FULL YEAR RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2019

4TH MARCH 2020
2019 HIGHLIGHTS

• Strong growth in emerging markets

• Continued strong growth in North America

• Weak demand environment in UK, Japan and Europe

• Strong cash generation

• Overdelivery of cost savings

• Good progress on strategic priorities
2019 DEVRO MARKET POSITION

- **Mature Markets*** (circa 2/3 sales volume)
- **Emerging Markets** (circa 1/3 sales volume)

*Devro mature markets include: North America, Continental EU, UK & Ireland, Japan and Australia & NZ

**Devro emerging markets include: Latin America, Russia & East, Middle East & Africa, South East Asia and China
Mature Markets

Protein snacking growth
• North America +7% volume

Market related headwinds
• Some weaker market sentiment as a result of higher pork prices due to ASF*, lower promotional activity and inventory destocking
• Impact of lower sheep gut pricing in Japan

Fine Ultra platform launched successfully in Europe

VOLUME
• FY volume: -3%

PRICE/MIX & FX
• Price/mix: -1%
• FX: +1% due to stronger JPY and USD

* ASF – African Swine Fever
EMERGING MARKETS

Very strong H2 volume growth

- All markets (except Latin America) showed growth in H2
- Recent contract wins in Brazil will support growth in Latin America in 2020

China (+33%) and MEA (+20%) exceptional FY growth

- In China a number of new customer wins and growth with existing accounts
- In MEA recovery of volumes post 2018 listeria outbreak

SEA strong growth in Vietnam and Singapore

**VOLUME**
- FY volume: +7%

**PRICE/MIX & FX**
- Price/mix: -6%
- FX: +2% due to stronger USD
## GOOD PROGRESS ON STRATEGIC PRIORITIES – 3Cs

<table>
<thead>
<tr>
<th>Win with the winning <strong>Customers</strong></th>
<th>Developed 3 year commercial plan incorporating category strategy for each sales area which will drive growth ambition and strengthen market position</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Introduced new Avem™ poultry collagen gel</td>
</tr>
<tr>
<td></td>
<td>Fully commercialised Fine Ultra range in Europe with plans to further penetrate in Asia and Latin America</td>
</tr>
<tr>
<td>Focus on <strong>Core profitability drivers</strong></td>
<td>Cost effective capacity enhancements</td>
</tr>
<tr>
<td></td>
<td>D100 cost savings exceeded previously stated targets</td>
</tr>
<tr>
<td></td>
<td>Closure of Bellshill site in Scotland in 2020</td>
</tr>
<tr>
<td>Strengthen <strong>Competencies</strong></td>
<td>Integrated Business Planning implementation on track</td>
</tr>
<tr>
<td></td>
<td>Progress on employee engagement participation</td>
</tr>
<tr>
<td></td>
<td>Long-term strategy opportunities identified to extend current core business</td>
</tr>
<tr>
<td></td>
<td>Plan to enhance Environmental, Social and Governance (ESG) strategy</td>
</tr>
</tbody>
</table>

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**DRIVING OUR AMBITION AND VISION**
WIN WITH THE WINNING CUSTOMERS

Growth is managed through the sales cycle

01 02 03 04 05 06 07 08

8 step Devro sales cycle
from 1st engagement with the customer to receiving the order

Cluster and prioritise opportunities

Degree of difficulty
from existing product to existing customer to new product to new customer

By segment
Processed, Dried and Fresh

By product family
Fine, Select, Fresh, Fine Ultra and Stix

Focus resources
WIN WITH THE WINNING CUSTOMERS

3 year commercial plan

Balanced growth opportunities:

- Largest opportunity continues to be in Processed, reflecting global market size but also in Dried and Fresh
- Around the three pillars of: convenience & snacking, yield quality & performance and clean & sustainable
- Existing product platforms and innovation driven
- Existing and new customers – with existing, slightly modified products and new products

Reflecting different market dynamics between mature and emerging markets

Mature Markets
0 – 2% growth p.a.

Average growth expectations

Emerging Markets
6 – 10% growth p.a.
As a result of the review of global manufacturing footprint in 2019, the Group announced in Q4 2019 its intention to close the Bellshill site in Scotland in 2020.

Exceptional cost of £10.5m (including restructuring cost of £5.6m and an impairment charge of £4.9m) recognised in 2019.

Relocation of manufacturing assets within the wider Group in 2020 to better align capacity to growth ambitions – increased manufacturing options to support growth plans.

Expected annualised savings of £5.0m in 2021.
Environmental, Social and Governance (ESG)

**On track to deliver 2020 environmental targets**

**Combined Heat and Power**
Increasing energy efficiency with further opportunities in 2020

**Water Management**
Aimed at identifying significant opportunities to reduce water intake and potentially water recycling

**Hearts and Minds**
Behavioural Based Safety program – toolkit to facilitate safety cultural change based on >20 years of academic psychological research

**Engagement**
2nd annual survey with significant increase in participation
Insights leading to improvement actions across the business
COVID-19 UPDATE

01 Main priority is the health and safety of our colleagues

02 We are committed to put in all measures we can to help contain the outbreak and support the wellbeing of our employees

Current Status

- Closely monitoring impact on our manufacturing and commercial operations and global supply chain
- Nantong manufacturing location operating at normal capacity and is not facing labour or supply shortages
- Precautionary measures include:
  - Restrictions on international travel
  - Self-quarantine where appropriate
  - Reviewing business continuity plans

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Current Status

- Closely monitoring impact on our manufacturing and commercial operations and global supply chain
- Nantong manufacturing location operating at normal capacity and is not facing labour or supply shortages
- Precautionary measures include:
  - Restrictions on international travel
  - Self-quarantine where appropriate
  - Reviewing business continuity plans
FINANCIAL REVIEW
FINANCIAL REVIEW – KEY HIGHLIGHTS

01. Revenues of £250.0m, marginally lower than 2018
   Underlying operating profit £39.1m

02. Over delivery of cost savings more than offsetting inflation

03. Underlying profit before tax up 3%
    Underlying basic EPS up 4%

04. Statutory loss before tax includes non-cash impairment charge of £45.9m

05. Strong cash delivery
    Free cash flow £30.8m (2018: £11.2m)

06. Covenant net debt / EBITDA ratio 1.9x
**GROUP REVENUE**

**Volume**
- Overall sales volumes flat

**Country/Product Mix**
- Less favourable country mix (primarily growth in China – below Group average selling price)

**Other Products**
- Collagen gel (dual sourcing) and non-edible casings (market weakness in Europe)

**FX**
- Strengthening of the JPY and the USD during the year

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**2018 Revenue**

- **Volume (EC*)**: 253.4
- **Country/product mix (EC*)**: -3.9
- **Other products**: -2.7
- **FX**: +3.2
- **2019 Revenue**: 250.0

*EC – Edible Collagen
**Underlying Operating Profit**

- **Volume, Country/Product Mix, Other Products**
  - Refer slide 14

- **Cost Savings**
  - D100 programme savings including procurement, labour, energy and maintenance
  - Savings from new global operating model

- **Inflation**
  - Utility and salary inflation

- **FX**
  - Strengthening of the JPY and the USD during the year

*EC – Edible Collagen*
## Financial Summary

<table>
<thead>
<tr>
<th></th>
<th>Underlying</th>
<th></th>
<th>Statutory</th>
<th></th>
<th></th>
<th>Change</th>
<th>Statutory</th>
<th></th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2019</strong> £M</td>
<td><strong>2018</strong> £M</td>
<td><strong>Change</strong></td>
<td><strong>2019</strong> £M</td>
<td><strong>2018</strong> £M</td>
<td><strong>Change</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenue</td>
<td>250.0</td>
<td>253.4</td>
<td>-1%</td>
<td>250.0</td>
<td>253.4</td>
<td>-1%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit before non-recurring items</td>
<td>39.1</td>
<td>40.0</td>
<td>-2%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit margin before non-recurring items (%)</td>
<td>15.6%</td>
<td>15.8%</td>
<td>-20bps</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit</td>
<td>39.1</td>
<td>39.2</td>
<td>-</td>
<td>-14.0</td>
<td>26.9</td>
<td>-152%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating profit margin (%)</td>
<td>15.6%</td>
<td>15.5%</td>
<td>+10bps</td>
<td>-5.6%</td>
<td>10.6%</td>
<td>-1600bps</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance costs (%)</td>
<td>-6.0</td>
<td>-7.1</td>
<td>+15%</td>
<td>-7.8</td>
<td>-9.4</td>
<td>+17%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit before tax</td>
<td>33.1</td>
<td>32.1</td>
<td>+3%</td>
<td>-21.8</td>
<td>17.5</td>
<td>-225%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax charge</td>
<td>-7.7</td>
<td>-7.7</td>
<td>-</td>
<td>-19.6</td>
<td>-5.0</td>
<td>-292%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit after tax</td>
<td>25.4</td>
<td>24.4</td>
<td>+4%</td>
<td>-41.4</td>
<td>12.5</td>
<td>-431%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Basic EPS (pence)</td>
<td>15.2p</td>
<td>14.6p</td>
<td>+0.6p</td>
<td>-24.8p</td>
<td>7.5p</td>
<td>-32.3p</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividend per share (pence)</td>
<td>9.0p</td>
<td>9.0p</td>
<td>-</td>
<td>9.0p</td>
<td>9.0p</td>
<td>-</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# IMPAIRMENT CHARGES

In the second half of 2019 the Group reassessed its global manufacturing footprint.

Bellshill closure improves the cash generation of the Group.

However, it also triggered an impairment review of assets in the China and US plants.

As a result of this review, the following non-cash impairment charges have been recognised in exceptional items:

<table>
<thead>
<tr>
<th>Site</th>
<th>Value of impairment £M</th>
<th>Remaining assets carrying value at the end of 2019 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>US site</td>
<td>(23.0)</td>
<td>47.8</td>
</tr>
<tr>
<td>China site</td>
<td>(18.0)</td>
<td>32.2</td>
</tr>
<tr>
<td>Bellshill site</td>
<td>(4.9)</td>
<td>7.5</td>
</tr>
<tr>
<td></td>
<td><strong>(45.9)</strong></td>
<td><strong>87.5</strong></td>
</tr>
</tbody>
</table>
## IMPROVED FREE CASH FLOW

<table>
<thead>
<tr>
<th></th>
<th>2019 £M</th>
<th>2018 £M</th>
<th>Change £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying EBITDA</td>
<td>65.5</td>
<td>64.8</td>
<td>0.7</td>
</tr>
<tr>
<td>Working capital/other</td>
<td>5.8</td>
<td>-7.3</td>
<td>13.1</td>
</tr>
<tr>
<td><strong>Operating cash flow</strong></td>
<td><strong>71.3</strong></td>
<td><strong>57.5</strong></td>
<td><strong>13.8</strong></td>
</tr>
<tr>
<td>Capital expenditure</td>
<td>-13.7</td>
<td>-12.2</td>
<td>-1.5</td>
</tr>
<tr>
<td>Cash exceptional items</td>
<td>-6.3</td>
<td>-6.5</td>
<td>0.2</td>
</tr>
<tr>
<td>Pension deficit funding</td>
<td>-5.3</td>
<td>-4.9</td>
<td>-0.4</td>
</tr>
<tr>
<td>Interest</td>
<td>-5.6</td>
<td>-7.6</td>
<td>2.0</td>
</tr>
<tr>
<td>Tax</td>
<td>-9.2</td>
<td>-12.5</td>
<td>3.3</td>
</tr>
<tr>
<td>Other</td>
<td>-0.4</td>
<td>-2.6</td>
<td>2.2</td>
</tr>
<tr>
<td><strong>Free cash flow</strong></td>
<td><strong>30.8</strong></td>
<td><strong>11.2</strong></td>
<td><strong>19.6</strong></td>
</tr>
<tr>
<td>Dividends</td>
<td>-15.0</td>
<td>-14.7</td>
<td>-0.3</td>
</tr>
<tr>
<td>FX</td>
<td>2.0</td>
<td>-3.2</td>
<td>5.2</td>
</tr>
<tr>
<td>Impact of IFRS 16 (Leases)</td>
<td>-0.8</td>
<td>-</td>
<td>-0.8</td>
</tr>
<tr>
<td><strong>Movement in net debt</strong></td>
<td><strong>17.0</strong></td>
<td><strong>-6.7</strong></td>
<td><strong>23.7</strong></td>
</tr>
</tbody>
</table>

- Positive working capital movements following standardisation of the payables and receivables practices within the newly created finance shared services centre
- Capex in line with guidance
- Cash exceptional items primarily relate to implementation of new global operating model
- Pensions deficit funding in line with guidance
- Interest decreased due to restructuring of Chinese RMB borrowings and lower net debt balances
- Tax payments lower due to timing of payments in 2018
- Favourable FX impact on retranslation of USD denominated debt
## NET DEBT

<table>
<thead>
<tr>
<th></th>
<th>Dec 2019</th>
<th>June 2019</th>
<th>Dec 2018</th>
<th>Banking covenant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net debt</td>
<td>124.6</td>
<td>148.2</td>
<td>141.6</td>
<td></td>
</tr>
<tr>
<td>Covenant net debt / EBITDA ratio</td>
<td>1.9x</td>
<td>2.3x</td>
<td>2.2x</td>
<td>&lt;3.0x</td>
</tr>
<tr>
<td>Covenant EBITDA / Net interest payable ratio</td>
<td>12x</td>
<td>10x</td>
<td>9x</td>
<td>&gt;4.0x</td>
</tr>
</tbody>
</table>
PENSION DEFICIT

- Increase primarily due to change in discount rates in both UK and US
- UK deficit funding payment expected to be £2.5m in 2020
- Next triennial review of UK plan in 2020
- US deficit funding payment expected to increase from £2.8m to £5.0m in 2020 - phasing out of the legislative taper relief on US plan discount rate

<table>
<thead>
<tr>
<th></th>
<th>Dec 2019 £M</th>
<th>Dec 2018 £M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net pension deficit</td>
<td>64.1</td>
<td>54.4</td>
</tr>
</tbody>
</table>

**UK Discount Rate**

- Dec 2019: 1.95%
- Dec 2018: 2.85%

**US Discount Rate**

- Dec 2019: 2.95%
- Dec 2018: 4.05%
### 2020 MODELLING GUIDANCE (APPROXIMATIONS)

<table>
<thead>
<tr>
<th>CAPEX</th>
<th>INTEREST</th>
<th>PENSION DEFICIT FUNDING PAYMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>£18.0m (depreciation and amortisation £23.0m)</td>
<td>£5.5m</td>
<td>£7.5m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CASH EXCEPTIONAL ITEMS</th>
<th>INFLATION – SALARIES</th>
<th>COST SAVINGS (INCLUDING BELLSHILL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>£9.0m</td>
<td>£2.0m</td>
<td>£4.0m</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>VOLUME</th>
<th>CASH FLOW</th>
<th>NET DEBT/ EBITDA RATIO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall volumes to be ahead of 2019, H2 growth weighting</td>
<td>Free cash flow generation impacted by Bellshill closure</td>
<td>c. 1.9x 31 December 2020</td>
</tr>
</tbody>
</table>
OUTLOOK

• Good volume growth in emerging markets
• Mature markets
  – volume growth in the North American snacking market
  – continuation of the challenging market conditions in UK and Europe (particularly in the first half)
• Overall Group volumes to be ahead of 2019
• Cost savings are expected to more than offset inflationary cost pressures
• Absent any material adverse impact of Covid-19, the Board expects good progress in 2020
CONCLUDING COMMENTS
3Cs Strategy

- Balanced growth plans
- Aligned manufacturing capacity
- Global structure to deliver

Average growth expectations

Mature Markets average 0 – 2% growth p.a.

Emerging Markets average 6 – 10% growth p.a.

Attractive markets with different growth drivers

Strong market positions in mature markets

Increasing share from emerging markets

Profitable cash generative growth
EMEA

PRICE/MIX & FX

• Price/mix: flat

• FX: -1% due to strengthening GBP against EUR and CZK

CONTINENTAL EU*

• 2019 volume: -3%

• Weak market sentiment, higher pork prices as a result of ASF** and distributor destocking

• Fine Ultra product platform launched successfully

UK & IRELAND

• 2019 volume: -4%

• Weak market sentiment, higher pork prices as a result of ASF**

RUSSIA & EAST

• 2019 volume: -2%

• Recovery of volumes in H2 (2018 impacted by currency)

* Including Middle East & Africa
** ASF – African Swine Fever
**AMERICAS**

**PRICE/MIX & FX**
- Price/mix: -1%
- FX: +5% due to weaker GBP vs USD

**NORTH AMERICA**
- 2019 volume: +7%
- Continued market growth driven by snacking

**LATIN AMERICA**
- 2019 volume: -21%
- Performance impacted by distributors destocking
- Recent contract wins in Brazil will support growth in Latin America in 2020

* Latin America represents c.3% of total Group 2019 volumes
ASIA PACIFIC

PRICE/MIX & FX
- Price/mix: -5%
- FX: +2% due to weaker GBP vs several key currencies

SOUTH EAST ASIA
- 2019 volume: flat
- Strong growth in Vietnam and Singapore
- Growth in H2

CHINA
- 2019 volume: +33%
- ASP*: -1%
- Number of new customer wins and growth with existing accounts

AUSTRALIA & NZ
- 2019 volume: -6%
- Isolated loss of a customer due to pricing

JAPAN
- 2019 volume: -7%
- Impact of lower sheep gut pricing

* ASP – Average Selling Price
## Cost Savings

<table>
<thead>
<tr>
<th>YEAR-ON-YEAR</th>
<th>£M</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>D100</strong></td>
<td></td>
</tr>
<tr>
<td>Total (original forecast)</td>
<td>13.0 – 16.0</td>
</tr>
<tr>
<td>2017 (actual)</td>
<td>7.0</td>
</tr>
<tr>
<td>2018 (actual)</td>
<td>4.5</td>
</tr>
<tr>
<td>2019 (actual)</td>
<td>6.2</td>
</tr>
<tr>
<td><strong>Total D100</strong></td>
<td><strong>17.7</strong></td>
</tr>
</tbody>
</table>

**GLOBAL OPERATING MODEL**

| 2019 (actual) | 1.2 |

**TOTAL 2019 SAVINGS**

<p>| 7.4 |</p>
<table>
<thead>
<tr>
<th>% OF TOTAL FOR FULL YEAR  2019</th>
<th>REVENUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>US Dollar</td>
<td>32%</td>
</tr>
<tr>
<td>Euro</td>
<td>27%</td>
</tr>
<tr>
<td>Australian Dollar</td>
<td>7%</td>
</tr>
<tr>
<td>Sterling</td>
<td>12%</td>
</tr>
<tr>
<td>Japanese Yen</td>
<td>10%</td>
</tr>
<tr>
<td>Other</td>
<td>12%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>
GLOSSARY OF TERMS

**Covenant net debt** – Net debt before the impact of IFRS 16 Leases (2019: £0.8m, 2018: £nil)

**Covenant EBITDA** – EBITDA on underlying basis (before exceptional items) and before the impact of IFRS 16 (2019: £0.6m, 2018: £nil)

**Non-recurring items** – Non-recurring items relate to incremental costs incurred in 2018 associated with the Board change costs of £0.8m and disclosed separately due to their size and nature in relation to Group’s operating profit base

**Underlying operating profit** – Operating profit before exceptional items

**Underlying profit before tax** – Profit before tax before exceptional items and net finance cost on pensions

**Underlying EBITDA** – Underlying EBITDA is defined as underlying operating profit excluding depreciation and amortisation