DEVRO

MARCH 2016

RESULTS FOR YEAR ENDED 31 DECEMBER 2015

DEVRO: 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

- Over 2,000 staff across the world
- 5 manufacturing sites in Scotland, Australia, the Czech Republic and the USA

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

DEVRO: 2015 HIGHLIGHTS

- Overall sales volumes grew 1%
  - Strong sales growth in Japan, North America and South East Asia
  - Difficult conditions in Russia
- Operating profit before exceptional items grew £3.0 million
  - +£5.1 million in constant currency*
- Transformation of manufacturing footprint nearing completion
  - Restructuring savings of £5.8 million delivered, slightly ahead of target
  - Investment projects in USA and China on track to commence production in 2016
- Acquisition of PV Industries completed during year to support global gel strategy

* Constant currency growth rates are calculated by restating 2014 figures using 2015 exchange rates

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GROUP FINANCE DIRECTOR

SIMON WEBB

FINANCIAL SUMMARY: YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m	Change %	Constant currency change %
Revenue	**230.2**	**232.3**	-1	+1
EBITDA*	**49.7**	**47.7**	+4	+10
Operating profit (EBIT)*	**33.3**	**30.3**	+10	+17
Operating cash flow**	**53.1**	**52.1**	+2	+14
Net debt	**125.5**	**69.2**		

* Before exceptional items ** Before exceptional items and pension deficit funding

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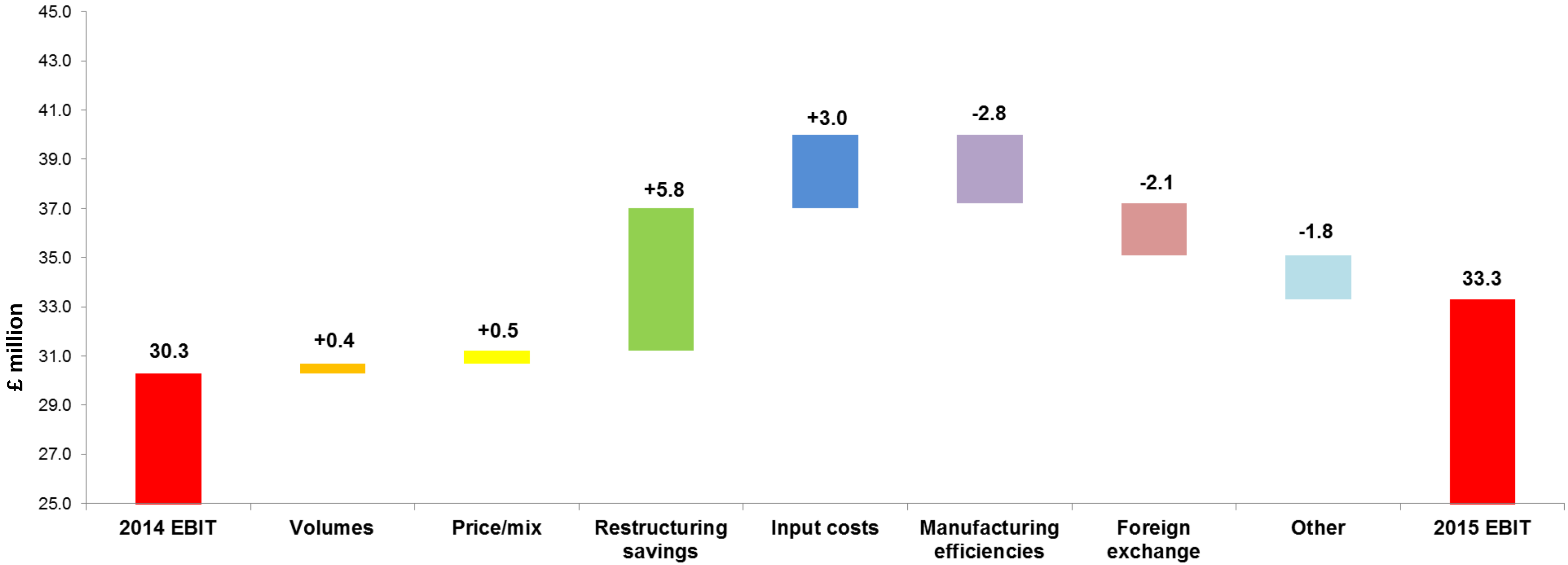
OPERATING PROFIT BRIDGE: YEAR ENDED 31 DECEMBER 2015 VS 2014



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REGIONAL SALES BY DESTINATION:
YEAR ENDED 31 DECEMBER 2015 (CHANGE VS 2014)

	2015 £m	Volume %	Price/mix %	Exchange %	Total %
Europe	**-7.8**	-1.4	+0.4	-6.4	-7.4
Americas	**+6.2**	+2.2	+0.2	+8.3	+10.7
Asia/Pacific	**-0.5**	+3.3	-0.1	-4.1	-0.9

- Europe – lower volumes Russia and East; weaker euro
- Americas – volume growth in North America; strong US dollar
- Asia / Pacific – strong volumes in Japan and SE Asia; weaker Australian dollar / Japanese yen

INCOME STATEMENT:
FOR YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Revenue	**230.2**	232.3
Operating profit before exceptional items	**33.3**	30.3
Exceptional items	**(14.1)**	(23.9)
Operating profit after exceptional items	**19.2**	6.4
Net finance costs	**(2.0)**	(2.2)
Net finance cost on pensions	**(2.1)**	(2.0)
Profit before tax	**15.1**	2.2
Tax	**(0.5)**	2.2
Profit after tax	**14.6**	4.4

EXCEPTIONAL ITEMS

	2015 £m	2014 £m
Investment projects	14.4	7.0
Restructuring / other	(0.3)	16.9
Total exceptional items	**14.1**	**23.9**

- Exceptional items on investment projects increased as we approach start up
- Restructuring actions delivered £5.8m of cost savings in 2015
- Further exceptional items expected in 2016 at similar level to 2015
  - Final year of three year transformation programme

SUMMARY CASH FLOW:
YEAR ENDED 31 DECEMBER 2015

	2015 £m	2014 £m
Operating profit*	**33.3**	30.3
Depreciation and amortisation*	**16.4**	17.4
Movement in working capital	**1.3**	3.3
Other	**2.1**	1.1
Operating cash flow**	**53.1**	52.1
Exceptional items (cash outflow)	**(15.5)**	(6.5)
Pension deficit funding	**(3.2)**	(4.0)
Capital expenditure	**(55.3)**	(54.9)
Acquisition	**(8.8)**	-
Interest/tax	**(8.4)**	(4.9)
Dividends	**(14.7)**	(14.7)
Other	**(3.5)**	(0.5)
Increase in net debt	**(56.3)**	(33.4)

*Before exceptional items **Before exceptional items and pension deficit funding

DEBT & KEY BANKING COVENANTS

	2015 £m	2014 £m
Net debt	**125.5**	69.2

- Increase driven by capital expenditure on investment projects
  - Further £19 million to be invested in 2016, resulting in peak in H1 followed by reduction in H2 as benefits start to come through

	Covenant	Actual
Net debt / EBITDA	**<3.25 times**	2.6 times
EBITDA / Net finance costs	**>4 times**	11 times

- Net debt / EBITDA will increase further as investment projects complete
- Total group bank facility is £175 million

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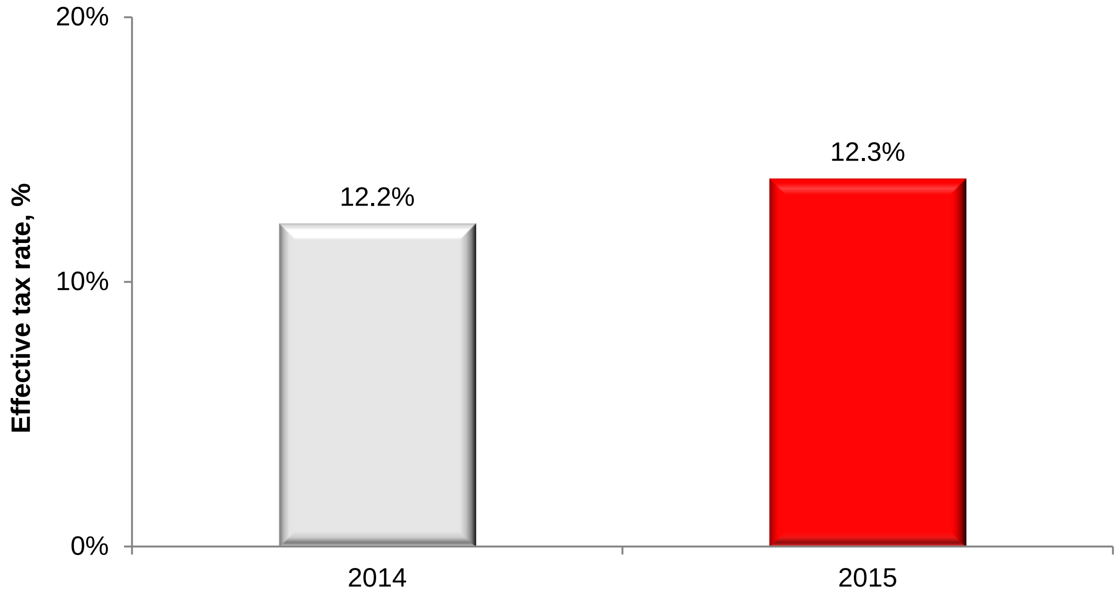
PENSIONS:
GROUP DEFINED BENEFIT PENSION SCHEMES

	2015 £m	2014 £m
Net pension deficit	**56.4**	**59.0**

- Discount rates have increased for all group schemes
- UK triennial valuation completed

EFFECTIVE TAX RATE



- Further Czech Republic investment allowances utilised during 2015

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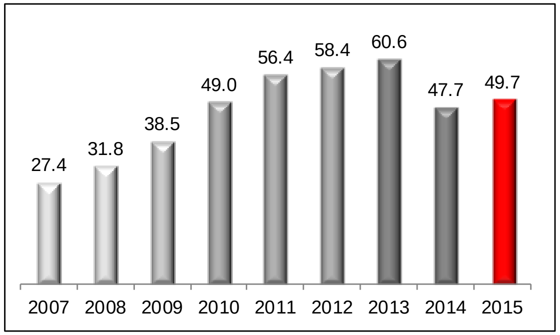
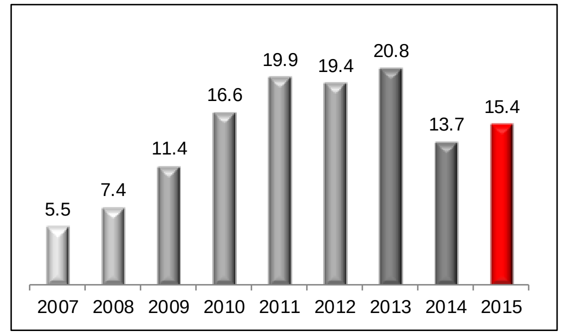
KEY FINANCIAL INDICATORS

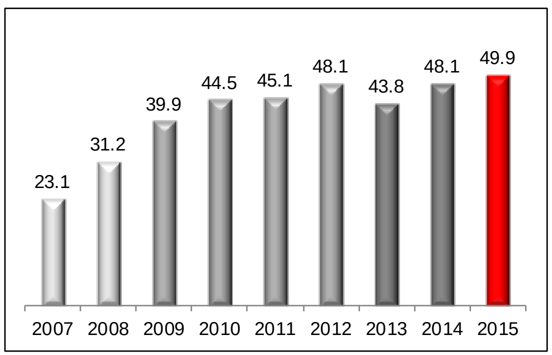
EBITDA (£m)



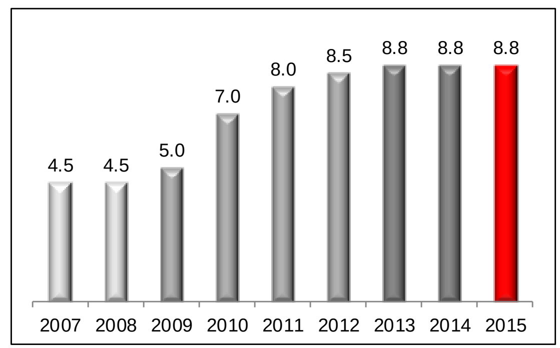
Earnings per share (pence)



Operating cashflow** (£m)



Dividends per share (pence)



* All figures relate to continuing operations and are stated before exceptional items. Figures for 2007 to 2012 have been restated for revised pension accounting rules (IAS19R)

** Operating cash flow stated after deducting pension deficit funding

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CHIEF EXECUTIVE

PETER PAGE

OUR THREE-PART STRATEGY

Increase revenue

Revenue growth

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

Earnings growth & improving return on capital

Manufacturing efficiency

- Maximise productivity of existing assets
- New capacity in lowest unit cost technology
- Reducing costs

Reduce cost

Collagen research and development

- Differentiated products
- Modern processes improve efficiency
- Creating new opportunities

Innovate & invent

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SALES: YEAR ENDED 31 DECEMBER 2015

- Sales volumes of collagen casings 1% higher in 2015
- Revenue increased 1% in constant currency*
- Strong sales in Japan, North America and South East Asia
- Difficult conditions in Russia and surrounding markets
- Sales to lower margin regions constrained by supply

* Constant currency growth rates are calculated by restating 2014 figures using 2015 exchange rates

DEVELOPED MARKETS

North America

- Volume +3%
- Revenue (LC) +2%
- Continued growth in beefstick category
- Co-ex gel sales increasing

UK

- Volume -1%
- Revenue (LC) +2%
- Reduction in retail sales volumes
- Select-Fresh continues to be well received across the product portfolio

Continental EU

- Volume +3%
- Revenue (LC) +2%
- Fragmented and diversified market

Japan

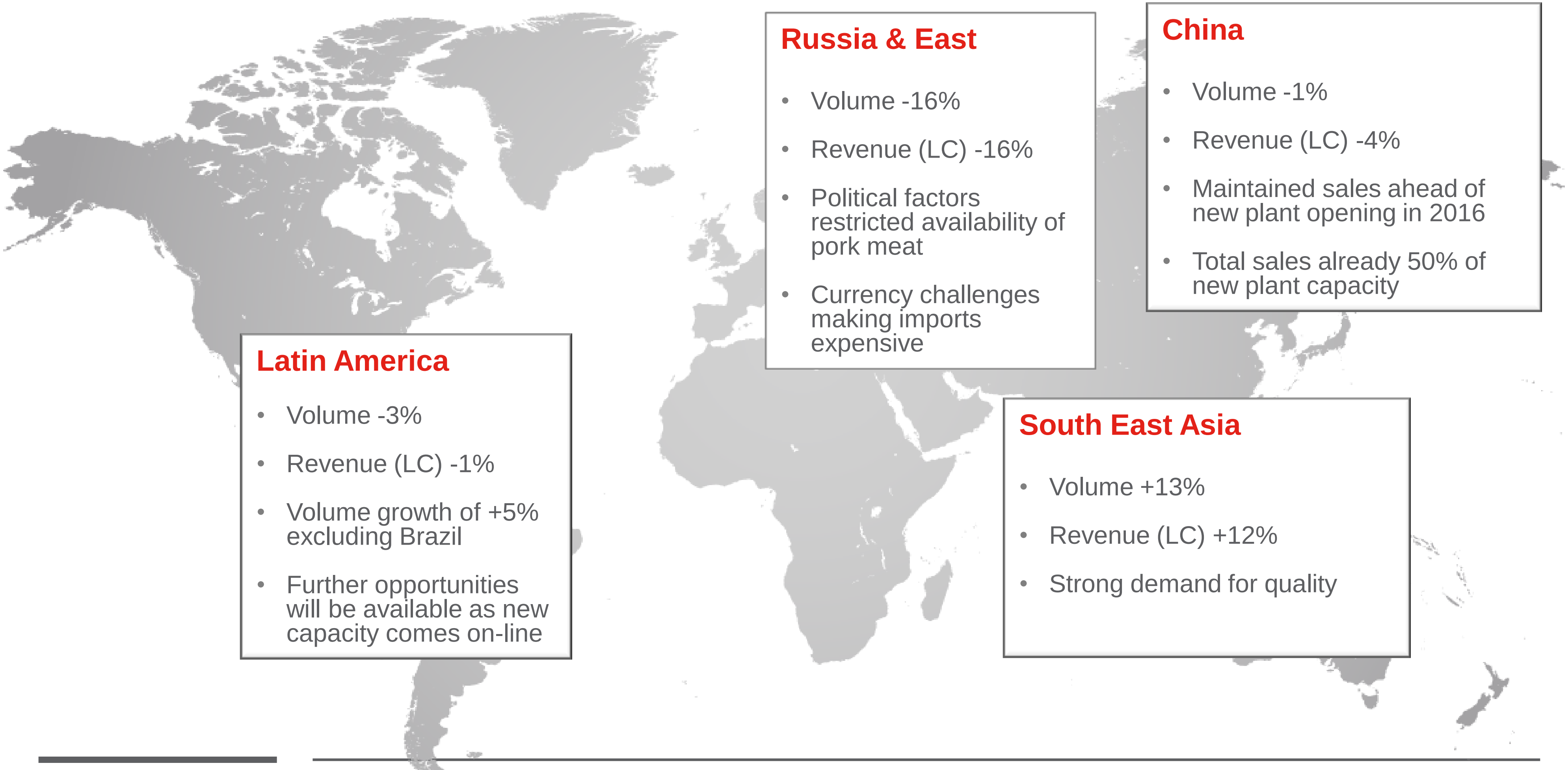
- Volume +7%
- Revenue (LC) +7%
- Growth in snack products
- Innovative new applications

Australia & New Zealand

- Volume +1%
- Revenue (LC) +2%
- Mature market
- Increase in retail sales volumes

Figures relate to edible collagen casing only

EMERGING MARKETS



Russia & East

- Volume -16%
- Revenue (LC) -16%
- Political factors restricted availability of pork meat
- Currency challenges making imports expensive

China

- Volume -1%
- Revenue (LC) -4%
- Maintained sales ahead of new plant opening in 2016
- Total sales already 50% of new plant capacity

Latin America

- Volume -3%
- Revenue (LC) -1%
- Volume growth of +5% excluding Brazil
- Further opportunities will be available as new capacity comes on-line

South East Asia

- Volume +13%
- Revenue (LC) +12%
- Strong demand for quality

Figures relate to edible collagen casing only

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CO-EXTRUSION GEL

- Market leader in co-ex gel in USA
- Sales volumes in USA increased in the period
- Acquisition of PV Industries will consolidate our co-ex gel business in Europe

INDUSTRY LEADERS THROUGH RESEARCH & DEVELOPMENT

- Global research team established during the year
- Working with customers to develop innovative new products
- Acquisition of PV Industries has added to our technical skills base and is boosting innovation on high quality collagen gel products

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GLOBAL MANUFACTURING FOOTPRINT

USA PROGRESS: COST REDUCTION

- Investing £50 million over two years – completing 2016
- Replacing old inefficient plant with new high-tech plant on existing site

- Product development complete
- Building installation and equipment installation complete
- Commissioning nearing completion
- Global project team using expertise from other plants

CHINA: CAPACITY EXPANSION

- Investing £60 million in full manufacturing operation – completing 2016
- Establishing local production capacity to serve the growing market

- Product development complete
- Building construction and equipment installation complete
- Commissioning underway
- Experienced local management team supported by global project team

RESTRUCTURING: COST REDUCTION REALISED

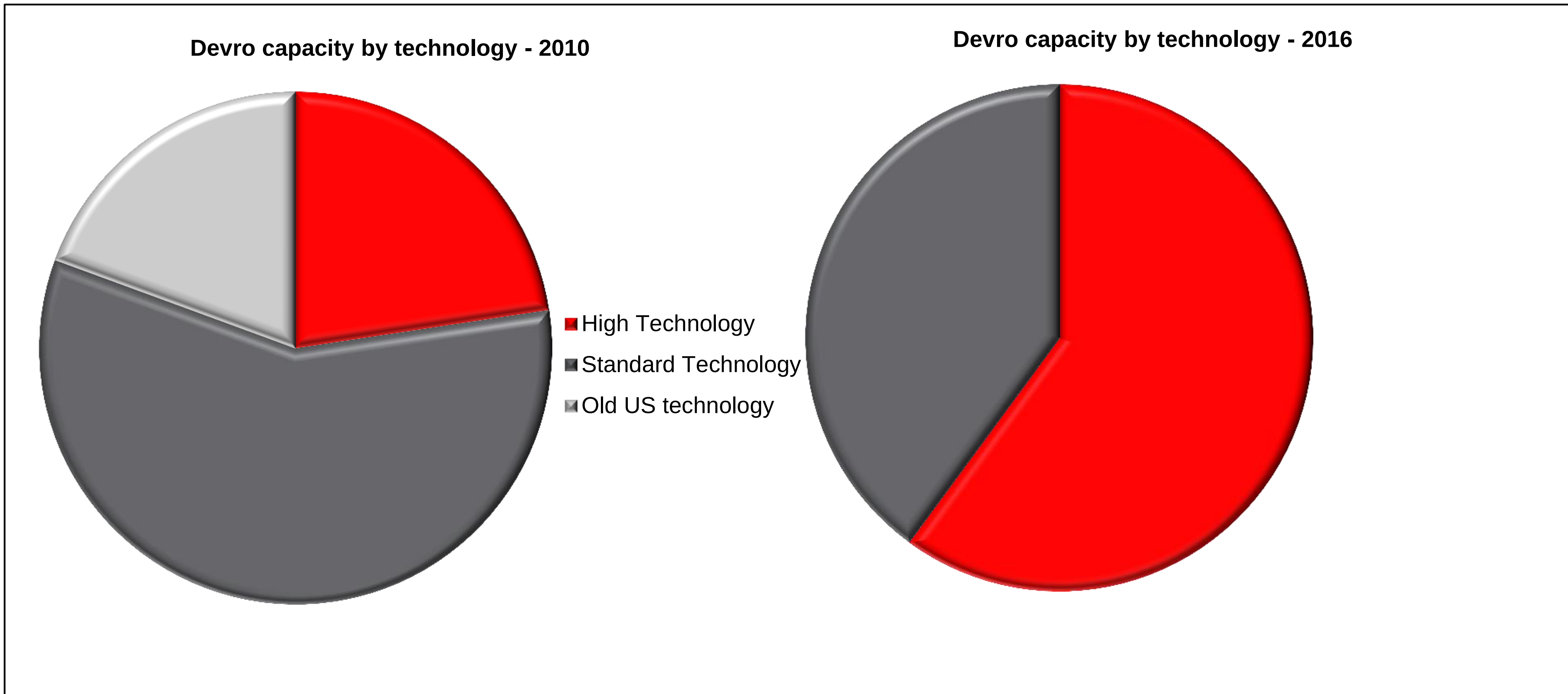
SCOTLAND

- Announced in April 2014 and now completed
- Decommissioning of oldest, least efficient capacity
- 130 redundancies agreed following consultation
  - Final phase completed in Q1 2015
- Annualised cost savings of £5 million

AUSTRALIA

- Announced in January 2015 and now completed
- Decommissioning of separate hide preparation plant
- Outsourcing of hide preparation operations
- 19 redundancies agreed following consultation
- Annualised cost savings of £1 million

IMPROVING MANUFACTURING EFFICIENCY



- Capacity increase from 2010 to 2016 +25%

2016 PRIORITIES & OUTLOOK

- Sales volume growth
- Commence production and manage transition of USA manufacturing operations in H1
- Commissioning of China plant to commence production in H2
- Start to deliver return on investments from new plants

"Our transformation will complete in 2016, after which Devro will be well positioned to supply all our markets with competitive products from efficient manufacturing operations. The benefits from this transformation will begin to flow through to profits in 2016 and the long term growth prospects are strong."