Today’s presenters

Peter Page
Chief Executive

Rutger Helbing
Group Finance Director

Michael Lauesgaard
Group Business Development Director
Devro – the outlook

- Global demand growth projections 2-4% pa
- Devro 100 Programme underpins the 3-part strategy
  - Improved sales capability
  - Next generation of differentiated products
  - Unit cost reduction savings of £13-16m
- Devro has a modern asset base
  - With capacity to support growth
- Targeting year-on-year growth with attractive financial returns
Today’s agenda

Context
Peter Page

Industry Model & Market Dynamics
Michael Lauesgaard

China
Peter Page

Devro 100 – Our Plan For Growth
• Revenue growth – Peter Page
• Product differentiation – Michael Lauesgaard
• Manufacturing efficiencies – Rutger Helbing

Outlook, Q&A and Conclusion
Peter Page and Rutger Helbing
CONTEXT
Devro, 60 years of leadership in collagen casings

- Pioneered the development of edible collagen casing as part of J&J in the 1960s
- Acquisition of Teepak, including Cutisin collagen operations in 1996
- Launch of Porcine Casing in 2002
- New factory in Czech Republic in 2006-2009
- Sale of Teepak Cellulose business in 2001
- Restructuring of Scotland and Australia in 2010-2014
- Launch of Select Casing in 2010
- New USA and China factories in 2014-2016
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- Devro BV acquisition in 2015
- Sale of Teepak Cellulose business in 2001
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Devro has a global presence in diverse markets, supplying 1000 customers in 100 countries.
with manufacturing assets located for growth

Devro’s factory capacity per location

US 10%
Scotland 25%
Czech 35%
China 15%
Australia 15%

2000 manufacturing employees + 1 million cattle hides = Casings for 25 billion sausages per year
10 years of investing in efficiency and capacity has transformed Devro’s ability to compete.......

- Completion of new plants in USA and China & closure of 1960’s USA plant
- Old technology lines taken out in Scotland
- Plant upgrades in Czech, Scotland & Australia
- Additional lines added to new hall in Czech & plant upgrade in Scotland
- Closure of 1930’s Korenov plant offset by new hall in Jilemnice (Czech)

* Capacity shown using index of 100 for 2007
.....with technology designed to supply growth markets

Devro capacity by technology

2007

2017

High technology

Standard technology

Old USA technology
INDUSTRY MODEL & MARKET DYNAMICS
Underlying sausage market growth factors remain positive

1. Meat consumption grows with GDP/capita
   - Source: FAO/OECD/IMF
   - Top meat consuming countries

2. Continued growth in sausage demand supported by food trends
   - Convenience
   - Snacking
   - Eating out
   - Authenticity
   - Low cost foods
   - Source: Mintel, Innova

3. Urbanisation and population growth
   - Overall population growth expected at 1.5% pa.
   - Urbanisation as % of population expected to grow at 1.8% pa.
   - Source: World Bank
Collagen casings growth case confirmed

1. Continued opportunity for gut conversion...

2. ...with savings offered by collagen solutions...

3. ...and continued drive for efficiencies at food manufacturers

Global meat production has increased circa 1% year-on-year 2012-2016, indicating continued investments by meat processors in yield improvement and efficiencies. This helps drive continued growth in collagen casings.

15-20% savings from conversion

Savings potential for sausage manufacturers at current gut market price (Feb 2017)

Source: Devro plc Market Intelligence

Source: Devro plc Market Intelligence

Source: USDA, CAGR 2012-16
Collagen for food: a positive market outlook - Devro well placed to capture growth opportunities

Long term market **growth outlook** for collagen casings and gel volumes

- **2-4% pa.** global growth

**Americas 1-3% pa.**
Continued good growth in snack and premium segments as well as co-ex gel

**EMEA 0-2% pa.**
Sausage consumption expected to continue growth but strong health movement and negative focus on meat can limit growth

**Asia Pacific 3-5% pa.**
Overall strong growth in all major markets, however some volatility in China due to consumption patterns

Source: Devro estimates
Collagen casing industry has invested £500+ million over 10 years

Source: Published data plus Devro estimates
* As percentage of global capacity in 2006
2017-2018 projections indicate global utilisation returning to historic levels

Source: Published data plus Devro estimates

* Volume shown using index of 100 for global capacity in 2007
Devro market position a good starting point for further growth…

Source: Devro plc Market Intelligence

* As percentage of estimated total global sales of collagen casings for 2016
China
China – a changing market with plenty opportunities for Devro

“Overall consumption growth slowing….

2017-2020 growth forecasts are <1% vol. p.a. in pork and poultry

…reflecting changing consumer demographics….

- Urbanisation
- Middle-class
- Westernisation

… but demand for processed chilled meats (value-added convenience foods) will accelerate”....

<table>
<thead>
<tr>
<th></th>
<th>CAGR 2010-2015</th>
<th>CAGR 2016-2020</th>
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<tbody>
<tr>
<td>CHILLED</td>
<td>+6.3%</td>
<td>+9.8%</td>
</tr>
<tr>
<td>AMBIENT</td>
<td>+3.7%</td>
<td>+3.5%</td>
</tr>
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… and industry factors

- Consolidation
- Trusted brands
- Food safety
- Environmental compliance

Source: Rabobank, USDA, Frost & Sullivan
## Devro’s path to success in China - the foundations are in place

<table>
<thead>
<tr>
<th>Feature</th>
<th>Status</th>
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<tbody>
<tr>
<td>Local manufacturing</td>
<td>✔</td>
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<tr>
<td>Traceable raw materials</td>
<td>✔</td>
</tr>
<tr>
<td>Safe and secure manufacturing and products</td>
<td>✔</td>
</tr>
<tr>
<td>Global reputation</td>
<td>✔</td>
</tr>
<tr>
<td>Consistent quality</td>
<td>✔</td>
</tr>
<tr>
<td>ISO 9001 and FSSC 2200 accreditation</td>
<td>✔</td>
</tr>
<tr>
<td>Products designed for local market conditions in retail and food service sector</td>
<td>✔</td>
</tr>
<tr>
<td>Products from new plant qualified with customers</td>
<td>✔</td>
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</table>
Devro in China – our strategy for premium

- Proven, imported known raw materials
- Devro Ultra new product introduction
- Dedicated product development kitchen
- Global sales network support
- Technical knowledge transfer
- Targeted partnering with leading brands
DEVRO 100

– OUR PLAN FOR GROWTH
Devro’s three-part strategy…

...accelerating delivery through...

**Revenue growth**
- Gut replacement in developed markets
- Increased demand in emerging markets
- Pricing and value for customers

**Manufacturing efficiency**
- Reduce cost
  - Maximise productivity of existing assets
  - New capacity in lowest unit cost technology
  - Reducing costs

**Collagen research and development**
- Innovate & invent
  - Differentiated products
  - Modern processes improve efficiency
  - Creating new opportunities

Earnings growth & improving return on capital
... the Devro 100 programme...

Revenue growth
- Focus on improved sales capabilities

Next generation of differentiated products
- To deliver a step change in product attributes and performance

Improving manufacturing efficiency
- Leverage new global supply chain organisation to:
  - Maximise productivity of existing assets
  - Reduce unit cost
... and our new global organisation structure

- **Commercial region**
  - Americas
- **Commercial region**
  - EMEA
- **Commercial region**
  - Asia Pacific

**Global Business Development organisation**

**Global Supply Chain organisation**
Revenue growth - 2017 priorities

Sales capabilities

• After assessment, training and tool creation now embedding new practices and feeding customer needs and insights into the organisation

Key 2017 growth opportunities

• China
• South East Asia
• Regain momentum in Continental EU and Australia
Improving product differentiation - short term and long term

New launches 2017

Reshaping R&D efforts
Launching a new product platform H2 2017 - targeting key manufacturer and consumer needs

FINE ULTRA

to be launched in several variants in H2 2017, fitting regional market conditions

Targeting major markets for processed sausages in Europe and Asia

For consumers: Improved pan and deep frying

For manufacturers: Increased robustness during filling

Aiming for 10-15% of group revenue
Collagen research and development - building the platforms for future growth

**Immediate priorities**

- Next generation Fine products targeting Asia and European applications
- New products for growth in Latin America

**Mid to long term priorities**

- Fundamental research enhancing the knowledge of collagen in cooking and during processing
- Applied research forming the foundation for product development projects in/outside casings for meat applications
- Exploration of alternative collagen sources
Cost reduction - benefits summary

How

- Procurement leverage in targeted areas
- Best Practice teams
- Devro operations blueprint – standardise and simplify manufacturing operating model
- Opex savings through standardising and simplifying processes
- Supported by external resources if and when appropriate

What

- 10% of savings targeted

<table>
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<tr>
<th>Benefit range</th>
<th>£</th>
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<tr>
<td>Material costs</td>
<td>3.5m-4m</td>
</tr>
<tr>
<td>Conversion costs</td>
<td>7.5m-9m</td>
</tr>
<tr>
<td>Opex</td>
<td>2m-3m</td>
</tr>
<tr>
<td>Total</td>
<td>13m - 16m</td>
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Cost reduction - implementation costs and phasing

- Full benefits in 2019
  - Incremental savings over next three years split approximately 30/35/35%
- 75% of 2017 targeted savings actioned
- Costs will be incurred over next two years (2017/2018)

<table>
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<tr>
<th>Estimated costs</th>
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<tr>
<td>Exceptional items</td>
<td>£10m-£12m</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>£7m-£8m</td>
</tr>
<tr>
<td>Total</td>
<td>£17m-£20m</td>
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**Business Update | 6 March 2017**

**Revenue growth**

**Product differentiation**

**Unit cost reduction**
Savings and operational gearing as a driver of profit growth

Illustration

• Strong operational gearing - 5% volume growth delivering almost 10% of profit growth and 1%-point increase in EBITDA margin

• Volume growth combined with 10% savings will deliver >20% of profit growth and almost 4%-point increase in EBITDA margin
DEVRO – THE OUTLOOK
Devro – the outlook

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