Devro plc

2008 Interim Results Presentation

The world's leading manufacturer of collagen products for the food industry

28 August 2008





Financial Highlights

£m		2008 1st half	2007 1st half
Sales	↑	**82.7**	72.9
EBIT*	↑	**9.2**	7.9
Net Debt	↓	**34.5**	36.7
Gearing	↓	**35.7%**	43.4%

* Before exceptional items on a continuing operations basis

Peter Williams

Finance Director

Income Statement

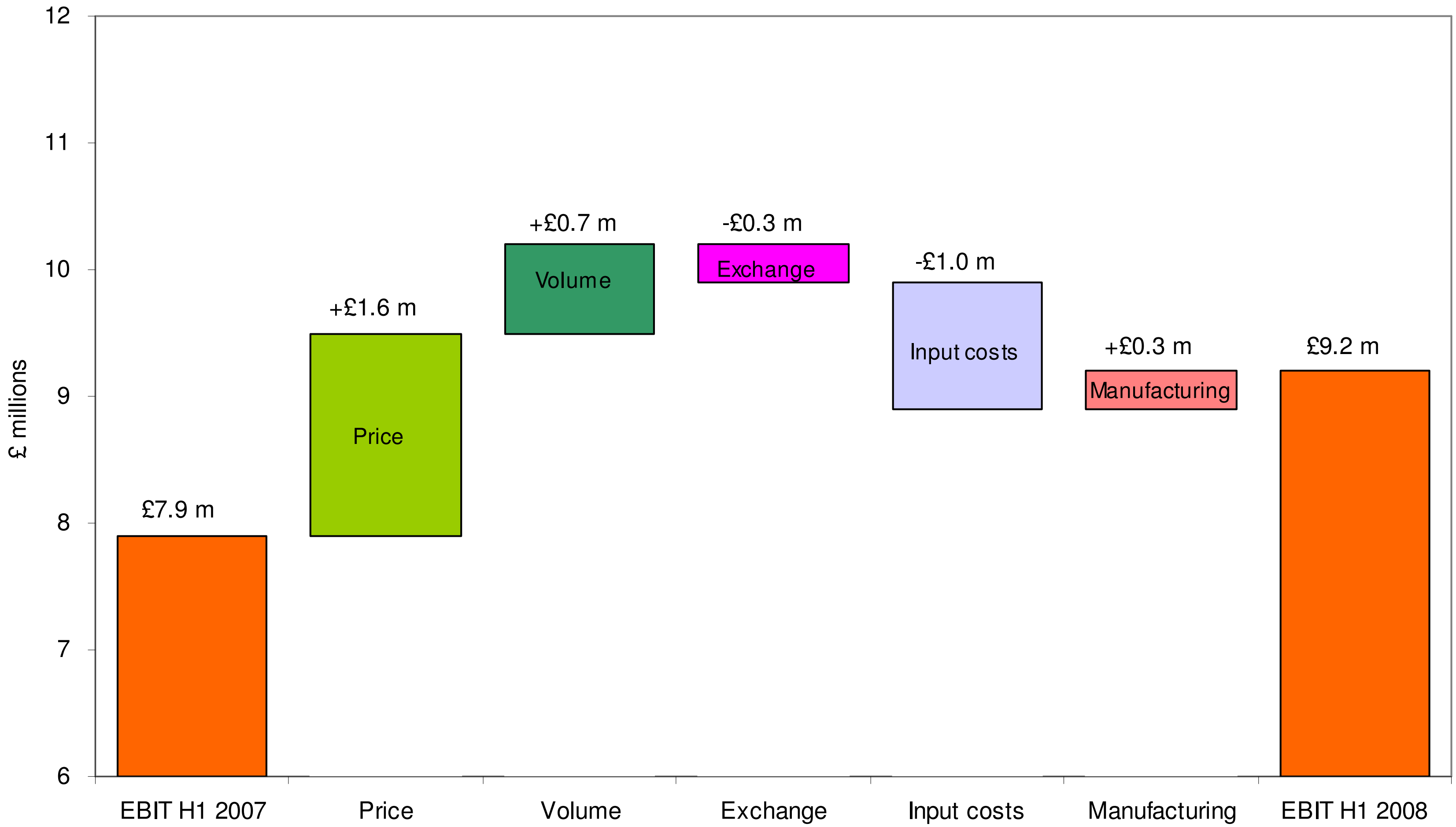
6 months to June 2008

£m	**2008** **1st half**	2007* 1st half
Group sales	**82.7**	72.9
Operating profit before exceptional items	**9.2**	7.9
Operating margin	**11.1%**	10.8%
Exceptional items	**(2.9)**	0.0
Net interest	**(1.3)**	(1.3)
Profit before tax	**5.0**	6.6
Tax	**(2.0)**	(2.0)
Profit for the period	**3.0**	4.6

* On a continuing operations basis

Summarised EBIT bridge

June 2007 EBIT to June 2008 EBIT*



* before exceptional items on a continuing operations basis

Sales Analysis 2008

Sales change vs 2007 (with prior years' changes)

1st half	**2008 vs 2007***	2007 vs 2006*	2006 vs 2005*
	%	%	%
Volume	**2.7**	3.8	0.6
Price/Mix	**2.2**	(2.6)	(0.6)
Exchange	**8.5**	(3.7)	1.7
Total	**13.4**	(2.5)	1.7

* On a continuing operations basis

Regional Sales by Destination 2008

Change vs 2007*

1st half	**2008 £m**	Volume %	Price/Mix %	Exchange %	**Total %**
Europe	**48.8**	0.3	3.0	10.5	**13.8**
Americas	**14.9**	(1.5)	6.4	0.1	**5.0**
Asia/Pacific	**19.0**	11.0	(2.2)	10.9	**19.7**
Total	**82.7**	2.7	2.2	8.5	**13.4**

* On a continuing operations basis

Exceptional Items
6 months to June 2008

£m	**2008 1st half**	2007 1st half
Impairment of Kořenov plant	**(3.1)**	-
Sale of land (Scotland)	**0.2**	0.4
Bid approach costs	**-**	(0.4)
Total exceptional costs	**(2.9)**	-

Closure costs - Kořenov plant -post balance sheet event	**(0.6)**	

Earnings and Dividend
6 months to June 2008

	2008 1st half	2007* 1st half
Earnings per share		
- Basic	**1.9p**	2.8p
- Diluted	**1.9p**	2.8p
- Before exceptional items	**3.3p**	2.9p
Dividend per share	**1.425p**	1.425p

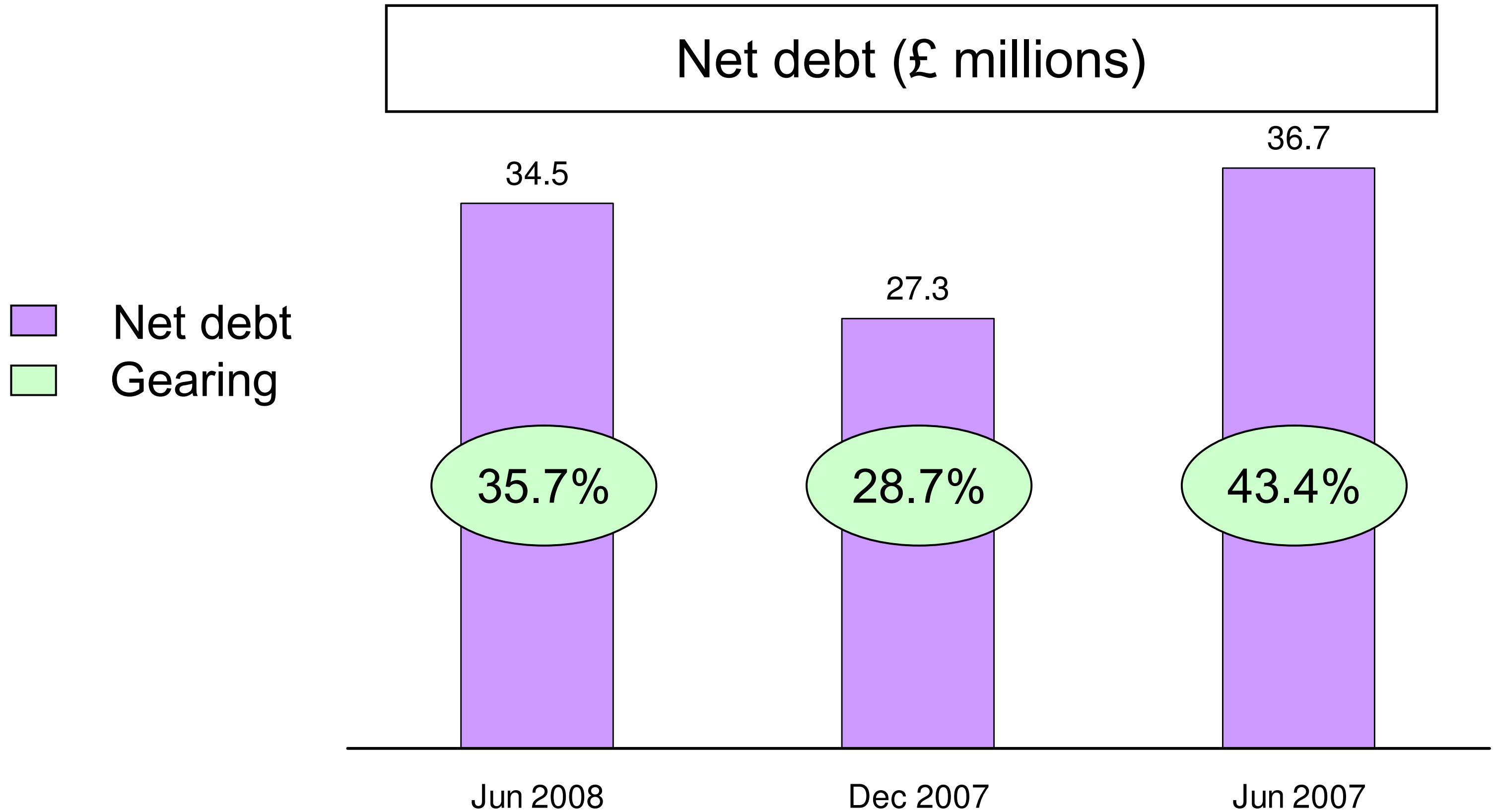
* On a continuing operations basis

Balance Sheet

£m	**30 June 2008**	31 December 2007
Non-current assets	**134.9**	122.1
Net current assets	**38.7**	28.9
Non-current liabilities	**(77.0)**	(55.9)
	96.6	95.1
Share capital and reserves	**94.6**	80.3
Retained earnings	**2.0**	14.8
	96.6	95.1
Net debt	**(34.5)**	(27.3)
Gearing	**35.7%**	28.7%
Interest cover*	**7x**	6x

*calculated on operating profit on a continuing operations basis before exceptional items

Net Debt



Net debt to EBITDA*	1.14	0.97	1.31

*on continuing operations before exceptional items

Cash Flow

6 months to June 2008

£m	**2008 1st half**	2007 1st half
Net cash inflow from operating activities	**7.7**	4.8
Net interest paid	**(1.4)**	(1.2)
Tax paid	**(2.7)**	(2.5)
Capital expenditure	**(6.0)**	(5.3)
Equity dividend paid	**(4.9)**	(4.9)
Exchange	**0.1**	(0.6)
Increase in net debt	**(7.2)**	(9.7)

Peter Page

Chief Executive

Sales Volumes

"… despite the step change to gel in the USA in 2007, global collagen casing sales volumes are expected to increase in 2008, driven by higher demand from existing customers, and initiatives to displace gut from targeted new opportunities …"

Source – Operational Review, January 2008

Volume growth of 4% for edible collagen casings achieved in H1

Established Markets

- UK: 6.2% increase in volumes
- Japan: 11% increase in volumes due to focussed technical and sales support
- USA: growth in sales revenues through superior product performance and technical support

Emerging Markets

- China: growth due to urbanisation and the displacement of low-value, plastic-cased, pasteurised products
- Asia: volume increases following sales and product presentations
- Latin America: significant conversions from gut to collagen following sales and technical initiatives
- Eastern Europe: continuing investment in food manufacturing and expanding Devro's distribution network

Pricing

"…Pricing and margin are the key priorities for 2008, in order to reverse the recent trend of declining prices, attributable to customer consolidation, erosion by currency movements, and volume-growth in lower priced markets …"

Source – Operational Review, January 2008

Sustainable Pricing

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- H1: Americas, Asia, Eastern Europe and China have all seen increases
- H2: Australasia, Japan, Western Europe and UK price increases to recover increasing costs
- Work still in progress: some key accounts in established markets

Manufacturing

"…additional volume will come from existing manufacturing capacity, with no extra capital expenditure planned to accommodate volume growth …"

Source – Operational Review, January 2008

Manufacturing

- Volumes manufactured in H1 are 2% higher than in corresponding period in 2007. New line installed in Australia during H2 2007
- Energy costs have increased by £400k compared to H1 2007, and are estimated to be £2m higher during H2
- Hide costs have been stable during H1, but we have concerns about H2 as the downturn in motor car manufacturing will have a significant effect on the tanning industry

Capital

"…at the Scottish Operations, capital expenditure will increase the volume of enhanced products designed to retain UK market share and support prices …"

Source – Operational Review, January 2008

- Manufacturing enhancements have been installed progressively throughout the year
- Improved products currently being trialled at customers to ensure the effectiveness of investments

Capital

"…there will be capital expenditure at Cutisin in the Czech Republic, to complete the process of upgrading facilities to achieve compliance with future EU Food Hygiene and Waste Water Treatment Regulations ... "

Source – Operational Review, January 2008

- Installation of new staff changing and catering facilities required for Food Hygiene compliance
- We will complete the waste water treatment improvement works by 2009

Czech Operations

- £20m invested in Czech since 2005
- Performance has exceeded all expectations
- Further £5m investment in next 18 months
- Closure of old plant, £3.1m non-cash write-off, £0.6m cash cost
- Savings of £1.5m capital spend
- From 2010, reduction of £2.0m p.a. in operating costs, and improved product quality

Current Trading & Outlook

- As stated at the Operational Review, we were expecting a ‘bumpy ride’ in 2008
- Excellent trading results for H1
  - Beginning to deliver on price increases
  - Improved manufacturing efficiency and productivity
- Higher energy costs over the next six months

“…momentum gained in the last twelve months will continue into the second half of the year.”

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