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: 2014 HIGHLIGHTS

- Sales volumes of collagen casings grew by 3% in the full year
- Restructuring plans being implemented in Scotland and Australia
- Investment projects in USA and China are progressing and on track
- Strong cash generation as inventory levels have been managed down
- Profits in line with expectations
- Strong second half sales
## FINANCIAL SUMMARY:
### YEAR ENDED 31 DECEMBER 2014

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
<th>Change</th>
<th>Constant currency change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>%</td>
<td>%</td>
</tr>
<tr>
<td>Revenue</td>
<td>232.3</td>
<td>242.7</td>
<td>-4</td>
<td>+2</td>
</tr>
<tr>
<td>EBITDA*</td>
<td>47.7</td>
<td>60.6</td>
<td>-21</td>
<td>-12</td>
</tr>
<tr>
<td>Operating profit (EBIT)*</td>
<td>30.3</td>
<td>42.1</td>
<td>-28</td>
<td>-18</td>
</tr>
<tr>
<td>Operating cash flow**</td>
<td>52.1</td>
<td>48.4</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net debt</td>
<td>69.2</td>
<td>35.8</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- Growth in revenue particularly in second half
- EBITDA and operating profit impacted by restructuring activities and exchange
- Strong cash generation

*Before exceptional items  **Before exceptional items and pension deficit funding
OPERATING PROFIT BRIDGE:
YEAR ENDED 31 DECEMBER 2014 VS 2013

2013 EBIT: £42.1 million

- Foreign exchange: £-4.3 million
- Production capacity management: £-6.6 million
- Volumes: £+2.2 million
- Price/mix: £-2.6 million
- Manufacturing efficiencies: £+0.5 million
- Input costs: £-1.6 million
- Other: £+0.6 million

2014 EBIT: £30.3 million
SALES VOLUMES BY HALF YEAR – EDIBLE COLLAGEN: CHANGE IN MOMENTUM IN 2014
REGIONAL SALES BY DESTINATION:
YEAR ENDED 31 DECEMBER 2014 (CHANGE VS 2013)

<table>
<thead>
<tr>
<th>Region</th>
<th>2014 £m</th>
<th>Volume %</th>
<th>Price/mix %</th>
<th>Exchange %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>-7.1</td>
<td>-3.9</td>
<td>1.5</td>
<td>-3.9</td>
<td>-6.3</td>
</tr>
<tr>
<td>Americas</td>
<td>-4.4</td>
<td>-1.3</td>
<td>-1.0</td>
<td>-4.8</td>
<td>-7.1</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>1.1</td>
<td>16.9</td>
<td>-5.4</td>
<td>-9.8</td>
<td>1.7</td>
</tr>
</tbody>
</table>

- Recovery in volumes from end Q1 2014
- Price/mix influenced by increased sales to China and economic volatility in some regions
### SUMMARY CASH FLOW:
**YEAR ENDED 31 DECEMBER 2014**

<table>
<thead>
<tr>
<th></th>
<th>2014 £m</th>
<th>2013 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit*</td>
<td>30.3</td>
<td>42.1</td>
</tr>
<tr>
<td>Depreciation, amortisation and loss on disposal*</td>
<td>17.4</td>
<td>18.5</td>
</tr>
<tr>
<td>Movement in working capital</td>
<td>3.3</td>
<td>(13.1)</td>
</tr>
<tr>
<td>Other</td>
<td>1.1</td>
<td>0.9</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td><strong>52.1</strong></td>
<td><strong>48.4</strong></td>
</tr>
<tr>
<td>Exceptional items (cash outflow)</td>
<td>(6.5)</td>
<td>(1.1)</td>
</tr>
<tr>
<td>Pension deficit funding*</td>
<td>(4.0)</td>
<td>(4.6)</td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>(54.9)</td>
<td>(36.8)</td>
</tr>
<tr>
<td>Interest/tax</td>
<td>(4.9)</td>
<td>(5.0)</td>
</tr>
<tr>
<td>Dividends</td>
<td>(14.7)</td>
<td>(14.2)</td>
</tr>
<tr>
<td>Other</td>
<td>(0.5)</td>
<td>3.6</td>
</tr>
<tr>
<td><strong>Increase in net debt</strong></td>
<td><strong>(33.4)</strong></td>
<td><strong>(9.7)</strong></td>
</tr>
</tbody>
</table>

*Before exceptional items  **Before exceptional items and pension deficit funding*
INVESTING FOR THE FUTURE

- New capacity from investment projects will come on stream in 2016

![Bar chart showing capital invested £ million from 2007 to 2015]
## EXCEPTIONAL ITEMS:

### 2014

<table>
<thead>
<tr>
<th>Category</th>
<th>Cash</th>
<th>Non-cash</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Investment projects</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>6.2</td>
<td>0.8</td>
<td>7.0</td>
</tr>
<tr>
<td><strong>Restructuring</strong></td>
<td></td>
<td></td>
<td>16.9</td>
</tr>
<tr>
<td>Cash</td>
<td>9.2</td>
<td>7.7</td>
<td>16.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>23.9</strong></td>
<td></td>
<td><strong>23.9</strong></td>
</tr>
</tbody>
</table>
DEBT & KEY BANKING COVENANTS

2014  2013
Net debt  £69.2m  £35.8m

- Long term funding now in place for investment projects
- New five year revolver of £110m agreed in December

<table>
<thead>
<tr>
<th>Covenant</th>
<th>Actual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt / EBITDA</td>
<td>&lt; 3 times</td>
</tr>
<tr>
<td>EBITDA / Net finance costs</td>
<td>&gt; 4 times</td>
</tr>
</tbody>
</table>
PENSIONS:
GROUP DEFINED BENEFIT PENSION SCHEMES

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension deficit</td>
<td>59.0</td>
<td>46.1</td>
</tr>
</tbody>
</table>

- Exceptional restructuring costs of £1.7m included in liability in 2014
- Fall in discount rates increased liability by £38m partly mitigated in UK by investment strategy
- Triennial valuation underway in UK and expected to be completed in H1 2015
EFFECTIVE TAX RATE

- Czech Republic investment allowances expected to be fully utilised in 2015

Before exceptional items

<table>
<thead>
<tr>
<th>Year</th>
<th>% Effective Tax Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>12.2%</td>
</tr>
<tr>
<td>2013</td>
<td>10.5%</td>
</tr>
</tbody>
</table>
KEY FINANCIAL INDICATORS

**EBITDA***
£m

- 2007: 27.4
- 2008: 31.8
- 2009: 38.5
- 2010: 49.0
- 2011: 56.4
- 2012: 58.4
- 2013: 60.6
- 2014: 47.7

**Operating cash flow***
£m

- 2007: 23.1
- 2008: 31.2
- 2009: 39.9
- 2010: 44.5
- 2011: 45.1
- 2012: 48.1
- 2013: 43.8
- 2014: 48.1

**Earnings per share***
Pence

- 2007: 5.5
- 2008: 7.4
- 2009: 11.4
- 2010: 16.6
- 2011: 19.9
- 2012: 19.4
- 2013: 20.8
- 2014: 13.7

**Dividends per share**
Pence

- 2007: 4.5
- 2008: 4.5
- 2009: 5.0
- 2010: 7.0
- 2011: 8.0
- 2012: 8.5
- 2013: 8.8
- 2014: 8.8

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

PETER PAGE
OUR THREE-PART STRATEGY

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

Earnings growth & improving return on capital

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

Collagen research and development
- Differentiated products
- Modern processes improve efficiency
- Creating new opportunities
SALES:
FOR YEAR ENDED 31 DECEMBER 2014

• Trading in 2014 was strong
• Sales volumes of collagen casings 3% higher than 2013
• Revenue increased by 2% in constant currency
• Strong sales growth in China in preparation for new plant
• Continued growth in Germany as Devro works with customers to develop products for growing snack sector
• Volume growth in Japan with innovative new applications for collagen
• Development of new Select products leading to gut conversion in UK & Ireland
• Continued growth of beefstick sales in North America
SALES VOLUME GROWTH TREND VS 2010: EDIBLE COLLAGEN

![Graph showing sales volume growth trend vs 2010: Edible Collagen, with index values from 2010 to 2014 and growth rates indicated.]
DEVELOPED MARKETS:
EDIBLE COLLAGEN

USA & Canada
- Volume +6%
- Revenue (LC) +6%
- Strong sales particularly in beefstick sector
- Building strong partnerships with key customers

UK
- Volume -2%
- Revenue (LC) +1%
- Reduction in retail sales volumes
- Select-F well received across the product portfolio

Western Europe
- Volume +22%
- Revenue (LC) +25%
- Continued strong growth in Germany
- Highly competitive markets

Japan
- Volume +13%
- Revenue (LC) +13%
- High quality supply from Australia
- Innovative new applications

Australia & New Zealand
- Volume -1%
- Revenue (LC) +2%
- Mature market
- Margins maintained

Figures relate to edible collagen casing only
EMERGING MARKETS: EDIBLE COLLAGEN

Latin America
- Volume -10%
- Revenue (LC) -15%
- Economic / currency challenges
- Product performance impacted by aging US plant which is being addressed by new facility

Eastern Europe & Russia
- Volume -10%
- Revenue (LC) -11%
- Trade restrictions
- Political uncertainty

South East Asia
- Volume -16%
- Revenue (LC) -13%
- Constrained supply in 2013 affected availability of product
- Strong recovery in H2 and current trading

China
- Volume +154%
- Revenue (LC) +162%
- Strong sales growth to existing and new customers
- Total sales now 50% of new plant capacity

Figures relate to edible collagen casing only

DEVRO
INDUSTRY LEADERS THROUGH RESEARCH & DEVELOPMENT

- Global R&D team coordinating work across all regions
- Working with customers to develop innovative new products
- Product development programmes for new factories in China and USA now nearing completion
MEETING CUSTOMER NEEDS – SELECT FRESH

- Superior transparency to other collagen casings and tender bite
- Product attributes proving attractive across the product portfolio
- Strong momentum on gut conversion
GLOBAL MANUFACTURING FOOTPRINT
USA PROGRESS

- Investing £45 million over two years – completing 2016
- Replacing old inefficient plant with new high technology plant on same site

- Building work entering final stages
- Equipment being installed
- Preparing for commissioning
- Product development near completion
- Global project team using expertise from other plants
CHINA PROGRESS

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

- Building structure complete
- Plant and equipment now arriving ready to commence installation
- Product development near completion
- Recruitment and training underway
- Experienced local management team supported by global project team
RESTRUCTURING

SCOTLAND
- Announced in April 2014
- Decommissioning of oldest, least efficient capacity
- 130 redundancies agreed following consultation
  - First phase completed; second phase will conclude end 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

Devro capacity by technology - 2010

Devro capacity by technology - 2016

High Technology
Standard Technology
Old US technology
High Technology
Standard Technology
OUTLOOK

• Sales volumes rising as key markets continue to grow
• Market demand remains strong
• Input costs stable
• Three year transformation programme on track
THANK YOU