth in future years.

SAFETY

Over the past 10 years, safety has been a priority at Devro. There has been an improvement in overall performance compared to 2016. Whilst there is more to do to ensure we constantly achieve our safety goals, the move to a single supply chain with global responsibilities is leading to a more rigorous implementation of group standards to the benefit of all.

DEVRO TODAY

Over the past 10 years Devro has successfully moved from operating as a series of regional subsidiaries to an efficiently managed single global organisation. Revenue from edible collagen has almost doubled, due to a combination of pricing and volume growth in an increasing variety of markets and applications. Numerous excellent and dedicated colleagues have contributed to the development of the business in many ways, for which I am sincerely grateful.

Growth in demand will continue as the global population increases, consumer spending progresses and tastes become more varied. The business is well positioned for the future.

Peter Page
Chief Executive

FINANCIAL REVIEW

As in 2016 the financial results in 2017 comprised a number of significant moving parts including, for the first time, the full operational costs of our new manufacturing plants in the US and China. The adverse impact of the additional costs was offset by benefits delivered through the Devro 100 programme, both in terms of revenue growth and manufacturing cost reductions. As a consequence underlying operating profit for the year was unchanged, but underlying EBITDA increased by 9.0% after adding back the increased depreciation, primarily related to the new plants.

Exceptional items for the year were significantly lower in 2017, resulting in an increase of operating profit of £17.6 million.

In 2017, considerable progress was made in improving the covenant net debt to underlying EBITDA ratio, which reduced from 2.7 times at 31 December 2016 to 2.1 times by the end of 2017. The business continues to deliver strong underlying cash generation, supported by increasing underlying EBITDA in 2017. A significant reduction in capital and exceptional item spend also contributed to the reduction in net debt in the year, together with exchange rate movements, partly offset by higher cash tax payments.

With the completion of the capital investment programme in 2016, the business is now focused on bringing the covenant net debt to underlying EBITDA ratio down nearer to historic levels.

REVENUE

	2017 £m	2016 £m	Change	Change at constant currency
Revenue	256.9	241.1	+6.6%	+2.2%

Revenue for the year was ahead of 2016, with increased volumes and the benefits of exchange rate movements, partially offset by price/mix. Year-on-year revenue growth can be analysed as follows:

	2017 vs 2016	2016 vs 2015
Volume	+6.5%	-6.6%
Price/mix	-4.3%	-0.3%
Foreign exchange	+4.4%	+11.6%
Total	**+6.6%**	**+4.7%**

The increase in sales volumes represents a return to growth in 2017 across almost all sales areas, with particularly strong growth in China, South East Asia and Russia, together with strong growth in Continental Europe in the second half. The growth in China follows the successful start-up of Devro's new plant in Nantong in 2016, with this ramp up in volumes supported by increased sales activity once the capacity became available. The increase in volumes in South East Asia also reflects capacity becoming available for this region together with successfully matching products with customers' requirements. In Russia, the volume grew through a combination of a recovery in market share and an increase in local sausage production following disruptions in recent years related to import restrictions and currency devaluation.

Approximately half of the price/mix impact was due to country mix, primarily related to the increased volumes in China where market prices are lower than the global average. In addition there was some investment in pricing to secure long term relationships with key customers and also some tactical pricing related to specific market opportunities.

OPERATING PROFIT

Operating profit for the year can be analysed as follows:

	2017 £m	2016 £m	Change
Underlying EBITDA	64.1	58.8	+9.0%
Underlying depreciation & amortisation	(26.0)	(20.7)	-25.6%
Underlying operating profit	**38.1**	**38.1**	**-**
Exceptional items	(5.1)	(22.7)	
Operating profit	**33.0**	**15.4**	

Underlying operating profit was in line with 2016, but there were a number of significant moving parts which are summarised below:

	£m
Underlying operating profit 2016	38.1
Sales volumes	+6.3
Price/mix	-7.8
Recovery of conversion costs	+7.1
Volume	+5.6
Savings from replacement of old US plant & 2016 pre-operating costs of new plants	+1.4
Start-up of new plants in 2016	-14.8
Impact of new plants	-13.4
Devro 100 cost savings	+7.0
Foreign exchange (translation)	+4.2
Other movements	-3.4
Underlying operating profit 2017	**38.1**

The increased sales volumes and adverse impact of price/mix are explained above. The volumes also contributed to the higher recovery of conversion costs due to the related increase in production volumes.

The construction of new plants in the US and China was completed in early 2016, after which a six month start-up period was required for each plant to bring the plants on-line and build up production. Given that capacity from the new plants was only available for a restricted period during the start-up period, and not available prior to the commencement of operations, the related costs were not reflected in underlying operating profit in 2016. The additional costs in 2017 reflect the fact that both plants were fully operational by the end of 2016, and therefore all related costs were included in underlying operating profit in 2017.

The old US plant was closed at the end of H1 2016, with the related savings benefiting H2 2016 and H1 2017.

The Devro 100 programme realised savings of £7.0 million in 2017, which were ahead of plan. The savings related to areas such as sourcing of raw materials, optimising operational structures at the plants and standardising processes through sharing best practice across our global operations.

Devro has operations around the world in multiple currencies. Movements in exchange rates had a favourable impact on underlying operating profit of £4.2 million, reflecting the weakening of sterling against most other key trading currencies of the group towards the end of H1 2016. Whilst sterling was weaker for the year as a whole in 2017, it did strengthen over the course of the year and if exchange rates remain at current levels this will result in a headwind for operating profit in 2018.

Other movements in underlying operating profit compared with 2016 included wage inflation and bonus payments.

Underlying operating profit for 2017 included an increased depreciation charge of £5.3 million, primarily related to the impact of the new plants but also including foreign exchange movements (£1.3 million). So whilst underlying operating profit for 2017 was in line with 2016, EBITDA increased by 9.0%.

Reported operating profit for the period was £33.0 million, which was significantly higher than 2016 primarily due to lower exceptional items.

Exceptional items

	2017 £m	2016 £m
Devro 100 programme	5.1	2.0
Capital investment projects	-	20.7
Total exceptional items	**5.1**	**22.7**

During 2017 exceptional costs incurred related to the Devro 100 and restructuring programmes. An analysis of the nature of these costs is set out in note 4 to the attached financial statements. In addition there was £2.3 million of capital expenditure related to Devro 100.

For the Devro 100 programme, as previously guided total exceptional items are expected of between £10-12 million over 2017 and 2018, plus capital investments of between £7-8 million, with expected benefits of between £13-16 million by 2019. These expectations of total investments and savings remain unchanged but the phasing is now expected to be different given the accelerated delivery of savings in 2017 and lower level of exceptional items and capital investments in 2017 than originally expected.

OPERATING MARGIN

	2017	2016
Underlying operating margin	14.8%	15.8%

The underlying operating margin for the year declined by 1.0 percentage point, reflecting the full costs of the new plants in China and the US, whilst they operated below full capacity in their first full year of production in 2017.

The reported operating margin increased to 12.8% from 6.4%, supported by significantly lower exceptional items in 2017, compared with 2016.

CAPITAL INVESTMENT

	2017 £m	2016 £m
Capital investment	10.4	22.2

With the start-up of the new plants in 2016, capital investment in 2017 was significantly lower than in 2016, and was at the lower end of the range of historical maintenance levels.

WORKING CAPITAL

	2017		2016	
	£m	Number of days	£m	Number of days
Inventories*	32	50	34	60
Trade and other receivables	35	38	35	39
Trade and other payables	(35)	35	(38)	40
	32		**31**	

*Inventories days are calculated by dividing finished goods and goods for resale at the end of the reporting period by the value of cost of goods sold in the period multiplied by the number of days in the period

Working capital increased by £1 million during the year with the benefits of lower inventories offset by lower payables. The lower payables largely reflect the decrease in capital accruals noted above.

The movements in inventories reflected improved working capital management and, combined with the higher revenues, resulted in a reduced number of inventory days compared with 2016. With unchanged trade and other receivables, combined with increased revenue, receivable days also improved.

CASH FLOW AND NET DEBT

Devro continues to be a highly cash generative business. In order to fund the significant investments made as part of the transformation of the manufacturing footprint, new long term facilities were put in place in 2014 to supplement the shorter term bank facilities.

With the start up on the new plants in China and the US completed in 2016 and resultant reduction in capital expenditure and exceptional items, significant progress was made in 2017 in reducing net debt, which ended the year at £134.9 million, compared with £153.6 million at the start of the year. This reduction included the effect of the strengthening of sterling during 2017 (given that a part of the group's debt is denominated in US dollars), which reduced the reported net debt figure at 31 December 2017 by £7.4 million. Including the effect on derivative liabilities, covenant net debt ended the year lower at £135.3 million (2016: £156.2 million).

Key financial measures are as follows:

	2017	2016
Net debt	£134.9m	£153.6m

Covenant net debt / underlying EBITDA ratio	2.1 times	2.7 times
Underlying operating cash flow	£66.9m	£64.4m
Return on capital employed (ROCE)	11.1%	11.5%

At 31 December 2017 the covenant net debt to underlying EBITDA ratio was 2.1 times. This represented a further reduction from the 2.4 times reported at 30 June 2017. The underlying EBITDA to net interest payable ratio was 7.7 times at 31 December 2017, meaning that both ratios were within their limits.

With the capital investment projects now complete, cash generated from the business will enable net debt levels to reduce further, which will ultimately result in the covenant net debt to underlying EBITDA ratio returning nearer to historic levels.

The group remained within its funding facilities throughout the year, which include the US$100 million US private placement that took place in the first half of 2014, and the £110 million revolving credit facility which was negotiated in December 2014 and will be in place until December 2019.

Underlying operating cash flow (before pension deficit funding) increased during the year to £66.9 million (2016: £64.4 million), with the improvement in EBITDA being partially offset by lower improvements in working capital.

Cash outflow from exceptional items was £5.7 million (2016: £22.9 million), contributing to improved operating cash flow of £58.2 million (2016: £39.0 million).

The reduction in ROCE reflects the lower average capital employed balance in 2016, related to the build up of investments during 2016 as the new plants in the US and China were completed.

FINANCE COSTS

	2017 £m	2016 £m
Net finance cost	8.6	6.9
Net finance cost on pensions	2.8	2.3
Total net finance cost	**11.4**	**9.2**

The net finance cost for the year was higher than 2016 due to higher rates of interest on borrowings drawn down in Chinese renminbi to support our investment in China, and the ceasing of capitalisation of interest during 2016 following completion of the new plants (2016: £0.5 million interest capitalised).

The increase in net finance cost on pensions over 2016 reflects the higher discount rates assumed at the start of 2017 compared with the year before.

PENSION SCHEMES

Devro operates a number of defined benefit schemes around the group, although all of these are now closed to new entrants. The net pension liabilities of these schemes can be analysed as follows:

	2017 £m	2016 £m
Fair value of scheme assets	247.6	254.8
Present value of scheme liabilities	(329.6)	(350.8)
Net pension liabilities	**(82.0)**	**(96.0)**

The decrease in net pension liabilities during the year largely reflects revised assumptions for the UK scheme, following a review of all components of the pension scheme in conjunction with the pension trustees as part of the triennial valuation. This was partially offset by a decrease in discount rate assumptions across the schemes. Further analysis of the movement in net pension liabilities is set out in note 6 to the attached financial statements.

TAX

	2017 £m	2016 £m
Tax charge on underlying profit before tax	5.8	6.7
Tax charge/(credit) on exceptional items & exceptional tax charge	0.2	(2.7)
Tax charge in income statement	**6.0**	**4.0**

The group operates around the world and earns profits which are subject to tax at differing rates in different tax jurisdictions. Tax reforms were enacted in the US on 22 December 2017, and although effective from 1 January 2018 the reforms did have an impact on the tax charge in 2017 due to the revaluation of deferred tax assets and liabilities to reflect the change in federal tax rate. The impact on 2017 was an additional tax charge of £4.2m which was reported as an exceptional item.

The underlying tax charge includes the effect of additional deferred tax assets on previously unrecognised losses. These additional deferred tax assets have been recognised in the year as a result of an increase in the projected taxable profits in the relevant jurisdictions, reflecting the benefit of a review of internal funding structures. To the extent that the additional deferred tax assets related to losses previously charged to exceptional items, the associated tax credit has also been reported as an exceptional item.

EARNINGS PER SHARE

	2017	2016
Underlying basic earnings per share	12.5p	13.3p
Basic earnings per share	9.3p	1.3p

We have again presented an adjusted earnings per share (EPS) measure, which excludes exceptional items, to provide a better indication of the underlying performance of the group. Underlying basic EPS reduced by 0.8p with the unchanged underlying operating profit and lower effective tax rate (+0.2p), being more than offset by the effects of increased interest (-1.0p).

The increase in basic EPS reflects lower exceptional costs in 2017, more than offsetting the factors resulting in lower underlying basic EPS.

DIVIDEND

	2017	2016
Interim per share	2.7p	2.7p
Final per share	6.1p	6.1p
Total	8.8p	8.8p

The Board is recommending an unchanged dividend in 2017.

ALTERNATIVE PERFORMANCE MEASURES

In addition to statutory financial measures, management uses certain alternative performance measures (which are not defined by IFRS) to assess the operating performance and financial position of the group. The alternative performance measures that Devro uses are 'constant exchanges rates', 'underlying', 'earnings before interest, tax, depreciation and amortisation (EBITDA)', 'net debt', 'covenant net debt' and 'return on capital employed (ROCE)'.

Constant exchange rates

The group has operations across the world in multiple currencies, and is exposed to translation risk on fluctuations in foreign exchange rates. As a result the group's reported revenue will be impacted by movements in actual exchange rates. The group presents revenue growth on a constant currency basis in order to eliminate the translation effect of foreign exchange rate movements, enabling investors to better understand the operational performance of the group.

Revenue growth at constant currency is calculated by translating both the current and prior year local currency amounts using the prior period average exchange rates.

Underlying

Underlying figures are stated before exceptional items. Devro is undergoing a major transformation including the construction and start-up of two new plants in China and the US which completed in 2016, a restructuring of operations in Scotland and Australia initiated in 2014 and the Devro 100 programme with full benefits expected by 2019. The incremental costs associated with this transformation are significant, and as a result have been classified as exceptional items.

A reconciliation from the underlying figures to the equivalent reported figures is presented below:

	2017			2016		
	Underlying	Exceptional items	Reported	Underlying	Exceptional items	Reported
Operating profit (£m)	38.1	(5.1)	33.0	38.1	(22.7)	15.4
Operating margin (%)	14.8%	(2.0%)	12.8%	15.8%	(9.4%)	6.4%
Profit before tax (£m)	26.7	(5.1)	21.6	28.9	(22.7)	6.2
Basic earnings per share (p)	12.5p	(3.2p)	9.3p	13.3p	(12.0p)	1.3p

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA is defined as operating profit excluding depreciation and amortisation. This measure is used by management to assess operational efficiency and, given that it excludes non-cash depreciation and amortisation, it is a useful approximation for cash generation from operations. This measure is in common use elsewhere and a reconciliation from reported figures is shown below:

	2017			2016		
	Underlying	Exceptional items	Reported	Underlying	Exceptional items	Reported
Operating profit (£m)	38.1	(5.1)	33.0	38.1	(22.7)	15.4
Depreciation & amortisation (£m)	26.0	-	26.0	20.7	2.3	23.0
EBITDA (£m)	64.1	(5.1)	59.0	58.8	(20.4)	38.4
EBITDA margin (%)	25.0%		23.0%	24.4%		15.9%

Net debt

Net debt is defined as the excess of total borrowings over cash and cash equivalents. It is a measure that provides additional information on the group's financial position and is a measure in common use elsewhere. A reconciliation from reported figures is presented below:

	2017 £m	2016 £m
Current borrowings	(1.5)	(1.9)
Non-current borrowings	(144.2)	(161.6)
Total borrowings	(145.7)	(163.5)
Cash and cash equivalents	10.8	9.9
Net debt	(134.9)	(153.6)

Furthermore, the definition of net debt used to calculate one of the group's banking covenant ratios also includes derivative financial liabilities, as shown below:

	2017 £m	2016 £m
Net debt	(134.9)	(153.6)
Derivative financial liabilities	(0.4)	(2.6)
Covenant net debt	(135.3)	(156.2)

Return on capital employed

Return on capital employed (ROCE) is used as a measure of how well the group is utilising its available capital, and is a measure in common use elsewhere. ROCE is calculated by presenting underlying operating profit as a proportion of average capital employed.

Capital employed for this purpose is defined as net assets excluding interest-bearing assets and liabilities, derivative financial instruments, current and deferred tax balances, pension obligations and provisions for liabilities and other charges.

A reconciliation from reported figures is presented below:

	2017 £m	2016 £m	2015 £m
Intangible assets	10.4	10.4	9.2
Property, plant and equipment	291.1	308.6	270.1
Inventories	32.3	33.8	28.5
Trade and other receivables	35.1	35.2	38.4
Trade and other payables	(34.5)	(37.8)	(33.7)
Total capital employed	334.4	350.2	312.5
Average capital employed*	342.3	331.4	
Underlying EBIT	38.1	38.1	
Return on capital employed	**11.1%**	**11.5%**	

** Average capital employed is calculated as the average between the balances as at the start of the year and as at the end of the year.*

GOING CONCERN

At 31 December 2017 the group was operating within the banking covenants related to its revolving credit facility and US private placement facilities. The group's detailed financial forecasts indicate that there is sufficient headroom in the facilities for the 12 months from the date of approval of this statement and that they can be repaid in line with the expected terms.

After making enquiries, the directors have a reasonable expectation that the group has adequate resources to continue in operation for the 12 months from the date of approval of this statement. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Rutger Helbing
Group Finance Director

CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the year ended 31 December

	Note	**2017 Underlying £'m**	**2017 Exceptional items £'m**	**2017 Reported £'m**	2016 Underlying £'m	2016 Exceptional items £'m	2016 Reported £'m
Revenue	2	**256.9**	**-**	**256.9**	241.1	-	241.1
Operating profit	3, 4	**38.1**	**(5.1)**	**33.0**	38.1	(22.7)	15.4
Finance income		**-**	**-**	**-**	0.1	-	0.1
Finance cost		**(8.6)**	**-**	**(8.6)**	(7.0)	-	(7.0)
Net finance cost on pensions		**(2.8)**	**-**	**(2.8)**	(2.3)	-	(2.3)
Profit before tax		**26.7**	**(5.1)**	**21.6**	28.9	(22.7)	6.2
Tax		**(5.8)**	**(0.2)**	**(6.0)**	(6.7)	2.7	(4.0)
Profit for the year attributable to owners of the parent		**20.9**	**(5.3)**	**15.6**	22.2	(20.0)	2.2
Earnings per share							
Basic	5			**9.3p**			1.3p
Diluted	5			**9.3p**			1.3p

All results relate to continuing operations.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the year ended 31 December

	2017 £'m	2016 £'m

Profit for the year	**15.6**	2.2
Other comprehensive income/(expense) for the year		
Items that will not be reclassified to profit or loss		
Pension obligations:		
- re-measurements	**12.7**	(33.0)
- movement in deferred tax	**(8.4)**	5.2
	4.3	(27.8)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
- net fair value gains/(losses)	**2.2**	(0.1)
- reclassified and reported in operating profit	**-**	(1.0)
- tax on fair value movements	**(0.4)**	0.2
Net investment hedges:		
- fair value losses	**(2.2)**	(1.6)
- tax on fair value movements	**0.4**	0.3
Net exchange adjustments	**12.5**	19.8
	12.5	17.6
Other comprehensive income/(expense) for the year, net of tax	**16.8**	(10.2)
Total comprehensive income/(expense) for the year attributable to owners of the parent	**32.4**	(8.0)

CONSOLIDATED BALANCE SHEET (UNAUDITED)
at 31 December

	Note	2017	2016
		£'m	£'m
ASSETS			
Non-current assets			
Property, plant and equipment		**291.1**	308.6
Intangible assets		**10.4**	10.4
Deferred tax assets		**35.3**	40.3
Trade and other receivables		**4.5**	4.7
		341.3	364.0
Current assets			
Inventories		**32.3**	33.8
Trade and other receivables		**30.6**	30.5
Derivative financial instruments		**1.8**	1.4
Current tax assets		**-**	0.1
Cash and cash equivalents		**10.8**	9.9
		75.5	75.7
Total assets		**416.8**	**439.7**
LIABILITIES			
Current liabilities			
Trade and other payables		**(31.2)**	(34.4)
Current tax liabilities		**(5.1)**	(7.0)
Borrowings		**(1.5)**	(1.9)
Derivative financial instruments		**(0.4)**	(2.6)
Provisions for other liabilities and charges		**(0.2)**	(0.8)
		(38.4)	(46.7)
Non-current liabilities			
Borrowings		**(144.2)**	(161.6)
Pension obligations	6	**(82.0)**	(96.0)
Deferred tax liabilities		**(18.1)**	(19.4)
Other payables		**(3.3)**	(3.4)
Provisions for other liabilities and charges		**(3.6)**	(3.6)

	2017	2016
	(251.2)	(284.0)
Total liabilities	**(289.6)**	(330.7)
Net assets	**127.2**	109.0
EQUITY		
Capital and reserves attributable to owners of the parent		
Ordinary shares	**16.7**	16.7
Share premium	**9.3**	9.3
Other reserves	**83.4**	70.8
Retained earnings	**17.8**	12.2
Total equity	**127.2**	109.0

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)

	Ordinary shares £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 January 2017	**16.7**	**9.3**	**70.8**	**12.2**	**109.0**
Comprehensive income/(expense)					
Profit for the year	-	-	-	15.6	15.6
Other comprehensive income/(expense)	-	-	12.5	4.3	16.8
Total comprehensive income/(expense)	-	-	12.5	19.9	32.4
Transactions with owners					
Performance Share Plan charge, net of tax	-	-	0.5	-	0.5
Performance Share Plan credit in respect of awards lapsed	-	-	(0.4)	0.4	-
Dividends paid	-	-	-	(14.7)	(14.7)
Total transactions with owners	-	-	0.1	(14.3)	(14.2)
Balance at 31 December 2017	**16.7**	**9.3**	**83.4**	**17.8**	**127.2**
Balance at 1 January 2016	**16.7**	**9.3**	**52.9**	**52.2**	**131.1**
Comprehensive income/(expense)					
Profit for the year	-	-	-	2.2	2.2
Other comprehensive income/(expense)	-	-	17.6	(27.8)	(10.2)
Total comprehensive income/(expense)	-	-	17.6	(25.6)	(8.0)
Transactions with owners					
Performance Share Plan charge, net of tax	-	-	0.6	-	0.6
Performance Share Plan credit in respect of awards lapsed	-	-	(0.3)	0.3	-
Dividends paid	-	-	-	(14.7)	(14.7)
Total transactions with owners	-	-	0.3	(14.4)	(14.1)
Balance at 31 December 2016	**16.7**	**9.3**	**70.8**	**12.2**	**109.0**

CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)
For the year ended 31 December

	2017	2016

	Note	£'m	£'m
Cash flows from operating activities			
Cash generated from operations	7	**58.2**	39.0
Interest received		**-**	0.1
Interest paid		**(8.3)**	(7.8)
Tax paid		**(11.9)**	(5.8)
Net cash generated from operating activities		**38.0**	**25.5**
Cash flows from investing activities			
Purchase of property, plant and equipment		**(11.2)**	(22.3)
Purchase of intangible assets		**(1.3)**	(1.7)
Capital grants received		**-**	0.7
Net cash used in investing activities		**(12.5)**	**(23.3)**
Cash flows from financing activities			
Borrowing under the loan facilities		**(9.8)**	8.4
Proceeds from financial instruments		**0.3**	3.4
Dividends paid		**(14.7)**	(14.7)
Net cash used in financing activities		**(24.2)**	**(2.9)**
Net increase/(decrease) in cash and cash equivalents		**1.3**	**(0.7)**

Net cash and cash equivalents at 1 January	**8.0**	7.7
Net increase / (decrease) in cash and cash equivalents	**1.3**	(0.7)
Exchange gain on cash and cash equivalents	**-**	1.0
Net cash and cash equivalents at 31 December	**9.3**	**8.0**

Cash and cash equivalents	**10.8**	9.9
Bank overdrafts	**(1.5)**	(1.9)
Net cash and cash equivalents at 31 December	**9.3**	**8.0**

1. Financial information

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 December 2017 or 2016.

The financial information for 2016 is derived from the statutory accounts for 2016 which have been delivered to the registrar of companies. The auditor has reported on the 2016 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

The statutory accounts for 2017 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the registrar of companies in due course.

2. Segment information

The chief operating decision maker has been identified as the Board. The Board reviews the group's financial results on a geographical segment basis with three identifiable operating segments:

- Americas: includes North America and Latin America
- Asia - Pacific: includes Australia, New Zealand, Japan, China and the rest of South East Asia
- Europe: includes Continental Europe, UK, Ireland and Africa

The Board assesses the performance of the operating segments based on underlying operating profit. This measurement basis excludes the effects of exceptional income and expenditure from the operating segments. The Board assesses the operating segments based on group profit for external sales in each region, rather than statutory profit for the region which also includes profit on intercompany sales. Finance income and cost, and net finance cost on pensions, are not included in the segment results that are reviewed by the Board.

During the year the basis used by the Board was revised to reflect the new global organisation structure that was implemented in the last quarter of 2016, which created a single global Supply Chain organisation and single global Business Development organisation. Following this organisational change, the manufacturing asset base is now managed on a global basis, rather than by region. As a result the segmental information has been presented on the amended basis and the prior year figures have been restated on a consistent basis.

Profit for the geographic segments is determined as revenue less standard cost of manufacture and direct selling costs. The Global costs comprise Global Supply Chain (including any variances from standard cost of manufacture), Global Business Development (including research & development) and Global Business Services (including finance and human resources).

	Americas		**Asia-Pacific**		**Europe**		**Global**		**Total group**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	£'m	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Revenue										
Sales to external customers	**61.6**	64.0	**85.3**	75.5	**110.0**	101.6	**-**	-	**256.9**	241.1

Underlying operating profit	**23.7**	24.4	**28.4**	27.4	**40.7**	41.6	**(54.7)**	(55.3)	**38.1**	38.1
Exceptional items									**(5.1)**	(22.7)
Operating profit									**33.0**	15.4
Finance income									**-**	0.1
Finance cost									**(8.6)**	(7.0)
Net finance cost on pensions									**(2.8)**	(2.3)
Profit before tax									**21.6**	6.2

3. Operating profit

	2017			2016		
	Underlying	**Exceptional items**	**Reported**	Underlying	Exceptional items	Reported
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Revenue	**256.9**	**-**	**256.9**	241.1	-	241.1
Cost of sales	**(166.3)**	**-**	**(166.3)**	(152.1)	(18.5)	(170.6)
Gross profit	**90.6**	**-**	**90.6**	89.0	(18.5)	70.5
Selling and distribution costs	**(19.6)**	**-**	**(19.6)**	(19.1)	-	(19.1)
Administrative expenses	**(23.6)**	**(5.1)**	**(28.7)**	(19.5)	(4.2)	(23.7)
Research & development expenditure	**(7.3)**	**-**	**(7.3)**	(7.2)	-	(7.2)
Other expenses	**(2.7)**	**-**	**(2.7)**	(5.3)	-	(5.3)
Total operating expenses	**(53.2)**	**(5.1)**	**(58.3)**	(51.1)	(4.2)	(55.3)
Other operating income	**0.7**	**-**	**0.7**	0.2	-	0.2
Net operating expenses	**(52.5)**	**(5.1)**	**(57.6)**	(50.9)	(4.2)	(55.1)
Operating profit/(expense)	**38.1**	**(5.1)**	**33.0**	38.1	(22.7)	15.4

An additional £1.2m (2016: £0.8m) of development expenditure has been capitalised within intangible assets.

4. Exceptional items

Exceptional charges included in operating profit were £5.1m (2016: £22.7m).

	2017	2016
	£'m	£'m
Devro 100 programme (i)	**5.1**	2.0
Investment projects		
Pre-operating costs to establish new manufacturing plants (ii)	**-**	20.3
Costs related to the closure of old manufacturing plant (iii)	**-**	0.4
	-	20.7
Total exceptional items	**5.1**	22.7

Devro is undergoing a major transformation including the construction and start-up of two new plants in China and the US which completed in 2016, a restructuring of operations in Scotland and Australia initiated in 2014, and the Devro 100 programme with full benefits expected by 2019. The Devro 100 programme is focussed on accelerating revenue growth, through significantly improving sales capabilities, delivering substantial improvements in manufacturing efficiencies to reduce unit costs and introducing the next generation of differentiated products. The incremental costs associated with implementing this transformation are significant, and as a result have been classified as exceptional items.

(i) Redundancy costs and other incremental external cost, including professional fees.
(ii) Costs related to the projects to establish new manufacturing plants in the USA and China, including project management, legal and professional fees, and other incremental costs incurred prior to the commencement of normal production that are not eligible for capitalisation.
(iii) Costs incurred in the USA related to the closure of the old manufacturing plant. Costs comprise redundancy and retention costs.

5. Earnings per share

	2017	2016
	£'m	£'m
Profit attributable to equity holders	**15.6**	2.2
Underlying profit attributable to equity holders	**20.9**	22.2

Earnings per share		
- Basic	**9.3p**	1.3p
- Underlying basic	**12.5p**	13.3p
- Diluted	**9.3p**	1.3p
- Underlying diluted	**12.4p**	13.2p
Shares in issue	**2017**	2016
Weighted average number of shares in the year	**166,949,022**	166,941,137
Adjustments for:		
- Performance Share Plan	**1,691,003**	1,717,046
Weighted average number of shares adjusted for potential dilution	**168,640,025**	168,658,183

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent of £15.6m (2016: £2.2m) by 166,949,022 (2016: 166,941,137) shares, being the weighted average number of shares in issue throughout the year.

Shares arising from the Performance Share Plan are only treated as dilutive where the effect is to reduce earnings per share. Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £15.6m (2016: £2.2m) by the average number of shares, including the effect of all dilutive potential shares, of 168,640,025 (2016: 168,658,183).

Underlying earnings per share is calculated in order to eliminate the effect of exceptional items after tax in 2017 of £5.3m (2016: £20.0m) on the results. Underlying basic earnings per share is calculated by dividing the underlying profit attributable to ordinary shareholders of £20.9m (2016: £22.2m) by 166,949,022 (2016: 166,941,137) shares, being the weighted average number of shares in issue throughout the year.

6. Pension obligations

The group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type and, with the exception of Germany where book reserves are supported by insurance policies, the assets of the schemes are held in separate trustee-administered funds. The defined benefit schemes are closed to new entrants. The total pension obligation cost for the group was £9.1m (2016: £8.2m), of which £4.2m (2016: £4.0m) related to the overseas schemes.

The major assumptions used by the actuaries in calculating the IAS 19 valuation for the following principal countries were:

%	**Australia**		**United Kingdom**		**USA**	
	2017	2016	**2017**	2016	**2017**	2016
Discount rate	**3.6**	4.1	**2.5**	2.6	**3.4**	3.9
Rate of increase in salaries*	**3.3**	3.5	**1.0**	1.0	**-**	-
General inflation	**2.3**	2.5	**3.1**	3.3	**-**	-

* As part of the changes to the United Kingdom plan agreed in 2010, future pensionable salary increases are capped at 1% per annum. No rate of increase in salaries has been assumed in respect of the USA plan as the plan is now frozen.

Net pension assets and liabilities at 31 December were as follows:

	Australia		**United Kingdom**		**USA**		**Other**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	£'m	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Total fair value of scheme assets	**10.1**	10.6	**188.1**	190.7	**47.4**	51.3	**2.0**	2.2	**247.6**	254.8
Present value of scheme liabilities	**(10.1)**	(10.6)	**(235.3)**	(251.8)	**(80.4)**	(84.4)	**(3.8)**	(4.0)	**(329.6)**	(350.8)
Deficit	**-**	-	**(47.2)**	(61.1)	**(33.0)**	(33.1)	**(1.8)**	(1.8)	**(82.0)**	(96.0)
Related deferred tax assets	**-**	-	**5.8**	10.4	**7.3**	11.2	**0.7**	0.5	**13.8**	22.1
Net pension liabilities	**-**	**-**	**(41.4)**	(50.7)	**(25.7)**	(21.9)	**(1.1)**	(1.3)	**(68.2)**	(73.9)

Movements in the deficit during the year were as follows:

	Australia		**United Kingdom**		**USA**		**Other**		**Total**	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016	**2017**	2016
	£'m	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Deficit in scheme at beginning of year	**-**	-	**(61.1)**	(29.3)	**(33.1)**	(25.9)	**(1.8)**	(1.2)	**(96.0)**	(56.4)
Movement in year:										
Pension charge	**(0.7)**	(0.6)	**(3.3)**	(2.7)	**(1.9)**	(1.8)	**(0.1)**	(0.1)	**(6.0)**	(5.2)
Employer contributions	**0.4**	0.4	**3.6**	3.8	**0.4**	-	**-**	-	**4.4**	4.2
Re-measurements	**0.3**	0.1	**13.6**	(32.9)	**(1.3)**	0.1	**0.1**	(0.3)	**12.7**	(33.0)
Exchange (losses)/ gains	**-**	0.1	**-**	-	**2.9**	(5.5)	**-**	(0.2)	**2.9**	(5.6)

Deficit in scheme at end of year	**-**	-	**(47.2)**	(61.1)	**(33.0)**	(33.1)	**(1.8)**	(1.8)	**(82.0)**	(96.0)

7. Reconciliation of profit before tax to cash generated from operations

	2017	2016
	£'m	£'m
Profit before tax	**21.6**	6.2
Adjustments for:		
Finance income	**-**	(0.1)
Finance cost	**8.6**	7.0
Net finance cost on pensions	**2.8**	2.3
Pension cost adjustment for normal contributions	**1.8**	1.1
Depreciation of property, plant and equipment	**25.0**	22.1
Amortisation of intangible assets	**1.0**	0.9
Release from capital grants balance	**(0.2)**	(0.2)
Pension deficit funding	**(3.0)**	(2.5)
Performance Share Plan	**0.5**	0.6
Changes in working capital:		
Decrease/(increase) in inventories	**0.9**	(1.1)
Decrease/(increase) in trade and other receivables	**0.4**	5.4
(Decrease)/increase in trade and other payables	**(0.9)**	(0.2)
Decrease in provisions	**(0.3)**	(2.5)
Cash generated from/(used in) operations	**58.2**	39.0
Of which:		
Cash generated from/(used in) underlying operations before pension deficit funding	**66.9**	64.4
Pension deficit funding	**(3.0)**	(2.5)
Exceptional items	**(5.7)**	(22.9)
Cash generated from/(used in) operations	**58.2**	39.0

8. Analysis of net debt

	2017	2016
	£'m	£'m
Cash and cash equivalents	**10.8**	9.9
Bank overdrafts	**(1.5)**	(1.9)
	9.3	8.0
Other bank borrowings	**(69.8)**	(80.4)
US dollar private placement	**(74.4)**	(81.2)
Net debt	**(134.9)**	(153.6)