For Immediate Release **5 August 2015**

Devro plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

Performance and transformation on track

Devro plc ("Devro" or the "group"), one of the world's leading manufacturers of collagen products for the food industry, is pleased to announce its interim results for the six months ended 30 June 2015.

Financial summary	**2015 Unaudited**	**2014 Unaudited**
• Revenue	£112.7m	£109.7m
• Operating profit before exceptional items	£15.6m	£14.1m
• Exceptional items	(£4.0m)	(£10.8m)
• Profit before tax	£9.6m	£1.6m
• Basic earnings per share before exceptional items	6.9p	6.6p
• Basic earnings per share	4.4p	1.4p
• Interim dividend (per share)	2.70p	2.70p

Operational highlights

- Trading in line with the Board's expectations
- Sales volumes and revenue for the period in constant currency* grew by 5%
- Operating profit before exceptional items was ahead of last year by £1.5 million (+11%), and ahead by £2.6 million on a constant currency basis*

Strategic highlights

- Sales growth underpinned by strong market demand for high quality products
- Three year programme to transform Devro's manufacturing footprint is progressing to plan
  - Investment projects for new plants in USA and China on track to commence production in 2016
  - Final phase of restructuring of operations in Scotland and Australia completed during the first quarter
  - Restructuring actions now delivering cost reductions and are on track to contribute £5 million to operating profit for the year as expected
- Exceptional items relate to the manufacturing transformation and will increase in the second half of the year as commissioning commences
- Agreement was reached in July 2015 to acquire PV Industries, a manufacturer of collagen gel products, providing Devro access to a strong technical skills base together with an innovative and developing product portfolio

Peter Page, Chief Executive of Devro, commented

"Sales volumes have continued to grow in several important markets and prices remain firm. We have made good progress in transforming our manufacturing facilities to support future growth and manage costs, with restructuring completed and the major investment projects on track for completion in 2016. Market demand is strong, input costs are stable and productivity improving, giving confidence for the future."

For further information contact:

Peter Page	Chief Executive	020 7466 5000
Simon Webb	Group Finance Director	020 7466 5000
Charles Ryland/Vicky Watkins/Robbie Ceiriog-Hughes	Buchanan	020 7466 5000

There will be a presentation today at 9:30am for investment analysts. This will be held at the offices of Buchanan, 107 Cheapside, London, EC2V 6DN. A live audio feed will be available to those unable to attend this meeting in person. To connect to the web cast facility, please go to the following link:
http://vm.buchanan.uk.com/2015/devro050815/registration.htm approximately 10 minutes (9.20am) before the start of the briefing. The presentation will also be available on the company's website.

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

Business review

Devro's performance in the first half of 2015 was in line with management's expectations.

Trading update

Sales volumes increased by 5% in the first half, building on a strong first quarter. Volumes were particularly strong in China, Japan and South East Asia and continued to grow steadily in North America, partially offset by lower volumes in Russia and Latin America. Total revenue increased by 5% on a constant currency basis compared with the prior year, and by 3% on a reported basis.

Transforming our manufacturing footprint

The three year transformation programme, which will add capacity, align products with market opportunities and reduce unit costs, continues to progress well and will be completed in 2016 as expected.

The restructuring of our operations in Scotland and Australia has now been completed. In Scotland the decommissioning of older, less efficient technology was completed at the end of the first quarter and in Australia the outsourcing of the hide preparation operations was completed during the first quarter. Together these restructuring actions are on track to deliver the expected annual cost reductions of £5 million in 2015.

Our major investment projects to establish new plants in the USA and China are advancing well and remain on track to commence production in 2016. Together, these projects involve a capital investment of £100 million, which has increased slightly as the specifications for the new plants have been refined. As previously announced, lower production costs in the USA will yield savings from mid 2016 and the additional capacity for supplying the growing market in China will enhance profits from 2017.

Exceptional costs associated with these major projects were £4 million in the first half of 2015 and are expected to increase to between £16 million and £18 million for the full year. The increase in costs in the second half reflects the start of commissioning in the USA and the build-up of the China team for the new factory. Further, but lower, exceptional items are expected in 2016 as the new plants are completed and commercial production commences.

Acquisition in co-extrusion gel supply

As announced on 10 July 2015 Devro entered into an agreement to acquire 100% of the share capital of PV Industries BV, a leading manufacturer of collagen gel products for the meat processing industry, providing Devro access to a strong technical skills base together with an innovative and developing product portfolio.

The consideration payable is equivalent to €12.5 million on a debt-free basis, with an additional payment of up to €1 million under an earn-out arrangement. Completion of the acquisition is conditional upon clearance by the authorities in certain EU jurisdictions.

Outlook

The Board's expectations for the full year trading results remain unchanged.

Underlying sales demand is strong and it is expected that sales volumes will continue to grow in the second half, but at a lower rate than the first half in line with available capacity. Looking ahead, the investment projects will support further growth from 2016.

The Board remains confident that with an increasingly well-invested global manufacturing base and a high quality product range, Devro is in a strong position to benefit from the growing demand for collagen casings linked to higher protein consumption worldwide.

Financial review

Sales

Reported revenue increased by 3% compared with the prior year, but excluding the effects of exchange movements underlying revenue increased by 5%. Sales volumes were 5% up on prior year reflecting strong demand across most regions.

Operating profits

Operating profits before exceptional items were £15.6 million for the first half compared with £14.1 million for the same period last year. Exchange rate movements reduced profits by -£1.1 million in the first half of the year, reflecting the underlying weakness of the euro.

The largest element of the increase in operating profits was the realisation of cost reductions following the restructuring of operations in Scotland and Australia which contributed +£2.5 million for the period.

The increase in sales volumes added +£1.9 million to profits. The effects of pricing and sales mix were broadly neutral across the regions.

Manufacturing continues to be challenging in the USA due to the ageing equipment in operation, which will be replaced in 2016 by the investment being made in a new plant on the same site. Overall manufacturing inefficiencies held back profits by -£0.8 million for the period.

Input costs reduced during the period by +£1.0 million, largely as a result of lower energy costs and the stabilisation of raw materials costs. The remaining -£2.0 million adverse movement mainly relates to wage inflation and employment costs in respect of 2015.

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. Translational exposures arise from the conversion of the results of all our businesses into sterling.

The net impact of exchange movements reduced operating profit by £1.1 million in the six months ended 30 June 2015 compared with the same period in 2014, primarily due to the translational effects following the strengthening of sterling, partially offset by the strengthening of the US dollar. This effect is expected to be greater in the second half of the year as some of the related hedging unwinds.

Exceptional items

A summary of exceptional items for the first half and projections for the full year is set out below:

	6 months ended 30 June 2015 £m	Projected year ended 31 December 2015 £m	Year ended 31 December 2014 £m
Investment projects	4.0	16 to 18	7.0
Restructuring	-	-	16.9
	4.0	**16 to 18**	**23.9**

Exceptional costs relate to the three year transformation programme. Costs related to the investment projects are expected to increase in the second half of 2015 due to commissioning and training activity and the build-up of the China team for the new factory.

Further, but lower, exceptional items are expected in 2016 as the new plants are completed and commercial production commences.

Finance income/expense

Interest cost for the period was £0.9 million (2014: £0.7 million), which was net of the effects of the capitalisation of interest of £1.2 million related to the debt to fund the two investment projects in China and the USA. In addition there was net finance cost on pensions amounting to £1.1 million (2014: £1.0 million).

Tax

The group's tax charge before exceptional items for the period was £2.1 million which represents an effective tax rate of 15.0%, compared with the 2014 full year rate of 12.2%. The effective tax rate is expected to increase in 2016 to between 20% and 25% as the investment allowances in the Czech Republic become fully utilised.

Earnings per share

	6 months ended 30 June 2015	6 months ended 30 June 2014
Basic earnings per share before exceptional items	6.9p	6.6p
Basic earnings per share	4.4p	1.4p

Excluding exceptional items, basic earnings per share is at 6.9 pence, with the increase in operating profit being partly offset by higher interest and tax costs. On a constant currency basis the basic earnings per share before exceptional items increased by 12.1%. Basic earnings per share has been shown before exceptional items in order to reflect better the underlying movement on trading results.

Net debt

Net debt rose to £105.6 million as at 30 June 2015 compared with £69.2 million at 31 December 2014, which is rising in line with our expectations. This increase primarily reflects the cash outlay on fixed assets of £33.7 million, largely related to the investments being made to establish new manufacturing plants in the USA and China.

The covenants related to the group's borrowing facilities determine a minimum EBITDA to net interest payable ratio of 4 times and a maximum net debt to EBITDA ratio of 3 times, which will rise to 3.25 times on completion of the acquisition of PV Industries. EBITDA is measured as operating profit before exceptional items excluding depreciation and amortisation. At 30 June 2015 the EBITDA to net interest payable ratio was 13 times and the net debt to EBITDA ratio was 2.2 times.

Pensions

The group's pension obligations decreased to £47.4 million at 30 June 2015, from £59.0 million at 31 December 2014, which primarily reflects an increase in discount rates across the group schemes.

The triennial valuation for the UK defined benefit pension scheme as at 31 March 2014 was completed during the first half of 2015. As a result the company has agreed to increase contributions into the scheme from £1.5 million to £2.5 million per annum for a period of 12 years.

This brings the total group contributions to fund the combined pension deficits to between £5 million and £6 million per annum.

Dividends

The Board is pleased to announce an interim dividend of 2.70 pence (2014: 2.70 pence). The interim dividend will be paid on 2 October 2015 to shareholders on the register at 28 August 2015.

Principal risks and uncertainties

The group set out in its 2014 Annual Report and Accounts the principal risks and uncertainties that could impact its performance. These remain unchanged since the Annual Report was published.

The group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity.

The main areas of potential risk and uncertainty are delays or cost overruns on major projects, foreign exchange rate movements, disruption to supply or increase in price of key raw materials, product contamination, higher levels of debt and reduced headroom on banking covenants, increased funding requirements of pension schemes, loss of market share/profit margins due to increased competitive pressures, shortage of people with relevant technical expertise, impact of changes in regulations affecting food production, development of non-casing technologies and constitutional change.

These risks are carefully monitored and managed and further details are set out on pages 18 to 21 of the 2014 Annual Report which is available on the Devro plc website: www.devro.com

Going concern

This financial review 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 2014 Annual Report outline 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 2015 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.

The group has considerable financial resources and a diverse geographic spread. Taking all these factors into account the directors believe that the group is well placed to continue to manage its business risks successfully.

After making enquiries, the directors have a reasonable expectation that the group have 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.

Peter Page	**Simon Webb**
Chief Executive	Group Finance Director

5 August 2015

Consolidated income statement (unaudited)
for the six months ended 30 June 2015

	6 months ended 30 June 2015			6 months ended 30 June 2014		
	Before exceptional items	**Exceptional items**	**Total**	Before exceptional items	Exceptional items	Total
	£'m	**£'m**	**£'m**	£'m	£'m	£'m
Revenue (note 6)	**112.7**	**-**	**112.7**	109.7	-	109.7
Operating profit (notes 5,6)	**15.6**	**(4.0)**	**11.6**	14.1	(10.8)	3.3
Finance cost	**(0.9)**	**-**	**(0.9)**	(0.7)	-	(0.7)
Net finance cost on pensions	**(1.1)**	**-**	**(1.1)**	(1.0)	-	(1.0)
Profit before tax	**13.6**	**(4.0)**	**9.6**	12.4	(10.8)	1.6
Tax (note 7)	**(2.1)**	**(0.2)**	**(2.3)**	(1.4)	2.1	0.7
Profit for the period attributable to owners of the parent	**11.5**	**(4.2)**	**7.3**	11.0	(8.7)	2.3
Earnings per share (note 8)						
Basic			**4.4p**			1.4p
Diluted			**4.4p**			1.4p

Interim consolidated statement of comprehensive income (unaudited)
for the six months ended 30 June 2015

	6 months ended 30 June 2015	6 months ended 30 June 2014
	£'m	£'m
Profit for the period	**7.3**	2.3
Other comprehensive income/(expense) for the period		
Items that will not be reclassified to profit or loss		
Pension obligations:		
- re-measurements	**11.0**	(6.4)
- movement in deferred tax	**(2.6)**	1.5
Total items that will not be reclassified to profit or loss	**8.4**	(4.9)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
- net fair value gains	**1.1**	0.1
- reclassified and reported in operating profit	**0.1**	0.4
- movement in deferred tax	**(0.3)**	(0.1)
Net investment hedges:		
- fair value gains	**1.8**	0.6
- movement in deferred tax	**(0.4)**	(0.1)
Net exchange adjustments	**(10.1)**	(4.4)
Total items that may be reclassified subsequently to profit or loss	**(7.8)**	(3.5)
Other comprehensive income/(expense) for the period, net of tax	**0.6**	(8.4)
Total comprehensive income/(loss) for the period attributable to owners of the parent	**7.9**	(6.1)

Interim consolidated balance sheet
at 30 June 2015

	30 June 2015 (unaudited) £'m	31 December 2014 (audited) £'m	30 June 2014 (unaudited) £'m
ASSETS			
Non-current assets			
Intangible assets (note 10)	**3.8**	4.0	3.1
Property, plant and equipment (note 11)	**242.4**	230.3	201.7
Deferred tax assets	**21.5**	24.5	18.5
Trade and other receivables	**2.2**	-	-
	269.9	258.8	223.3
Current assets			
Inventories	**32.6**	33.4	42.1
Current tax assets	**0.2**	0.2	0.5
Trade and other receivables	**32.2**	33.7	32.9
Derivative financial instruments (note 4)	**2.3**	1.7	1.1
Cash and cash equivalents (note 17)	**19.6**	11.1	20.7
	86.9	80.1	97.3
Total assets	**356.8**	338.9	320.6
LIABILITIES			
Current liabilities			
Borrowings (note 17)	**1.3**	1.7	2.5
Derivative financial instruments (note 4)	**1.2**	2.7	1.5
Trade and other payables (note 13)	**22.9**	31.7	21.6
Current tax liabilities	**5.1**	5.3	3.8
Provisions for other liabilities and charges	**3.6**	6.3	5.5
	34.1	47.7	34.9
Non-current liabilities			
Borrowings (note 17)	**123.9**	78.6	71.4
Deferred tax liabilities	**15.2**	15.4	17.0
Pension obligations (note 14)	**47.4**	59.0	53.5
Other payables	**2.4**	2.4	1.9
Provisions for other liabilities and charges	**2.6**	2.6	-
	191.5	158.0	143.8
Total liabilities	**225.6**	205.7	178.7
Net assets	**131.2**	133.2	141.9
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	**48.8**	56.5	61.2
Retained earnings	**56.3**	50.7	54.7
Total equity	**131.2**	133.2	141.9

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 2015

	Ordinary shares £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
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	-	-	(0.1)	-	(0.1)
Transfer of lapsed Performance Share Plan awards	-	-	(0.1)	0.1	-
Issue of ordinary shares	-	0.1	-	-	0.1
Dividends paid	-	-	-	(10.2)	(10.2)
Total transactions with owners	-	0.1	0.1	(10.1)	(9.9)
Balance at 30 June 2015	**16.7**	**9.4**	**48.8**	**56.3**	**131.2**
Six months ended 30 June 2014					
Balance at 1 January 2014	16.7	9.0	64.9	67.4	158.0
Comprehensive income					
Profit for the period	-	-	-	2.3	2.3
Other comprehensive income/(expense)					
Cash flow hedges, net of tax	-	-	0.4	-	0.4
Net investment hedges, net of tax	-	-	0.5	-	0.5
Pension obligations, net of tax	-	-	-	(4.9)	(4.9)
Exchange adjustments	-	-	(4.4)	-	(4.4)
Total other comprehensive expense	-	-	(3.5)	(4.9)	(8.4)
Total comprehensive expense	-	-	(3.5)	(2.6)	(6.1)
Transactions with owners					
Performance Share Plan charge	-	-	0.2	-	0.2
Performance Share Plan credit in respect of shares vested	-	-	(0.3)	-	(0.3)
Transfer of lapsed Performance Share Plan awards	-	-	(0.1)	0.1	-
Issue of ordinary shares	-	0.3	-	-	0.3
Dividends paid	-	-	-	(10.2)	(10.2)
Total transactions with owners	-	0.3	(0.2)	(10.1)	(10.0)
Balance at 30 June 2014	16.7	9.3	61.2	54.7	141.9

Interim consolidated cash flow statement (unaudited)
for the six months ended 30 June 2015

	6 months ended 30 June 2015 £'m	6 months ended 30 June 2014 £'m
Cash flows from operating activities		
Cash generated from operations (note 16)	**10.7**	14.1
Interest paid	**(2.3)**	(0.5)
Tax paid	**(2.3)**	(1.8)
Net cash generated from operating activities	**6.1**	11.8
Cash flows from investing activities		
Purchase of property, plant and equipment	**(33.3)**	(19.4)
Purchase of intangible assets	**(0.4)**	(0.5)
Net cash used in investing activities	**(33.7)**	(19.9)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	**0.1**	0.3
Proceeds from issue of senior unsecured notes	**-**	59.7
Proceeds from/(repayment of) other borrowings	**46.8**	(26.8)
Dividends paid	**(10.2)**	(10.2)
Net cash generated from financing activities	**36.7**	23.0
Net increase in cash and cash equivalents	**9.1**	14.9
Net cash and cash equivalents at beginning of period	**9.4**	3.6
Exchange loss on cash and cash equivalents	**(0.2)**	(0.3)
Cash and cash equivalents	**19.6**	20.7
Bank overdrafts	**(1.3)**	(2.5)
Net cash and cash equivalents at end of period	**18.3**	18.2

Notes to the condensed interim consolidated financial statements (unaudited)
for the six months ended 30 June 2015

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 5 August 2015.

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 23. Statutory accounts for the year ended 31 December 2014 were approved by the Board of Directors on 17 March 2015 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 2015 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 2014 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 carrying value of inventory, accounting for the group's investment projects (in particular whether items should be expensed as exceptional or capitalised), the measurement of pension obligations, tax, restructuring provisions and accelerated depreciation.

Going concern basis

The financial statements have been prepared on a going concern basis. This is discussed in the Financial Review on page 6.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2014, as described in those annual financial statements.

New standards, amendments to standards or interpretations effective in 2015

The following new standards, amendments to standards or interpretations became mandatory for the first time during the financial year beginning 1 January 2015. All were either not relevant for the group or had no material impact on the financial statements of the group:

	Effective date
• Annual Improvement Project 2011-2013	1 January 2015

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
• IFRS 9 - Financial instruments	1 January 2018
• IFRS 10 (amendment) - Consolidated financial statements	1 January 2016
• IFRS 11 (amendment) - Joint arrangements	1 January 2016
• IFRS 15 - Revenue from contracts with customers	1 January 2018
• IAS 1 (amendment) - Presentation of financial statements	1 January 2016
• IAS 16 (amendment) - Property, plant and equipment	1 January 2016
• IAS 19 (amendment) - Employee benefits' relating to employees	1 January 2016
• IAS 28 (amendment) - Investments in associates and joint ventures	1 January 2016
• IAS 38 (amendment) - Intangible assets	1 January 2016
• Annual Improvement Project 2010-2012	1 January 2016
• Annual Improvement Project 2012-2014	1 January 2016

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 2014.

Liquidity risk

At 30 June 2015, the group had in place unsecured floating rate committed loan facilities totalling £110.0 million (31 December 2014: £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 2015 of £9.5 million (31 December 2014: £9.5 million), US dollars 2.0 million (31 December 2014: US dollars 2.0 million), Czech koruna 120 million (31 December 2014: Czech koruna 120 million) and Australian dollars 0.5 million (31 December 2014: Australian dollars 0.5 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 £'m	Liabilities £'m
At 30 June 2015		
Forward foreign currency contracts		
- cash flow hedge	1.2	1.2
- net investment hedge	0.1	-
- other	0.1	-
Cross currency interest rate swaps	0.9	-
	2.3	**1.2**
At 31 December 2014		
Forward foreign currency contracts		
- cash flow hedge	0.7	1.9
- net investment hedge	0.2	-
- other	0.4	0.8
Cross currency interest rate swaps	0.4	-
	1.7	**2.7**

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 2015 (31 December 2014: 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 £4.0 million (2014: £10.8 million).

	6 months ended 30 June 2015	6 months ended 30 June 2014		
	Investment projects £'m	Investment projects £'m	Restructuring £'m	Total £'m
Redundancy costs (i)	**0.3**	-	6.3	6.3
Pension charge (ii)	**-**	-	2.8	2.8
Costs to establish new manufacturing plants (iii)	**3.3**	0.8	-	0.8
Accelerated depreciation (iv)	**0.4**	0.4	0.5	0.9
	4.0	1.2	9.6	10.8

Exceptional items relate to the actions being taken to transform the business. These include the two investment projects to establish new plants in China and the USA, and a significant restructuring of existing operations, particularly in Scotland and Australia. The restructuring of operations in Scotland involved older, less efficient lines being permanently shut down and the restructuring in Australia related to the closure of the hide preparation plant. During 2015 costs have been incurred in relation to the two investment projects, whilst the costs in respect of restructuring existing operations were recognised over the course of 2014.

(i) During 2015 costs have been incurred in the USA where the completion of the new plant will require significantly fewer operators compared with the existing less efficient operation. The redundancy programme in the USA was announced during the second half of 2014, and the cost recognised during the six months ended 30 June 2015 comprises retention payments accrued to compensate those roles that will be impacted once the existing operation is replaced. Redundancy costs in the six months ended 30 June 2014 principally related to the restructuring of operations in Scotland where 130 roles were impacted. The redundancy costs for the Australian hide preparation restructure were all recognised in the second half of 2014.

(ii) Estimate of the incremental UK pension liability made during the six months ended 30 June 2014 that was expected to arise related to people leaving the business as part of the restructuring of operations in Scotland. This estimate was revised during the second half of 2014 to £1.7 million.

(iii) Incremental costs related to the projects to establish new manufacturing plants in China and the USA, including project management, legal and professional fees, training and commissioning costs. These costs do not meet the recognition criteria of intangible assets or tangible assets but are of such significance, in terms of nature and size, that they have been shown separately from the underlying operating profits of the business. The increased costs during 2015 are a reflection of the more advanced stages of the projects.

(iv) An 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.

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 2015	30 June 2014	**30 June 2015**	30 June 2014	**30 June 2015**	30 June 2014	**30 June 2015**	30 June 2014
	£'m	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Revenue								
Sales to external customers	**31.4**	27.5	**34.3**	31.9	**47.0**	50.3	**112.7**	109.7
Operating profit before corporate overheads and exceptional items	**2.3**	1.9	**5.7**	4.0	**8.8**	9.0	**16.8**	14.9
Corporate overheads							**(1.2)**	(0.8)
Operating profit before exceptional items							**15.6**	14.1
Exceptional items	**(2.0)**	(0.7)	**(2.0)**	(0.9)	**-**	(9.2)	**(4.0)**	(10.8)
Operating profit after exceptional items							**11.6**	3.3
Finance cost							**(0.9)**	(0.7)
Net finance cost on pensions							**(1.1)**	(1.0)
Profit before tax							**9.6**	1.6

7 Tax

The charge for tax for the six months ended 30 June 2015 corresponds to a rate of tax of 15.0% on profit before exceptional items (six months ended 30 June 2014: 11.3%). This reflects the anticipated effective rate for the year ending 31 December 2015. The charge on exceptional items comprises an adjustment to a previously recognised tax credit. The charge for tax comprises a UK corporation tax credit of £0.6 million (2014: credit of £1.6 million) and a foreign tax charge of £2.9 million (2014: £0.9 million).

The main rate of UK corporation tax fell from 21% to 20% from 1 April 2015.

8 Earnings per share

	6 months ended 30 June 2015 £'m	6 months ended 30 June 2014 £'m
Profit attributable to equity holders	**7.3**	2.3
	-------	-------
Profit attributable to equity holders before exceptional items	**11.5**	11.0
	--------	-------
Earnings per share		
- Basic	**4.4p**	1.4p
- Basic before exceptional items	**6.9p**	6.6p
- Diluted	**4.4p**	1.4p

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of £7.3 million (2014: £2.3 million) by 166,924,470 (2014: 166,821,116) shares, being the weighted average number of shares in issue throughout the period.

Basic earnings per share before exceptional items is calculated using the profit attributable to equity holders before exceptional items of £11.5 million (2014: £11.0 million) and the number of shares as above.

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. Diluted earnings per share are calculated by dividing the profit for the period attributable to equity holders by the average number of shares including the effect of all dilutive potential shares of 168,188,085 (2014: 167,686,600).

9 Dividends

The final dividend of 6.10 pence per share in respect of the year ended 31 December 2014 was paid on 15 May 2015, 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 2 October 2015 to shareholders on the register at 28 August 2015. This compares with the 2014 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 2015 £'m	6 months ended 30 June 2014 £'m
Opening net book value at 1 January	**4.0**	3.2
Exchange differences	**-**	(0.1)
Additions	**0.4**	0.6
Amortisation	**(0.6)**	(0.6)
	---------	-------
Closing net book value at 30 June	**3.8**	3.1
	=====	====

11 Property, plant and equipment

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

	6 months ended 30 June 2015 £'m	6 months ended 30 June 2014 £'m
Opening net book value at 1 January	**230.3**	199.1
Exchange differences	**(8.6)**	(3.6)
Additions	**28.7**	15.5
Disposals	**-**	(0.1)
Depreciation	**(8.0)**	(9.2)
	---------	----------
Closing net book value at 30 June	**242.4**	201.7
	=====	======

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 2015 £'m	31 December 2014 £'m	30 June 2014 £'m
Property, plant and equipment	**22.5**	31.1	38.9
	=====	=====	=====

13 Trade and other payables

Trade and other payables includes capital accruals of £3.6 million (December 2014: £9.4 million; June 2014: £0.4 million).

14 Pension obligations

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

	30 June 2015 £'m	31 December 2014 £'m	30 June 2014 £'m
Pension obligations	**47.4**	59.0	53.5
	----------	----------	----------

The decrease in the group's pension obligations at 30 June 2015 compared with 31 December 2014 primarily reflects an increase in discount rates.

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

	30 June 2015	31 December 2014	30 June 2014
Australia	**4.00%**	3.10%	3.90%
United Kingdom	**3.80%**	3.55%	4.20%
United States	**4.25%**	3.80%	4.00%

The Australian discount rate is in line with local corporate bonds, reflecting the establishment of a deep market in Australian corporate bonds. Previously this market was insufficiently deep and the discount rate was based on state government bonds.

The pension obligations have moved as follows

	6 months ended 30 June 2015 £'m	6 months ended 30 June 2014 £'m
Opening net liability	**59.0**	46.1
Employer contributions	**(2.9)**	(3.5)
Service cost	**0.7**	0.8
Scheme administrative expenses	**0.6**	0.4
Exceptional pension charge (note 5)	**-**	2.8
Net finance cost	**1.1**	1.0
Re-measurements	**(11.0)**	6.4
Exchange gains	**(0.1)**	(0.5)
	----------	----------
Closing net liability	**47.4**	53.5
	=====	=====

15 Equity securities issued

Details of ordinary shares of 10 pence each issued during the six months ended 30 June 2015 are as follows:

	6 months ended 30 June 2015 Shares	6 months ended 30 June 2014 Shares	**6 months ended 30 June 2015 £'m**	6 months ended 30 June 2014 £'m
Shares vested under the Devro 2003 Performance Share Plan	**11,490**	119,912	**0.1**	0.3
	========	========	**====**	====

16 Cash flows from operating activities

	6 months ended 30 June 2015	6 months ended 30 June 2014
	£'m	£'m
Profit before tax	**9.6**	1.6
Adjustments for:		
Finance cost	**0.9**	0.7
Net finance cost on pensions	**1.1**	1.0
Exceptional pension charge (note 5)	**-**	2.8
Depreciation of property, plant and equipment	**8.0**	9.2
Amortisation of intangible assets	**0.6**	0.6
Release from capital grants reserve	**(0.1)**	-
Additional cash contributions to pension schemes	**(2.2)**	(2.4)
Pension cost adjustment for normal contributions	**0.6**	-
Performance Share Plan	**0.3**	0.2
Changes in working capital:		
Increase in inventories	**(0.3)**	(4.6)
(Increase)/decrease in trade and other receivables	**(2.2)**	0.7
Decrease in trade and other payables	**(2.9)**	(1.2)
(Decrease)/increase in provisions	**(2.7)**	5.5
	--------	--------
Cash generated from operating activities	**10.7**	14.1
	=====	=====
Of which:		
Cash generated from underlying operations	**17.0**	15.7
Exceptional items cash outflow	**(6.3)**	(1.6)
	----------	--------
	10.7	14.1
	=====	=====

17 Analysis of net debt

	30 June 2015 £'m	31 December 2014 £'m	30 June 2014 £'m
Cash and cash equivalents	**19.6**	11.1	20.7
Bank overdrafts	**(1.3)**	(1.7)	(2.5)
	18.3	9.4	18.2
Borrowings:			
- Due after more than one year	**(123.9)**	(78.6)	(71.4)
	(105.6)	(69.2)	(53.2)

The increase in net debt reflects the significant level of capital expenditure on the investment projects in the USA and China during the period.

18 Related party transactions

The group had no related party transactions other than key management compensation during the six months ended 30 June 2015 and 30 June 2014.

19 Post balance sheet event

On 9 July 2015 the group entered into an agreement to acquire 100% of the shares in PV Industries B.V. ("PVI"). Based in the Netherlands, PVI is a leading manufacturer of high quality collagen gel products for the meat processing industry.

Completion of the acquisition is conditional upon clearance by the authorities in certain EU jurisdictions.

The consideration payable is the equivalent of c €12.5 million (£8.9 million) on a debt-free basis with a possible further payment of up to €1 million (£0.7 million) under an earn-out arrangement. In 2014 PVI's operating profit before interest, tax, depreciation and amortisation was €1.3 million (£0.9 million) on sales of €6.3 million (£4.5 million).

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 2014. A list of the current directors is maintained on the company's website: www.devro.com.

By order of the Board

Peter Page	Simon Webb
Chief Executive	Group Finance Director
5 August 2015	5 August 2015

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 2015 which comprises 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 2015 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
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London, E14 5GL
5 August 2015