For Immediate Release **31 July 2012**

Devro plc

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

Strong sales growth follows capacity expansion investments

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 2012.

Financial highlights (continuing operations)

• Revenues of £115.4m (2011: £107.1m)	**+7.7%**
• Operating profit of £20.7m (2011: £19.5m), despite higher input costs	**+6.5%**
• Profit before tax excluding net finance expense/income on pension of £20.2m (2011: £19.1m)	**+5.7%**
• Basic earnings per share excluding net finance expense/income on pension of 9.9p (2011: 9.2p)	**+7.6%**
• Interim dividend of 2.65p per share (2011: 2.5p)	**+6.0%**
• Net debt increased, as expected following the investment programme, to £31.4m (2011: £24.0m)	

Corporate highlights

- Continued strong sales growth in Japan, South East Asia, Eastern Europe and Latin America
- *Select* sales increase in Europe and Japan and now account for 8.1% of total group sales
- Recent capital expenditure delivering benefits
- Significant ongoing capital programme to deliver further capacity increase in 2013
- New board and senior management appointments

Other statutory financial highlights (continuing operations)

- Profit before tax unchanged at £19.6m (2011: £19.6m)
- Basic earnings per share unchanged at 9.5p (2011: 9.5p)

Steve Hannam, Chairman of Devro, commented

"Sales have increased across a wide range of markets and the good momentum from the second half of 2011 has continued into 2012.

"The outlook for the remainder of the year is for continued volume growth particularly of sales of differentiated products such as *Select*, supported by further manufacturing improvements arising from our capital programme.

"We remain on track to meet the Board's expectations for the full year."

For further information contact:

Peter Page	Chief Executive	0207 466 5000 (31 July 2012)
Simon Webb	Finance Director	0207 466 5000
Diane Stewart/ Charles Ryland / Carrie Clement	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/2012/devro310712/registration.asp approximately 10 minutes (9.20am) before the start of the briefing. The presentation will also be available on the company's website.

Chairman's statement and operating review

Devro has made good progress in the six months to 30 June 2012, with growth of 7.7% in sales revenue and 6.5% in operating profit from continuing operations, compared to the corresponding period in 2011.

Sales of our premium *Select* range, which is specifically designed to replicate the characteristics of high quality sheep gut in developed markets, continue to grow strongly in Japan and Europe, and we are now achieving our 2012 target for *Select* of 8% of total sales.

Following the sale of Devro GmbH on 30 September 2011, the figures in the statement refer to the continuing business, unless stated otherwise.

Operating review

Overall market

The global market for collagen casings continues to expand due to economic growth and increased meat consumption in emerging markets. High sheep gut prices and limited availability also provide good opportunities in developed markets for substitution by collagen casing.

Trading overview

Sales revenue for the first half of 2012 rose to £115.4 million from £107.1 million, with operating profits up to £20.7m from £19.5m in 2011.

This 6.5% improvement in operating profits reflects volume growth of £3.0 million, higher average selling prices of £0.9 million due mainly to the growth of *Select*, changes in country mix of £0.5 million and manufacturing efficiencies of £1.5 million. This was partly offset by higher input costs of approximately £2.1 million which are expected to remain at current levels for the second half of the year. There was also an adverse currency movement impact of £0.6 million together with general inflationary increases of £2.0 million.

Sales

Compared to 2011, edible collagen volumes and values were 9.1% and 11.0% higher respectively, as a result of the increased capacity and sales of higher value products.

Europe

Edible collagen volumes in continental Europe continue to increase, particularly in Eastern Europe, Scandinavia and Germany with sales of *Select* making a significant contribution to this increase. The Euro difficulties have had limited impact on the levels of demand and sales.

UK and Ireland volumes, as expected, were down as a small number of product lines moved back to hog gut casing.

Non edible collagen sales, which represent 5% of total revenue, were down due to a more competitive pricing environment in the non-edible casing market and a general weakness in demand which is expected to recover in the second half of the year.

Americas

Edible collagen volumes in the Americas increased considerably with solid growth in Latin American markets. Strong manufacturing performance compared to the prior year assisted in the improved availability of product to satisfy demand.

Collagen gel sales remain close to their 2011 levels with good gains at several accounts compensating for one large customer having reverted to collagen casing in 2011.

Asia/Pacific

Total volumes were up in Asia/Pacific with Japan showing significant growth reflecting the demand for *Select*. South East Asia and Korea also continue to grow.

Future developments

The Board has approved a further £35 million of investments in 2012 to increase capacity and enhance productivity, of which £10.2 million has been invested in the first half.

The recently installed lines in Scotland are now in full production and commissioning continues on the new line in the USA. Investment in additional capacity in the Czech Republic is proceeding as planned, with a small number of lines being temporarily decommissioned in sequence during the upgrade programme. This significant project will continue into 2013 and the full benefits will start to come through in late 2013.

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. Translational exposures arise from the conversion of the results of all our businesses into sterling.

The net impact of exchange rate movements on operating profit in the six months to June 2012 was adverse by £0.6 million compared to the same period in 2011.There was an overall translation loss of £1.2 million driven by the weakening of the Czech koruna against sterling partially offset by transactional gain of £0.6 million due to weak Czech koruna against euro and US dollar. Assuming exchange rates remain at the current levels, we would expect a similar effect in the second half of the year.

The group had Euro trade receivables of €12 million at 30 June 2012, of which 14% related to Spain, Portugal, Italy and Greece.

Finance

Finance income/expense

Net interest expense for the period was £0.6 million (2011: £0.4 million).

In addition there was net finance expense on pension assets and liabilities amounting to £0.6 million, which compares with net finance income of £0.5 million for the comparable period in 2011, leading to a £1.1 million adverse impact on earnings which is non-cash in nature. The 2011 income was due primarily to the return on the pension assets being assumed to be greater than the discount on the liabilities, which has not materialised at that level. This has led to a lower assumed return on net assets in the future.

Tax

The group's tax charge for the period was £3.9 million which represents an effective tax rate of 19.7% (Full year 2011: 20.5%). The group is benefiting from a low tax rate in the Czech Republic, including the impact of a capital investment incentive scheme. This is expected to continue until 2017.

Earnings per share

	6 months ended 30 June 2012	6 months ended 30 June 2011
Continuing operations:		
Basic earnings per share excluding net finance (expense)/income	**9.9p**	9.2p
Basic earnings per share	**9.5p**	9.5p

Excluding movement on pension fund expense/income, earnings per share has increased by 7.6% to 9.9 pence from 9.2 pence, reflecting the increased profitability of the business partly offset by an increase in interest costs.

Basic earnings per share has been shown excluding net finance income/expense on pension assets and liabilities in order to better reflect the underlying movement on trading results.

Net debt

Net debt was, as expected, £31.4 million at 30 June 2012 compared to £22.7 million at 31 December 2011, which reflects the cash outlay on fixed assets of £15.8 million.

Pensions

The group's retirement benefit obligations have increased from £46.2 million at 31 December 2011 to £51.5 million at 30 June 2012. This primarily reflects a further fall in discount rates.

Discussions with the trustees of the UK defined benefit pension scheme as part of the triennial valuation as at 31 March 2011 have now been concluded and it has been agreed to increase the cash contribution to fund the deficit from £1.1m to £1.5m per annum from 2013.

A special one off contribution of £0.5 million into the US defined benefit scheme is also planned in the last quarter of 2012 in order to maintain the planned funding levels.

Dividends

The Board is pleased to announce an interim dividend of 2.65 pence (2011: 2.5 pence). The interim dividend will be paid on 5 October 2012 to shareholders on the register at 31 August 2012.

Board and Senior Management Appointments

Jane Lodge joined the Board on 1 March 2012 and took over the role of Audit Committee Chair on 19 April 2012 replacing Stuart Paterson.

The senior executive team has been expanded with the appointment of a Group HR Director and a Group Strategy and Marketing Director.

Principal risks and uncertainties

The group set out in its 2011 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 disruption to supply and increases in price of key raw materials, foreign exchange rate movements, customer credit risks, increased funding of pension schemes, the impact of changes in regulations affecting food production, food industry health concerns, increases in energy costs, loss of market share/profit margins due to increased competitive pressures and development of non-casing technologies.

These risks, together with examples of mitigating activity, are set out in more detail on pages 14 and 15 of the 2011 Annual Report which is available on the Devro plc website: www.devro.com

Outlook

The outlook for the remainder of the year is for continued volume growth particularly of sales of differentiated products such as *Select*, supported by further manufacturing improvements arising from our capital programme.

We remain on track to meet the Board's expectations for the full year.

Steve Hannam	**Peter Page**
Chairman	Chief Executive

31 July 2012

Financial highlights
six months ended 30 June 2012

	30 June 2012	30 June 2011
Continuing operations		
Revenue	**£115.4m**	£107.1m
Operating profit	**£20.7m**	£19.5m
Profit before tax excluding net finance expense/income on pension	**£20.2m**	£19.1m
Basic earnings per share excluding net finance expense/income on pension	**9.9p**	9.2p
Interim dividend per share	**2.65p**	2.5p
Net debt	**£31.4m**	£24.0m
Discontinued operation		
Profit before tax	-	£0.1m

Interim consolidated income statement
for the six months ended 30 June 2012

	6 months ended 30 June 2012 (unaudited) £'000	6 months ended 30 June 2011 (unaudited) £'000
Continuing operations		
Revenue (note 5)	**115,401**	107,106
	---------	---------
Operating profit	**20,749**	19,484
Finance income	**26**	86
Finance expense	**(577)**	(468)
Net finance (expense)/income on pension assets and liabilities	**(613)**	547
	--------	--------
Profit before taxation	**19,585**	19,649
Taxation (note 7)	**(3,852)**	(4,028)
	--------	--------
Profit for the period from continuing operations	**15,733**	15,621
Discontinued operation (note 6)		
Profit for the period from discontinued operation	-	66
	--------	--------
Profit for the period	**15,733**	15,687
	=====	=====
Earnings per share continuing operations (note 8)		
Basic	**9.5p**	9.5p
Diluted	**9.4p**	9.4p

Interim consolidated statement of comprehensive income
for the six months ended 30 June 2012

	6 months ended 30 June 2012 (unaudited) £'000	6 months ended 30 June 2011 (unaudited) £'000
Profit for the period	**15,733**	15,687
	--------	--------
Other comprehensive income for the period, net of tax		
Cash flow hedges:		
- net fair value gains	**1,527**	1,361
- reclassified and reported in operating profit	**(300)**	(1,113)
- movement in deferred tax	**60**	(64)
Group pension schemes:		
- actuarial loss recognised	**(7,271)**	(505)
- movement in deferred tax	**2,373**	108
Net exchange adjustments	**(5,421)**	7,456
	--------	--------
Other comprehensive (expense)/income for the period, net of tax	**(9,032)**	7,243
	--------	--------
Total comprehensive income for the period	**6,701**	22,930
	=====	=====
Total comprehensive income arises from:		
- continuing operations	**6,701**	22,778
- discontinued operation	**-**	152
	--------	--------
	6,701	22,930
	=====	=====

Interim consolidated balance sheet
at 30 June 2012

	30 June 2012 (unaudited) £'000	31 December 2011 (audited) £'000	30 June 2011 (unaudited) £'000
Assets			
Non-current assets			
Intangible assets (note 10)	**3,603**	3,678	3,423
Property, plant and equipment (note 11)	**178,191**	180,215	170,369
Deferred tax assets	**19,632**	18,390	7,750
	201,426	202,283	181,542
Current assets			
Inventories	**30,840**	27,556	32,497
Current tax assets	**-**	779	7
Trade and other receivables	**35,816**	34,820	32,646
Derivative financial instruments	**1,544**	572	1,173
Cash and cash equivalents	**10,441**	7,614	13,402
	78,641	71,341	79,725
Assets of disposal group classified as held for sale (note 6)	**-**	-	4,934
	78,641	71,341	84,659
Total assets	**280,067**	273,624	266,201
Liabilities			
Current liabilities			
Bank overdrafts	**4,931**	2,213	4,321
Borrowings	**-**	-	33,102
Derivative financial instruments	**755**	1,615	376
Trade and other payables	**25,734**	33,256	28,700
Current tax liabilities	**4,116**	3,833	2,653
	35,536	40,917	69,152
Liabilities of disposal group classified as held for sale (note 6)	**-**	-	3,313
	35,536	40,917	72,465
Non-current liabilities			
Borrowings	**36,942**	28,103	-
Deferred tax liabilities	**16,250**	16,631	14,497
Retirement benefit obligations (note 13)	**51,450**	46,158	10,261
Other non-current liabilities	**1,356**	1,336	773
	105,998	92,228	25,531
Total liabilities	**141,534**	133,145	97,996
Net assets	**138,533**	140,479	168,205
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	**16,553**	16,501	16,465
Share premium	**7,968**	7,642	7,430
Other reserves	**75,819**	79,917	92,905
Retained earnings	**38,193**	36,419	51,405
Total equity	**138,533**	140,479	168,205

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Interim consolidated statement of changes in equity
for the six months ended 30 June 2012

	Ordinary shares £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
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	-	-	-	15,733	15,733
Other comprehensive income					
Cash flow hedges, net of tax	-	-	1,287	-	1,287
Retirement benefit obligations, net of tax	-	-	-	(4,898)	(4,898)
Exchange adjustments	-	-	(5,421)	-	(5,421)
Total other comprehensive income	-	-	(4,134)	(4,898)	(9,032)
Total comprehensive 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 (unaudited)	**16,553**	**7,968**	**75,819**	**38,193**	**138,533**
Six months ended 30 June 2011					
Balance at 1 January 2011	16,361	6,773	85,607	44,259	153,000
Comprehensive income					
Profit for the period	-	-	-	15,687	15,687
Other comprehensive income					
Cash flow hedges, net of tax	-	-	184	-	184
Retirement benefit obligations, net of tax	-	-	-	(397)	(397)
Exchange adjustments	-	-	7,456	-	7,456
Total other comprehensive income	-	-	7,640	(397)	7,243
Total comprehensive income	-	-	7,640	15,290	22,930
Transactions with owners					
Performance share plan charge	-	-	480	-	480
Performance share plan credit in respect of shares vested	-	-	(822)	-	(822)
Issue of ordinary shares	104	657	-	-	761
Dividends paid	-	-	-	(8,144)	(8,144)
Total transactions with owners	104	657	(342)	(8,144)	(7,725)
Balance at 30 June 2011 (unaudited)	16,465	7,430	92,905	51,405	168,205

Interim consolidated cash flow statement
for the six months ended 30 June 2012

	6 months ended 30 June 2012 (unaudited) £'000	6 months ended 30 June 2011 (unaudited) £'000
Cash flows from operating activities		
Continuing operations:		
- Cash generated from operations (note 15)	**19,102**	15,464
- Interest received	**47**	124
- Interest paid	**(545)**	(527)
- Tax paid	**(1,875)**	(2,905)
Discontinued operation (note 6)	**-**	(1,350)
	---------	---------
Net cash from operating activities	**16,729**	10,806
	---------	---------
Cash flows from investing activities		
Continuing operations:		
- Purchase of property, plant and equipment	**(15,752)**	(14,812)
- Proceeds from sale of property, plant and equipment	**87**	23
- Purchase of intangible assets	**(503)**	(843)
Discontinued operation (note 6)	**-**	(4)
	---------	---------
Net cash used in investing activities	**(16,168)**	(15,636)
	---------	---------
Cash flows from financing activities		
Continuing operations:		
- Proceeds from the issue of ordinary shares	**378**	761
- Net borrowing under the loan facilities	**8,995**	17,783
- Dividends paid	**(9,061)**	(8,144)
- Amounts advanced to disposal group	**-**	(915)
Discontinued operation (note 6)	**-**	915
	---------	---------
Net cash from financing activities	**312**	10,400
	---------	---------
Net increase in cash and cash equivalents	**873**	5,570
Cash and cash equivalents at beginning of period	**5,401**	2,995
Exchange (losses)/gains on cash and cash equivalents	**(764)**	935
Cash and cash equivalents	**10,441**	13,821
Bank overdrafts	**(4,931)**	(4,321)
Net cash and cash equivalents at end of period	**5,510**	9,500
Less: cash held by disposal group (note 6)	**-**	(419)
	---------	---------
Net cash and cash equivalents at end of period excluding disposal group	**5,510**	9,081
	=====	=====

Notes to the condensed interim consolidated financial statements
for the six months ended 30 June 2012 (unaudited)

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 2012.

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 24 and 25. Statutory accounts for the year ended 31 December 2011 were approved by the Board of Directors on 12 March 2012 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 2012 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 2011 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

Devro renegotiated its banking facilities in September 2011 and has new 5-year revolving facilities of £51.0 million. At 30 June 2012, 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.

3 Accounting policies

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2011, as described in those annual financial statements.

New standards, amendments to standards or interpretations effective in 2012

The following new standards, amendments to standards or interpretations became mandatory for the first time during the financial year beginning 1 January 2012. They either were not relevant for the group or had no material impact on the financial statements of the group:

	Effective date
• IAS 12 (amendments) – Income taxes	1 January 2012
• IAS 1 (amendments) – Financial statement presentation regarding other comprehensive income	1 July 2012

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
• 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

It is expected that the group will adopt these standards, amendments to standards and interpretations on their effective dates. The most relevant for the group is the amendment to IAS 19 'Employee benefits.' This amendment is not expected to have a material change to net finance income/expense on pension assets and liabilities when applied, subject to volatility going forward. The directors do not anticipate that the adoption of the other amendments to standards and interpretations will have a material impact on the financial statements of the group.

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 2011.

Liquidity risk
At 30 June 2012, the group had in place unsecured floating rate loan facilities comprising committed elements with a total of £51.0 million (31 December 2011: £51.0 million) and uncommitted working capital elements with a total of £11.9 million (31 December 2011: £9.5 million). The committed elements are co-ordinated bilateral facilities which were renegotiated with four banks in September 2011. The committed elements are 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 2012		
Forward foreign currency contracts		
- cash flow hedge	**1,296**	**523**
- other	**248**	**232**
	1,544	**755**
At 31 December 2011		
Forward foreign currency contracts		
- cash flow hedge	494	947
- other	78	668
	572	1,615

Assets and liabilities 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 assets and liabilities that are measured at fair value are classified as level 2 at 30 June 2012 (31 December 2011: Level 2).

5. Segment information

The chief operating decision maker has been identified as the Board. Historically the Board reviewed the group's financial results on a product segment basis with 3 identifiable operating segments:

Collagen casings
Distributed products
Other products

Following the sale in September 2011 of Devro Gmbh, the German distribution business, of which approximately 80% of sales related to third party distributed products (forming the bulk of the Distributed products segment), the group was left with two product segments – Collagen casings and Other products. The "Other products" segment was deemed so small that essentially the group had one operating segment. The Board recognised that this may not fully reflect how they are now managing the business. As a consequence, the Board has reconsidered its operating segments and, in order to provide more meaningful information to users of the financial statements, there are now three operating segments based on geography. Geography was previously the secondary segmental split utilised by the Board to review the group's financial results in order to assess performance and allocate resource.

The three geographical segments which have been identified to meet the requirements of IFRS 8 and which will now be reported are:

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, of which there are none in the current or prior period.

Finance income and expense, including that arising on pension assets and liabilities, is 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 continuing operations		Discontinued operation *	Total group	
	30 June 2012	30 June 2011	**30 June 2012**	30 June 2011	**30 June 2012**	30 June 2011	**30 June 2012**	30 June 2011	30 June 2011	**30 June 2012**	30 June 2011
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£,000	£'000	**£'000**	£'000
Revenue Sales to external customers	**28,159**	22,756	**33,812**	27,903	**53,430**	56,447	**115,401**	107,106	10,889	**115,401**	117,995
Adjusted EBIT	**2,840**	2,580	**3,653**	2,378	**16,441**	16,243	**22,934**	21,201	110	**22,934**	21,311
Corporate overheads							**(2,185)**	(1,717)	-	**(2,185)**	(1,717)
EBIT							**20,749**	19,484	110	**20,749**	19,594
Finance income							**26**	86	-	**26**	86
Finance expense							**(577)**	(468)	(2)	**(577)**	(470)
Net finance (expense)/income on pension							**(613)**	547	-	**613**	547
Profit before taxation							**19,585**	19,649	108	**19,585**	19,757

*There is no current period financial information relating to the discontinued operation.

6 Discontinued operation

On 30 September 2011, the group sold Devro GmbH, a wholly-owned subsidiary, to ViskoTeepak Holding Ab Ltd of Finland. The purchase price was based on adjusted net book value (excluding certain pension assets and liabilities). The estimated preliminary price of 1.9 million euros was paid on completion and after final adjustment in the first half of 2012, this price was confirmed.

As the group had reached conditional agreement for the sale on 16 June 2011, the results for the business disposed of were presented in last year's interim financial statements as a discontinued operation, and the value of the assets and liabilities being disposed of at 30 June 2011 were presented as held for sale.

There is no current year financial information relating to the discontinued operation and the prior year comparatives are set out below

(a) Income statement for discontinued operation

	6 months ended 30 June 2011 £'000
Revenue	10,889
Expenses	(10,665)
Profit before taxation from discontinued operation	224
Taxation	(73)
Profit after taxation from discontinued operation	151
Expenses associated with the disposal of the discontinued operation before taxation	(116)
Taxation	31
Expenses associated with the disposal of the discontinued operation after taxation	(85)
Profit for the period from discontinued operation	66

6 Discontinued operation (continued)

(b) Cash flows from discontinued operation

	6 months ended 30 June 2011 £'000
Net cash used in operations	(1,350)
Net cash used in investing activities	(4)
Net cash from financing activities	915
Effect on cash flows	(439)

(c) Assets and liabilities classified as held for sale

	30 June 2011 £'000
Assets	
Intangible assets	4
Property, plant and equipment	30
Inventories	2,149
Trade and other receivables	2,332
Cash	419
Total assets of the disposal group	4,934
Liabilities	
Trade and other payables	2,957
Current tax liabilities	356
Total liabilities of the disposal group	3,313
Net assets of the disposal group	1,621

7 Taxation

The charge for taxation for the six months ended 30 June 2012 corresponds to a rate of tax of 19.7% on the profit on continuing operations for the period (2011: 20.5%), which reflects the anticipated effective rate for the year ending 31 December 2012. The charge for taxation comprises a UK corporation tax credit of £30,000 (2011: charge of £135,000) and a foreign tax charge of £3,882,000 (2011: £3,893,000).

During the period changes to the UK Corporation tax system were announced as part of the March 2012 UK Budget Statement. Legislation to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013 was included in the Finance Act 2012. A further reduction to the main rate is proposed to reduce the rate to 22% from 1 April 2014. 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 22% been substantively enacted as of the balance sheet date, there would have been no significant impact on the accounts.

8 Earnings per share

	6 months ended 30 June 2012	6 months ended 30 June 2011
	£'000	£'000
Profit attributable to equity holders		
- Continuing operations	**15,733**	15,621
- Discontinued operation	**-**	66
	-------	-------
	15,733	15,687
	-------	-------
Profit attributable to equity holders excluding net finance (expense)/income on pensions (continuing operations)	**16,346**	15,074
	-------	-------
Earnings per share - continuing operations		
- Basic	**9.5p**	9.5p
- Basic excluding net finance (expense)/income on pension	**9.9p**	9.2p
- Diluted	**9.4p**	9.4p

There are no earnings per share for discontinued operations.

Basic earnings per share is calculated by dividing the profit for the period attributable to equity holders by 165,345,231 (2011: 164,129,526) 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 167,450,785 (2011: 166,674,120).

9 Dividends

The final dividend of 5.5 pence per share in respect of the year ended 31 December 2011 was paid on 4 May 2012, absorbing £9,061,000 of equity.

The interim dividend of 2.65 pence per share, which will absorb an estimated £4,382,000 of equity, will be paid on 5 October 2012 to shareholders on the register at 31 August 2012. This compares with the 2011 interim dividend of 2.5 pence per share, which absorbed £4,116,000 of equity.

10 Intangible assets

Movements in intangible assets are summarised as follows:

	6 months ended 30 June 2012 £'000	6 months ended 30 June 2011 £'000
Opening net book value at 1 January	**3,678**	2,549
Less: classified as held for sale	**-**	(4)
Exchange differences	**(13)**	34
Additions	**438**	1,012
Disposals	**-**	-
Amortisation	**(500)**	(168)
	-------	-------
Closing net book value at 30 June	**3,603**	3,423
	-------	-------

11 Property, plant and equipment

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

	6 months ended 30 June 2012 £'000	6 months ended 30 June 2011 £'000
Opening net book value at 1 January	**180,215**	157,024
Less: classified as held for sale	**-**	(38)
Exchange differences	**(4,397)**	6,180
Additions	**9,758**	14,070
Disposals	**(159)**	(122)
Depreciation	**(7,226)**	(6,745)
	----------	----------
Closing net book value at 30 June	**178,191**	170,369
	======	======

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

12 Capital commitments

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

	30 June 2012 £000	31 December 2011 £'000	30 June 2011 £000
Property, plant and equipment	**13,780**	11,956	21,180
Intangible assets	**-**	21	8
	13,780	11,977	21,188

13 Retirement benefit obligations

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

	30 June 2012 £'000	31 December 2011 £'000	30 June 2011 £'000
Retirement benefit obligations	**51,450**	46,158	10,261

The increase in the group's retirement benefit obligations at 30 June 2012 compared with 31 December 2011 primarily reflects the reduction in discount rates.

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

	30 June 2012	31 December 2011	30 June 2011
Australia	**2.60%**	3.20%	4.60%
United Kingdom	**4.60%**	4.70%	5.50%
United States	**3.84%**	4.52%	5.36%

14 Equity securities issued

Details of ordinary shares of 10 pence each issued during the six months ended 30 June 2012 are as follows:

	6 months ended 30 June 2012 Shares	6 months ended 30 June 2011 Shares	**6 months ended 30 June 2012 £'000**	6 months ended 30 June 2011 £'000
Shares vested under the Devro 2003 Performance Share Plan	**520,000**	1,036,557	**378**	761
	========	========	**===**	===

15 Cash flows from operating activities

	6 months ended 30 June 2012 £'000	6 months ended 30 June 2011 £'000
Continuing operations		
Profit before tax	**19,585**	19,649
Adjustments for:		
Finance income	**(26)**	(86)
Finance expense	**577**	468
Net finance (expense) /income on pension and post-retirement health plan assets and liabilities	**613**	(547)
(Gain)/Loss on disposal of property, plant and equipment	**(43)**	99
Loss on disposal of intangible assets	**-**	-
Depreciation of property, plant and equipment	**7,226**	6,745
Amortisation of intangible assets	**500**	168
Release from capital grants reserve	**(40)**	(20)
Expenses associated with the disposal of the discontinued operation	**-**	(116)
Retirement benefit obligations	**(2,637)**	(2,424)
Performance share plan	**36**	(342)
Changes in working capital:		
Increase in inventories	**(3,929)**	(5,508)
Increase in trade and other receivables	**(1,689)**	(1,510)
Decrease in trade and other payables	**(1,071)**	(1,112)
	--------	--------
Cash generated from continuing operations	**19,102**	15,464
	=====	=====

16 Analysis of net debt

	30 June 2012 £'000	31 December 2011 £'000	30 June 2011 £'000
Cash and cash equivalents	**10,441**	7,614	13,402
Bank overdrafts	**(4,931)**	(2,213)	(4,321)
	5,510	5,401	9,081
Borrowings:			
- Due within one year	**-**	-	(33,102)
- Due after more than one year	**(36,942)**	(28,103)	-
	(31,432)	(22,702)	(24,021)

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

17 Related party transactions

The group had no related party transactions other than key management compensation during the six months ended 30 June 2012 and 30 June 2011.

Statement of directors' responsibilities

The directors' confirm that these condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard ("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 2011, with the exception of the following changes: Jane Lodge was appointed on 1 March 2012 replacing Stuart Paterson as Audit Committee Chairman on 19 April 2012. 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 2012	31 July 2012

Independent review report to Devro plc

Introduction
We have been engaged by the company to review the condensed interim consolidated financial information in the interim financial report for the six months ended 30 June 2012, 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 interim 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 interim financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim 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 interim financial information included in this interim 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 interim financial information in the interim 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 interim financial information in the interim financial report for the six months ended 30 June 2012 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
Glasgow
31 July 2012

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.