Shore Capital Agri-Food Seminar

Thursday, 16th May

The Royal Institution
Peter Page
Chief Executive Officer
Devro: The collagen casing company

- One of the world's leading providers of collagen casings for the processed meats sector
- Provides technical support to food manufacturers

- Over 2,000 staff across the world
- 5 manufacturing sites in Scotland, Australia, the Czech Republic and the USA

- Main raw material taken from the hide of carefully selected animals certified for food use
- A complex naturally-occurring polymer with unique characteristics

- Significant investment in the latest processes funded from internal cash generation
- Improved manufacturing performance and increased capacity
What we do...
The global leader

<table>
<thead>
<tr>
<th>Region</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1,484</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>275</td>
</tr>
<tr>
<td>America</td>
<td>386</td>
</tr>
<tr>
<td><strong>Total Employees</strong></td>
<td><strong>2,145</strong></td>
</tr>
</tbody>
</table>

Sales Offices
Hamburg, Moscow, Miami, Auckland, Beijing, Hong Kong & Tokyo
• COLLAGEN is taken from the hide of carefully selected animals certified for food use

• BOVINE hide consists of three layers and the collagen used for Devro edible casing and film is derived from the middle collagen rich layer
Many ways to skin a sausage

- 2012 global sausage production by casing type
  (15.6 million tonnes)

Source: Devro plc Market Intelligence database – 2012 by type (calibre 13-34mm)
Edible – the opportunity for collagen

- 2012 global sausage production in edible casing
  (9.4 million tonnes)

Source: Devro plc Market Intelligence database – 2012 by type (calibre 13-34mm)
Our three-part strategy

Increase revenue

Revenue growth
• Gut replacement in established 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 low unit cost technology
• Reducing costs

Collagen research and development
• Differentiated products
• Modern processes improve efficiency
• Creating new opportunities
Demand & gut supply dynamics

AUSTRALIAN LAMB / SHEEP
R12M TOTAL NUMBER OF ANIMALS SLAUGHTERED

Total number of Australian Lamb / Sheep slaughtered back to June 2010 levels
Demand & gut supply dynamics

- **Australian Lamb Runner Price Movement**
- **Australia Sheep Runner Price Movement**

Source: MLA (Meat and Livestock Australia)
Demand & gut supply dynamics

COMBINED NZ / AUSTRALIAN / UK
LAMB & SHEEP SLAUGHTER (R12M Total Number of animals)

Total number of animals slaughtered increased by 6.9% since February 2012
Demand & gut supply dynamics

Hog Gut price trend - "18m headset" before selection
(Source: The Jacobsen)
### Financial highlights

**FOR THE YEAR ENDED 31 DECEMBER 2012**

<table>
<thead>
<tr>
<th>Continuing operations</th>
<th>2012 £m</th>
<th>2011 £m</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>241.1</td>
<td>227.7</td>
<td>+ 5.9%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>59.1</td>
<td>56.5</td>
<td>+ 4.7%</td>
</tr>
<tr>
<td>Operating profit (EBIT)</td>
<td>43.2</td>
<td>42.7</td>
<td>+ 1.3%</td>
</tr>
<tr>
<td>Earnings per share excluding net finance (cost)/income on pension</td>
<td>20.7p</td>
<td>20.2p</td>
<td>+ 2.2%</td>
</tr>
<tr>
<td>Cash generated from operations</td>
<td>48.1</td>
<td>45.1</td>
<td>+ 6.7%</td>
</tr>
<tr>
<td>Dividend</td>
<td>8.5p</td>
<td>8.0p</td>
<td>+ 6.3%</td>
</tr>
</tbody>
</table>
Inputs: hide availability

- There are plenty of hides available: price and ‘leather type’ demand determine availability for raw material.

- The drivers of price are:
  - raw hide price
  - gelatine price
  - blue split price
  - automotive / upholstery leather demand
  - casing demands

# EBIT bridge

**DECEMBER 2011 EBIT TO DECEMBER 2012 EBIT**

<table>
<thead>
<tr>
<th>Factor</th>
<th>2011 (£m)</th>
<th>2012 (£m)</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price/mix</td>
<td>+3.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Volumes</td>
<td>+5.2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Manufacturing efficiencies</td>
<td>+1.6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange</td>
<td>-1.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Input costs</td>
<td>-5.8</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other costs</td>
<td>-2.3</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>EBIT 2011</strong></td>
<td>42.7</td>
<td>43.2</td>
<td></td>
</tr>
<tr>
<td><strong>EBIT 2012</strong></td>
<td>43.2</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Regulatory environment:

Animal derived products, manufactured in four countries, sold globally

- North American Free Trade Area: Mexico, Canada, U.S.
- US Department of Agriculture
- US Food & Drug Administration
- 2 AANZFTA countries: Australia and New Zealand
- ANZFA - Australia and New Zealand Food Standards Agency
- 5 South American Andean Free Trade Area member Countries
- 6 Central American Free Trade Area member Countries + US
- 10 Association of South East Asian Nations

- CODEX Alimentarius
  - 185 countries + EU
  - China
    - AQSIQ: Quality, Safety Inspection
    - CIQ: Import
  - Japan
  - Brazil
  - Indonesia

- European Union
  - European Food Safety Authority
  - European Commission
  - European Parliament
  - European Council
  - European Directorates General – DG SANCO

- 27 European Member States
  - 27 National Parliaments
  - National Veterinary Service Agency
  - 27 National Food Agencies
  - 27 Departments of Agriculture
Financial highlights – continuing operations

**Earnings per share***
- Pence
  - 2008: 7.7
  - 2009: 12.1
  - 2010: 17.5
  - 2011: 20.2
  - 2012: 20.7

**Group Revenue***
- £m
  - 2008: 164.9
  - 2009: 197.4
  - 2010: 213.6
  - 2011: 227.7
  - 2012: 241.1

**Operating profit***
- £m
  - 2008: 20.1
  - 2009: 26.6
  - 2010: 37.0
  - 2011: 42.7
  - 2012: 43.2

**Operating profit margin***
- %
  - 2008: 12.2
  - 2009: 13.5
  - 2010: 17.3
  - 2011: 18.7
  - 2012: 17.9

*All figures relate to continuing operations and are stated before exceptional items and excluding pension interest.
Thank you