RESULTS FOR SIX MONTHS
ENDED 30 JUNE 2016
THE COLLAGEN CASING COMPANY

Global Leader
• One of the world’s leading providers of collagen casings for the processed meats sector
• Provides technical support to food manufacturers

Global Operations
2,000+
staff across the world
6
manufacturing operations in Scotland, Australia, the Czech Republic, the USA, the Netherlands and China

Collagen
• Main raw material taken from the hide of carefully selected animals certified for food use
• A complex naturally-occurring polymer with unique characteristics

Technology
• Differentiation through product development
• Improved manufacturing performance and increased capacity
## OVERVIEW

<table>
<thead>
<tr>
<th>Operating profit</th>
<th>Transformation programme</th>
<th>Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Ahead of prior year</td>
<td>• Now in final phase</td>
<td>• Demanding market conditions, but still good opportunities for differentiation and service</td>
</tr>
<tr>
<td>• Improved input costs, manufacturing efficiencies and FX benefits</td>
<td>• Production commenced in both new plants &amp; now qualifying products with customers</td>
<td>• Board’s expectations for full year underlying operating profit unchanged</td>
</tr>
<tr>
<td>• Partially offset by reduced sales volumes</td>
<td>• Old US plant now closed</td>
<td>• Greater stability in the business as the transformation projects conclude</td>
</tr>
</tbody>
</table>
RESULTS PRESENTATION | FOR SIX MONTHS ENDED 30 JUNE 2016

GROUP FINANCE DIRECTOR

RUTGER HELBING
## FINANCIAL SUMMARY

<table>
<thead>
<tr>
<th><strong>Revenue</strong></th>
<th><strong>Profit</strong></th>
<th><strong>Cash flow</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Unchanged year on year</td>
<td>• Underlying operating profit up £2.4m on prior year</td>
<td>• Continued strong underlying cash generation</td>
</tr>
<tr>
<td>• FX offsetting volume reduction</td>
<td>• Reported operating profit lower due to higher exceptional items</td>
<td>– Utilised (as planned) for transformation programme</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Net debt</strong></th>
<th><strong>Exceptional items</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>• Increased in H1 (as expected), although partly due to weakening of GBP post EU Referendum vote</td>
<td>• Related to transformation programme</td>
</tr>
<tr>
<td>• Within covenants</td>
<td>• Increase due to longer transition period in US</td>
</tr>
<tr>
<td>• Maintained interim dividend at 2.7p</td>
<td></td>
</tr>
</tbody>
</table>
GROUP REVENUE

Reported revenue
Unchanged year on year with volume offsetting FX

Volumes
Down 7% versus stronger H1 2015
Key drivers China, Russia and Latin America

Momentum
Improved in Q2 vs Q1
REVENUE DEVELOPMENT

Europe
- Revenue: 42%
- FX: +5%
- Volume: 0%
- Price/Mix: +1%
- Total: +1%

Americas
- Revenue: 29%
- FX: +7%
- Volume: -4%
- Price/Mix: +1%
- Total: +4%

Asia/Pacific
- Revenue: 29%
- FX: +8%
- Volume: +2%
- Price/Mix: -13%
- Total: -3%

Revenue
Europe
- Russia impacted by local economic environment
- Some increased competitive pressure
- Benefitted from 2015 acquisition

Americas
- North America unchanged in local currency
- Latin America impacted by transformation programme

Asia/Pacific
- China majority of volume shortfall
- Average selling price benefitted from country mix
EBITDA* MOVEMENT

**Variable costs**
- Benefitted from lower input costs and improved manufacturing efficiencies in Scotland and Australia

**Other**
- Mainly underlying cost inflation

**EBITDA***
- 11% up on prior year
- Excluding acquisition and FX up £0.7m
- Margin up 2.3 ppts

*Shown on underlying basis (before exceptional items)
## EXCEPTIONAL ITEMS

<table>
<thead>
<tr>
<th></th>
<th>US £m</th>
<th>China £m</th>
<th>Total £m</th>
<th>2015 Total £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exceptional items</td>
<td>9.5</td>
<td>3.9</td>
<td>13.4</td>
<td>4.0</td>
</tr>
</tbody>
</table>

### US
- Operational since Feb 2016
  - Complex transition
- Now scaling up production

### China
- Operational since May 2016
  - Ahead of schedule
- Now scaling up production

### Full year guidance
- Expected to be approximately £20m
- Reflecting longer transition period in US
**FINANCE COSTS**

**Capitalisation**
- Lower capitalisation of interest due to completion of construction of new plants in H1 2016

**Net debt**
- Impacting both absolute interest increase as well as higher pricing

**One-offs**
- Costs related to close out of financial instruments

**Full year**
- Expected to be £6-7m (excluding pensions)

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*Excluding net finance cost on pensions*
Effective tax rate*

- Underlying effective tax rate increasing
  - Investment allowances in Czech Republic fully utilised in 2015
- Now closer to longer term trend

*Shown on underlying basis (before exceptional items)
### INCOME STATEMENT

<table>
<thead>
<tr>
<th></th>
<th>2016 £m</th>
<th>2015 £m</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBIT*</td>
<td>18.0</td>
<td>15.6</td>
<td>+15%</td>
</tr>
<tr>
<td>EBIT margin*</td>
<td>15.9%</td>
<td>13.8%</td>
<td>+2.1 ppts</td>
</tr>
<tr>
<td>Profit before tax*</td>
<td>13.7</td>
<td>13.6</td>
<td>+1%</td>
</tr>
<tr>
<td>Profit after tax*</td>
<td>10.6</td>
<td>11.5</td>
<td>-8%</td>
</tr>
<tr>
<td>EPS*</td>
<td>6.3p</td>
<td>6.9p</td>
<td>-9%</td>
</tr>
<tr>
<td>Interim dividends per share</td>
<td>2.7p</td>
<td>2.7p</td>
<td>-</td>
</tr>
<tr>
<td>Reported profit after tax</td>
<td>(1.2)</td>
<td>7.3</td>
<td></td>
</tr>
<tr>
<td>Reported EPS</td>
<td>(0.7p)</td>
<td>4.4p</td>
<td></td>
</tr>
</tbody>
</table>

*Shown on underlying basis (before exceptional items)
CASH FLOW H1 2016

2015:

<table>
<thead>
<tr>
<th>EBITDA*</th>
<th>WC movement</th>
<th>OCF before capex and exceptionals</th>
<th>Capex</th>
<th>Cash exceptionals</th>
<th>OCF</th>
<th>Pensions</th>
<th>Interest</th>
<th>Tax</th>
<th>FX &amp; other</th>
<th>Dividends</th>
<th>Movement net debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>23.8</td>
<td>-4.6</td>
<td>19.2</td>
<td>-33.7</td>
<td>-6.3</td>
<td>-20.8</td>
<td>-2.2</td>
<td>-2.3</td>
<td>-2.3</td>
<td>+1.4</td>
<td>-10.2</td>
<td>-36.4</td>
</tr>
</tbody>
</table>

Operating cash flow
- Cash generated mostly utilised for transformation programme related to capex and exceptional items

Movement net debt
- Dividend maintained
- Impact of weakened GBP after EU Referendum vote (-£10m)
- Net debt increased as expected

*Shown on underlying basis (before exceptional items)
## NET DEBT AND KEY BANKING COVENANTS

<table>
<thead>
<tr>
<th></th>
<th>Jun 2016</th>
<th>Dec 2015</th>
<th>Covenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>147.0</td>
<td>125.5</td>
<td></td>
</tr>
<tr>
<td>Net debt / EBITDA* ratio</td>
<td>2.9 times</td>
<td>2.6 times</td>
<td>&lt;3.25 times</td>
</tr>
<tr>
<td>EBITDA* / Net finance costs ratio</td>
<td>9 times</td>
<td>11 times</td>
<td>&gt;4 times</td>
</tr>
</tbody>
</table>

**Covenants**
- Net Debt for covenant calculations purposes include financial derivatives (£6m at Jun 2016)
- Within covenants for both ratios

*Shown on underlying basis (before exceptional items)*
Net pension deficit

- Increase due to fall in discount rates
- Partially offset by investment returns

<table>
<thead>
<tr>
<th></th>
<th>Dec 2015 £m</th>
<th>Jun 2016 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension deficit</td>
<td>56.4</td>
<td>77.9</td>
</tr>
</tbody>
</table>

UK discount rate

- Dec 2015: 3.75%
- Jun 2016: 3.00%

US discount rate

- Dec 2015: 3.95%
- Jun 2016: 3.25%
## FINANCIAL SUMMARY

### Results
- Reported revenue unchanged with underlying EBITDA up £2.6m
- Underlying EPS down due to higher finance costs and tax
- Dividend maintained
- Net debt ratios within covenant

### Exceptional items
- Expected to be around £20m for the year

### Finance costs
- Expected to be £6-7m for the year

### Effective Tax rate
- Expected to be around 22%
CHIEF EXECUTIVE

PETER PAGE
OUR THREE-PART STRATEGY

**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
REVENUE: EUROPE

UK
- Continued growth in Select Fresh product range

Continental EU
- Price pressure in some markets
- Higher weekly sales rate in second quarter
- Includes Devro BV (acquired H2 2015)

Russia & East
- Currency changes making imports expensive
- New product package developed to meet economic conditions

Middle E & Africa
- Weak Rand has adversely affected sales to South Africa
- Growing levels of interest form new markets
North America

- Continued growth in beefstick category

Latin America

- Impacted by manufacturing and product sourcing changes
REVENUE: ASIA / PACIFIC

China
- Oversupply in the low price segment
- Currently qualifying products from new plant with target customers in premium sector
- Increasingly discerning market provides an opportunity to regain share

South East Asia
- Good growth in some markets with new products
- Strengthening market links through local distributors

Japan
- Continued growth in savoury snack and confectionery products

Australia & New Zealand
- Mature market
- Overall consumption lower

29% group revenue
USA INVESTMENT
COST REDUCTION & SECURING MARKET POSITION IN USA

Replaced old process with new highly-efficient factory

Invested £50m over two years: completing 2016

Update
• Product development complete
• Production started in new plant
• Old factory now completely closed
• Customer transition in progress
• Annualised cost savings of approximately £8m

RESULTS PRESENTATION | FOR SIX MONTHS ENDED 30 JUNE 2016
CHINA INVESTMENT
CAPACITY EXPANSION & POSITIONING IN THE WORLD’S LARGEST MARKET

Establishing low-cost capacity to serve the world’s largest market

Invested £60m in full manufacturing operation completing 2016

Update
- Product development complete
- Production started ahead of plan with proven manufacturing competence
- Customer testing and market introduction in progress
- Annualised benefits of approximately £6m
### Priorities

<table>
<thead>
<tr>
<th><strong>Sales</strong></th>
<th>Realising sales opportunities in all regions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production</strong></td>
<td>Rapid build-up at new manufacturing plants</td>
</tr>
<tr>
<td><strong>Customer transition</strong></td>
<td>Complete transition of customers to new sources</td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td>Deliver return on investments from new plants</td>
</tr>
</tbody>
</table>

### Outlook

“The Board’s expectations for the full year underlying operating profit remain unchanged.”
2017 AND BEYOND

“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.”

Capital Markets Day
2 November 2016
please save the date