For Immediate Release **3 March 2015**

Devro plc

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

Transformation on track to support future growth

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 results for the year ended 31 December 2014.

Financial summary	**2014 Unaudited**	**2013**
• Revenue	£232.3m	£242.7m
• Operating profit before exceptional items	£30.3m	£42.1m
• Exceptional items	(£23.9m)	(£1.3m)
• Profit before tax	£2.2m	£37.5m
• Cash generated from operations before exceptional items	£48.1m	£43.8m
• Basic earnings per share before exceptional items	13.7p	20.8p
• Basic earnings per share	2.6p	20.1p
• Total dividend per share	8.8p	8.8p

Operational highlights

- Performance was in line with expectations
- Sales volumes have shown steady recovery since end of first quarter and revenue for the year grew by 2% in constant currency*
- Operating profit before exceptional items lower than prior year primarily due to actions taken to restructure the business reducing profits by £6.6 million and adverse foreign exchange movements of £4.3 million
- Strong cash generation with operating cash flow before exceptional items up by 10% as inventory levels reduced following actions taken to manage production capacity together with improved sales

Strategic highlights

- Sales continue to grow in the strategically important markets of China, Japan and Germany, with China sales already at 50% of new plant capacity
- Three year programme to transform the manufacturing footprint is progressing to plan
  - Investment projects for new plants in China and USA on track to commence production in 2016
  - First phase of restructuring of operations in Scotland now complete
  - Restructuring of operations in Australia now implemented
  - Restructuring actions on track to deliver annual cost reductions of £5 million from early 2015
- Exceptional items relate to this transformation and are in line with previous guidance

Peter Page, Chief Executive of Devro, commented:
"Devro has started 2015 with good order levels and momentum in sales growth. Cost reductions from the restructuring programmes in Scotland and Australia will be achieved at the same time as a slowing of input cost increases compared with recent years.

2015 is an important year in the development of Devro, with the construction of the two new plants in the USA and China reaching completion, whilst continuing to decommission the older, less efficient capacity.

These developments will enable Devro to take advantage of the considerable opportunities worldwide for long-term growth in demand for collagen casing."

For further information contact:

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There will be a presentation today at 9.30am for investment analysts 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/devro030315/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 2013 figures using 2014 exchange rates.

2014 Chairman's Statement

We are currently undertaking a three year programme to transform our business, which was initiated in 2013. This will support our strategy by growing revenue as a result of adding capacity in Asia and aligning all products with market opportunities, and by improving manufacturing efficiency and reducing unit costs. 2014 was an important year in this transformation.

In early 2014 we took the decision to accelerate the restructuring of our existing manufacturing footprint. This included taking out production of older, less efficient technology at one of our factories in Scotland. This step change in production capacity had an adverse impact on our profits for 2014 but was a critical step in aligning our product portfolio with the market opportunities and will improve our manufacturing efficiency from 2015.

During the year we also made significant progress on the implementation of our two strategic investment projects in China and the USA which are on plan to commence production in 2016 and start delivering benefits.

Strategic investments

Devro has a three part strategy:

1. Revenue growth in developed and emerging markets, through gut displacement and meeting growing market demand;
2. Manufacturing efficiency through optimising our existing assets and investing in new technology; and
3. Differentiation through research and development, using our unique collagen science knowledge built up over 50 years.

In March 2014, we announced our plans to build a plant in China, to establish a manufacturing presence in the world's largest collagen casing market. This followed our November 2013 announcement of a new plant in South Carolina USA, which will reduce unit costs and improve manufacturing efficiency.

These two projects represent unprecedented levels of investment for Devro. The construction of the new plants, together with the restructuring actions undertaken this year, involve the investment of £95 million of capital over two years and of £24 million of exceptional items in 2014 to implement the transformation which will complete in 2016. Both projects are on track to commence production in 2016, with the buildings now structurally complete.

There is of course much more to these projects than erecting new plants. In China, we are creating an entire regional business team with 200 employees. All will be trained to the highest technical standards in the industry, and integrated into our culture of innovation and excellence which has been the cornerstone of our success over the years. Whilst we have traded in China for many years, establishing a local manufacturing base represents a step change in our commitment to the region. Progress to date has been highly encouraging as we build customer relationships, but we recognise that we have much work ahead of us.

The new factory in South Carolina will allow us to largely decommission the existing plant, which has continued to underperform in 2014 as it reaches the end of its useful life. The Americas will then be supplied from a combination of our plants in the USA and Europe, all using our most advanced technology.

In anticipation of these significant investments we raised US$100 million of long term funding from a US private placement in the first half of 2014, and I am pleased to announce that we have now also successfully completed the refinancing of our shorter term borrowing facilities. Together these facilities will cover our increased borrowing requirements for the next period of our growth.

Financial highlights

Trading, since the first quarter of 2014, has shown a steady recovery, with sales volumes of edible collagen for the full year 3% ahead of prior year and sales value 2% ahead in constant currency terms. As previously announced the decisions taken to manage production capacity, together with adverse foreign exchange movements, contributed to lower profits in 2014 compared with 2013. Operating profit before exceptional items ended the year in line with management expectations at £30 million.

This business is very cash generative and in 2014 we saw operating cash flow before exceptional items rise above last year, despite lower operating profits, as we took actions to reduce our inventory levels and improve sales growth.

Dividend

The Board is recommending an unchanged final dividend at 6.1p per share (2013: 6.1p) bringing the total for the year to 8.8p per share (2013: 8.8p). Subject to shareholder approval at the Annual General Meeting ("AGM") in April, the dividend will be paid on 15 May 2015, to those on the register at 27 March 2015.

Employees

Devro's success is built upon the commitment of our employees and, on behalf of the whole Board, I would like to thank them for their efforts across our business in 2014.

A number of people have left the business in 2014, or will leave in 2015, whose roles have been impacted by the restructuring actions taken. I am grateful to these people for their professionalism and support over many years and particularly during this difficult transition period.

Board

In May 2014, Steve Hannam stepped down from the Board. He left with our best wishes after five years as Chairman of the Company. I was delighted to be elected as his successor at such an exciting period in the Company's evolution.

Outlook

We enter 2015 with sales momentum which has been building through 2014, despite challenging economic conditions in some regions. In 2015 we will also begin to see the benefits of the restructuring actions taken in 2014.

We have made good progress on the construction of the new plants in China and the USA, and are now entering a critical period of transition as we integrate these new operations into our global manufacturing footprint. This will be a complex transition but we have plans in place to manage this.

We are on course to develop the most advanced collagen casings company in the world, well placed to benefit from a dynamic and growing global market, to create long-term value for our shareholders.

Gerard Hoetmer
Chairman

Chief Executive's review

Markets

Global demand for collagen casings remains strong with an estimated growth of 6% for the year.

In the first quarter of 2014, some issues impacted short-term demand, including the residual consequences of the 2013 'horsemeat scandal' in Europe, an endemic porcine virus in the USA, and an incidence of African swine fever in wild boar in Lithuania which led to a ban on the importation of EU produced pork into Russia.

Overall the opportunities for Devro remain attractive.

Sales

Total sales volumes of edible collagen grew by 3% and revenues, in constant currency, were 2% ahead of 2013. There was some change in market mix as outlined below.

In line with our strategy, sales increased in developed markets that have been important targets for Devro in recent years, despite strong competitor activity.

Sales in Germany grew by 40% in volume and 45% in value in constant currency as the result of initiatives that match specific product attributes to identified customer needs.

Japan had 13% volume growth in 2014, continuing the success of previous years. Product innovation in this market has led to new business in the snack and confectionery product categories.

Volumes in North America increased by 6%, principally in the snack stick category that requires large volumes of small diameter casings of consistent specification.

The strategy also includes growth in emerging markets. In 2014, there was a particular effort to develop business in China, to build demand in anticipation of the new factory coming into production in 2016. This has proved successful with volumes in China growing by 154%, taking total volumes to 50% of the new factory capacity.

Region-specific issues included currency issues in Latin America where sales volumes reduced by 10%, weaker consumer demand in the UK & Ireland and a temporary shortage of raw materials in Russia which contributed to a decline in sales volumes in Eastern Europe and Russia of 10%.

Sales volumes in South East Asia were lower by 16%, following limitations in available capacity for this region in 2013, but these are now recovering well.

Trading improved significantly during the second half of the year in all markets.

Manufacturing

2014 was the first full year of production at our Czech plant following a three year, £25 million investment programme to upgrade technology. This is part of our long-term strategy to reduce unit costs and is reflected in the manufacturing efficiency gains generated during 2014.

Output at the two factories in Scotland was reduced by 18% through a programme of redundancies and decommissioning capacity of the oldest technology. These facilities will now focus on the capacity upgraded by £30 million of capital investment in the past five years. Whilst it was expected that this change would be required at some stage in the future, it was brought forward to this year as a result of the weaker than anticipated demand during the last quarter of 2013 and the first quarter of 2014.

The Australian plant improved productivity as a result of continuous improvement work and new line installations in the second half of the year. A restructuring has now been completed at this plant to reduce unit costs by outsourcing hide preparation which will also align these operations with our other manufacturing plants.

Performance at the 37 year-old plant in the USA caused considerable adverse costs as productivity and reliability were below management's expectations. Whilst some steps were taken to address this, most effort has been directed to sourcing product from newer factories and pressing ahead with the project to build a new plant at the same site, which will be completed in 2016.

The increase in raw material costs in 2014 slowed considerably compared with the previous two years.

Research & Development

A significant part of the strategy is to achieve differentiation through product development. Since mid-2013 there has been a single global R&D team, coordinating a wide variety of projects and initiatives.

The priority for 2014 and 2015 is to support the major investment programmes in China and the USA, to ensure that products from the new factories match and improve on the products currently supplied to customers. Good progress has been made during the year.

Select Fresh is a new casing introduced to the UK and Ireland in 2014. Based on Devro's *Select* technology, this casing is for the fresh uncooked sausage segment that is the mainstay of these markets, particularly where sheep gut is used for higher-value products. The product has been well-received by customers.

People

Devro's three-part strategy involves transformation in a number of areas that affect people, particularly the growth in emerging markets and investments to reduce unit costs. Over the two years of 2014-2015, there will be 130 redundancies in Scotland, 200 redundancies in the USA and 20 redundancies in Australia, whilst at the same time around 200 new colleagues are being recruited and trained in China. Whilst these changes have a significant impact on the people most affected by them, the levels of co-operation and acceptance have been extremely helpful and greatly appreciated.

At the end of 2014, two new appointments were made to the Executive Board. Bill McGowan joins as the President for the Americas, with responsibility for sales and manufacturing in the region, particularly for ensuring that the major investment in manufacturing facilities is successfully integrated with leading customers. Sarah Murphy, as Group HR Director, joins with responsibility for ensuring that the organisation is aligned with the strategy.

Safety

Safety is the top priority for Devro. The objective is zero incidents. All efforts are directed to achieving this through a combination of ensuring that facilities and equipment are adequate, by providing appropriate training and, most importantly, ensuring that behaviours always support the objective.

Devro works with all contractors to ensure that they meet our own expectations for safety. It is extremely regrettable that an employee of one of the sub-contractors working on the new factory site in China was killed in a fatal accident on the afternoon of 31 December 2014. A full and thorough investigation has been carried out by the local authorities, the general contractor and Devro. Whilst lessons have been learned, this tragedy has had a significant impact on the colleagues and employees who were most closely involved.

Outlook

Devro has started 2015 with good order levels and momentum in sales growth. Cost reductions from the restructuring programmes in Scotland and Australia will be achieved at the same time as a slowing of input cost increases compared with recent years.

2015 is an important year in the development of Devro, with the construction of the two new plants in the USA and China reaching completion, whilst continuing to decommission the older, less efficient capacity.

These developments will enable Devro to take advantage of the considerable opportunities worldwide for long-term growth in demand for collagen casing

Peter Page
Chief Executive

Financial review

Revenue

	2014 £m	2013 £m	Change	Change constant currency
Revenue	232.3	242.7	-4.3%	+1.6%

Overall Devro delivered 3.0% growth in edible casing sales volumes in 2014. This growth showed an improving trend during the year with second half volumes 7.1% ahead of the same period last year. China, Japan and Germany all grew strongly together with the US market which benefitted from solid demand for beefstick products. Trading in Latin America and Russia continue to be volatile reflecting the underlying economic conditions.

Sales of gel continue to grow in the US, as customers transfer from cellulose applications to collagen co-extrusion.

Year on year growth in revenue can be analysed as follows:

	2014 vs 2013	2013 vs 2012	2012 vs 2011
Volume	+2.6%	-0.8%	+5.3%
Price/mix	-1.0%	+2.1%	+2.8%
Foreign exchange	-5.9%	-0.6%	-2.2%
Total	**-4.3%**	**+0.7%**	**+5.9%**

Revenue, excluding the impact of exchange, grew by 1.6% in 2014 predominantly as a result of improved volumes, particularly in China, Japan, Germany and North America.

Price / mix showed a small decline mainly reflecting the growth in sales in China as Devro looks to establish its presence in that market ahead of the completion of the new factory.

Operating profit

	2014 £m	2013 £m	Change
Operating profit before exceptional items	30.3	42.1	-27.9%

The movement in operating profit before exceptional items between 2013 and 2014 can be analysed as follows:

Operating profit before exceptional items 2013	£42.1m
Volumes	+£2.2m
Price/mix	-£2.6m
Production capacity management	-£6.6m
Manufacturing efficiencies	+£0.5m
Foreign exchange	-£4.3m
Input costs	-£1.6m
Depreciation	-£0.8m
Other costs	+£1.4m
Operating profit before exceptional items 2014	**£30.3m**

Production capacity management

The restructuring of operations in Scotland during the year resulted in a permanent closure of some of the Group's older and less efficient capacity. In addition, certain lines in the US were decommissioned ahead of the completion of the new factory and at other plants output was managed to ensure supply and demand remained in balance. Together these actions contributed a £6.6 million reduction in operating profit during the year, with less overhead recovery on the lower production volumes, but helped reduce inventory in 2014 and will lead to savings in fixed costs in 2015.

Further line closures are planned in the US in 2015 as part of the transition to the new manufacturing plant.

Manufacturing efficiencies

The improved manufacturing efficiencies relate to the upgraded lines in the Czech Republic and Australia following the investments made at these plants in 2013 and 2014. The improvement in operating profits was partially offset by the continued manufacturing challenges at the US plant, as this aging plant nears the end of its useful life, underlining the importance of the investment in new technology being made at this plant.

As the investment projects in the US and China are completed, overall Group manufacturing costs will be reduced with the benefits being realised from mid 2016.

Foreign exchange

Devro has operations around the world in multiple currencies. The net foreign exchange loss in 2014 compared with 2013 was £4.3 million, reflecting sterling being stronger against all other key trading currencies of the Group for the majority of the year. This includes the adverse impact of the sharp decline in the value of the Japanese yen in 2013, the effects of which were largely mitigated in 2013 through hedging, deferring the impact to 2014.

Based on current levels of exchange, 2015 is expected to have further adverse exchange impact of between £1.0 million and £2.0 million which reflects the weaker Euro / Czech koruna.

Input and other costs

Input costs have now stabilised with the increases in 2014 lower than in recent years. Over the year they increased by £1.6 million with higher raw material costs in the US and Australia being offset by lower costs in Europe and generally lower energy costs at most locations.

Higher depreciation of £0.8 million was incurred following the significant capital investment programme undertaken in the last three years, particularly the capacity expansion in the Czech Republic which completed in the second half of 2013.

Other costs include the benefits of some of the restructuring undertaken within the Group and other cost saving measures, partially offset by wages and salaries inflation of £1.9 million.

Operating margin

	2014	2013
Operating margin before exceptional items	13.0%	17.3%

We achieved an operating margin before exceptional items of 13.0%, compared with 17.3% in 2013, largely reflecting the production capacity management decisions and adverse foreign exchange movements highlighted above.

Exceptional items

	2014 £m	2013 £m
Investment projects	7.0	1.3
Restructuring	16.9	-
Total exceptional items	**23.9**	**1.3**
Cash	15.4	1.1
Non-cash	8.5	0.2
	23.9	**1.3**

Exceptional items relate to the actions being taken as part of the three year programme to transform the business. These include the two investment projects to build and commission new plants in China and the USA, and a significant restructuring of existing operations, particularly in Scotland and Australia.

Investment projects exceptional items included redundancy provisions, accelerated depreciation and decommissioning costs related to the assets being made redundant by the US investment, together with project management costs and professional fees for the two projects.

Restructuring exceptional items primarily relate to our operations in Scotland, where older, less efficient lines are being permanently shut down. Other restructuring actions relate to the outsourcing of hide preparation operations in Australia, which will reduce unit costs and align manufacturing processes with our other plants around the world, and changes to the global management structure. Together these actions will deliver annual cost savings of £5 million from early 2015.

These restructuring costs include redundancy costs of £7.1 million and accelerated depreciation of £5.7 million on the assets being made redundant in Scotland and Australia, together with decommissioning costs at these plants and an increase in the pension liability related to people leaving the business.

The non-cash exceptional items of £8.5 million comprise the accelerated depreciation of £6.5 million, the increased pension liability of £1.7 million and the write-off of raw materials which are specific to some of the equipment being decommissioned.

In 2015, further exceptional costs will be incurred, the majority of which will be related to the investment projects.

Capital investment

	2014 £m	2013 £m	Change
Capital investment	60.5	35.1	+72.4%

Devro is on track to invest £95 million on the two investment projects in China and USA. Of this total, £45 million was deployed in 2014 and the remaining £50 million will be invested in 2015. This is marginally higher than the amount originally planned for the two projects in order to provide some additional functionality in the US plant.

These two strategic projects are both on plan to be fully commissioned and contributing to the Group's operating results from mid-2016.

Working capital and cash flow

	2014		2013	
	£m	Number of days	£m	Number of days
Inventories	33	53	38	65
Trade and other receivables	34	49	34	49
Trade and other payables	(34)	26	(29)	23
	33		**43**	

The actions taken to manage production capacity and the increase in sales have both contributed to reduced inventory levels during the year from their peak at the end of the first quarter of 2014.

The focus on working capital has enabled operating cash flow excluding exceptional items and capital expenditure to remain ahead of last year at £48.1 million (2013: £43.8 million), despite the reduction in operating profit.

Cash out flow from exceptional items was £6.5m (2013: £1.1 million).

Financing and net debt

Key financial measures are as follows:

	2014	2013
Net debt	£69.2m	£35.8m
Net debt/EBITDA	1.5	0.6
Return on capital employed (ROCE)	11.8%	17.6%

As expected net debt increased during the year, principally reflecting progress on the two major investment projects.

During 2014, the Group's funding structure was reshaped to provide secure medium and longer term funds to support the business's growth. This included raising US$100 million in a US private placement which took place in the first half of 2014. Further to this, a £110 million revolving credit facility was negotiated in December providing funding out to 2019.

Net debt / EBITDA ended the year at 1.5 times and is expected to peak towards the end of 2015 but will remain within the banking covenants of 3 times.

ROCE reduced from 17.6% to 11.8% which reflects the significant investment programme currently being undertaken by the Group.

Interest

	2014 £m	2013 £m	Change
Net interest cost	2.2	1.1	**+100.0%**
Net finance cost on pensions	2.0	2.2	**-9.1%**
Total net interest cost	**4.2**	**3.3**	**+27.3%**

The net interest cost for the year was higher than 2013 which reflects the increased debt levels during the period and the borrowing costs for the US private placement.

In addition to the interest charged to the income statement the Group has capitalised interest of £0.6 million reflecting the capital invested in the Group's two major projects and funded by the US private placement.
The small decrease in net finance cost on pensions over 2013 reflects the decrease in the opening net pension liability.

Pension schemes

We operate a number of defined benefit schemes around the Group, although all of these are now closed to new entrants. The net pension liabilities of these schemes can be analysed as follows:

	2014 £m	2013 £m
Fair value of scheme assets	231.8	202.6
Present value of scheme liabilities	(290.8)	(248.7)
Net pension liabilities	**(59.0)**	**(46.1)**

The increase in the pension liability during the year largely reflects the decrease in the discount rates, together with amended life expectancy tables issued in the US in 2014.

Devro is currently in discussions with the trustees of the UK scheme as part of the triennial valuation as at 31 March 2014. The conclusion of these discussions is anticipated in the first half of 2015.

Earnings per share

	2014	2013	Change
Basic earnings per share	2.6p	20.1p	-87.1%
Basic earnings per share excluding exceptional items	13.7p	20.8p	-34.1%

We have again presented an adjusted EPS to exclude exceptional items to provide a better indication of our underlying performance. The fall in EPS reflects the Group's lower operating profit before exceptional items.

Tax

	2014 £m	2013 £m
Tax charge on profit before tax excluding exceptional items	3.2	4.1
Tax credit on exceptional items	(5.4)	(0.2)
Tax (credit)/charge in income statement	**(2.2)**	**3.9**

The Group operates around the world and earns profits which are subject to tax at varying rates.

The 2014 effective rate of tax excluding exceptional items continues to be low due to the investment incentive scheme in the Czech Republic. This benefit was originally expected to continue into 2016 but due to the higher profits now generated in the region is likely to come to an end in 2015.

Dividend

	2014	2013
Interim per share	2.7p	2.7p
Final per share	6.1p	6.1p
Total	8.8p	8.8p

The Board is recommending an unchanged dividend in 2014, which reflects its confidence for the future following the restructuring and the investment plans currently being undertaken.

Risks and uncertainties

There are risks and uncertainties inherent in the Group's operations which could have a significant impact on our business, results and financial position.

The Group's risk management processes identify, assess, monitor, manage and mitigate the risks involved in our operations. The more significant risks to which the Group is exposed 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 net debt and reduced headroom on bank 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
• Constitutional change

Going concern

As at 31 December 2014, the Group was operating comfortably within the banking covenants related to the revolving credit facility and the US private placement facilities. The 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 Company and 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.

Simon Webb
Group Finance Director

Consolidated income statement (unaudited)
for the year ended 31 December 2014

	2014 Before exceptional items £'m	2014 Exceptional items £'m	2014 Total £'m	2013 Before exceptional items £'m	2013 Exceptional items £'m	2013 Total £'m
Revenue	**232.3**	**-**	**232.3**	242.7	-	242.7
Operating profit	**30.3**	**(23.9)**	**6.4**	42.1	(1.3)	40.8
Finance income	**0.1**	**-**	**0.1**	-	-	-
Finance cost	**(2.3)**	**-**	**(2.3)**	(1.1)	-	(1.1)
Net finance cost on pensions	**(2.0)**	**-**	**(2.0)**	(2.2)	-	(2.2)
Profit before tax	**26.1**	**(23.9)**	**2.2**	38.8	(1.3)	37.5
Taxation	**(3.2)**	**5.4**	**2.2**	(4.1)	0.2	(3.9)
Profit for the year attributable to owners of the parent	**22.9**	**(18.5)**	**4.4**	34.7	(1.1)	33.6
Earnings per share						
Basic			2.6p			20.1p
Diluted			2.6p			20.0p

All results relate to continuing operations.

Consolidated statement of comprehensive income (unaudited)
for the year ended 31 December 2014

	2014 £'m	2013 £'m
Profit for the year	**4.4**	33.6
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Other comprehensive income/(expense) for the year		
Items that will not be reclassified to profit or loss		
Pension obligations:		
- re-measurements	**(11.2)**	11.3
- movement in deferred tax	**4.6**	(4.9)
	----------	----------
Total items that will not be reclassified to profit or loss	**(6.6)**	6.4
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
- net fair value (losses)/gains	**(1.3)**	(1.2)
- reclassified and reported in operating profit	**0.2**	(1.5)
- movement in deferred tax	**0.2**	0.6
Other hedges:		
- fair value gains	**1.1**	0.9
- movement in deferred tax	**(0.2)**	(0.2)
Net exchange adjustments	**(8.1)**	(13.5)
	----------	----------
Total items that may be reclassified subsequently to profit or loss	**(8.1)**	(14.9)
Other comprehensive expense for the year, net of tax	**(14.7)**	(8.5)
	----------	----------
Total comprehensive (expense)/income for the year attributable to owners of the parent	**(10.3)**	25.1
	======	======

Consolidated balance sheet (unaudited)
at 31 December 2014

	2014 £'m	2013 £'m
ASSETS		
Non-current assets		
Intangible assets	**4.0**	3.2
Property, plant and equipment	**230.3**	199.1
Deferred tax assets	**24.5**	14.8
	258.8	217.1
Current assets		
Inventories	**33.4**	38.1
Current tax assets	**0.2**	0.5
Trade and other receivables	**33.7**	33.6
Derivative financial instruments	**1.7**	2.1
Cash and cash equivalents	**11.1**	6.0
	80.1	80.3
Total assets	**338.9**	297.4
LIABILITIES		
Current liabilities		
Borrowings	**1.7**	2.4
Derivative financial instruments	**2.7**	1.4
Trade and other payables	**31.7**	26.7
Current tax liabilities	**5.3**	4.2
Provisions for other liabilities and charges	**6.3**	-
	47.7	34.7
Non-current liabilities		
Borrowings	**78.6**	39.4
Deferred tax liabilities	**15.4**	17.3
Pension obligations	**59.0**	46.1
Other payables	**2.4**	1.9
Provisions for other liabilities and charges	**2.6**	-
	158.0	104.7
Total liabilities	**205.7**	139.4
Net assets	**133.2**	158.0
EQUITY		
Capital and reserves attributable to owners of the parent		
Ordinary shares	**16.7**	16.7
Share premium	**9.3**	9.0
Other reserves	**56.5**	64.9
Retained earnings	**50.7**	67.4
Total equity	**133.2**	158.0

Statements of changes in equity
for the year ended 31 December 2014

Group	**Ordinary shares**	**Share premium**	**Other reserves**	**Retained earnings**	**Total equity attributable to owners of the parent**
	£'m	**£'m**	**£'m**	**£'m**	**£'m**
Balance at 1 January 2014	16.7	9.0	64.9	67.4	158.0
Comprehensive income					
Profit for the year	-	-	-	4.4	4.4
Other comprehensive income/(expense)					
Cash flow hedges, net of tax	-	-	(0.9)	-	(0.9)
Other hedges, net of tax	-	-	0.9	-	0.9
Pension obligations, net of tax	-	-	-	(6.6)	(6.6)
Exchange adjustments	-	-	(8.1)	-	(8.1)
Total other comprehensive (expense)/ income	-	-	(8.1)	(6.6)	(14.7)
Total comprehensive (expense)/ income	-	-	(8.1)	(2.2)	(10.3)
Transactions with owners					
Performance share plan charge	-	-	0.2	-	0.2
Performance share plan credit in respect of shares vested	-	-	(0.3)	-	(0.3)
Performance share plan credit in respect of shares lapsed	-	-	(0.2)	0.2	-
Issue of share capital	-	0.3		-	0.3
Dividends paid	-	-	-	(14.7)	(14.7)
Total transactions with owners	-	0.3	(0.3)	(14.5)	(14.5)
Balance at 31 December 2014	**16.7**	**9.3**	**56.5**	**50.7**	**133.2**
Balance at 1 January 2013	16.6	8.0	80.7	41.6	146.9
Comprehensive income					
Profit for the year	-	-	-	33.6	33.6
Other comprehensive income/(expense)					
Cash flow hedges, net of tax	-	-	(2.1)	-	(2.1)
Net investment hedges, net of tax	-	-	0.7	-	0.7
Pension obligations, net of tax	-	-	-	6.4	6.4
Exchange adjustments	-	-	(13.5)	-	(13.5)
Total other comprehensive (expense)/ income	-	-	(14.9)	6.4	(8.5)
Total comprehensive (expense)/ income	-	-	(14.9)	40.0	25.1
Performance share plan charge	-	-	0.2	-	0.2
Performance share plan credit in respect of shares vested	-	-	(1.1)	-	(1.1)
Issue of share capital	0.1	1.0	-	-	1.1
Dividends paid	-	-	-	(14.2)	(14.2)
Total transactions with owners	0.1	1.0	(0.9)	(14.2)	(14.0)
Balance at 31 December 2013	16.7	9.0	64.9	67.4	158.0

Consolidated cash flow statement (unaudited)
for the year ended 31 December 2014

	2014 **£'m**	2013 £'m
Cash flows from operating activities		
- Cash generated from operations	**41.6**	42.7
- Interest received	**0.1**	-
- Interest paid	**(2.3)**	(1.2)
- Tax paid	**(2.7)**	(3.8)
Net cash generated from operating activities	**36.7**	37.7
Cash flows from investing activities		
- Purchase of property, plant and equipment	**(53.0)**	(35.8)
- Purchase of intangible assets	**(1.9)**	(1.0)
- Capital grants received	**0.7**	0.4
Net cash used in from investing activities	**(54.2)**	(36.4)
Cash flows from financing activities		
- Proceeds from the issue of ordinary shares	**0.3**	1.1
- Repayment under the loan facilities	**(31.1)**	-
- Borrowing under the loan facilities	**8.0**	12.0
- Proceeds from issue of other loans	**60.6**	-
- Dividends paid	**(14.7)**	(14.2)
Net cash generated from/(used in) financing activities	**23.1**	(1.1)
Net increase in cash and cash equivalents	**5.6**	0.2
Net cash and cash equivalents at 1 January	**3.6**	3.7
Exchange gain/(loss) on cash and cash equivalents	**0.2**	(0.3)
Cash and cash equivalents	**11.1**	6.0
Bank overdrafts	**(1.7)**	(2.4)
Net cash and cash equivalents at 31 December	**9.4**	3.6

1. 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. During the year the basis used by the Board to allocate operating profits between segments was amended to focus on Group profit for external sales in each region, rather than statutory profit for the region which included profit on intercompany sales. As a result the segmental information has been presented on this amended basis and the prior year figures have been restated on a consistent basis.

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**	
	2014 £'m	2013* £'m	**2014 £'m**	2013* £'m	**2014 £'m**	2013* £'m	**2014 £'m**	2013 £'m
Revenue								
Sales to external customers	**57.8**	62.4	**70.1**	68.9	**104.4**	111.4	**232.3**	242.7
Operating profit before corporate overheads & exceptional items	**1.8**	6.2	**8.7**	10.9	**21.8**	26.6	**32.3**	43.7
Corporate overheads							**(2.0)**	(1.6)
Operating profit before exceptional items							**30.3**	42.1
Exceptional items	**(5.3)**	(0.3)	**(4.9)**	(1.0)	**(12.6)**	-	**(22.8)**	(1.3)
Corporate exceptional items							**(1.1)**	-
Operating profit after exceptional items							**6.4**	40.8
Finance income							**0.1**	-
Finance cost							**(2.3)**	(1.1)
Net finance cost on pensions							**(2.0)**	(2.2)
Profit before tax							**2.2**	37.5

*Restated

The reduction in operating profit in each of the regions relates principally to adverse exchange movements and higher unit costs of production due to the actions taken across all regions to manage production capacity, together with the effects of the manufacturing challenges in the US, increased sales volumes partially offset by changes in sales mix towards China within the Asia-Pacific region and improved manufacturing efficiencies in Europe.

2. Analysis of operating profit

	2014 Before exceptional items £'m	2014 Exceptional items £'m	2014 Total £'m	2013 Before exceptional item £'m	2013 Exceptional items £'m	2013 Total £'m
Revenue	232.3	-	**232.3**	242.7	-	242.7
Cost of sales	(161.8)	(20.5)	**(182.3)**	(157.3)	(0.2)	(157.5)
Gross profit	70.5	(20.5)	**50.0**	85.4	(0.2)	85.2
Selling and distribution costs	(15.2)	-	**(15.2)**	(18.4)	-	(18.4)
Administrative expenses	(17.2)	(3.4)	**(20.6)**	(18.7)	(1.0)	(19.7)
Research and development expenditure	(6.0)	-	**(6.0)**	(6.6)	(0.1)	(6.7)
Other expenses	(1.9)	-	**(1.9)**	(2.2)	-	(2.2)
	(40.3)	(3.4)	**(43.7)**	(45.9)	(1.1)	(47.0)
Other operating income	0.1	-	**0.1**	2.6	-	2.6
Net operating expenses	(40.2)	(3.4)	**(43.6)**	(43.3)	(1.1)	(44.4)
Operating profit/(expense)	30.3	(23.9)	**6.4**	42.1	(1.3)	40.8

An additional £1.6m (2013: £0.7m) of development expenditure has been capitalised within intangible assets.

3. Exceptional items

Exceptional charges included in operating profit were £23.9m (2013: £1.3m).

	2014 Investment projects £'m	**2014** Restructuring £'m	**2014** Total £'m	2013 £'m
Redundancy costs (i)	**1.6**	**7.1**	**8.7**	-
Pension charge (ii)	**-**	**1.7**	**1.7**	-
Costs to establish new manufacturing plants (iii)	**2.0**	**-**	**2.0**	1.1
Accelerated depreciation (iv)	**0.8**	**5.7**	**6.5**	0.2
Decommissioning costs (v)	**2.6**	**2.1**	**4.7**	-
Other costs (vi)	**-**	**0.3**	**0.3**	-
	7.0	**16.9**	**23.9**	1.3

Exceptional items relate to the actions being taken to transform the business. These include the two investment projects to build and commission 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 involves older, less efficient lines being permanently shut down and the restructuring in Australia relates to the closure of the hide preparation plant.

(i) Redundancy costs principally relate to the restructuring of operations in Scotland where 130 roles have been impacted. Redundancy costs have also been incurred in the USA where the completion of the new plant will require significantly fewer operators compared with the existing less efficient operation, in Australia related to the outsourcing of hide preparation operations and in relation to changes to the global management structure. The costs include provisions for redundancy costs of £4.2 million that are expected to be paid in 2015.

(ii) Estimate of the incremental UK pension liability expected to arise related to people leaving the business as part of the restructuring of operations in Scotland.

(iii) Incremental costs related to the projects to establish new manufacturing plants in China and the USA, including project management, legal and professional fees. These costs do not meet the recognition criteria of intangible assets (under IAS 38) 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.
(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, and the restructuring actions in Scotland and Australia. The 2013 charge related entirely to the new USA plant.
(v) Estimate of the costs that will be incurred to ensure the affected sites are made safe and that food hygiene and environmental standards are maintained, for which a constructive obligation exists at the balance sheet date. These costs relate to the removal of equipment that will no longer be used once the restructuring is complete in Scotland and Australia, and the new manufacturing plant is operational in the USA. These costs are expected to be settled over the next two years.
(vi) Costs related to the write-off of raw materials which are specific to some of the equipment being decommissioned as part of the restructuring of operations in Scotland.

4. Earnings per share

	2014	2013
	£'m	£'m
Profit attributable to equity holders	**4.4**	33.6
	--------	-------
Profit attributable to equity holders excluding exceptional items	**22.9**	34.7
	--------	-------

Earnings per share		
- Basic	**2.6p**	20.1p
- Basic excluding exceptional items	**13.7p**	20.8p
- Diluted	**2.6p**	20.0p
- Diluted excluding exceptional items	**13.6p**	20.7p

	2014	2013
Shares in issue		
Weighted average number of shares	**166,866,949**	166,405,899
Adjustments for:		
- Performance share plan	**1,032,452**	843,314
	---------------	---------------
Weighted average number of shares – diluted earnings per share	**167,899,401**	167,249,213
	=========	=========

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the parent of £4.4m (2013: £33.6m) by 166,866,949 (2013: 166,405,899) shares, being the weighted average number of shares in issue throughout the year.

Shares arising from the performance share plan are only treated as dilutive where the effect is to reduce earnings per share. Diluted earnings per share is calculated by dividing the profit for the year attributable to ordinary shareholders of £4.4m (2013: £33.6m) by the average number of shares, including the effect of all dilutive potential shares, of 167,899,401 (2013: 167,249,213).

Earnings per share before exceptional items is calculated in order to eliminate the effect of exceptional items after tax in 2014 of £18.5m (2013: £1.1m) on the results. Basic earnings per share before exceptional items is calculated by dividing the profit attributable to ordinary shareholders before exceptional items, after attributable tax, of £22.9m (2013: £34.7m) by 166,866,949 (2013: 166,405,899) shares, being the weighted average number of shares in issue throughout the year.

5. Pension obligations

The Group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type and, with the exception of Germany where book reserves are supported by insurance policies, the assets of the schemes are held in separate trustee-administered funds. The defined benefit schemes are closed to new entrants.

The last formal actuarial valuations of the Group's material defined benefit schemes have been updated to 31 December 2014 by qualified independent actuaries. The major assumptions used by the actuaries in the following principal countries were:

	Australia		United Kingdom		United States	
	2014	2013	**2014**	2013	**2014**	2013
	%	%	**%**	%	**%**	%
Discount rate	**3.10**	4.30	**3.55**	4.50	**3.80**	4.60
Rate of increase in salaries*	**3.50**	3.50	**1.00**	1.00	**-**	-
General inflation	**2.50**	2.50	**2.95**	3.30	**-**	-

* As part of the changes to the United Kingdom plan agreed in 2010, future pensionable salary increases are capped at 1% per annum. No rate of increase in salaries has been assumed in respect of the United States plan as the plan is now frozen.

Net pension assets and liabilities at 31 December 2014 were as follows:

	Australia		United Kingdom		United States		Other		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	£'m	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m	**£'m**	£'m
Total fair value of scheme assets (as above)	**9.8**	9.8	**173.3**	148.3	**46.5**	42.1	**2.2**	2.4	**231.8**	202.6
Present value of scheme liabilities	**(10.0)**	(9.7)	**(207.1)**	(180.4)	**(70.0)**	(55.3)	**(3.7)**	(3.3)	**(290.8)**	(248.7)
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(Deficit)/ surplus	**(0.2)**	0.1	**(33.8)**	(32.1)	**(23.5)**	(13.2)	**(1.5)**	(0.9)	**(59.0)**	(46.1)
	=====	=====	======	======	======	======	=====	=====	======	======

Movements in the deficit during the year were as follows:

	Australia		United Kingdom		United States		Other		Total	
	2014 £'m	2013 £'m	**2014 £'m**	2013 £'m	**2014 £'m**	2013 £'m	**2014 £'m**	2013 £'m	**2014 £'m**	2013 £'m
Surplus/(deficit) in scheme at beginning of year	**0.1**	(2.1)	**(32.1)**	(33.3)	**(13.2)**	(22.9)	**(0.9)**	(1.0)	**(46.1)**	(59.3)
Movement in year:										
Pension charge excluding exceptional items	**(0.6)**	(0.8)	**(3.2)**	(3.0)	**(0.9)**	(1.0)	**(0.1)**	(0.4)	**(4.8)**	(5.2)
Exceptional pension charge	**-**	-	**(1.7)**	-	**-**	-	**-**	-	**(1.7)**	-
Employer contributions	**0.6**	0.9	**2.7**	2.9	**2.4**	2.6	**0.1**	0.4	**5.8**	6.8
Re-measurements	**(0.4)**	2.0	**0.5**	1.3	**(10.6)**	8.0	**(0.7)**	-	**(11.2)**	11.3
Exchange gains	**0.1**	0.1	**-**	-	**(1.2)**	0.1	**0.1**	0.1	**(1.0)**	0.3
	------	------	------	------	------	------	------	------	------	------
(Deficit)/surplus in scheme at end of year	**(0.2)**	0.1	**(33.8)**	(32.1)	**(23.5)**	(13.2)	**(1.5)**	(0.9)	**(59.0)**	(46.1)
	=====	=====	=====	======	=====	======	====	====	====	=====

The net deficit position has increased during the year. The discount rate fell for all of the Group's schemes, increasing the present value of the liabilities in each of the schemes. The impact of the fall in the discount rate on the net deficit of the UK scheme was mitigated by the increase in the value of the scheme assets which benefit from the hedging strategy put in place. The value of the US scheme liabilities was also increased by around £6.0m due to the amended life expectancy tables issued by the US Society of Actuaries during the year.

Additional contributions will be made to the schemes in 2015 to reduce the deficit as part of a contribution profile agreed with Trustees following the results of the triennial valuation of the UK scheme as at 31 March 2011. The Group continues to pay contributions to pension schemes in accordance with local regulatory requirements and on the advice of qualified independent actuaries. The latest triennial valuation of the UK scheme as at 31 March 2014 will be finalised during 2015 and the Group will make any changes to contributions as appropriate.

6. Reconciliation of profit before tax to cash generated from operations

	2014	2013
	£'m	£'m
Profit before tax	**2.2**	37.5
Adjustments for:		
Finance income	**(0.1)**	-
Finance cost	**2.3**	1.1
Net finance cost on pensions	**2.0**	2.2
Pension cost adjustment for normal contributions	**2.7**	0.8
Loss on disposal of property, plant and equipment	**-**	0.7
Depreciation of property, plant and equipment	**22.8**	16.9
Amortisation of intangible assets	**1.1**	1.1
Release from capital grants balance	**(0.1)**	(0.1)
Additional cash contributions to pension schemes	**(4.0)**	(4.6)
Performance Share Plan	**0.2**	0.2
Changes in working capital:		
Decrease / (increase) in inventories	**4.2**	(13.0)
Increase in trade and other receivables	**(0.2)**	(0.2)
(Decrease)/increase in trade and other payables	**(0.4)**	0.1
Increase in provisions	**8.9**	-
	--------	--------
Cash generated from operations	**41.6**	42.7
	=====	=====
Of which:		
Cash generated from/(used in) underlying operations	**48.1**	43.8
Exceptional items	**(6.5)**	(1.1)
	--------	--------
	41.6	42.7
	=====	=====

7. Analysis of net debt

	2014	2013
	£'m	£'m
Cash and cash equivalents	**11.1**	6.0
Bank overdrafts	**(1.7)**	(2.4)
	--------	--------
	9.4	3.6
Other bank borrowings	**(15.8)**	(39.4)
US dollar private placement	**(62.8)**	-
	----------	----------
	(69.2)	(35.8)
	======	======

8. Statutory accounts

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards ("IFRSs"), this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish full financial statements that comply with IFRSs in March 2015.

The financial information set out in this announcement is unaudited and does not constitute the company's statutory financial statements for the years ended 31 December 2014 or 2013 for the purposes of section 435 of the Companies Act 2006. The financial information for year ended 31 December 2013 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditors reported on those financial statements; their report was unqualified and did not contain a statement under sections 498(2) or (3) of the Companies Act 2006. The statutory financial statements for the year ended 31 December 2014 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's Annual General Meeting.