For Immediate Release **3 August 2016**

DEVRO

Devro plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

Devro plc ("Devro" or the "group"), one of the world's leading manufacturers of collagen products for the food industry, announces its interim results for the six months ended 30 June 2016.

Financial highlights	**2016 Unaudited**	**2015 Unaudited**
Revenue	£112.9m	£112.7m
Underlying EBITDA*	£26.4m	£23.8m
Underlying operating profit*	£18.0m	£15.6m
Underlying profit before tax*	£13.7m	£13.6m
Underlying basic earnings per share*	6.3p	6.9p
Interim dividend per share	2.7p	2.7p
Financial highlights *(statutory)*		
Operating profit	£4.6m	£11.6m
Profit before tax	£0.3m	£9.6m
Basic earnings per share	(0.7p)	4.4p

* *Underlying figures are stated before exceptional items and are presented in order to reflect better the underlying movement in trading results. Exceptional items represent incremental costs related to the three year transformation programme.*

Results highlights for 2016

- Revenue unchanged year on year, with exchange rate benefits offsetting effects of lower sales volumes
- Underlying operating profit £2.4 million ahead of prior year
- Improved manufacturing efficiencies in Scotland and Australia, lower input costs and exchange rate benefits more than compensated for the effects of reduced year on year sales volumes on underlying operating profits
- Transformation of manufacturing footprint now in final phase
    - Old US plant closure completed in June 2016
    - New plants, in China and US, both commenced production in the first half of 2016
    - Products from new plants in process of being qualified with customers
    - Due to complexity in US and current market in China the transition period is expected to be longer than originally planned
    - Exceptional costs expected to be approximately £20 million for the full year

Peter Page, Chief Executive of Devro, commented

"Underlying operating profit was ahead of prior year for the first half. Improved manufacturing efficiencies, lower input costs and exchange rate benefits more than offset the effects of reduced year on year sales volumes.

"The Board's expectations for the full year underlying operating profit remain unchanged.

"The transformation programme has reached its final phase. The next stage of strategic development will focus on growing sales through improved commercial capabilities, introducing the next generation of differentiated products and further improving manufacturing efficiencies."

Contacts

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There will be a presentation today at 9.30am 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/943-1289-17389/en approximately 10 minutes before the start of the briefing (9.20am). The presentation will also be available on the company's website.

Half year results update

Sales

Revenue for the first half was unchanged year on year, having benefited from exchange rates which offset a 7% reduction in sales volumes.

Of this reduction in sales volumes 40% related to China, but this had little impact on profit given the low margins earned on products that have historically been imported. In addition approximately 40% of the reduction related to the Europe segment, in particular Russia which continues to experience difficult economic conditions. Of the remaining reduction approximately half related to Latin America, which is the region most significantly impacted by our manufacturing transformation programme.

A summary of the change in revenue by geographic region is set out in the table below:

	Europe	Americas	Asia Pacific	Group
Volume	-4%	-4%	-13%	-7%
Price/mix	-	+1%	+2%	-
Exchange	+5%	+7%	+8%	+7%
Total	+1%	+4%	-3%	-

Europe

Revenue in the UK & Ireland was broadly in line with prior year, a good performance in this mature market.

In Continental Europe, revenue started the year slowly but improved to prior year levels for the second quarter. Sales in some markets in this region were impacted by competitive pressure, but overall revenue for the first half was up 8% (unchanged in local currency) after including revenue from Devro BV which was acquired in the second half of 2015.

The economic environment in Russia continued in line with that experienced in the second half of 2015. Devaluation of the local currency has increased the cost of importing and Devro has responded by developing a specific product offering for this market. Overall revenue was down 19% (down 26% in local currency).

Americas

Sales in North America continued to perform well, with revenue increasing 8% (broadly unchanged in local currency).

Latin America is the region most affected by the transformation programme, in terms of the scale and complexity of the transfer of customers onto new products and also temporary capacity constraints during the transition. Revenue was down 9% in the first half (down 15% in local currency).

Asia Pacific

Our business in Japan continued to perform well with revenue up 25% (up 6% in local currency).

In China, Devro's strategy continues to be targeting customers in the premium sector, who value the performance, differentiation and full traceability provided by its products. The long term opportunities for this emerging and growing sector remain strong.

At the lower end of the market in China there is currently an oversupply of product. Devro has historically supplied some customers in this sector, but has avoided competing to retain those customers who are solely focused on price. This has resulted in a short term reduction in revenue, which was down 52% in the first half (down 53% in local currency).

Now that products are becoming available from the new plant, Devro's primary focus is on qualifying these products with target customers in the premium sector. Early trials of products from the new plant have performed as expected, and we have now progressed to the phase of refining these products to meet specific customer needs.

Sales performance in South East Asia was mixed with good growth in Korea and Indonesia, but weaker trading in Thailand. Revenue was down 6% (down 13% in local currency).

In Australia & New Zealand overall demand was lower in a market where Devro has a major market share. Revenue for the first half was down 5% (down 7% in local currency).

Transformation plan update

Now that commercial production has commenced at both of the new plants in China and the US, the manufacturing transformation programme has reached its final stage.

The China plant commenced production in the first half ahead of plan, and has already achieved the initial planned level of manufacturing efficiencies. Commercialisation of products with customers has commenced, focused on the target customer base in the premium segment. This process is expected to continue until the end of 2017 and, as a result, the new China plant is now expected to contribute to profits from the beginning of 2018.

In the US the old factory is now closed, a major milestone in this investment project. Production commenced at the new plant in the first half and we are now in the process of transferring almost all customers in the Americas to products from different manufacturing locations as part of this transformation of our manufacturing footprint. This involves working closely with customers through their requalification process, refining the products to meet customers' needs and scaling up production of the final products. Due to the complexity of the transformation the transition period for the new plant will be longer than originally planned, although is still expected to be completed by the end of 2016.

Operating profit

Underlying operating profit in the first half was £18.0m, ahead of prior year by £2.4m. Improved manufacturing efficiencies, lower input costs and translation exchange gains more than offset the impact of lower sales volumes.

The largest element of the increase in underlying operating profit compared with prior year was input cost reductions (+£2.1m), mainly in relation to further reductions in hide prices and energy costs.

Manufacturing efficiencies were favourable for underlying operating profit (+£1.9m), with improved production in Scotland and Australia where manufacturing in the first half of the prior year was temporarily affected by the restructuring actions implemented in late 2014.

Translational exchange gains also improved underlying operating profit (+£1.4m), due to the weakening of sterling.

Incremental profits from Devro BV, which was acquired in the second half of 2015, also contributed to underlying operating profit for the first half of 2016 (+£0.5m).

Sales volumes were down 7%, which partially offset the gains to underlying operating profit (-£2.4m). As noted above a significant element of this reduction in volumes related to China, which had little impact on underlying operating profit due to the low margins earned on products that have historically been imported.

Other movements in underlying operating profit compared with prior year (-£1.1m) included wage inflation.

Underlying EBITDA in the first half was £26.4 million, ahead of prior year by £2.6 million. The larger increase compared with operating profit relates to increased depreciation in the first half of 2016.

Reported operating profit for the period was £4.6 million, which was lower than the prior year primarily due to higher exceptional items.

Exceptional items

Exceptional items represent the incremental costs directly related to the transformation programme, and totalled £13.4 million for the first half of 2016. In the US these mainly related to costs associated with winding down the old factory and costs incurred prior to the commencement of normal production for the new plant. In China exceptional items primarily related to the costs incurred prior to the commencement of normal production for the new plant.

A summary of exceptional items for the first half of 2016 is set out in the table below:

	Six months ended 30 June 2016 £m	Six months ended 30 June 2015 £m
China investment	3.9	2.0
US investment	9.5	2.0
Total	13.4	4.0

As noted above, due to the complexity of the transformation, the transition period for the new US plant is now expected to be longer than originally planned, although will be completed by the end of 2016. This longer transition period, combined with a strengthening of the US dollar exchange rate, has resulted in an increase in forecast exceptional costs for the full year in 2016 to approximately £20 million, which would be approximately £6 million higher than previously indicated.

Foreign currency

Devro operates worldwide and with multiple currencies. Major transactional exposures arise from sales in euros, US dollars and Japanese yen whereas manufacturing costs are in Australian dollars, Czech koruna, US dollars and sterling. Devro operates a hedging programme to manage the volatility associated with transactional exposures. Translational exposures arise from the conversion of the results of all our businesses into sterling.

In the first half of 2016 there was a general weakening of sterling, with a significant further movement in the last month following the EU Referendum vote on 23 June 2016. These movements contributed £1.4m of translational exchange benefit to underlying operating profit for the first half, and if current rates remain in place for the remainder of the year we would expect further benefit in the second half.

Finance income/expense

Finance expense for the period (excluding pensions) was £3.2 million, which was net of the effects of capitalisation of interest of £0.5 million related to the debt to fund construction of the new plants in China and the US.

The increase of £2.3 million over the prior year was due to a number of factors including the higher level of net debt, which also attracts a higher level of interest, and the ceasing of capitalisation of interest during the first half once the new plants moved into production.

Finance expense for the full year (excluding pensions) is expected to be approximately £6-7 million.

Net finance cost on pensions for the period amounted to £1.1 million (2015: £1.1 million).

Tax

The group’s underlying tax charge for the period was £3.1 million. The group expects a full year effective tax rate of approximately 22%, with the increase from the 2015 full year rate of 12% due to investment incentives in the Czech Republic becoming fully utilised in 2015.

Earnings per share

	Six months ended 30 June 2016	Six months ended 30 June 2015
Underlying basic earnings per share	6.3p	6.9p
Basic earnings per share	(0.7p)	4.4p

Underlying basic earnings per share was 6.3 pence, with the increase in underlying operating profit compared with prior year being more than offset by higher finance expenses and tax charges. Basic earnings per share was further reduced by the increase in exceptional items reported for the period.

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, additional long term facilities were put in place in 2014 to supplement the shorter term facilities.

As the three year investment programme comes to an end, net debt increased to £147 million at 30 June 2016 (or £153 million including derivative liabilities), compared with £126 million at year end 2015. This includes the effect of a significant weakening of sterling in June 2016 (given that a part of the group's debt is denominated in US dollars) following the result of the EU Referendum vote on 23 June 2016, which increased the reported net debt figure at 30 June 2016 by approximately £15 million (including the effect on derivative liabilities).

At 30 June 2016 the net debt to EBITDA ratio was 2.9 times and the EBITDA to net interest payable ratio was 9 times, meaning both ratios were within their limits (of <3.25 times and >4 times respectively) despite the recent changes in exchange rates.

There will still be some cash outflow in the second half related to the transformation, both in terms of capital expenditure and exceptional items, but by the end of the year the Board expects the net debt to EBITDA covenant ratio to be lower than at 30 June 2016.

Following completion of the transformation, cash generated from the business will enable net debt levels to be reduced, resulting in the covenant ratios returning nearer to historic levels.

Dividend

The Board is pleased to announce an interim dividend of 2.70 pence (2015: 2.70 pence). The interim dividend will be paid on 7 October 2016 to shareholders on the register at 26 August 2016.

Pensions

The group's net pension obligations increased to £77.9 million at 30 June 2016, from £56.4 million at 31 December 2015, which primarily reflects a decrease in discount rates across the group schemes.

Principal risks

The group operates a structured risk management process, which identifies and evaluates risks that could impact its performance and reviews mitigation activity.

The key areas of potential risk identified in the group's 2015 Annual Report and Accounts were loss of market share/profit margins due to increased competitive pressures, downturn in consumer demand, disruption to the group's manufacturing capability from poor operational performance or major disruptive events, a vote to exit in the June 2016 referendum on the UK's continued membership of the European Union, financial risks such as foreign exchange rate movements and the availability of short and long-term funding, disruption to supply or increase in price of key raw materials, and development of non-casing technologies. No new key risks have been identified since the Annual Report was published.

The referendum on the UK's continued membership of the European Union was held in June 2016, which resulted in a vote to leave. The immediate impact on the group of this vote to leave was a significant movement on exchange rates in June 2016; the impacts of this movement, on net debt, covenant ratios related to the group's borrowing facilities and reported profit, are set out in the 'foreign currency' and 'cash flow and net debt' sections above. Whilst there will remain longer term uncertainty until new trading and regulatory relationships are negotiated, exports from the group's plants in Scotland amount to only approximately 10% of group revenue and Devro is working with the relevant trade associations to minimise the impact on the business.

These risks are carefully monitored and managed and further details are set out on pages 22 to 25 of the 2015 Annual Report and Accounts which is available on the Devro plc website: www.devro.com

Going concern

This half year results update sets out the group's performance for the period and financial position at period end, together with factors likely to affect its future development, performance and position. The 2015 Annual Report outlines the business activities of the group and note 23 describes the group's objectives and procedures for managing its capital, its financial risk management policies, details of financial instruments and exposure to market, credit and liquidity risk.

At 30 June 2016 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 foreseeable future 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 foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Outlook

The Board's expectations for the full year underlying operating profit remain unchanged.

The transformation programme has reached its final phase. The next stage of strategic development will focus on growing sales through improved commercial capabilities, introducing the next generation of differentiated products and further improving manufacturing efficiencies.

Peter Page	**Rutger Helbing**
Chief Executive	Group Finance Director

3 August 2016

Consolidated income statement (unaudited)
for the six months ended 30 June 2016

	6 months ended 30 June 2016			6 months ended 30 June 2015		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Revenue (note 6)	**112.9**	**-**	**112.9**	112.7	-	112.7
Operating profit (notes 5,6)	**18.0**	**(13.4)**	**4.6**	15.6	(4.0)	11.6
Finance cost	**(3.2)**	**-**	**(3.2)**	(0.9)	-	(0.9)
Net finance cost on pensions	**(1.1)**	**-**	**(1.1)**	(1.1)	-	(1.1)
Profit before tax	**13.7**	**(13.4)**	**0.3**	13.6	(4.0)	9.6
Tax (note 7)	**(3.1)**	**1.6**	**(1.5)**	(2.1)	(0.2)	(2.3)
Profit/(loss) for the period attributable to owners of the parent	**10.6**	**(11.8)**	**(1.2)**	11.5	(4.2)	7.3
Earnings per share (note 8)						
Basic			**(0.7p)**			4.4p
Diluted			**(0.7p)**			4.4p

Interim consolidated statement of comprehensive income (unaudited)
for the six months ended 30 June 2016

	6 months ended 30 June 2016	6 months ended 30 June 2015
	£'m	£'m
(Loss)/profit for the period	**(1.2)**	7.3
Other comprehensive (expense)/income for the period		
Items that will not be reclassified to profit or loss		
Pension obligations:		
- re-measurements	**(19.3)**	11.0
- movement in deferred tax	**4.4**	(2.6)
Total items that will not be reclassified to profit or loss	**(14.9)**	8.4
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
- net fair value (losses)/gains	**(2.7)**	1.1
- reclassified and reported in operating profit	**0.2**	0.1
- movement in deferred tax	**0.5**	(0.3)
Net investment hedges:		
- fair value (losses)/gains	**(0.7)**	1.8
- movement in deferred tax	**0.1**	(0.4)
Net exchange adjustments	**15.2**	(10.1)
Total items that may be reclassified subsequently to profit or loss	**12.6**	(7.8)
Other comprehensive (expense)/income for the period, net of tax	**(2.3)**	0.6
Total comprehensive (loss)/income for the period attributable to owners of the parent	**(3.5)**	7.9

Interim consolidated balance sheet
at 30 June 2016

	30 June 2016 (unaudited) £'m	31 December 2015 (audited) £'m	30 June 2015 (unaudited) £'m
ASSETS			
Non-current assets			
Goodwill	**3.1**	3.1	-
Intangible assets (note 10)	**6.3**	6.1	3.8
Property, plant and equipment (note 11)	**303.2**	270.1	242.4
Deferred tax assets	**31.9**	25.5	21.5
Trade and other receivables	**4.2**	3.2	2.2
	348.7	308.0	269.9
Current assets			
Inventories	**37.0**	28.5	32.6
Current tax assets	**-**	-	0.2
Trade and other receivables	**29.4**	35.2	32.2
Derivative financial instruments (note 4)	**0.2**	3.5	2.3
Cash and cash equivalents (note 17)	**17.4**	9.6	19.6
	84.0	76.8	86.9
Total assets	**432.7**	384.8	356.8
LIABILITIES			
Current liabilities			
Borrowings (note 17)	**1.8**	1.9	1.3
Derivative financial instruments (note 4)	**5.9**	2.3	1.2
Trade and other payables (note 13)	**37.1**	31.1	22.9
Current tax liabilities	**4.9**	5.4	5.1
Provisions for other liabilities and charges	**5.6**	5.5	3.6
	55.3	46.2	34.1
Non-current liabilities			
Borrowings (note 17)	**162.6**	133.2	123.9
Deferred tax liabilities	**15.1**	14.8	15.2
Pension obligations (note 14)	**77.9**	56.4	47.4
Other payables	**3.3**	2.6	2.4
Provisions for other liabilities and charges	**0.5**	0.5	2.6
	259.4	207.5	191.5
Total liabilities	**314.7**	253.7	225.6
Net assets	**118.0**	131.1	131.2
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	**16.7**	16.7	16.7
Share premium	**9.4**	9.3	9.3
Other reserves	**66.0**	52.9	48.9
Retained earnings	**25.9**	52.2	56.3
Total equity	**118.0**	131.1	131.2

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim consolidated statement of changes in equity (unaudited)
for the six months ended 30 June 2016

	Ordinary shares £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Six months ended 30 June 2016					
Balance at 1 January 2016	16.7	9.3	52.9	52.2	131.1
Comprehensive income					
Loss for the period	-	-	-	(1.2)	(1.2)
Other comprehensive income/(expense)					
Cash flow hedges, net of tax	-	-	(2.0)	-	(2.0)
Net investment hedges, net of tax	-	-	(0.6)	-	(0.6)
Pension obligations, net of tax	-	-		(14.9)	(14.9)
Exchange adjustments	-	-	15.2	-	15.2
Total other comprehensive income/(expense)	-	-	12.6	(14.9)	(2.3)
Total comprehensive income/(expense)	-	-	12.6	(16.1)	(3.5)
Transactions with owners					
Performance Share Plan charge	-	-	0.6	-	0.6
Performance Share Plan credit in respect of shares vested	-	-	(0.1)	-	(0.1)
Issue of ordinary shares	-	0.1	-	-	0.1
Dividends paid	-	-	-	(10.2)	(10.2)
Total transactions with owners	-	0.1	0.5	(10.2)	(9.6)
Balance at 30 June 2016	**16.7**	**9.4**	**66.0**	**25.9**	**118.0**
Six months ended 30 June 2015					
Balance at 1 January 2015	16.7	9.3	56.5	50.7	133.2
Comprehensive income					
Profit for the period	-	-	-	7.3	7.3
Other comprehensive income/(expense)					
Cash flow hedges, net of tax	-	-	0.9	-	0.9
Net investment hedges, net of tax	-	-	1.4	-	1.4
Pension obligations, net of tax	-	-	-	8.4	8.4
Exchange adjustments	-	-	(10.1)	-	(10.1)
Total other comprehensive income/(expense)	-	-	(7.8)	8.4	0.6
Total comprehensive income/(expense)	-	-	(7.8)	15.7	7.9
Transactions with owners					
Performance Share Plan charge	-	-	0.3	-	0.3
Performance Share Plan credit in respect of shares vested	-	-	-	-	-
Transfer of lapsed Performance Share Plan awards	-	-	(0.1)	0.1	-
Issue of ordinary shares	-	-	-	-	-
Dividends paid	-	-	-	(10.2)	(10.2)
Total transactions with owners	-	-	0.2	(10.1)	(9.9)
Balance at 30 June 2015	16.7	9.3	48.9	56.3	131.2

Interim consolidated cash flow statement (unaudited)
for the six months ended 30 June 2016

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m
Cash flows from operating activities		
Cash generated from operations (note 16)	**13.8**	10.7
Interest paid	**(3.5)**	(2.3)
Tax paid	**(3.0)**	(2.3)
Net cash generated from operating activities	**7.3**	6.1
Cash flows from investing activities		
Purchase of property, plant and equipment	**(11.3)**	(33.3)
Purchase of intangible assets	**(0.4)**	(0.4)
Capital grants received	**0.7**	-
Net cash used in investing activities	**(11.0)**	(33.7)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	**0.1**	-
Proceeds from other borrowings	**17.1**	46.9
Dividends paid	**(10.2)**	(10.2)
Proceeds from financial instruments	**3.4**	-
Net cash generated from financing activities	**10.4**	36.7
Net increase in cash and cash equivalents	**6.7**	9.1
Net cash and cash equivalents at beginning of period	**7.7**	9.4
Exchange gain/(loss) on cash and cash equivalents	**1.2**	(0.2)
Cash and cash equivalents	**17.4**	19.6
Bank overdrafts	**(1.8)**	(1.3)
Net cash and cash equivalents at end of period	**15.6**	18.3

Notes to the condensed interim consolidated financial statements (unaudited)
for the six months ended 30 June 2016

1 General information

Devro is one of the world's leading providers of collagen products for the food industry. Collagen is one of the most common forms of protein, which is transformed into strong but flexible edible casings and other related products by highly sophisticated biochemical processing technologies.

The company is a public limited company incorporated and domiciled in the UK. The address of its registered office is Moodiesburn, Chryston, Scotland, G69 0JE.

The company is listed on the London Stock Exchange.

These condensed interim consolidated financial statements were approved for issue on 3 August 2016.

These condensed interim consolidated financial statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The consolidated interim financial statements are unaudited but have been reviewed by our auditors and their report is set out on page 24. Statutory accounts for the year ended 31 December 2015 were approved by the Board of Directors on 16 March 2016 and delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

2 Basis of preparation

These condensed interim consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard ("IAS") 34, "Interim financial reporting" as adopted by the European Union. The condensed consolidated interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015 which have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union.

Critical estimates and judgments

The preparation of financial statements in conformity with IFRSs requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best assessments of amounts, events or actions, actual results ultimately may differ from those estimates. The key uncertainties that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next six months relate to the accounting for the group's investment projects (in particular whether items should be expensed as exceptional or capitalised), the carrying value of inventory, the measurement of pension obligations and tax.

Going concern basis

The financial statements have been prepared on a going concern basis. This is discussed in the half year results update on page 7.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2015, as described in those annual financial statements.

New standards, amendments to standards or interpretations effective in 2016

The following new standards, amendments to standards or interpretations became mandatory for the first time during the financial year beginning 1 January 2016. All were either not relevant for the group or had no material impact on the financial statements of the group:

	Effective date
• IFRS 10 (amendment) – Consolidated financial statements	1 January 2016
• IFRS 11 (amendment) – Joint arrangements	1 January 2016
• IFRS 12 (amendment) – Disclosure of interests in other entities	1 January 2016
• IFRS 14 – Regulatory deferral accounts	1 January 2016
• IAS 1 (amendment) – Presentation of financial statements	1 January 2016
• IAS 12 (amendment) – Income taxes	1 January 2016
• IAS 16 (amendment) – Property, plant and equipment	1 January 2016
• IAS 27 (amendment) – Separate financial statements	1 January 2016
• IAS 28 (amendment) – Investments in associates	1 January 2016
• IAS 38 (amendment) – Intangible assets	1 January 2016
• Annual improvements 2014	1 January 2016

New standards, amendments to standards or interpretations not applied

At the date of approval of these financial statements, the following amendments to standards and interpretations were in issue but have not been applied in these financial statements:

	Effective date
• IAS 12 (amendment) – Income taxes	1 January 2017
• IAS 7 (amendment) – Statement of cash flows	1 January 2017
• IFRS 9 – Financial instruments	1 January 2018
• IFRS 15 – Revenue from contracts with customers	1 January 2018
• IFRS 16 – Leases	1 January 2019

It is expected that the group will adopt these standards, amendments to standards and interpretations on their effective dates.

4 Financial risk management

The group's activities expose it to a variety of financial risks: market risk (including interest rate risk and foreign exchange risk), credit risk and liquidity risk.

The condensed interim consolidated financial statements do not include all financial risk management information and disclosures required in annual financial statements, and should be read in conjunction with the group's annual financial statements for the year ended 31 December 2015.

Liquidity risk

At 30 June 2016, the group had in place unsecured floating rate committed loan facilities totalling £110.0 million (31 December 2015: £110.0 million) and outstanding unsecured private placement notes totalling $100 million. In addition to the committed facilities, local uncommitted working capital facilities at 30 June 2016 of £5.0 million (31 December 2015: £5.0 million), US dollars 2.0 million (31 December 2015: US dollars 2.0 million) and Czech koruna 175 million (31 December 2015: Czech koruna 120 million).

The committed loan elements are a single syndicated revolving credit facility with four banks expiring on 19 December 2019. The private placement notes mature in three tranches between 17 April 2021 and 17 April 2026. The uncommitted facilities are renewable within one year.

Fair value of derivative financial instruments

The fair values of derivative financial instruments are as follows:

	Assets	Liabilities
	£'m	£'m
At 30 June 2016		
Forward foreign currency contracts		
- cash flow hedge	-	4.0
- net investment hedge	-	1.9
- other	0.2	-
	-----	-----
	0.2	**5.9**
	===	===
At 31 December 2015		
Forward foreign currency contracts		
- cash flow hedge	0.3	1.0
- net investment hedge	-	1.1
- other	0.2	0.2
Cross currency interest rate swaps	3.0	-
	-----	-----
	3.5	**2.3**
	===	===

Derivative financial instruments that are measured at fair value are disclosed by level of the following fair value measurement hierarchy:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (that is, as prices) or indirectly (that is, derived from prices)
Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

All of the group's derivative financial instruments that are measured at fair value are classified as Level 2 at 30 June 2016 (31 December 2015: Level 2) and comprise forward foreign exchange contracts and cross currency interest rate swaps as disclosed in the table above. The valuation techniques employed are consistent with the year-end annual report. There are no financial instruments measured as Level 3.

The carrying value of non-derivative financial assets and liabilities, comprising cash and cash equivalents, trade and other receivables, trade and other payables and borrowings is considered to materially equate to their fair value.

5 Exceptional items

Exceptional charges included in operating profit are £13.4 million (2015: £4.0 million).

	6 months ended 30 June 2016	6 months ended 30 June 2015
	---------------	---------------
	Investment projects £'m	Investment projects £'m
Redundancy and retention costs (i)	**0.6**	0.3
Training (ii)	**0.5**	-
Pre-operating costs to establish new manufacturing plants (iii)	**4.1**	3.3
Start-up production costs (iv)	**8.2**	-
Accelerated depreciation (v)	**-**	0.4
	--------	--------
	13.4	4.0
	======	======

Exceptional items comprise incremental costs that are directly related to the actions being taken to transform the business. During 2016 and 2015 this principally comprises the two investment projects to establish new plants in the USA and China.

(i) Costs have been incurred in the USA where the completion of the new plant will require significantly fewer operators compared with the previous less efficient operation. The main redundancy programme was announced during 2014 and associated costs recognised at that point. There have been extensions to the programme announced in both 2015 and 2016 resulting in further redundancy costs and retention payments.

(ii) Costs incurred related to training staff prior to the commencement of production, in the use of the group's latest technology that will be used in the new manufacturing facilities.

(iii) 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 commercial production that are not eligible for capitalisation.

(iv) Incremental costs of production incurred during the initial start up phase for each of the new plants whilst commercial production volumes are below the levels expected once the plants are operating normally. Commercial production in both new plants commenced during the six months ended 30 June 2016.

(v) Accelerated depreciation charge incurred on assets that will be replaced earlier than their previously estimated useful economic lives due to the group's planned investment in the new USA plant. The 2014 charge also included amounts related to the restructuring actions in Scotland and Australia.

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

The Board assesses the performance of the operating segments based on 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.

Information provided to the Board is consistent with that in the financial statements.

	Americas		Asia - Pacific		Europe		Total group	
	30 June 2016	30 June 2015	**30 June 2016**	30 June 2015	**30 June 2016**	30 June 2015	**30 June 2016**	30 June 2015
	£'m	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Revenue								
Sales to external customers	**32.5**	31.4	**33.1**	34.3	**47.3**	47.0	**112.9**	112.7
Operating profit before corporate overheads and exceptional items	**4.7**	2.3	**7.2**	5.7	**7.8**	8.8	**19.7**	16.8
Corporate overheads							**(1.7)**	(1.2)
							18.0	15.6
Exceptional items	**(9.5)**	(2.0)	**(3.9)**	(2.0)	**-**		**(13.4)**	(4.0)
Operating profit after exceptional items							**4.6**	11.6
Finance cost							**(3.2)**	(0.9)
Net finance cost on pensions							**(1.1)**	(1.1)
Profit before tax							**0.3**	9.6

7 Tax

The charge for tax for the six months ended 30 June 2016 corresponds to a rate of tax of 22% on profit before exceptional items (six months ended 30 June 2015: 15%). This reflects the anticipated effective rate for the year ending 31 December 2016. The charge on exceptional items comprises an adjustment to a previously recognised tax credit. The charge for tax comprises a UK corporation tax charge of £nil (2015: credit of £0.6 million) and a foreign tax charge of £1.5 million (2015: £2.9 million).

8 Earnings per share

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m
(Loss)/profit attributable to equity holders	**(1.2)**	7.3
Profit attributable to equity holders before exceptional items	**10.6**	11.5
Number of shares:		
Weighted average number of shares in issue through the period	**166,933,166**	166,924,470
Dilutive potential shares	**2,199,846**	1,263,615
Weighted average number of shares including effect of all dilutive potential shares	**169,133,012**	168,188,085
Earnings per share		
- Basic	**(0.7p)**	4.4p
- Basic before exceptional items	**6.3p**	6.9p
- Diluted	**(0.7p)**	4.4p

Share options are only treated as dilutive in the calculation of diluted earnings per share if their exercise would result in the issue of shares at less than the average market price of the shares during the period. Shares arising from share options, the deferred bonus scheme or the performance share plan are only treated as dilutive where the effect is to reduce earnings per share.

9 Dividends

The final dividend of 6.10 pence per share in respect of the year ended 31 December 2015 was paid on 13 May 2016, absorbing £10.2 million of equity.

The interim dividend of 2.70 pence per share, which will absorb an estimated £4.5 million of equity, will be paid on 7 October 2016 to shareholders on the register at 26 August 2016. This compares with the 2015 interim dividend of 2.70 pence per share, which absorbed £4.5 million of equity.

10 Intangible assets

Movements in intangible assets are summarised as follows:

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m
Opening net book value at 1 January	**6.1**	4.0
Exchange differences	**0.2**	-
Additions	**0.4**	0.4
Amortisation	**(0.4)**	(0.6)
	---------	---------
Closing net book value at 30 June	**6.3**	3.8
	=====	=====

11 Property, plant and equipment

Movements in property, plant and equipment are summarised as follows:

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m
Opening net book value at 1 January	**270.1**	230.3
Exchange differences	**24.8**	(8.6)
Additions	**17.6**	28.7
Depreciation	**(9.3)**	(8.0)
	---------	---------
Closing net book value at 30 June	**303.2**	242.4
	=====	=====

Additions during the period were largely attributable to expenditure on the investment projects in the USA and China.

12 Capital commitments

Capital expenditure contracted for but not provided in the financial statements:

	30 June 2016 £'m	31 December 2015 £'m	30 June 2015 £'m
Property, plant and equipment	**2.8**	14.3	22.5
	=====	=====	=====

13 Trade and other payables

Trade and other payables include capital accruals of £10.7 million (December 2015: £4.9 million; June 2015: £3.6 million).

14 Pension obligations

The net pension obligations disclosed as non-current liabilities in the balance sheet are as follows:

	30 June 2016 £'m	31 December 2015 £'m	30 June 2015 £'m
Pension obligations	**77.9**	56.4	47.4

The increase in the group's net pension obligations at 30 June 2016 compared with 31 December 2015 primarily reflects a decrease in discount rates.

A summary of the discount rates used in the principal countries is:

	30 June 2016	31 December 2015	30 June 2015
Australia	**3.20%**	4.00%	4.00%
United Kingdom	**3.00%**	3.75%	3.80%
United States	**3.25%**	3.95%	4.25%

The net pension obligations have moved as follows

	6 months ended 30 June 2016 £'m	6 months ended 30 June 2015 £'m
Opening net liability	**56.4**	59.0
Employer contributions	**(3.4)**	(2.9)
Service cost	**0.7**	0.7
Scheme administrative expenses	**0.4**	0.6
Net finance cost	**1.1**	1.1
Re-measurements	**19.3**	(11.0)
Exchange losses/(gains)	**3.4**	(0.1)
Closing net liability	**77.9**	47.4

15 Equity securities issued

Details of ordinary shares of 10 pence each issued during the six months ended 30 June 2016 are as follows:

	6 months ended 30 June 2016 Shares	6 months ended 30 June 2015 Shares	**6 months ended 30 June 2016 £'m**	6 months ended 30 June 2015 £'m
Shares vested under the Devro 2003 Performance Share Plan	**16,490**	11,490	**0.1**	-
	========	========	**====**	====

16 Cash flows from operating activities

	6 months ended 30 June 2016	6 months ended 30 June 2015
	£'m	£'m
Profit before tax	**0.3**	9.6
Adjustments for:		
Finance cost	**3.2**	0.9
Net finance cost on pensions	**1.1**	1.1
Depreciation of property, plant and equipment	**9.3**	8.0
Amortisation of intangible assets	**0.4**	0.6
Release from capital grants reserve	**-**	(0.1)
Additional cash contributions to pension schemes	**(2.5)**	(2.2)
Pension cost adjustment for normal contributions	**0.4**	0.6
Performance Share Plan	**0.6**	0.3
Changes in working capital:		
Increase in inventories	**(4.7)**	(0.3)
Decrease/(increase) in trade and other receivables	**8.8**	(2.2)
Decrease in trade and other payables	**(2.7)**	(2.9)
Decrease in provisions	**(0.4)**	(2.7)
	---------	--------
Cash generated from operating activities	**13.8**	10.7
	====	=====
Of which:		
Cash generated from underlying operations	**26.3**	17.0
Exceptional items cash outflow	**(12.5)**	(6.3)
	----------	----------
	13.8	10.7
	=====	=====

17 Analysis of net debt

	30 June 2016 £'m	31 December 2015 £'m	30 June 2015 £'m
Cash and cash equivalents	**17.4**	9.6	19.6
Bank overdrafts	**(1.8)**	(1.9)	(1.3)
	15.6	7.7	18.3
Borrowings:			
- Due after more than one year	**(162.6)**	(133.2)	(123.9)
	(147.0)	(125.5)	(105.6)

18 Related party transactions

The group had no related party transactions other than key management compensation during the six months ended 30 June 2016 and 30 June 2015.

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;

- the interim management report includes a fair review of the information required by:

  (a) DTR 4.2.7R of the Disclosure and Transparency Rules , being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

  (b) DTR 4.2.8R of the Disclosure and Transparency Rules , being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

The directors of Devro plc are as listed in the company's Annual Report for the year ended 31 December 2015 with the exception of Simon Webb, who left the company and was replaced by Rutger Helbing from 4 April 2016. A list of the current directors is maintained on the company's website: www.devro.com.

By order of the Board

Peter Page	Rutger Helbing
Chief Executive	Group Finance Director
3 August 2016	3 August 2016

INDEPENDENT REVIEW REPORT TO DEVRO PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 which comprises the Interim consolidated income statement, Interim consolidated statement of comprehensive income, Interim consolidated balance sheet, Interim consolidated statement of changes in equity, Interim consolidated cash flow statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Anthony Sykes (Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
3 August 2016