DEVRO

August 2015

INTERIM RESULTS FOR SIX MONTHS ENDED 30 JUNE 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 H1 PERFORMANCE IN LINE WITH EXPECTATIONS

- Sales volumes have grown by 5%
- Strong demand
- Operating profits up by 11%
- Transformation of manufacturing footprint progressing well
  - Major investment projects in USA and China on track
  - Restructuring actions in Scotland and Australia now complete
- Small bolt-on acquisition agreed in July to support global gel strategy

DEVRO

GROUP FINANCE DIRECTOR

SIMON WEBB

FINANCIAL SUMMARY:
FOR SIX MONTHS ENDED 30 JUNE 2015

	2015 H1 £m	2014 H1 £m	Change %	Constant currency Change %
Sales	**112.7**	109.7	+3	+5
EBITDA*	**23.8**	23.0	+4	+10
Operating profit (EBIT)*	**15.6**	14.1	+11	+18
EPS*	**6.9p**	6.6p	+5	+12
Operating cash flow**	**19.2**	18.1	+6	
Net debt	**105.6**	53.2		

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

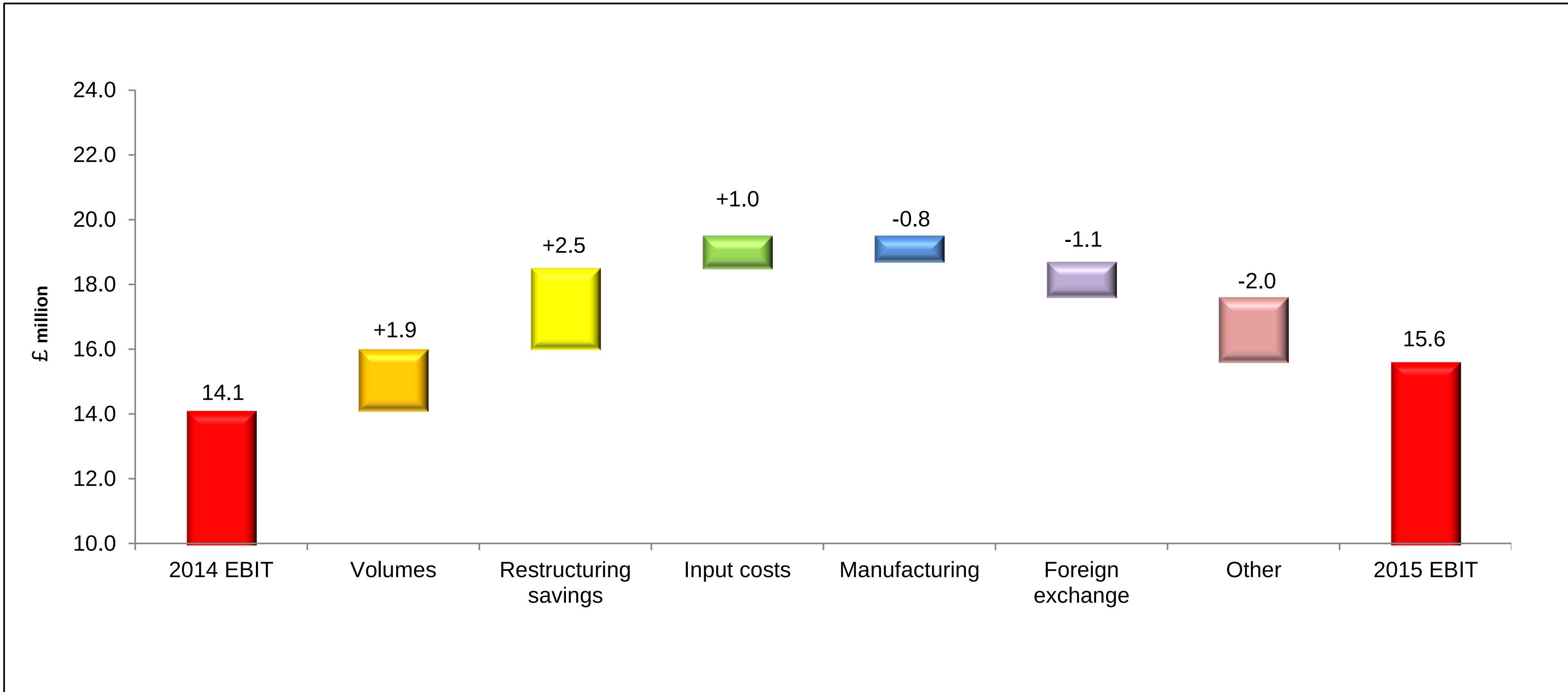
REGIONAL SALES BY DESTINATION:
FOR SIX MONTHS ENDED 30 JUNE 2015 (CHANGE VS H1 2014)

	2015 £m	Volume %	Price/mix %	Exchange %	Total %
Europe	**-3.5**	+0.7	+0.5	-8.2	-7.0
Americas	**+3.8**	+4.1	-0.3	+9.9	+13.7
Asia/Pacific	**+2.7**	+12.3	-1.2	-2.4	+8.7

- Volume growth in all regions
- Exchange movements the result of weak euro / strong US dollar

DEVRO

OPERATING PROFIT BRIDGE:
FOR SIX MONTHS ENDED 30 JUNE 2015 (VS 2014)



*Before exceptional items

INCOME STATEMENT:
FOR SIX MONTHS ENDED 30 JUNE 2015

	2015 £m	2014 £m
Revenue	**112.7**	109.7
Operating profit before exceptional items	**15.6**	14.1
Exceptional items	**(4.0)**	(10.8)
Operating profit after exceptional items	**11.6**	3.3
Net finance costs	**(0.9)**	(0.7)
Net finance cost on pensions	**(1.1)**	(1.0)
Profit before taxation	**9.6**	1.6
Tax	**(2.3)**	0.7
Profit after tax	**7.3**	2.3

EXCEPTIONAL ITEMS: FOR 2015

	2015		2014
	H1 £m	Projected FY £m	FY £m
Investment projects	4.0	16 - 18	7.0
Restructuring	-	-	16.9
	4.0	**16 - 18**	**23.9**

- Exceptional items increasing in H2 2015 as enter commissioning phase of investment projects
- Further, but lower, exceptional items expected in 2016; final year of three year transformation programme

SUMMARY CASH FLOW: FOR SIX MONTHS ENDED 30 JUNE 2015

	2015 £m	2014 £m
Operating profit*	**15.6**	14.1
Depreciation and amortisation*	**8.2**	8.9
Movement in working capital	**(5.4)**	(5.1)
Other	**0.8**	0.2
Operating cash flow**	**19.2**	18.1
Exceptional items (cash outflow)	**(6.3)**	(1.6)
Pension deficit funding*	**(2.2)**	(2.4)
Capital expenditure	**(33.7)**	(19.9)
Interest/tax	**(4.6)**	(2.3)
Dividends	**(10.2)**	(10.2)
Other	**1.4**	0.9
Increase in net debt	**(36.4)**	(17.4)

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

DEBT & KEY BANKING COVENANTS

	June 2015	December 2014
Net debt	**£105.6m**	£69.2m

- Increase driven by capex on investment projects
- Rising in line with expectations

	Covenant	Actual
Net debt / EBITDA	**<3.25 times ***	2.2 times
EBITDA / Net interest payable	**>4 times**	13 times

- Net debt/EBITDA will increase further as investment projects complete
- Total group bank facility is £170m

* Contingent on completion of PV Industries acquisition

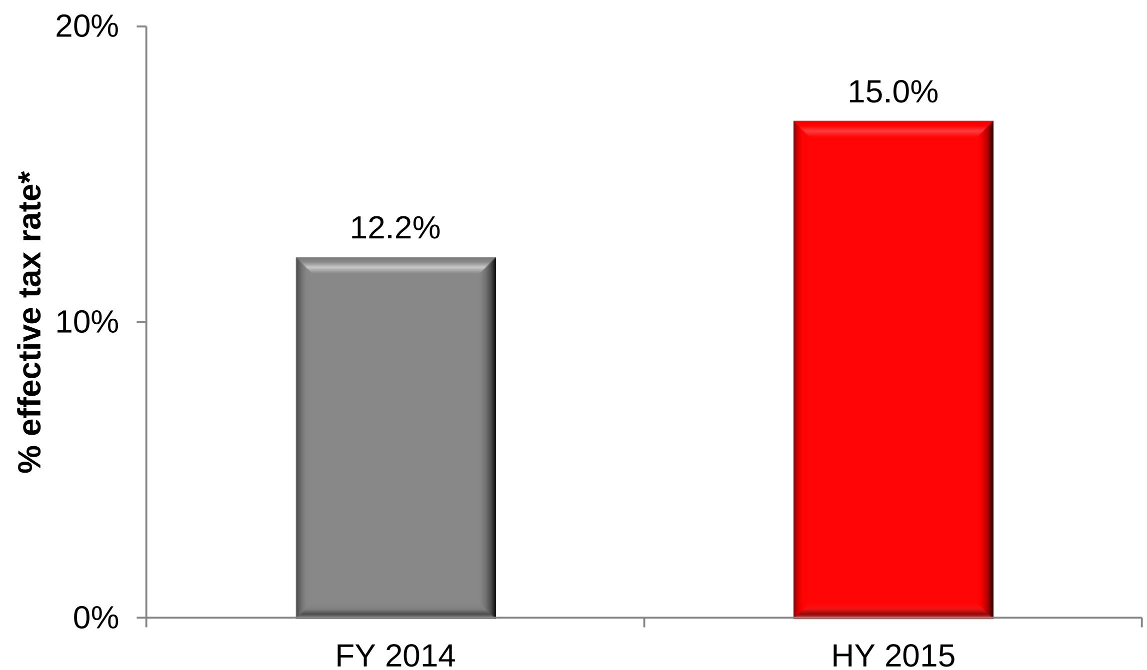
PENSIONS:
GROUP DEFINED BENEFIT PENSION SCHEMES

	June 2015 £m	December 2014 £m
Net pension deficit	**47.4**	59.0

- Discount rates have increased across all group schemes
- UK triennial valuation completed
- Total contributions to fund group pension deficit likely to be £5 million to £6 million per year from 2016

DEVRO

EFFECTIVE TAX RATE



- Effective tax rate is likely to trend towards 20% to 25% in 2016 as Czech Republic investment allowances become fully utilised

*Before exceptional items

DEVRO

DEVRO

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

SALES:
FOR SIX MONTHS ENDED 30 JUNE 2015

- Demand is strong
- Sales volumes of collagen casings 5% higher than 2014
- Revenue increased by 5% in constant currency

DEVRO

DEVELOPED MARKETS: EDIBLE COLLAGEN

USA & Canada

- Volume +6%
- Revenue (LC) +4%
- Continued growth in beefstick category
- Co-ex gel sales increasing

UK

- Volume +2%
- Revenue (LC) +7%
- *Select F* continues to be well received across product portfolio

Western Europe

- Volume +4%
- Revenue (LC) +4%
- Fragmented and diversified market

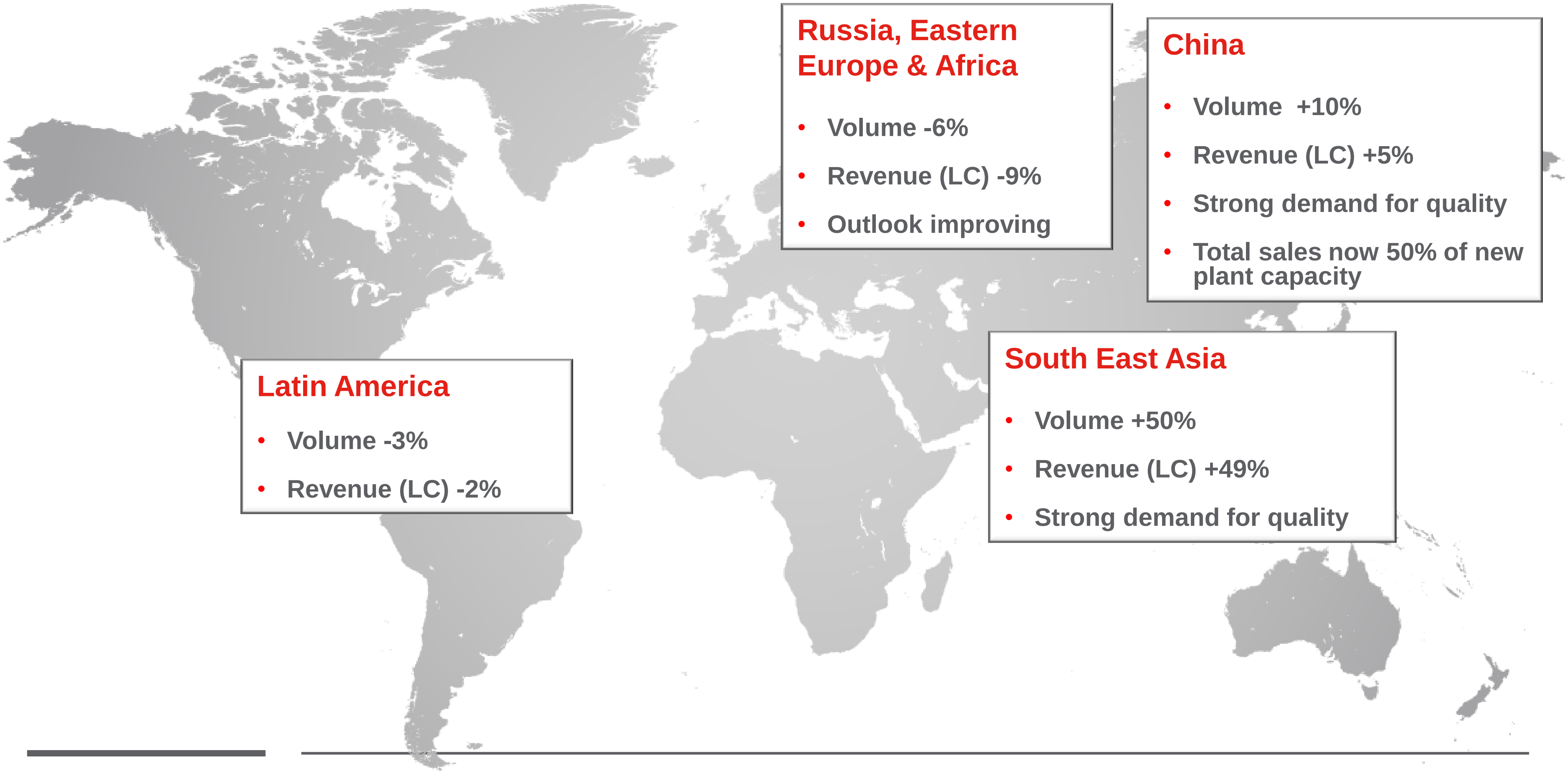
Japan

- Volume +9%
- Revenue (LC) +10%
- Growth in snack products
- Innovative new applications

Australia & New Zealand

- Volume +4%
- Revenue (LC) +5%
- Increase in retail sales volumes

EMERGING MARKETS: EDIBLE COLLAGEN



Russia, Eastern Europe & Africa

- Volume -6%
- Revenue (LC) -9%
- Outlook improving

China

- Volume +10%
- Revenue (LC) +5%
- Strong demand for quality
- Total sales now 50% of new plant capacity

Latin America

- Volume -3%
- Revenue (LC) -2%

South East Asia

- Volume +50%
- Revenue (LC) +49%
- Strong demand for quality

CO-EXTRUSION GEL

- Market leader in co-ex gel in USA
- Sales volumes in USA increased by 15% in the period
- Acquisition of PV Industries will consolidate our co-ex gel business in Europe

DEVRO

INDUSTRY LEADERS THROUGH RESEARCH & DEVELOPMENT

- Global R&D team coordinating work across all regions
- Working with customers to develop innovative new products
- Acquisition of PV Industries will add to our technical skills base and boost innovation on high quality collagen gel products

DEVRO

GLOBAL MANUFACTURING FOOTPRINT

USA: COST REDUCTION

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

- Equipment installation complete
- Commissioning now underway
- Product development complete
- Global project team using expertise from other plants

CHINA: CAPACITY EXPANSION

- Investing £50 million in full manufacturing operation – completing 2016
- Establishing local production capacity to serve the growing market

- Equipment installation underway
- Product development complete
- Recruitment and training progressing well
- Experienced local management team supported by global project team

DEVRO

RESTRUCTURING: COST REDUCTION REALISED

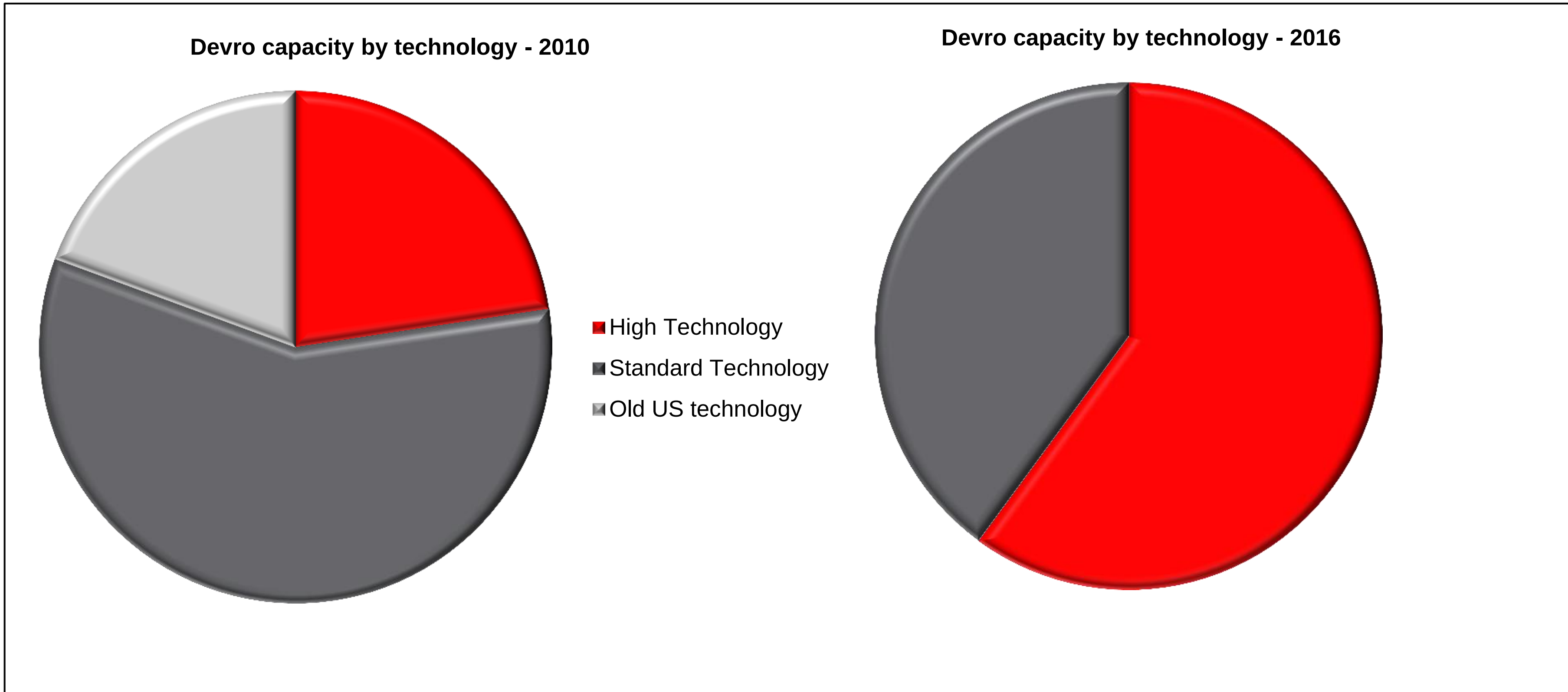
SCOTLAND

- Announced in April 2014
- Decommissioning of oldest, least efficient capacity
- 130 redundancies agreed following consultation
  - ➢ Final phase completed in Q1 2015
- Annualised cost savings of £4 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%

DEVRO

OUTLOOK

- Trading in line with expectations
- Market demand remains strong
- Input costs stable
- Three year transformation programme on track



DEVRO

THANK YOU