



DEVRO

MARCH 2015

RESULTS FOR YEAR ENDED
31 DECEMBER 2014



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



DEVRO

GROUP FINANCE DIRECTOR

SIMON WEBB



FINANCIAL SUMMARY:

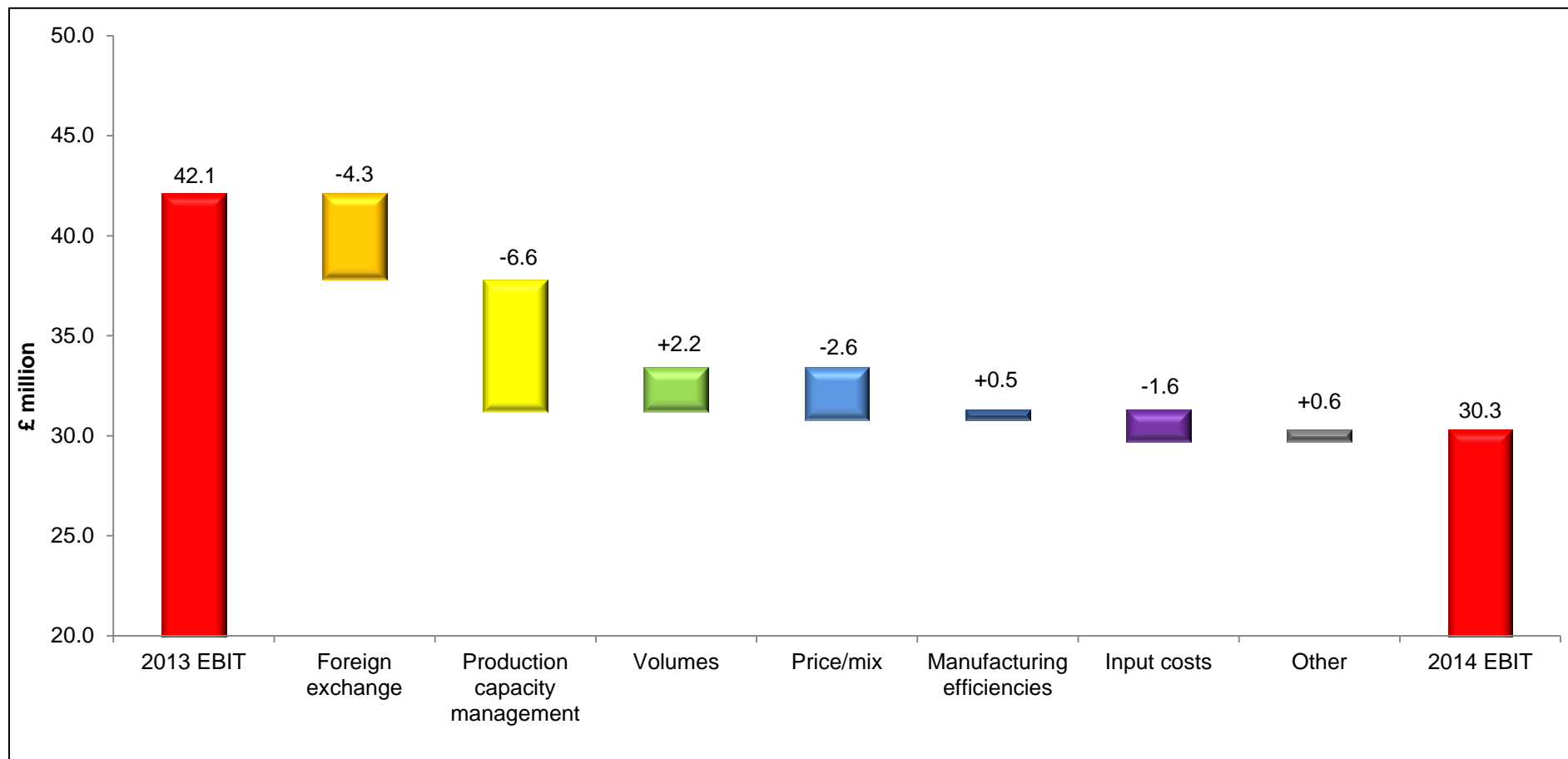
YEAR ENDED 31 DECEMBER 2014

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

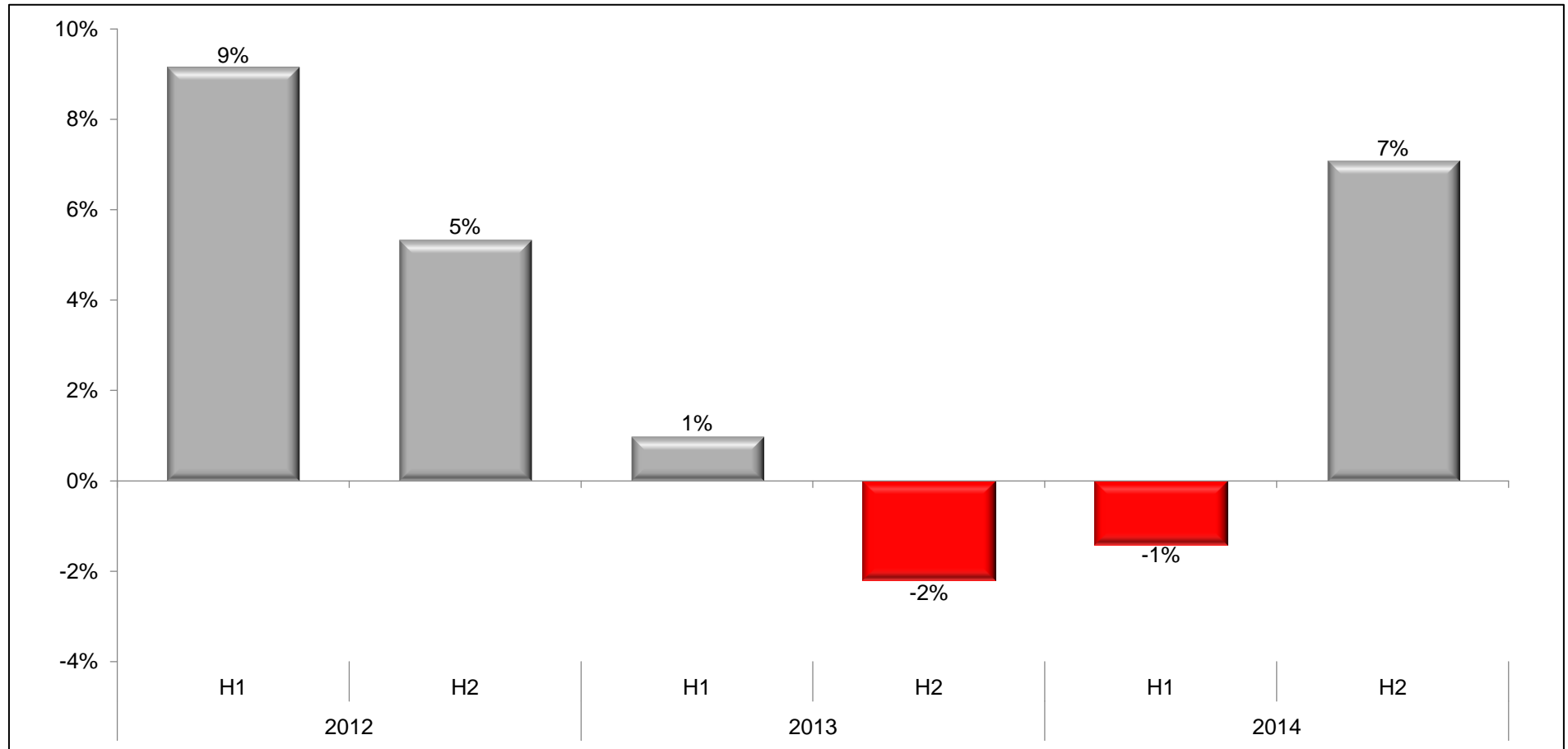
- Growth in revenue particularly in second half
- EBITDA and operating profit impacted by restructuring activities and exchange
- Strong cash generation

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

OPERATING PROFIT BRIDGE: YEAR ENDED 31 DECEMBER 2014 VS 2013



SALES VOLUMES BY HALF YEAR – EDIBLE COLLAGEN: CHANGE IN MOMENTUM IN 2014



REGIONAL SALES BY DESTINATION: YEAR ENDED 31 DECEMBER 2014 (CHANGE VS 2013)

	2014 £m	Volume %	Price/mix %	Exchange %	Total %
Europe	-7.1	-3.9	1.5	-3.9	-6.3
Americas	-4.4	-1.3	-1.0	-4.8	-7.1
Asia/Pacific	1.1	16.9	-5.4	-9.8	1.7

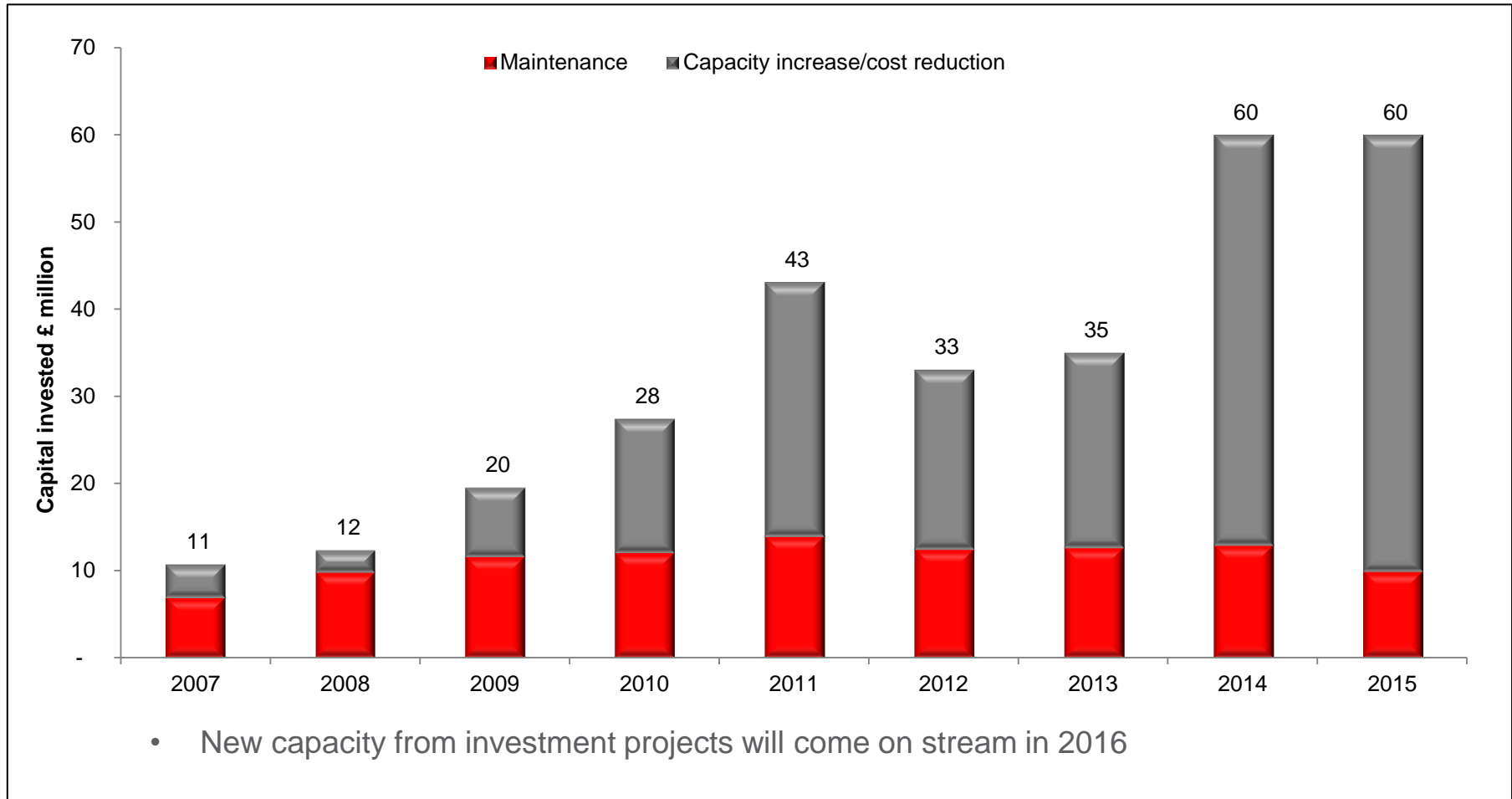
- Recovery in volumes from end Q1 2014
- Price/mix influenced by increased sales to China and economic volatility in some regions

SUMMARY CASH FLOW: YEAR ENDED 31 DECEMBER 2014

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

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

INVESTING FOR THE FUTURE



EXCEPTIONAL ITEMS: 2014

		2014 £m
Investment projects		
Cash		6.2
Non-cash		0.8
		7.0
Restructuring		
Cash		9.2
Non-cash		7.7
		16.9
		23.9

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

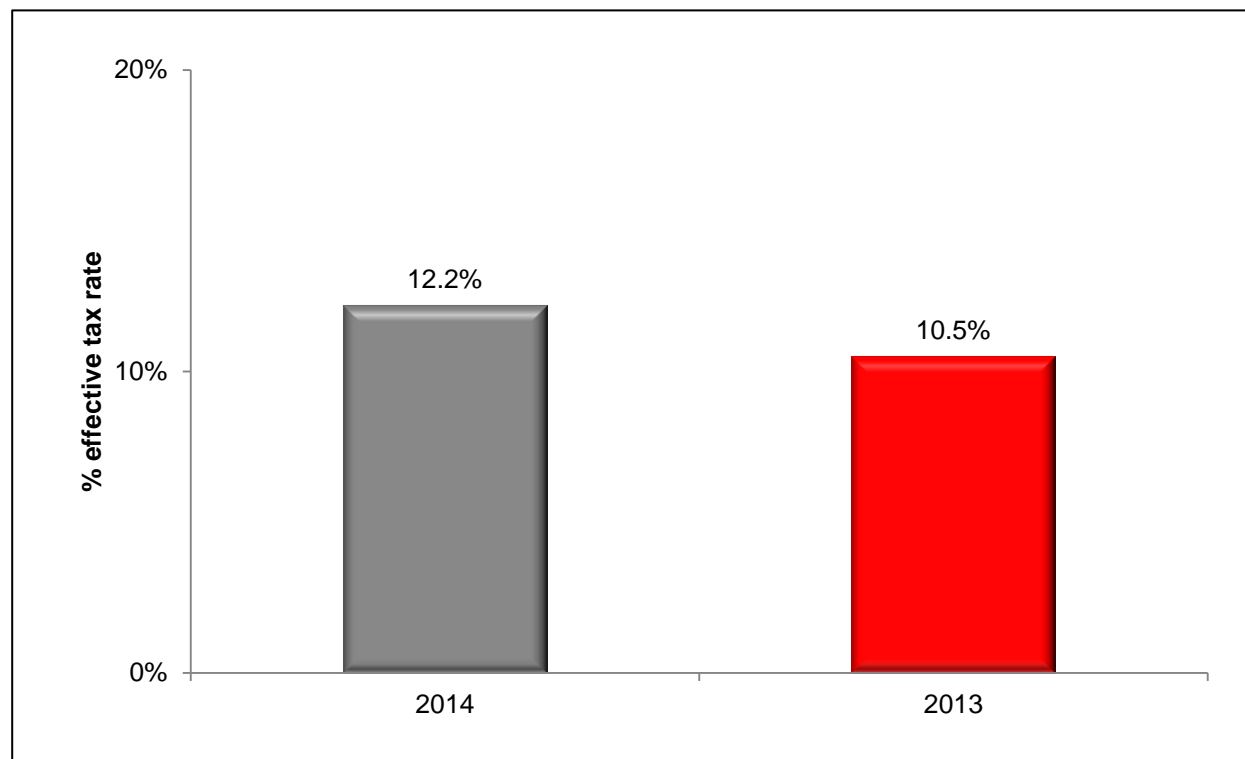
	Covenant	Actual
Net debt / EBITDA	< 3 times	1.5 times
EBITDA / Net finance costs	> 4 times	22 times

PENSIONS: GROUP DEFINED BENEFIT PENSION SCHEMES

	2014 £m	2013 £m
Net pension deficit	59.0	46.1

- 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

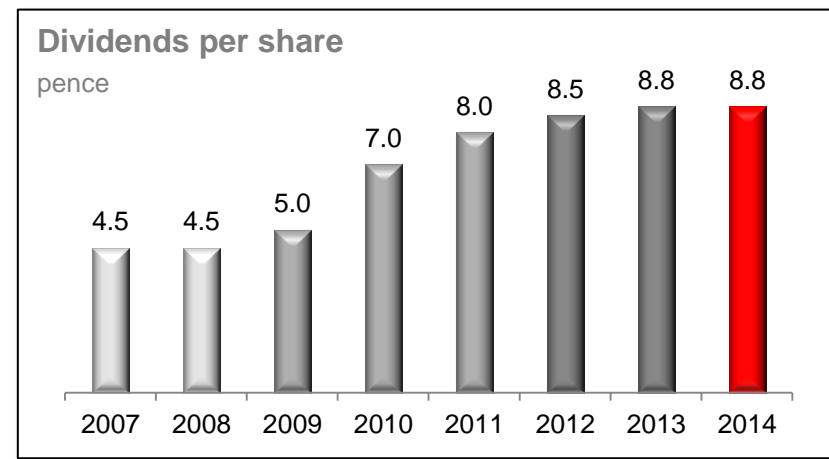
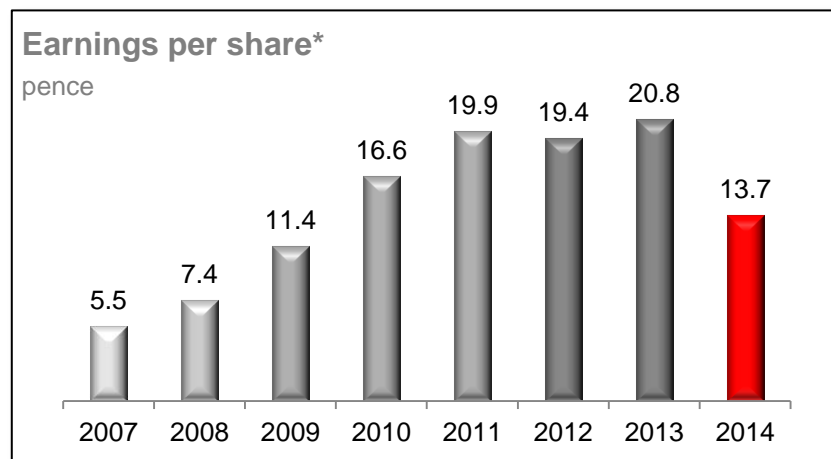
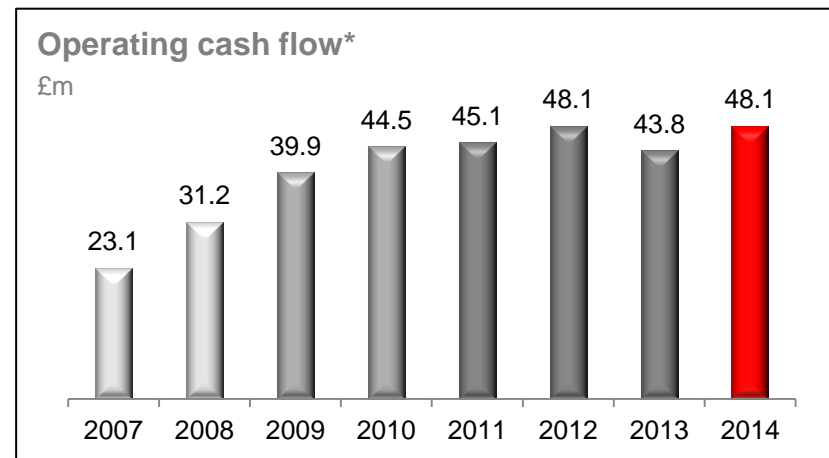
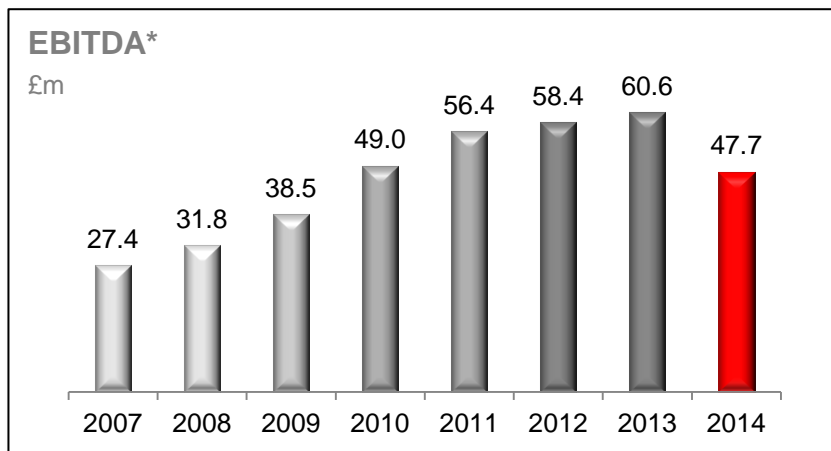
EFFECTIVE TAX RATE



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

*Before exceptional items

KEY FINANCIAL INDICATORS



*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)



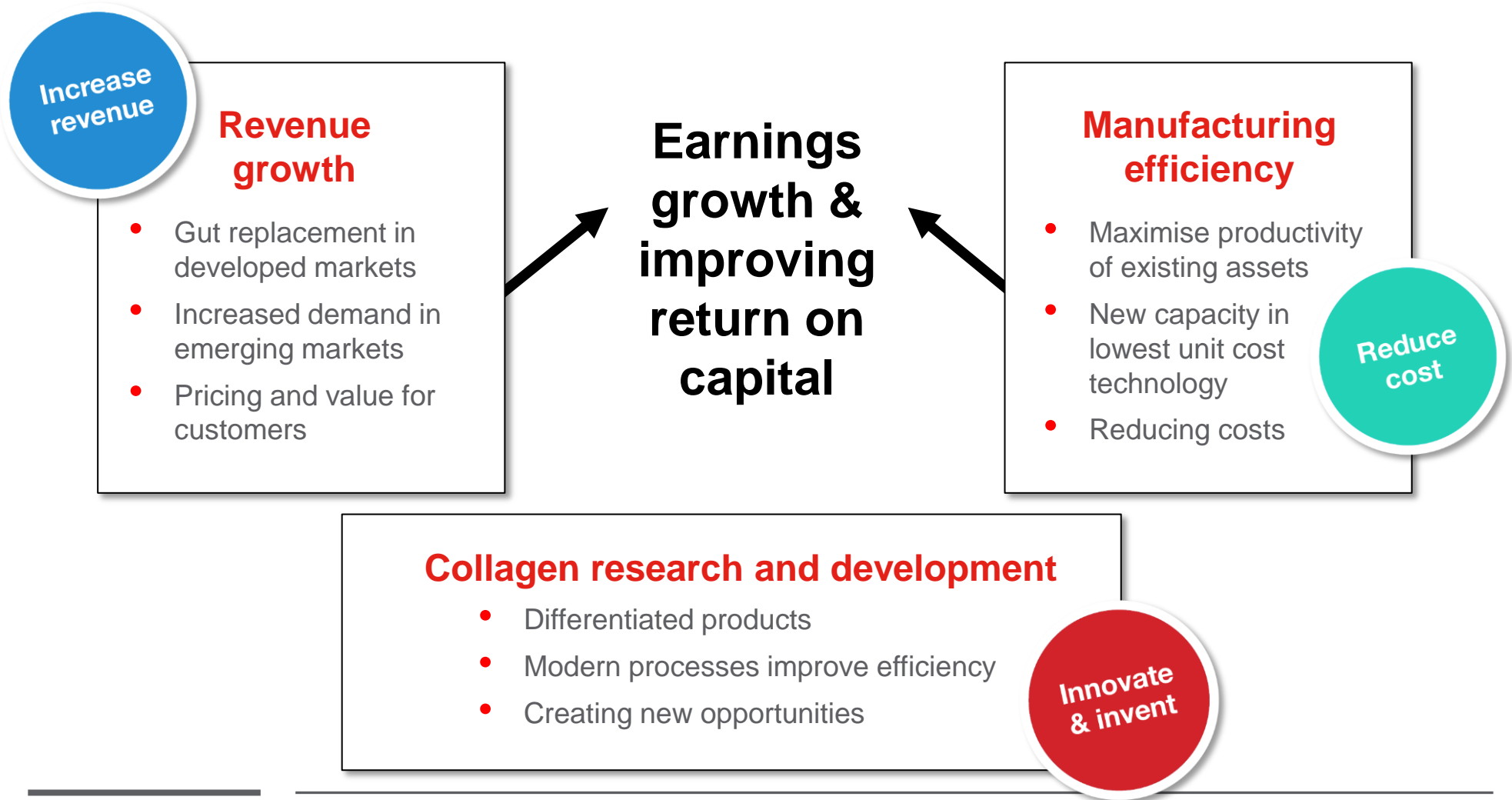
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CHIEF EXECUTIVE

PETER PAGE



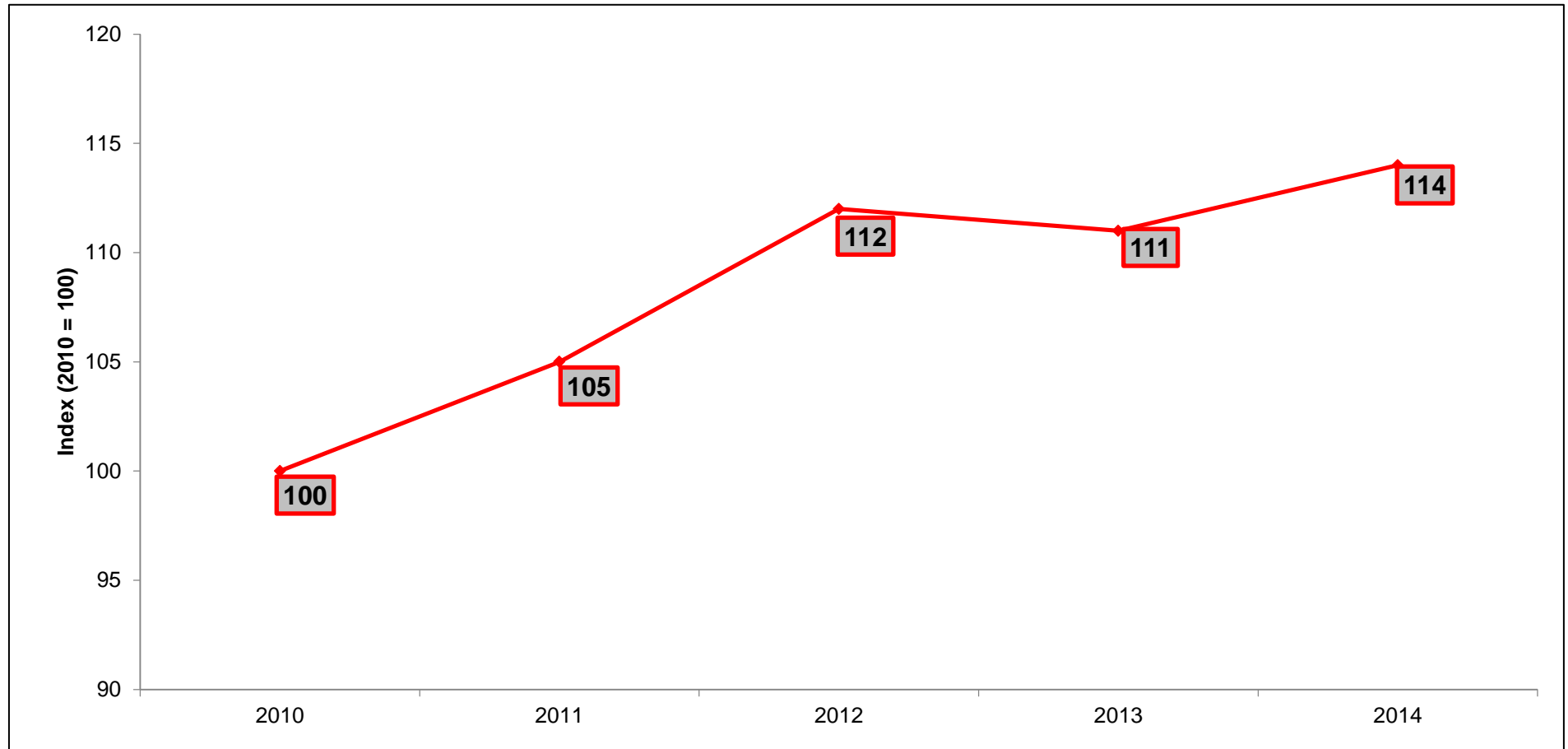
OUR THREE-PART STRATEGY



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



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

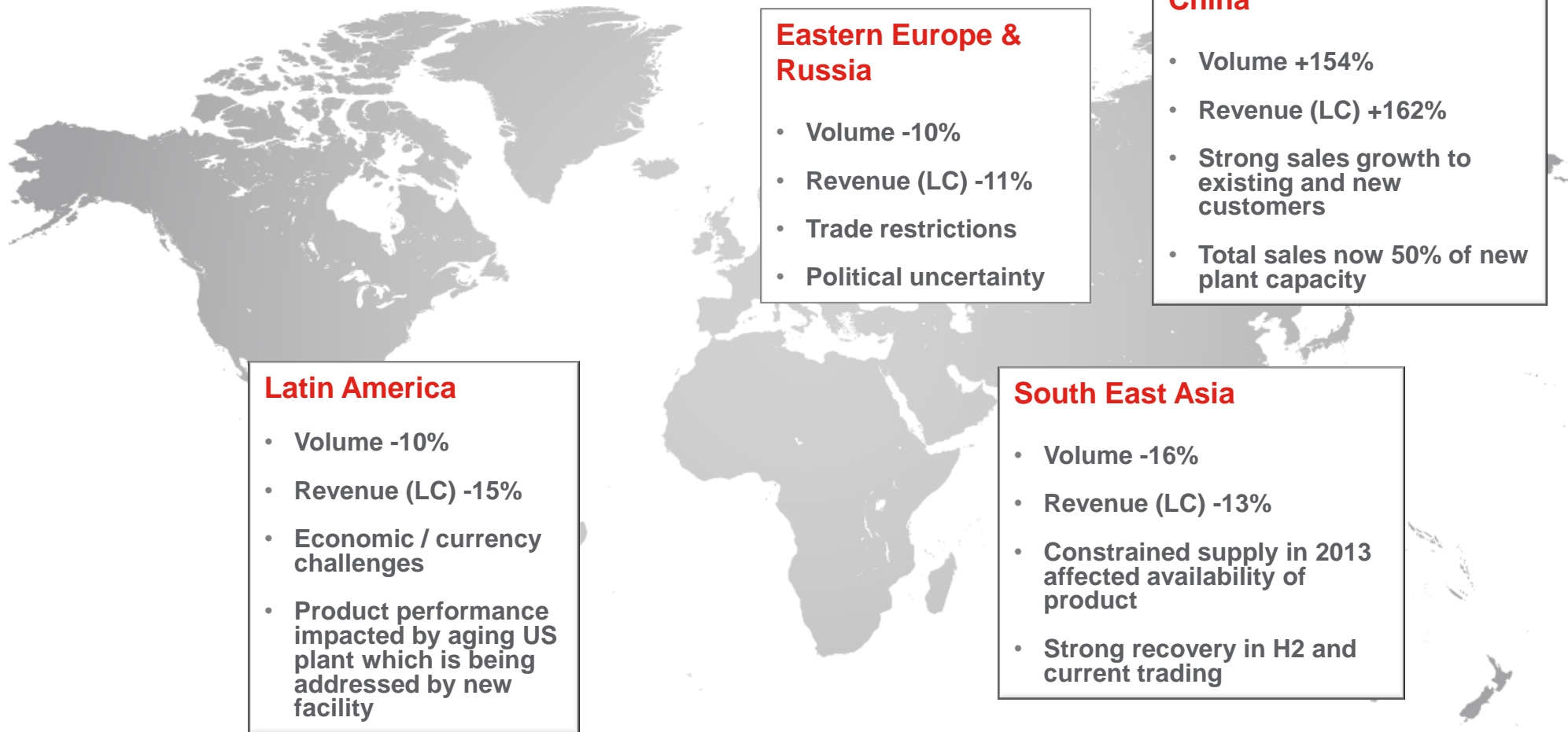
- Volume -1%
- Revenue (LC) +2%
- Mature market
- Margins maintained

Figures relate to edible collagen casing only



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EMERGING MARKETS: EDIBLE COLLAGEN

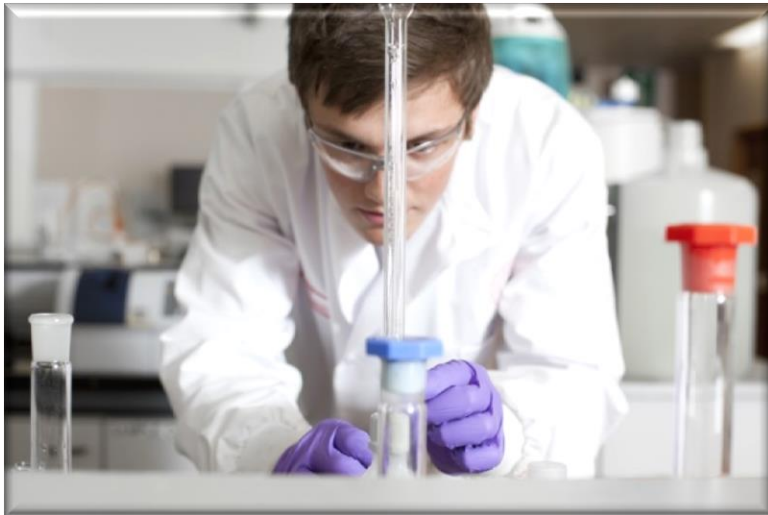


Figures relate to edible collagen casing only



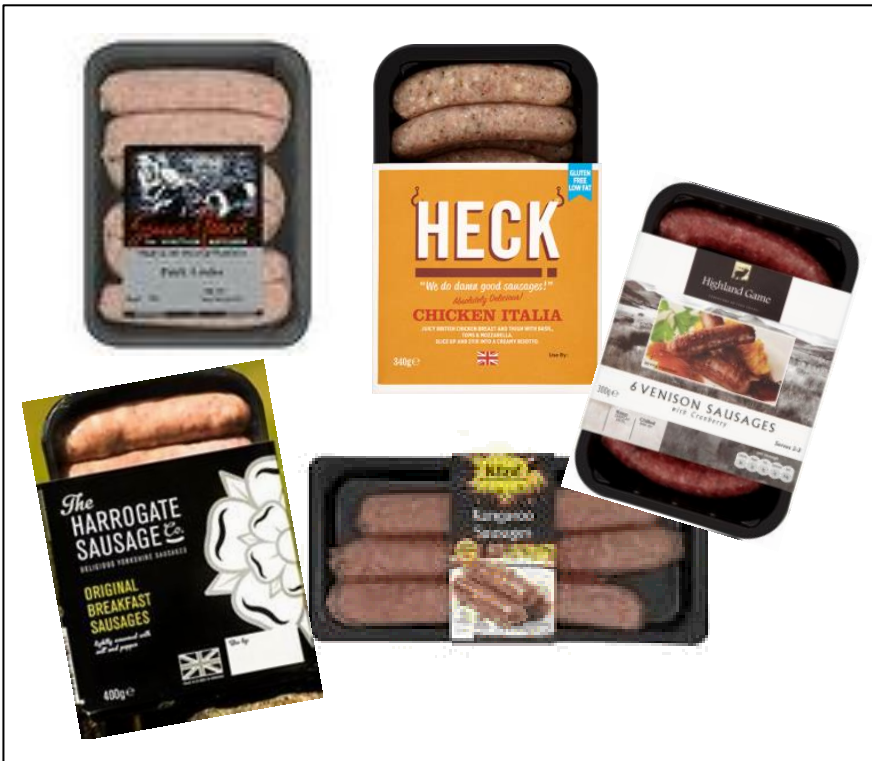
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INDUSTRY LEADERS THROUGH RESEARCH & DEVELOPMENT



- 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



DEVRO

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

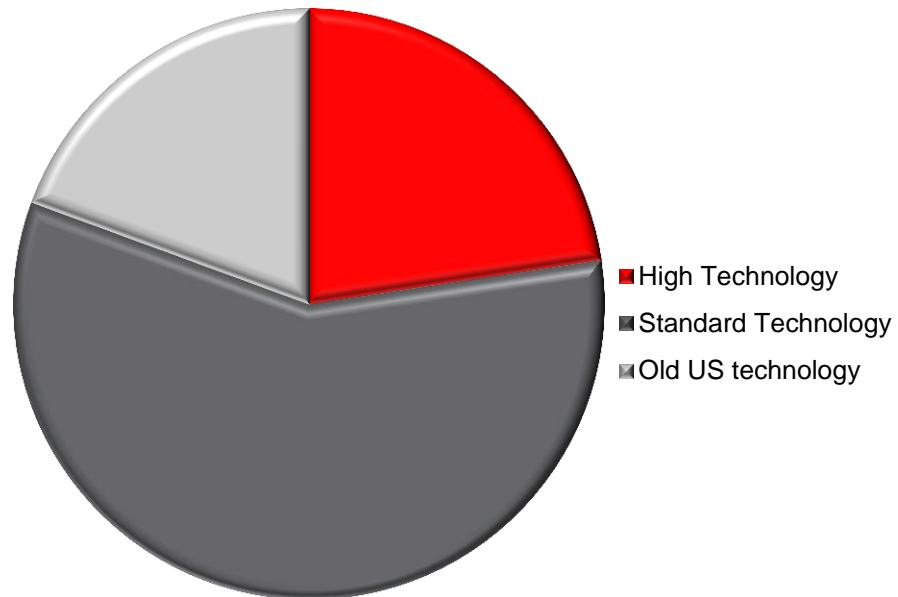
- Announced in April 2014
- Decommissioning of oldest, least efficient capacity
- 130 redundancies agreed following consultation
 - First phase completed; second phase will conclude end Q1 2015
- Annualised cost savings of £4 million

AUSTRALIA

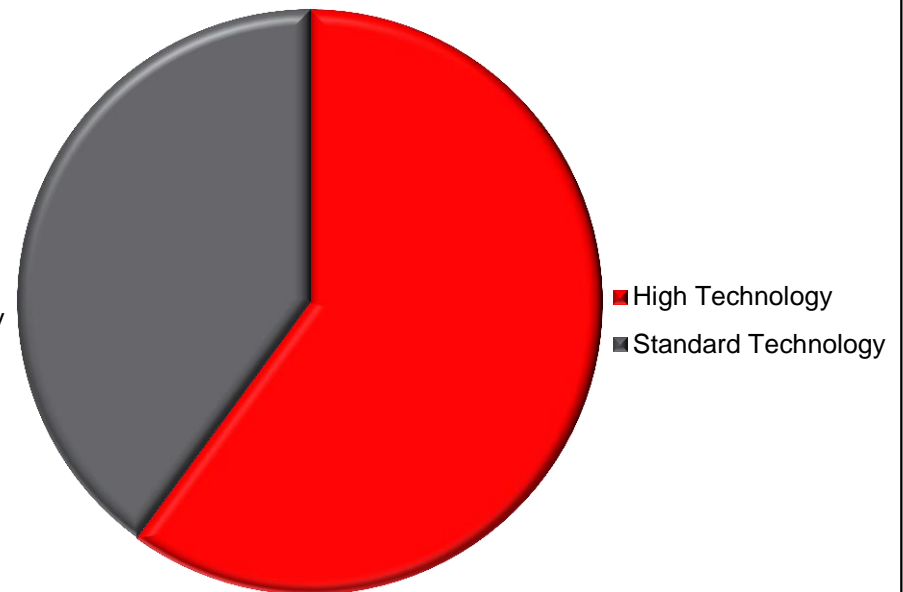
- Announced in January 2015 and now completed
- Decommissioning of separate hide preparation plant
- Outsourcing of hide preparation operations
- 19 redundancies agreed following consultation
- Annualised cost savings of £1 million

IMPROVING MANUFACTURING EFFICIENCY

Devro capacity by technology - 2010



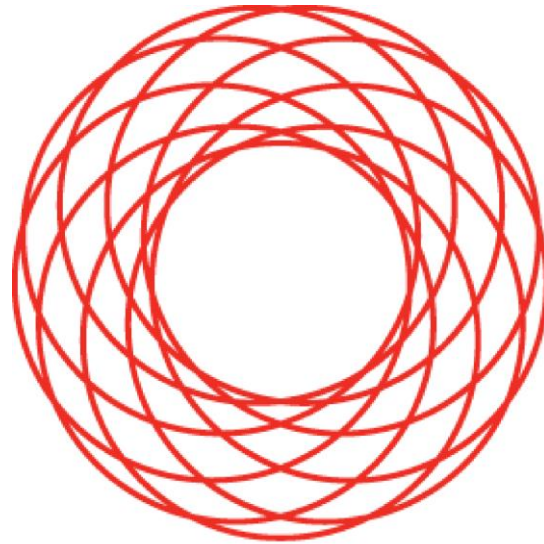
Devro capacity by technology - 2016



OUTLOOK

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





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THANK YOU