For Immediate Release **31 July 2013**

Devro plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

Good progress in emerging markets with investment programme 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 2013.

Financial highlights	**2013** **Unaudited**	**2012** **Restated*** **Unaudited**	
• Revenue	£118.9m	£115.4m	**+3.1%**
• Operating profit	£17.9m	£20.5m	**-12.8%**
• Profit before tax excluding net interest on pensions	£17.3m	£19.9m	**-13.1%**
• Basic earnings per share excluding net interest on pensions	8.7p	9.7p	**-10.3%**
• Interim dividend (per share)	2.70p	2.65p	**+1.9%**

Corporate highlights

- Sales revenue rose by 3% ahead of the same period last year with volumes up by 1% and pricing per unit up by 2%
- Sales of our premium product *Select* continue to grow and now represent 8.5% of total revenues
- Capital expansion programme at the Czech plant is near completion, one month ahead of schedule and within budget
- Operating profits impacted by raw material cost increases and temporary manufacturing issues in the USA earlier in the year which have now been resolved

Other statutory financial highlights

- Profit before tax £16.2m (2012: £18.9m restated*)
- Basic earnings per share at 8.2p (2012: 9.2p restated*)

* 2012 results restated for new pension accounting rules (IAS19R)

Steve Hannam, Chairman of Devro, commented

"Despite the first half challenges Devro has succeeded in growing sales and adding production capacity which will position it well for the future.

With operations performing well at all manufacturing sites and the new Czech capacity due on stream in August the Board remains confident of a strong second half and growth in full year earnings."

For further information contact:

Peter Page	Chief Executive	0207 466 5000 (31 July 2013)
Simon Webb	Finance Director	0207 466 5000
Diane Stewart/Charles Ryland/Karyn McShane	Buchanan	0207 466 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://mediaserve.buchanan.uk.com/2013/devro310713/registration.asp approximately 10 minutes (9.20am) before the start of the briefing. The presentation will also be available on the company's website.

Business review

Devro continued to make progress in the six months ended 30 June 2013, with growth of 3.1% in sales revenue underpinned by strong demand in emerging markets. Price increases were implemented to recover higher input costs, which have now stabilised. Operations are running well at all sites, after successfully resolving the temporary manufacturing issues experienced in the USA earlier in the year. The additional capacity from our £25 million Czech investment is due to come on stream in August, one month ahead of schedule.

Overall market

The global market for collagen casing continues to expand as economic growth and urbanisation result in increased meat consumption in emerging markets.

Developed markets have been more challenging in the first half due to a combination of market conditions and cold weather in Europe. The long-term opportunity in developed markets for gut conversion to collagen casing remains strong.

Sales

Sales volumes of edible collagen were 1% ahead of the same period in the prior year. Price increases have also been implemented as planned, helping to recover recent rises in input costs and generating a further 2% increase in revenue in the first half.

There has been steady volume growth in most emerging markets: Latin America, Russia, SE Asia, and China. This reflects success in our continuing efforts to grow volumes of Devro casings in areas with high volume growth potential whilst maintaining margins. Volume growth in Eastern Europe was flat, mainly related to the colder weather and economic conditions, but revenues have grown in line with price increases.

Sales of edible collagen casings in the developed markets have varied considerably.

In the USA and Canada, volumes of Devro edible collagen were relatively stable, held back by the temporary manufacturing issues earlier in the year. Volumes of collagen gel for co-extrusion supplied to the major branded food manufacturers have increased.

In Western Europe, volumes of edible collagen declined, with general retail sales volumes of food being lower. In some countries, sales of processed meats declined temporarily due to various factors including colder weather delaying the start of the bratwurst grilling season and lower levels of consumer spending, but are expected to recover. As in 2012, volumes of non-edible collagen sold to salami and dried meats manufacturers, principally in southern Europe, declined. The impact of the reduced volumes on margin and contribution from this product category was partly mitigated by higher pricing.

Devro's Australasia and UK businesses achieved lower sales volumes than prior year, in both cases reflecting a change in the general market and particularly challenging trading conditions for our own customers. The UK market for sausages is currently seeing a resurgence of regional brands as the category appears to be maintaining margins through segmentation and differentiation, challenging the larger established meat processors. In Australia independent reports suggest a general reduction in sales volumes of sausages during 2013, although forecasts predict a return to growth in 2014.

Volumes of *Select*, our premium product range designed to displace high quality sheep gut, have increased by 4.4% globally, with particularly strong growth in Germany, where the opportunity has been more actively developed in 2013, and continued success in Japan. *Select* now represents 8.5% of our total revenues, in line with our expectations.

Operations

Operations are now running well at all manufacturing sites and, combined with further benefits from the three-year programme to expand manufacturing capacity which completes in 2013, output increased by 8% in the first half, helping rebuild inventories from the historically low levels at the year end.

There was a particularly notable improvement in the USA in recent months. Issues causing lower yields at our South Carolina plant earlier in the year have been fully resolved by our recently strengthened local management team.

The capacity expansion programme in our Czech business is near completion and will be commissioned in August, one month ahead of schedule and on budget. This is a significant project which has been running for three years, has involved capital expenditure of £25 million, and will add 9% capacity compared to the group's total in 2010 when the work started. The project has involved the removal of lines which were installed in the 1980's and their replacement with our newest technology, giving a significant cost reduction per unit as well as the capacity increase.

Investing for the future

A development line, using our newest technology from Europe, was installed in our USA plant in late 2011. Successful product testing and now commercialisation of product from this line during the first half has given management confidence to progress plans for reinvestment in our South Carolina plant over the next three years. The primary objective of this reinvestment will be to reduce significantly unit costs on current production volumes: currently they are the highest in the group due to the use of older and less efficient technology which is unique to this site. Several options are being evaluated to achieve this objective whilst minimising the investment required.

In China, the long term prospects for our business remain very attractive, as the consumption of sausages is expected to grow for many years, and the scope for segmentation and premium sausage products will increase as disposable incomes rise. With this in mind, we continue to expand our activities in this market, and develop strong relationships with customers and suppliers. We are progressing with design and feasibility assessments for our own manufacturing operation.

The continuing development of a differentiated product range is critical to our future. A central, group-wide Research and Development team has now been established from existing resources, to support and direct new product development work, which will enable Devro to maintain its position as technical leader in the market.

Financial review

Operating profits

Operating profits reduced by 12.8% to £17.9 million. Operating profits benefited from higher average selling prices of £2.4 million, volume growth of £0.5 million (which was slower than expected, particularly in Europe during April and May), increased manufacturing efficiencies of £0.6 million and a favourable currency movement impact of £0.9 million. This was offset by higher input costs of £2.6 million (particularly in Europe and Australia), changes in mix of £0.6 million, temporary manufacturing issues in the USA earlier in the year of £1.9 million and increases in other costs of £1.9 million, including wage inflation and the costs associated with participating in IFFA (the leading international trade fair for the meat industry), which is held once every three years.

The hide cost increases in the first half were caused by increased worldwide demand for food grade collagen, a change that started in early 2012 and has resulted in year-on-year increases of just over 10% for the past 18 months. However, the market is now more stable, so hide costs are not expected to increase significantly in the second half.

Manufacturing efficiencies benefited from the additional output, but were partially offset by an increase in depreciation on newly commissioned plant of £1.0 million, which relates to the capital investment programme undertaken in recent years.

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. Translation exposures arise from the conversion of the results of all our businesses into sterling. The net impact of exchange movements on generating profit in the six months ended 30 June 2013 was favourable by £0.9 million compared to the same period in 2012.

Finance income/expense

Net interest cost for the period was £0.6 million (2012: £0.6 million).

In addition there was net finance cost on pensions amounting to £1.1 million, which compares with net finance cost of £1.0 million for the comparable period in 2012 restated under the new pension accounting rules (IAS19R).

The restatement under IAS19R involved the reclassification of administration costs of the defined benefit pension schemes from finance expense to operating profit and a change in the calculation of the interest income on plan assets, which is now calculated using the same rate used to calculate the interest expense on the pension liability, being the discount rate. Previously interest income on plan assets was calculated using a rate based on the expected returns on the various asset types held within the investment portfolio.

Tax

The group's tax charge for the period was £2.6 million which represents an effective tax rate of 16.2% (full year 2012: 18.9%). The reduction in the effective tax rate reflects the greater proportion of profits generated in the Czech Republic, where the group benefits from a low tax rate which includes the impact of a capital investment incentive scheme. This scheme is expected to continue until 2017.

Earnings per share

	6 months ended 30 June 2013	6 months ended 30 June 2012 restated
Basic earnings per share excluding net finance cost on pensions	**8.7p**	9.7p
Basic earnings per share	**8.2p**	9.2p

Excluding net finance cost on pensions, basic earnings per share has decreased by 10.3% to 8.7 pence from 9.7 pence on a restated basis, reflecting the lower operating profits for the period, partially offset by the reduction in the effective tax rate. Basic earnings per share has been shown excluding net finance cost on pensions in order to reflect better the underlying movement on trading results.

Net debt

Net debt has risen to £40.9 million as at 30 June 2013 compared to £26.1 million at 31 December 2012, which reflects the cash outlay on fixed assets of £19.1 million, including the final phase of the capacity expansion investment at our Czech plant which completes in 2013, as well as the increase in inventory of £7.8 million.

Pensions

The group's pension obligations have reduced from £59.3 million at 31 December 2012 to £47.4 million at 30 June 2013, which primarily reflects an increase in discount rates. Additional contributions of £5 million are planned for 2013 to fund the deficits in the group's defined benefits schemes, in line with the previous year.

Dividends

The Board is pleased to announce an interim dividend of 2.70 pence (2012: 2.65 pence), an increase of 1.9% reflecting the Board's confidence in a strong second half. The interim dividend will be paid on 4 October 2013 to shareholders on the register at 30 August 2013.

Board appointment

On 30 July 2013 Gerard Hoetmer joined the Board as non-executive director. Gerard brings highly relevant experience to Devro, as the group continues to grow its business internationally.

Gerard, a Dutch national, is currently CEO of Corbion (listed as CSM nv on NYSE Euronext Amsterdam), where he led the transformation of this international business to focus on biobased products. Prior to this Gerard held a number of positions over a 25 year career at Unilever, most recently as Senior Vice President Supply Chain Unilever Foods, and was a member of Unilever Foods Executive.

Principal risks and uncertainties

The group set out in its 2012 Annual Report and Financial Statements 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 loss of market share/profit margins due to increased competitive pressures, disruption to supply or increase in price of key raw materials, product contamination, foreign exchange rate movements, shortage of people with relevant technical expertise, customer credit risks, impact of changes in regulations affecting food production, increases in energy costs, increased funding requirements of pension schemes and development of non-casing technologies.

These risks, together with examples of mitigating activity, are set out in more detail on pages 16 and 17 of the 2012 Annual Report which is available on the Devro plc website: www.devro.com

Outlook

Despite the first half challenges Devro has succeeded in growing sales and adding production capacity which will position it well for the future.

With operations performing well at all manufacturing sites and the new Czech capacity due on stream in August the Board remains confident of a strong second half and growth in full year earnings.

Steve Hannam	**Peter Page**
Chairman	Chief Executive

31 July 2013

Interim consolidated income statement (unaudited)
for the six months ended 30 June 2013

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 (restated) £'000
Revenue (note 5)	**118,944**	115,401
Operating profit	**17,858**	20,474
Finance income	**13**	26
Finance cost	**(552)**	(577)
Net finance cost on pensions	**(1,131)**	(1,041)
Profit before taxation	**16,188**	18,882
Taxation (note 6)	**(2,622)**	(3,644)
Profit for the period attributable to owners of the parent	**13,566**	15,238
Earnings per share (note 7)		
Basic	**8.2p**	9.2p
Basic excluding net finance cost on pensions	**8.7p**	9.7p
Diluted	**8.1p**	9.1p

IAS 19 (revised) “Employee benefits” has been adopted in the period and the comparatives for the six months ended 30 June 2012 have been restated accordingly (note 2).

Interim consolidated statement of comprehensive income (unaudited)
for the six months ended 30 June 2013

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 (restated) £'000
Profit for the period	**13,566**	15,238
Other comprehensive income/(expense) for the period		
Items that will not be reclassified to profit or loss		
Pension obligations:		
- re-measurements	**11,666**	(6,568)
- movement in deferred tax	**(3,392)**	2,165
Total items that will not be reclassified to profit or loss	**8,274**	(4,403)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges:		
- net fair value (losses)/gains	**(1,550)**	1,527
- reclassified and reported in operating profit	**(876)**	(300)
- movement in deferred tax	**558**	60
Net investment hedges:		
- fair value gains	**218**	-
- movement in deferred tax	**(50)**	-
Net exchange adjustments	**(321)**	(5,421)
Total items that may be reclassified subsequently to profit or loss	**(2,021)**	(4,134)
Other comprehensive income/(expense) for the period, net of tax	**6,253**	(8,537)
Total comprehensive income for the period attributable to owners of the parent	**19,819**	6,701

IAS 19 (revised) "Employee benefits" has been adopted in the period and the comparatives for the six months ended 30 June 2012 have been restated accordingly (note 2).

Interim consolidated balance sheet

at 30 June 2013

	30 June 2013 (unaudited) £'000	31 December 2012 (audited) £'000	30 June 2012 (unaudited) £'000
ASSETS			
Non-current assets			
Intangible assets (note 9)	**3,455**	3,336	3,603
Property, plant and equipment (note 10)	**203,179**	195,862	178,191
Deferred tax assets	**16,136**	19,683	19,632
	222,770	218,881	201,426
Current assets			
Inventories	**35,775**	28,108	30,840
Current tax assets	**333**	415	-
Trade and other receivables	**37,637**	36,280	35,816
Derivative financial instruments (note 4)	**2,027**	3,209	1,544
Cash and cash equivalents	**4,894**	5,631	10,441
	80,666	73,643	78,641
Total assets	**303,436**	292,524	280,067
LIABILITIES			
Current liabilities			
Borrowings	**2,377**	1,868	4,931
Derivative financial instruments (note 4)	**1,872**	350	755
Trade and other payables	**26,611**	30,193	25,734
Current tax liabilities	**4,114**	3,606	4,116
	34,974	36,017	35,536
Non-current liabilities			
Borrowings	**43,381**	29,846	36,942
Deferred tax liabilities	**18,413**	18,682	16,250
Pension obligations (note 12)	**47,390**	59,271	51,450
Other payables	**2,057**	1,782	1,356
	111,241	109,581	105,998
Total liabilities	**146,215**	145,598	141,534
Net assets	**157,221**	146,926	138,533
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	**16,671**	16,563	16,553
Share premium	**8,953**	8,034	7,968
Other reserves	**77,837**	80,750	75,819
Retained earnings	**53,760**	41,579	38,193
Total equity	**157,221**	146,926	138,533

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 2013

	Ordinary shares £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Six months ended 30 June 2013					
Balance at 1 January 2013	16,563	8,034	80,750	41,579	146,926
Comprehensive income					
Profit for the period	-	-	-	13,566	13,566
Other comprehensive (expense)/income					
Cash flow hedges, net of tax	-	-	(1,868)	-	(1,868)
Net investment hedges, net of tax	-	-	168	-	168
Pension obligations, net of tax	-	-	-	8,274	8,274
Exchange adjustments	-	-	(321)	-	(321)
Total other comprehensive (expense)/income	-	-	(2,021)	8,274	6,253
Total comprehensive (expense)/income	-	-	(2,021)	21,840	19,819
Transactions with owners					
Performance share plan charge	-	-	135	-	135
Performance share plan credit in respect of shares vested	-	-	(1,027)	-	(1,027)
Issue of ordinary shares	108	919	-	-	1,027
Dividends paid	-	-	-	(9,659)	(9,659)
Total transactions with owners	108	919	(892)	(9,659)	(9,524)
Balance at 30 June 2013	**16,671**	**8,953**	**77,837**	**53,760**	**157,221**
Six months ended 30 June 2012					
Balance at 1 January 2012	16,501	7,642	79,917	36,419	140,479
Comprehensive income					
Profit for the period (restated)	-	-	-	15,238	15,238
Other comprehensive (expense)/income					
Cash flow hedges, net of tax	-	-	1,287	-	1,287
Pension obligations, net of tax (restated)	-	-	-	(4,403)	(4,403)
Exchange adjustments	-	-	(5,421)	-	(5,421)
Total other comprehensive expense	-	-	(4,134)	(4,403)	(8,537)
Total comprehensive (expense)/income	-	-	(4,134)	10,835	6,701
Transactions with owners					
Performance share plan charge	-	-	414	-	414
Performance share plan credit in respect of shares vested	-	-	(378)	-	(378)
Issue of ordinary shares	52	326	-	-	378
Dividends paid	-	-	-	(9,061)	(9,061)
Total transactions with owners	52	326	36	(9,061)	(8,647)
Balance at 30 June 2012	16,553	7,968	75,819	38,193	138,533

IAS 19 (revised) "Employee benefits" has been adopted in the period and the comparatives for the six months ended 30 June 2012 have been restated accordingly (note 2).

Interim consolidated cash flow statement (unaudited)
for the six months ended 30 June 2013

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 £'000
Cash flows from operating activities		
Cash generated from operations (note 14)	**15,678**	19,102
Interest received	**13**	47
Interest paid	**(571)**	(545)
Tax paid	**(2,033)**	(1,875)
	---------	---------
Net cash generated from operating activities	**13,087**	16,729
	---------	---------
Cash flows from investing activities		
Purchase of property, plant and equipment	**(18,909)**	(15,752)
Proceeds from sale of property, plant and equipment	**52**	87
Purchase of intangible assets	**(770)**	(503)
Capital grants received	**485**	-
	---------	---------
Net cash used in investing activities	**(19,142)**	(16,168)
	---------	---------
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	**-**	378
Net borrowing under the loan facilities	**14,516**	8,995
Dividends paid	**(9,659)**	(9,061)
	---------	---------
Net cash generated from financing activities	**4,857**	312
	---------	---------
Net (decrease)/increase in cash and cash equivalents	**(1,198)**	873
Net cash and cash equivalents at beginning of period	**3,763**	5,401
Exchange loss on cash and cash equivalents	**(48)**	(764)
Cash and cash equivalents	**4,894**	10,441
Bank overdrafts	**(2,377)**	(4,931)
Net cash and cash equivalents at end of period	**2,517**	5,510
	=====	=====

Notes to the condensed interim consolidated financial statements (unaudited)
for the six months ended 30 June 2013

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 31 July 2013.

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 pages 23 and 24. Statutory accounts for the year ended 31 December 2012 were approved by the Board of Directors on 14 March 2013 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 2013 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services 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 2012 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 are the measurement of retirement benefit obligations and taxation.

Going concern basis

At 30 June 2013, the group had in place unsecured floating rate committed loan facilities totalling £61.0 million. The bilateral facilities were renegotiated with four banks in September 2011 and in June 2013 the facilities were increased in size by £10.0 million.

At 30 June 2013, the group was operating comfortably within the covenants relating to these facilities. The directors have a reasonable expectation that the company and the group have adequate resources to continue in operation for the foreseeable future and therefore, the directors continue to adopt the going concern basis in preparing the consolidated interim financial statements.

2 Basis of preparation (continued)

Restatement

The group has implemented IAS 19 (revised) "Employee benefits" in the six months ended 30 June 2013. This has had two impacts on the consolidated income statement and consolidated statement of comprehensive income as outlined below:

- The reclassification of the administration costs of the defined benefit pension schemes from interest expense to operating profit of £275,000 for the six months ended 30 June 2012;
- Net interest income on plan assets is now calculated using the same rate used to calculate the interest expense on the pension liability, being the discount rate. Previously income on plan assets was calculated using a rate based on the expected return on the various asset types held within the investment portfolio. This resulted in an increase in net finance cost on pensions of £703,000 for the six months ended 30 June 2012.

There is no change to the net pension liability or net assets as a result of the adoption of IAS 19 (revised), and therefore no restatement of the balance sheet is required.

The effect of adopting IAS 19 (revised) on the group's results for the six months ended 30 June 2012 is to reduce profit after tax by £0.5m, and to increase other comprehensive income by the same amount.

The impact on the consolidated income statement is set out below:

	6 months ended 30 June 2012 (reported) £'000	IAS 19R amendments £'000	6 months ended 30 June 2012 (restated) £'000
Operating profit	20,749	(275)	20,474
Finance income	26	-	26
Finance expense	(577)	-	(577)
Net finance cost on pensions	(613)	(428)	(1,041)
Profit before taxation	19,585	(703)	18,882
Taxation	(3,852)	208	(3,644)
Profit for the period attributable to owners of the parent	**15,733**	**(495)**	**15,238**

2 Basis of preparation (continued)

The impact on the consolidated statement of comprehensive income is set out below:

	6 months ended 30 June 2012 (reported) £'000	IAS 19R amendments £'000	6 months ended 30 June 2012 (restated) £'000
Profit for the period	15,733	(495)	15,238
Other comprehensive expense for the period			
Items that will not be reclassified to profit or loss			
Pension obligations:			
- re-measurements	(7,271)	703	(6,568)
- movement in deferred tax	2,373	(208)	2,165
Total items that will not be reclassified to profit or loss	(4,898)	495	(4,403)
Total items that may be reclassified subsequently to profit or loss	(4,134)	-	(4,134)
Other comprehensive expense for the period, net of tax	(9,032)	495	(8,537)
Total comprehensive income for the period attributable to owners of the parent	**6,701**	**-**	**6,701**

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2012, as described in those annual financial statements, except for the adoption of IAS 19 (revised) "Employee benefits", which has been retrospectively implemented from 1 January 2013, as described in note 2.

New standards, amendments to standards or interpretations effective in 2013

The following new standards, amendments to standards or interpretations became mandatory for the first time during the financial year beginning 1 January 2013. With the exception of IAS 19 (revised) they either were not relevant for the group or had no material impact on the financial statements of the group:

	Effective date
• IFRS 10 – Consolidated financial statements	1 January 2013
• IFRS 11 – Joint arrangements	1 January 2013
• IFRS 12 – Disclosures of interests in other entities	1 January 2013
• IFRS 13 – Fair value measurement	1 January 2013
• IAS 19 (revised 2011) - Employee benefits	1 January 2013
• IAS 27 (revised 2011) - Separate financial statements	1 January 2013
• IAS 28 (revised 2011) – Associates and joint ventures	1 January 2013

The introduction of IFRS 13 has not resulted in any change to the basis of valuation for assets and liabilities measured at fair value.

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 2015

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 2012.

Liquidity risk
At 30 June 2013, the group had in place unsecured floating rate committed loan facilities totalling £61.0 million (31 December 2012: £51.0 million). In addition to the committed facilities, local uncommitted working capital facilities of £7.5 million (31 December 2012: £7.5 million), US dollars 2.0 million (31 December 2012: US dollars 2.0 million), Czech koruna 120 million (31 December 2012: Czech koruna 120 million) and Australian dollars 0.5 million (31 December 2012: Australian dollars 0.5 million) were also in place at 30 June 2013.

The committed elements are co-ordinated bilateral facilities which were renegotiated with four banks in September 2011. In June 2013, the committed facilities were increased in size by £10.0 million. No other significant amendments were made to the committed facilities and they remain due to expire on 30 September 2016. 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 £'000	Liabilities £'000
At 30 June 2013		
Forward foreign currency contracts		
- cash flow hedge	1,442	1,261
- net investment hedge	218	-
- other	367	611
	2,027	**1,872**
At 31 December 2012		
Forward foreign currency contracts		
- cash flow hedge	2,893	286
- other	316	64
	3,209	350

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 2013 (31 December 2012: Level 2) and comprise forward foreign exchange contracts 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. 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 3 identifiable operating segments:

- Americas: which includes North America, Central America and Latin America
- Asia-Pacific: which includes Australia, New Zealand, Japan, China, Korea 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 a measure of adjusted earnings before interest and tax ("Adjusted EBIT"). This measurement basis excludes the effects of exceptional income and expenditure from the operating segments.

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 2013	30 June 2012 (restated)	**30 June 2013**	30 June 2012 (restated)	**30 June 2013**	30 June 2012 (restated)	**30 June 2013**	30 June 2012 (restated)
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£,000
Revenue								
Sales to external customers	**30,568**	28,159	**32,940**	33,812	**55,436**	53,430	**118,944**	115,401
Adjusted EBIT	**1,459**	2,745	**2,013**	3,653	**16,625**	16,260	**20,097**	22,658
Corporate overheads							**(2,239)**	(2,184)
Operating profit							**17,858**	20,474
Finance income							**13**	26
Finance cost							**(552)**	(577)
Net finance cost on pensions							**(1,131)**	(1,041)
Profit before tax							**16,188**	18,882

6. Taxation

The charge for taxation for the six months ended 30 June 2013 corresponds to a rate of tax of 16.2% on the profit for the period (six months ended 30 June 2012 restated: 19.3%), which reflects the anticipated effective rate for the year ending 31 December 2013. The charge for taxation comprises a UK corporation tax charge of £567,000 (2012 restated: credit of £94,000) and a foreign tax charge of £2,055,000 (2012 restated: £3,738,000).

The main rate of UK corporation tax fell from 24% to 23% from 1 April 2013. During the period changes to the UK Corporation tax system were announced as part of the March 2013 UK Budget Statement. A further reduction to the main rate is proposed to reduce the rate to 21% from 1 April 2014 and to 20% from 1 April 2015. These further changes had not been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

Had the change in rate to 20% been substantively enacted as of the balance sheet date, there would have been no significant impact on the accounts.

7. Earnings per share

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 (restated) £'000
Profit attributable to equity holders	**13,566**	15,238
Profit attributable to equity holders excluding net finance cost on pensions adjusted for tax	**14,514**	16,078
Earnings per share		
- Basic	**8.2p**	9.2p
- Basic excluding net finance cost on pensions	**8.7p**	9.7p
- Diluted	**8.1p**	9.1p

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders of £13,566,000 (2012 restated: £15,238,000) by 166,175,564 (2012: 165,345,231) shares, being the weighted average number of shares in issue throughout the period.

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 167,227,781 (2012: 167,450,785).

8 Dividends

The final dividend of 5.85 pence per share in respect of the year ended 31 December 2012 was paid on 3 May 2013, absorbing £9,659,000 of equity.

The interim dividend of 2.70 pence per share, which will absorb an estimated £4,501,000 of equity, will be paid on 4 October 2013 to shareholders on the register at 30 August 2013. This compares with the 2012 interim dividend of 2.65 pence per share, which absorbed £4,372,000 of equity.

9 Intangible assets

Movements in intangible assets are summarised as follows:

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 £'000
Opening net book value at 1 January	**3,336**	3,678
Exchange differences	**14**	(13)
Additions	**637**	438
Amortisation	**(532)**	(500)
Closing net book value at 30 June	**3,455**	3,603

10 Property, plant and equipment

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

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 £'000
Opening net book value at 1 January	**195,862**	180,215
Exchange differences	**424**	(4,397)
Additions	**15,297**	9,758
Disposals	**(195)**	(159)
Depreciation	**(8,209)**	(7,226)
Closing net book value at 30 June	**203,179**	178,191

Additions during the period were largely attributable to expenditure on capacity increases and upgrade and replacement in each of the four manufacturing subsidiaries.

11 Capital commitments

Capital expenditure contracted for but not provided in the financial statements is as follows:

	30 June 2013 £000	31 December 2012 £'000	30 June 2013 £000
Property, plant and equipment	**11,163**	8,159	13,780
Intangible assets	**4**	35	-
	11,167	8,194	13,780

12 Pension obligations

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

	30 June 2013 £'000	31 December 2012 £'000	30 June 2012 £'000
Pension obligations	**47,390**	59,271	51,450

The reduction in the group's pension obligations at 30 June 2013 compared with 31 December 2012 primarily reflects an increase in discount rates.

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

	30 June 2013	31 December 2012	30 June 2012
Australia	**4.20%**	3.40%	2.60%
United Kingdom	**4.60%**	4.30%	4.60%
United States	**4.42%**	3.65%	3.84%

The pension obligations have moved as follows:

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 (restated) £'000
Opening net liability	**59,271**	46,158
Employer contributions	**(3,918)**	(3,551)
Service cost	**963**	673
Scheme administrative expenses	**308**	275
Net finance cost	**1,131**	1,041
Re-measurements	**(11,666)**	6,568
Exchange losses/(gains)	**1,301**	286
Closing net liability	**47,390**	51,450

13 Equity securities issued

Details of ordinary shares of 10 pence each issued during the six months ended 30 June 2013 are as follows:

	6 months ended 30 June 2013 Shares	6 months ended 30 June 2012 Shares	**6 months ended 30 June 2013 £'000**	6 months ended 30 June 2012 £'000
Shares vested under the Devro 2003 Performance Share Plan	**1,079,000**	520,000	**1,027**	378
	========	========	**====**	===

14 Cash flows from operating activities

	6 months ended 30 June 2013 £'000	6 months ended 30 June 2012 (restated) £'000
Profit before tax	**16,188**	18,882
Adjustments for:		
Finance income	**(13)**	(26)
Finance expense	**552**	577
Net finance cost on pensions	**1,131**	1,041
Loss/(gain) on disposal of property, plant and equipment	**143**	(43)
Depreciation of property, plant and equipment	**8,209**	7,226
Amortisation of intangible assets	**532**	500
Release from capital grants reserve	**(85)**	(40)
Pension obligations	**(2,647)**	(2,362)
Performance share plan	**135**	36
Changes in working capital:		
Increase in inventories	**(7,793)**	(3,929)
Increase in trade and other receivables	**(1,335)**	(1,689)
Increase/(decrease) in trade and other payables	**661**	(1,071)
	--------	--------
Cash generated from operating activities	**15,678**	19,102
	=====	=====

15 Analysis of net debt

	30 June 2013 £'000	31 December 2012 £'000	30 June 2012 £'000
Cash and cash equivalents	**4,894**	5,631	10,441
Bank overdrafts	**(2,377)**	(1,868)	(4,931)
	2,517	3,763	5,510
Borrowings due after more than one year	**(43,381)**	(29,846)	(36,942)
	(40,864)	(26,083)	(31,432)

The increase in net debt reflects the significant level of capital expenditure during the period, together with the increase in working capital.

16 Related party transactions

The group had no related party transactions other than key management compensation during the six months ended 30 June 2013 and 30 June 2012.

Statement of directors' responsibilities

The directors' confirm that these condensed interim consolidated financial statements have been prepared in accordance with IAS 34 as adopted by the European Union, that they give a true and fair view of the assets, liabilities, financial position and profit as a whole and that the interim management report includes a fair review of the information required by the Disclosure and Transparency Rules ("DTR") 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first six months 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 financial year; and

- material related party transactions in the first six months of the financial year and any material changes in the related party transactions described in the last annual report.

The directors of Devro plc are as listed in the company's Annual Report for the year ended 31 December 2012, with the exception of the following change: Gerard Hoetmer was appointed on 30 July as non-executive director. 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
31 July 2013	31 July 2013

Independent review report to Devro plc

Introduction

We have been engaged by the company to review the condensed interim consolidated financial information in the half-yearly financial report for the six months ended 30 June 2013, which comprises the interim consolidated income statement, the interim consolidated statement of comprehensive income, the interim consolidated balance sheet, the interim consolidated statement of changes in equity, the interim consolidated cash flow statement and related 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 consolidated interim financial information.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As discussed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

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. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 United Kingdom. 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 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
Edinburgh
31 July 2013

Notes

(a) The maintenance and integrity of the Devro plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.