INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012
Devro: The collagen casing company

- **Global Leader**
  - One of the world’s leading providers of collagen casings to the growing processed meats sector
  - Provides technical support to food manufacturers

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

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

- **Technology**
  - Significant investment in the latest processes funded from internal cash generation
  - Improved manufacturing performance and increased capacity
Devro: The collagen casing company

Continued progress at the half year

Investing capital for growth
Devro: Highlights

- Strong sales growth, revenues up 7.7%
- Operating profit up 6.5%, despite higher input costs
- Increasing demand for *Select* which now accounts for 8.1% of group sales
- Investment projects progressing
- New board and senior management appointments
SIMON WEBB
GROUP FINANCE DIRECTOR

DEVRO
Financial highlights
For the six months ended 30 June 2012

<table>
<thead>
<tr>
<th>Continuing Operations</th>
<th>2012 1st half £m</th>
<th>2011 1st half £m</th>
<th>Increase %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>115.4</td>
<td>107.1</td>
<td>+ 7.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>20.7</td>
<td>19.5</td>
<td>+ 6.5%</td>
</tr>
<tr>
<td>PBT excluding net finance expense/income on pension</td>
<td>20.2</td>
<td>19.1</td>
<td>+ 5.7%</td>
</tr>
<tr>
<td>Earnings per share excluding net finance expense/income on pension</td>
<td>9.9p</td>
<td>9.2p</td>
<td>+ 7.6%</td>
</tr>
<tr>
<td>Dividend</td>
<td>2.65p</td>
<td>2.5p</td>
<td>+ 6.0%</td>
</tr>
<tr>
<td>Net debt</td>
<td>31.4</td>
<td>24.0</td>
<td></td>
</tr>
<tr>
<td>Gearing</td>
<td>22.7%</td>
<td>14.3%</td>
<td></td>
</tr>
<tr>
<td>Discontinued operation PBT</td>
<td>0.0</td>
<td>0.1</td>
<td></td>
</tr>
</tbody>
</table>
## Income statement
For the six months ended 30 June 2012

<table>
<thead>
<tr>
<th>Continuing Operations</th>
<th>2012 £m</th>
<th>2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>115.4</td>
<td>107.1</td>
</tr>
<tr>
<td>Operating profit</td>
<td>20.7</td>
<td>19.5</td>
</tr>
<tr>
<td>Operating margin</td>
<td>18.0%</td>
<td>18.2%</td>
</tr>
<tr>
<td>Net interest expense</td>
<td>(0.5)</td>
<td>(0.4)</td>
</tr>
<tr>
<td>Net pension finance (expense)/income</td>
<td>(0.6)</td>
<td>0.5</td>
</tr>
<tr>
<td>Profit before taxation</td>
<td>19.6</td>
<td>19.6</td>
</tr>
<tr>
<td>Taxation</td>
<td>(3.9)</td>
<td>(4.0)</td>
</tr>
<tr>
<td>Profit for the period – continuing operations</td>
<td>15.7</td>
<td>15.6</td>
</tr>
<tr>
<td>Discontinued operation</td>
<td>-</td>
<td>0.1</td>
</tr>
<tr>
<td>Profit after taxation including discontinued operation</td>
<td>15.7</td>
<td>15.7</td>
</tr>
</tbody>
</table>
### Regional sales by destination

**Six months ended 30 June (change vs. half year 2011)**

<table>
<thead>
<tr>
<th>Region</th>
<th>2012 £’m</th>
<th>Volume %</th>
<th>Price/Mix %</th>
<th>Exchange %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>(3.0)</td>
<td>(1.3)</td>
<td>1.5</td>
<td>(5.3)</td>
<td>(5.1)</td>
</tr>
<tr>
<td>Americas</td>
<td>5.6</td>
<td>21.5</td>
<td>(0.3)</td>
<td>3.0</td>
<td>24.2</td>
</tr>
<tr>
<td>Asia/Pacific</td>
<td>5.7</td>
<td>16.7</td>
<td>0.6</td>
<td>3.6</td>
<td>20.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>8.3</strong></td>
<td><strong>6.5</strong></td>
<td><strong>2.6</strong></td>
<td><strong>(1.3)</strong></td>
<td><strong>7.7</strong></td>
</tr>
</tbody>
</table>

2012 Interim Results
EBIT bridge
June 2011 EBIT to June 2012 EBIT

EBIT H1 2011 + Volumes + Price + Mix + Manufacturing efficiencies + Foreign exchange + Input prices - RM/utilities + Wage inflation/other costs = EBIT H1 2012

19.5 + 3.0 + 0.9 + 0.5 + 1.5 + -0.6 + -2.1 + -2.0 = 20.7
Movement in net debt

<table>
<thead>
<tr>
<th></th>
<th>2012 1st half</th>
<th>2011 1st half</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>£31.4m</td>
<td>£24.0m</td>
</tr>
<tr>
<td>Gearing</td>
<td>22.7%</td>
<td>14.3%</td>
</tr>
</tbody>
</table>

- Significant ongoing investments in capital
- Invested £39.3m since 30 June 2011
- Working capital continues to be tightly managed
## Pensions

### Group Defined Benefit Pension Schemes

<table>
<thead>
<tr>
<th></th>
<th>June 2012 £m</th>
<th>Dec 2011 £m</th>
<th>June 2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension deficit</td>
<td>51.5</td>
<td>46.2</td>
<td>10.3</td>
</tr>
</tbody>
</table>

- Discount rates continue to fall

<table>
<thead>
<tr>
<th></th>
<th>June 2012 £m</th>
<th>June 2011 £m</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest (expense)/income</td>
<td>(0.6)</td>
<td>0.5</td>
</tr>
</tbody>
</table>

- Net interest expense on pensions reflects the underlying deficit of the schemes
Taxation

- Investments in Czech Republic
- Lower group tax rate expected to continue until 2017
Other key performance indicators

<table>
<thead>
<tr>
<th></th>
<th>2012 1st half</th>
<th>2011 1st half</th>
<th>Increase/ (decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROCE</td>
<td>20.4%</td>
<td>20.9%</td>
<td></td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>9.9 p</td>
<td>9.2p</td>
<td>7.6%</td>
</tr>
<tr>
<td>excluding net finance expense</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>income on pensions</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interim dividend</td>
<td>2.65p</td>
<td>2.5p</td>
<td>6.0%</td>
</tr>
</tbody>
</table>
Our three part strategy

**Revenue Growth**
- Gut replacement in established markets
- Increased demand in emerging markets
- Pricing and value for customers

**Manufacturing Efficiency**
- Maximise productivity of existing assets
- New capacity is lowest unit cost technology
- Reducing costs

**Earnings Growth & Improving Return on Capital**

**Collagen Research & Development**
- Differentiated products
  - Modern processes improve efficiency
  - Creating new opportunities
Sales

- Total revenues + 7.7%
- Volumes of edible collagen + 9.1%
- *Select* now 8.1% of total sales revenues and continuing to grow
- Average unit price edible collagen +1.7%
- ‘Gut conversions’ since 2009 account for an estimated 11.4% of sales volumes
Select casings progressing well

- Demonstrates that product differentiation is possible and profitable
Established markets

- 65% of group sales
- Volumes of edible collagen + 5.5%
- *Select* very well received in Japan
- Western Europe and Scandinavia growing – no noticeable impact of Euro woes on volumes
- UK total sausage market volumes grow but collagen as a proportion slightly lower as a small number of product lines moved back to hog gut casing
- USA edible collagen casing volumes increase
Select Tokyo Seminar
Emerging markets 35% of group sales – volume growth

**Latin America & Mexico**
- Volume +49%
- Revenue (LC) +55%
- Improved price mix
- Sales through distributors

**Eastern Europe & Russia**
- Volume +5%
- Revenue (LC) +9%
- Combination of Devro sales & distributors

**South East Asia**
- Volume +11%
- Revenue (LC) +9%
- Sales through distributors

**China**
- Volume up
- Revenue (LC) up
- Good progress on product introductions to leading manufacturers
Manufacturing and investments

- Energy costs have increased although impact partly mitigated by successful implementation of Australian co-generation facility

- Hide raw material costs have risen more than expected due to significantly lower beef production in Latin America and some reductions in the USA, and continuing transfer of processing capacity to China and Asia

- Increased efficiency of new lines helps to mitigate input cost increases although commissioning has taken longer than originally expected

- Czech investments continue on schedule for completion in H2 2013
People

• Devro Scotland *Investors in People* silver award

• 18 colleagues completed Open University Business School Management course

• Accreditation of specific food hygiene qualification for collagen casings manufacture

• Senior appointments in Human Resources, Strategy and Marketing and Group Finance

• Establishing a strong local management team in Beijing and Hong Kong
Outlook

- Global demand remains strong
- Continued sales growth for Devro: volume, value and pricing
- Input cost increases will remain for 2012
- Capacity increases and efficiency improvements will continue
- On track to meet the Board’s expectations for the full year