For Immediate Release **02 August 2022**

Devro plc

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Revenue growth accelerating, momentum set to continue

Devro plc ("Devro" or the "Group"), one of the world's leading manufacturers of collagen products for the food industry, announces its unaudited half year results for the six months ended 30 June 2022.

	Underlying results [i]		**Statutory results**	
	H1 2022	**H1 2021**	**H1 2022**	**H1 2021**
Revenue (£m)	129.8	119.9	129.8	119.9
Operating profit (£m)	18.6	20.3	18.6	21.0
Operating profit margin	14.3%	16.9%	14.3%	17.5%
Profit before tax (£m)	15.9	17.7	15.9	18.4
Basic earnings per share (pence)	7.5p	8.7p	7.5p	9.3p
Interim dividend per share (pence)			2.9p	2.8p

Financial Highlights

- Group revenue up 8.3% to £129.8m on prior year and constant currency up by 8.8%, primarily driven by growth in mature markets reflecting continued success of our strategy, as we take market share, and the initial benefits of our pricing actions
- Volume of edible collagen casings up 4.5%:
  - Mature markets volume up 7.6% driven by strong growth in Continental Europe & West, North America and UK & Ireland offset by weaker market conditions in Japan and Australia
  - Emerging market volume down 0.9%, against a strong comparator and due to temporary manufacturing constraints, mainly affecting China and Latin America
- Underlying operating profit of £18.6m, down 8.4%, with constant currency at £20.4m, up 0.5%. The underlying operating margin decreased to 14.3% (H1 2021: 16.9%) but on a constant currency basis was 15.6%. Operating profit reflects good operating leverage offset by inflationary pressure, which will be fully offset, mainly by higher selling prices in the full year, and higher costs to drive growth including new product development.
- Underlying basic earnings per share down 13.8% to 7.5p
- Free cash flow generation of £3.2m (H1 2021: £9.4m) reflecting good underlying cash generation, our normal seasonal increase in working capital and slightly higher capital expenditure to support our ambitious growth plans.
- Covenant net debt [ii] of £95.3m (H1 2021: £103.1m, FY 2021: £88.6m), representing net debt to EBITDA [iii] of 1.6x (H1 2021: 1.6x, FY 2021: 1.4x). £5.1m of the year-on-year increase relates to a revaluation of the Group's US dollar borrowings. We continue to expect year-on-year progress for the full year.
- Given the Group's financial position, trading performance and outlook, the Board has declared an interim dividend of 2.9p.

Strategic Highlights

- Group achieving significant and targeted price increases. Expect to fully recover inflation in full year. For 2023 further inflationary pressures, mainly energy related, and the Group is working hard to mitigate these.
- New operating capacity installed and performing well, increased output available during H2 2022 in China and Czech Republic. Based on strong demand and our planning cycle, additional capacity to be added in 2023.
- Increased investment to broaden the product offering. Strong technological and commercial progress made in the period.
- Positive ESG progress made, Group committed to SBTi.

Commenting on the outlook Rutger Helbing, Chief Executive Officer of Devro, said:

“The Group performed well in the first half, building upon the track record of recent years, and reflecting our strong and improving growth platform. The results are particularly pleasing given the challenging macroeconomic backdrop with the Group continuing to ably respond. Whilst we remain alert to global supply chain challenges and inflation, the Board’s expectations for the full year are unchanged. The Group’s robust first half performance, solid order books, pricing action and ongoing momentum gives us confidence in the full year outturn. Current foreign exchange rates could provide upside if they prevail throughout the second half.”

Contacts

Rutger Helbing	Chief Executive Officer	020 3727 1340
Rohan Cummings	Chief Financial Officer	020 3727 1340
Richard Mountain	FTI Consulting	020 3727 1340

The audiocast and presentation will be available from 7:00am on Tuesday 2 August 2022 and will be accessible using the link: https://streamstudio.world-television.com/943-1289-33225/en

The presentation will also be available on the company’s website.

www.devro.com

[i] *Underlying figures are stated before exceptional items (see Alternative Performance Measures section of the Half Year Financial Results Update for definitions and reconciliation to equivalent statutory measures).*

[ii] *Covenant net debt is shown before the impact of IFRS 16; see Alternative Performance Measures section of the Half Year Financial Results Update for definition and explanation.*

[iii] *EBITDA for covenant purposes is shown on underlying basis (before exceptional items) and before the impact of IFRS 16; see Alternative Performance Measures section of the Half Year Financial Results Update for definition and explanation.*

CEO REVIEW

The Group performed well in the first half, building upon the track record of recent years, and reflecting our strong and improving growth platform. The results are particularly pleasing given the challenging macroeconomic backdrop with the Group continuing to ably respond. This is testament to our structures, processes and people and is underpinned by our evolving 3Cs strategy. Despite the ongoing challenges we are well positioned to grow profitably in the second half and beyond.

Revenue growth, at constant currency, was the highest in many years at 8.8% to £130.4 million, a combination of price, volume and mix. The Group has responded to rising inflationary pressures in the last 12 months by instigating targeted and necessary price increases. Our aim has been to fully recover inflation in 2022 and through 2023. In the first half, inflation has run slightly ahead of price recovery but this is expected to reverse in the second half and be neutral for the full year. In the first half price increases contributed around 3% of our 8.8% constant currency revenue growth year-on-year.

The Group has again delivered good volume growth at 4.5%, which was held back by capacity constraints especially as productions lines in China and Czech were upgraded during the second quarter. Those lines are now functional and operating well, providing additional capacity for the second half. Mature markets performed better than emerging markets in this period with North America and Continental Europe the standout performers at 14.8% and 18.7% revenue growth respectively. Mix, both geographical and customer, was a positive contributor to revenue growth in the period. This partly reflects our decision to prioritise selling China-produced volume in other markets, where we achieve higher prices. We will continue to do this. From a geographical perspective, mature markets grew constant currency revenue 9.1% with volumes up 7.6% while emerging markets were up 6.2% with volume down 0.9% reflecting our capacity investment and the impact this had on production in the period, phasing of distributor orders and tougher comparators, with strong growth of 10% in H1 2021. We are pleased with the emerging markets pricing recovery. Overall, we are pleased with our revenue performance in what continue to be robust end markets.

The Group delivered underlying operating profit of £18.6 million in the first half, a small increase at constant currency, 0.5%, on the prior year or down 8.4% on a reported currency basis. As previously highlighted reported operating profit was impacted by c. £1.8 million foreign exchange headwind given the non-repeat of hedging gains from the first half 2021 of £2.9 million partially offset by a translation tailwind in the second quarter. Profitability also lagged revenue growth in the first half due to the timing of price increases being passed through, greater investment to broaden the product base longer term as well as a targeted one-off costs, including related to the industry-wide conference in Germany, held every three years. There were no exceptional costs in the period.

We continued to invest greater amounts to broaden our product offering focused on:

- new markets for existing products (commercial investment)
- new materials for existing markets (product development investment)
- new markets with new collagen based products (product development investment)

Strong commercial and technological progress has been made in the period. We are excited about the opportunities, but they remain pre-revenue in H1 as product development and commercial adaptation does take time in targeted markets. Despite this we do expect modest sales in H2. The new products are good examples of our research and development engine working better. We will update our shareholders with more information as and when appropriate.

We have also recently committed to further production capacity increases in 2023 leading to capital expenditure remaining slightly above depreciation next year. These capacity increases are required based on the multi-year demand growth we see in our planning. The financial returns on the incremental capacity are well above our cost of capital. We expect the capacity added in China and Czech Republic during the second quarter of 2022 to be fully utilised by the 2022 year-end.

The Group retains a strong balance sheet with net debt to EBITDA at 1.6 times at the end of June 2022, a little above the end of 2021 reflecting our normal working capital patterns and a £5.1m foreign exchange headwind mainly on USD denominated borrowings. Our balance sheet strength provides us with the flexibility to fund our organic growth, make targeted investments, increase our dividend and consider strategically relevant bolt-on acquisitions while having significant comfort in our financial position. The announced interim dividend is 2.9p.

We have continued to make good progress on sustainability and our ESG agenda. From an environmental perspective, the Group has completed the solar panels project in Nantong on time and the generation is ahead of our expectations. We intend to do the same in our Bathurst, Australia, facility. We have also continued to drive an improvement in our environmental metrics including carbon, water and waste in the first half. We also have committed to SBTi.

On the social front one of our initiatives is our Dignity at Work programme with a roll out of training in H2 for our people managers and leaders. We have also been supporting Ukrainian refugees by investing in an existing dormitory building to house a number of families at our Jilemnice site.

Outlook

Whilst we remain alert to global supply chain challenges and inflation, the Board's expectations for the full year are unchanged. The Group's robust first half performance, solid order books, pricing action and ongoing momentum gives us confidence in the full year outturn. Current foreign exchange rates could provide upside if they prevail throughout the second half.

HALF YEAR FINANCIAL RESULTS UPDATE

The Group continued to deliver strong growth with constant currency revenue up 8.8% in H1. This was driven by good volume growth, the initial benefits of pricing and positive mix. Operating profit was impacted by inflationary pressures and foreign exchange headwinds, however the Group still delivered a robust performance and continues to have a strong balance sheet and robust cash generation.

For the six months ended June 2022, the Group achieved volume growth of 4.5% in edible collagen casings. This was driven by mature markets growing by 7.6% with double digit growth in Continental Europe and North America. Emerging markets were broadly flat on the prior year mainly due to temporary capacity reduction as lines in Czech Republic and China were reconfigured with the increased output available in H2 2022. The new capacity is performing well. Overall demand remained strong in both Mature and Emerging markets through the first half.

Group revenue was up 8.8% on a constant currency basis and 8.3% on a reported basis. The foreign exchange headwind primarily related to a non repeat of hedging gains realised in the first half of 2021.

Group underlying operating profit was up 0.5% on a constant currency basis with underlying operating profit of £18.6m, 8.4% lower than the prior year (H1 2021: £20.3m). Revenue growth was more than offset by a combination of inflationary pressures, investment in new products and exchange headwinds. The underlying operating profit margin decreased 260 basis points to 14.3% (H1 2021: 16.9%) or 15.6% on a constant currency basis.

Underlying basic earnings per share decreased to 7.5 pence (H1 2021: 8.7 pence).

Covenant net debt closed at £95.3m and 1.6 times EBITDA, in line with prior year. Free cash flow of £3.2m (H1 2021: £9.4m) includes higher capital expenditure and the usual seasonal working capital rise. The prior year benefited from the sale of Bellshill site also. The Group remains robustly cash generative.

REVENUE

	Reported H1 2022 £m	**Constant Currency H1 2022 £m**	Reported H1 2021 £m	Change at reported currency	Change at constant currency
Revenue	**129.8**	**130.4**	119.9	8.3%	8.8%

REVENUE BRIDGE

£m change	**H1 2022 vs H1 2021**	H1 2021 vs H1 2020
Volume (EC*)	4.7	4.2
Price/country/product mix (EC*)	4.5	-0.1
Other products	1.3	-0.4
Foreign exchange	-0.6	-2.8
Total	9.9	0.9

*EC – Edible Collagen

Reported revenue increased by 8.3% and at constant currency increased by 8.8%. Edible collagen constant currency revenue grew in mature markets by 9.1%, driven by both volume growth and higher pricing. Emerging markets grew 6.2% with volume broadly flat, positive price and mix. Other products grew across all product lines. The Group had foreign exchange benefits from the weakening of Sterling against the US dollar, offset by strengthening against the Euro and Japanese Yen however this was offset by a benefit from hedging gains in H1 2021 which did not repeat in 2022. If current rates prevail for the remainder of the year, there will be a foreign exchange benefit during H2 2022.

EDIBLE COLLAGEN VOLUMES

Mature markets volume growth of 8% was driven by new business wins, continued recovery from COVID-19 and buoyancy of the snacking market in North America. The strongest performance was seen in Continental Europe with 14% growth due to new business wins in Poland, followed by North America at 12%. UK & Ireland saw 8% growth driven by the recovery of the food service sector following COVID-19 as well as gut-conversion success. This strong performance was offset by a 7% decline in Japan due post-Olympic softness and 2% decline in Australia and New Zealand due to poor weather weakening demand.

Emerging markets experienced a marginal decline of 1% in the first half due to capacity constraints, phasing of distributor orders and tough comparators. Latin America saw 8% deterioration of sales due to temporary higher inventory levels at key customers. China declined 9% due to constrained output, resulting from production line upgrades, being directed to higher value markets; however increased capacity in the second half should remedy this. Russia and East saw growth of 19% due to larger orders at the start of the year, whereas Middle East and Africa declined 15% due to timing of shipments. We have stopped shipments to Russia at the end of June. We have reallocated future volume to other markets given strong demand. South East Asia marginally increased year on year (1%). Emerging markets contributed 30% to Group edible collagen revenues, 40 bps less than in comparable period last year.

OPERATING PROFIT

Operating profit for the six months ended 30 June 2022 can be analysed as follows:

	2022 £m	2021 £m	Change
Underlying EBITDA	**29.1**	31.0	-6.1%
Depreciation & amortisation	**(10.5)**	(10.7)	1.9%
Underlying operating profit	**18.6**	20.3	-8.4%
Exceptional items	**-**	0.7	
Operating profit	**18.6**	21.0	-11.4%

Underlying operating profit of £18.6m (H1 2021: £20.3m) was down by 8.4%. An increase in volumes and pricing supported by ongoing cost savings was more than offset by inflationary pressures and foreign exchange headwinds which resulted in an operating profit decline on a reported basis. On a constant currency basis underlying operating profit was up 0.5%.

The reported operating profit for H1 2021 of £21.0m included £0.7m of exceptional income largely related to profit recognised on sale of Bellshill site.

An analysis of the overall movement in underlying operating profit is set out below:

	£m
Underlying operating profit for H1 2021	**20.3**
Volumes (EC*)	2.8
Price/country/product mix (EC*)	3.8
Contribution from other products	0.5
Manufacturing cost savings	1.7
Inflation	(7.0)
Operating expenses	(2.0)
Other costs	0.3
Foreign exchange	(1.8)
Underlying operating profit for H1 2022	**18.6**

* EC – Edible Collagen

Inflation represents an increase in raw materials, manufacturing, transportation, and salary costs. These were partially offset by realised price increases and mix benefit of £3.8m and cost savings of £1.7m, which included savings from initiatives focused on sourcing alternatives, cost reduction and efficiency programmes (focused on increasing production speeds and reducing waste and losses across sites). The Group expects to offset full year inflation with price increases. We expect particularly strong progress on pricing in emerging markets.

EXCEPTIONAL ITEMS

No exceptional items were recognised in the half year 2022. Exceptional income included in operating profit in H1 2021 of £0.7m related to profit recognised on sale of Bellshill site. Further details on exceptional items are set out in note 6 of these condensed Interim Consolidated Financial Statements.

FINANCE COSTS

The finance cost for the period was £2.3m (H1 2021: £2.2m), marginally higher due to increased interest rates on the syndicated loan.

Net finance cost on pensions for the period of £0.4m were in line with the prior year. Total finance costs amounted to £2.7m (H1 2021: £2.6m).

TAX

The Group's underlying tax charge for the period was £3.4m (H1 2021: £3.1m) and corresponds to the tax rate of 21.4% which is expected for the full year 2022. The increase on prior year is mainly due to the one off benefit in the prior year due to the UK deferred tax asset revaluation given the UK corporation tax rate change from 19% to 25%.

EARNINGS PER SHARE

To provide a better indication of the underlying performance of the Group, underlying earnings per share exclude exceptional items.

pence	**H1 2022**	H1 2021
Underlying basic earnings per share	**7.5p**	8.7p
Basic earnings per share	**7.5p**	9.3p

Underlying basic earnings per share was 7.5 pence, down on H1 2021 due to a lower reported underlying operating profit, slightly higher finance costs and a higher effective tax rate.

Basic earnings per share was not impacted by exceptional items. H1 2021, basic earnings per share excluded the exceptional profits related to the sale of the Bellshill site recognised in the first half of 2021.

CASH FLOW AND NET DEBT

The Group delivered a positive free cash flow in the first half of £3.2m. As usual, in the first half of the year the Group's working capital increased by £7.5m (H1 2021: £6.4m) reflecting inventory build-up before typically higher sales in the second part of the year.

Capital expenditure was £9.3m, up from £7.6m in H1 2021, and included required capacity investment in Czech Republic and China sites.

There were no exceptional cash items in H1 2022, compared to the net inflow in H1 2021 of £2.8m from the sale of our plant in Bellshill.

Tax payments of £4.7m were lower than the prior year (H1 2021: £5.4m) due to timing of payments.

The Group had an adverse effect on net debt of £5.1m due to the revaluation of the Group's US Dollar denominated debt.

The Group also made the interim dividend payment in H1 2022 of £4.7m (£4.5m in H1 2021).

Covenant net debt closed at £95.3m at the end of June 2022, down from £103.1m in June 2021 and up from £88.6m as at the end of December 2021.

The covenant net debt /EBITDA was 1.6 times, compared to 1.4 times at December 2021 and 1.6 times at June 2021.

	H1 2022 £m	H1 2021 £m
Underlying EBITDA	**29.1**	31.0
Working capital/other	**(7.5)**	(6.4)
Underlying operating cash flow	**21.6**	24.6
Capital expenditure	**(9.3)**	(7.6)
Cash exceptional items	**-**	2.8
Pension deficit funding	**(1.9)**	(1.7)
Interest paid	**(2.2)**	(2.3)
Tax paid	**(4.7)**	(5.4)
Other	**(0.3)**	(1.0)
Free cash flow	**3.2**	9.4
Dividends paid	**(4.7)**	(4.5)
FX movements	**(5.1)**	0.7
Movement in net debt	**(6.6)**	5.6

DIVIDEND

The final dividend for FY 2021 was paid on 22 July 2022. The Board has declared an interim dividend of 2.9 pence which will be paid on 13 January 2023 to shareholders on the register at 2 December 2022.

PENSIONS

The Group's net pension obligation decreased to £32.7m in June 2022, from £36.2m in December 2021. This change primarily related to an increase in discount rates positively impacting the valuation of UK scheme liabilities.

Pension deficit funding of £1.9m paid in H1 2022 related to the US deficit payment and was higher than £1.7m paid in H1 2021 due to an impact of strengthening of USD against sterling. In line with prior guidance, the total pension deficit payment for 2022 is expected to be circa £6.5m.

Devro plays an active role in managing its pension schemes and related liabilities, ensuring that the assets are appropriately invested and that additional contributions are made where necessary to ensure all obligations are met as they fall due.

PRINCIPAL RISKS

The Group operates a structured risk management process, which identifies and evaluates risks that could impact its performance, as well as conducts reviews of mitigation activity. The principal risks continue to be those we identified in the Group's 2021 Annual Report and Accounts: IT systems/cyber risk, changes in global political and national trading relationships, inflationary cost pressures, foreign exchange risk, increased funding requirements of pension schemes, development of non-casing technologies, loss of profit margins/ volume due to increased competitive pressures, food regulatory risk, changes in consumer demand, product contamination, operational disruption, employee engagement and the shortage of employees with relevant expertise.

Since we reported our 2021 year end performance, we have assessed that the risk of inflationary cost pressures impacting our business has materially increased. While our current expectation is that we will be able to absorb inflationary cost pressures in full through our pricing strategy and ongoing programme of cost savings, the risk that these may not continue to be wholly offset by our current mitigations is now higher. We also consider there to be an increased likelihood of global political turmoil impacting trading relationships, particularly in the aftermath of Russia's invasion of Ukraine. While we have successfully replaced sales of our casings to Russian customers following the introduction of sanctions restricting them, we judge that the higher risk of global political tension may result in trade restrictions being implemented in other hotspots across the world, (including between the UK and EU due to disagreements about Brexit withdrawal arrangements). Our broad customer base across more than 100 countries and our manufacturing footprint across four continents helps us to mitigate this risk as does our monitoring of political uncertainties and deployment of incident management processes to address specific risks if they materialise.

The previously highlighted risk regarding the shortage of employees with relevant expertise has been updated to reflect the broader challenges to attract and retain employees in all roles. This is driven by the tight labour market. We continue to offer a competitive pay package to our employees, and we continue to pursue an Employee Value Proposition to promote the benefits of employment with the group.

We also reported in our 2021 Annual Report (in response to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)) on the climate change risks which may adversely impact the business in the longer-term beyond the period for which we undertake detailed business planning. We have concluded that there has been no material change in the development of such climate-change risks since the publication of our 2021 Annual Report, but we have identified as an emerging risk, constraints on the availability of energy from renewable sources as some European nations mandate greater sourcing of energy from fossil fuels to maintain continuity of supply in the event that Russia restricts its supplies of energy to Europe in response to Western sanctions arising out of the current Ukraine conflict. We believe that any such constraints on the availability of renewable sources would be temporary but if they were to persist over an extended period, the 'net zero' ambitions of the Group (and of industry as a whole) would likely become harder to achieve.

No other new key risks have been identified.

Further details are set out on pages 38 to 42 and on page 45 of the 2021 Annual Report and Accounts which is available on the Devro plc website: www.devro.com

ALTERNATIVE PERFORMANCE MEASURES

In addition to statutory financial measures, management uses certain alternative performance measures (which are not defined by Adopted IFRS) to assess the operating performance and financial position of the Group. The alternative performance measures that Devro uses are 'constant exchange rates', 'underlying', 'earnings before interest, tax, depreciation and amortisation (EBITDA)', 'covenant EBITDA', 'net debt', 'covenant net debt', 'free cash flow' and 'return on capital employed (ROCE)'.

Constant exchange rates

The Group has worldwide operations transacting in multiple currencies and is exposed to foreign exchange rate fluctuation risks. As a result, the Group's reported revenue will be impacted by movements in actual exchange rates. The Group presents revenue growth on a constant currency basis in order to eliminate the effect of foreign exchange rate movements, enabling investors to better understand the underlying performance.

Revenue growth at constant currency is calculated by presenting both the current and prior year local currency amounts using the prior period average exchange rates and including the impact from cash flow hedges. Constant exchange rates are used in the Half Year Financial Results Update in the revenue section on page 5.

Underlying

Underlying figures are stated before exceptional items (Note 6). Exceptional items are those significant items which are incremental to normal operations and are separately disclosed by virtue of their nature or size to enable a better understanding of the Group's underlying financial performance.

The Group closed its Bellshill site in 2020 and sold it in January 2021. This transaction saw a net profit on disposal which was recognised as exceptional income in the comparable prior period. There were no exceptional items recognised in H1 2022.

A reconciliation from the underlying figures to the equivalent statutory figures is presented below:

£m unless stated otherwise	**H1 2022** **Underlying**	 **Exceptional items**	 **Statutory**	H1 2021 Underlying	 Exceptional items	 Statutory
Operating profit	**18.6**	**-**	**18.6**	20.3	0.7	21.0
Operating profit margin %	***14.3%***	***-***	***14.3%***	*16.9%*	*0.6%*	*17.5%*
Finance cost	**(2.3)**	**-**	**(2.3)**	(2.2)	-	(2.2)
Net finance cost on pensions	**(0.4)**	**-**	**(0.4)**	(0.4)	-	(0.4)
Profit before tax	**15.9**	**-**	**15.9**	17.7	0.7	18.4
Income tax	**(3.4)**	**-**	**(3.4)**	(3.1)	0.2	(2.9)
Profit attributable to owners of the company	**12.5**	**-**	**12.5**	14.6	0.9	15.5
Basic earnings per share (p)	**7.5**	**-**	**7.5**	8.7	0.6	9.3

Earnings before interest, tax, depreciation and amortisation (EBITDA)

EBITDA is defined as operating profit excluding depreciation and amortisation. This measure is used by management to assess operational efficiency and, given that it excludes non-cash depreciation and amortisation, it is a useful approximation for cash generation from operations. This measure is in common use elsewhere and a reconciliation from reported figures is shown below.

£m unless stated otherwise	**H1 2022** **Underlying**	 **Exceptional items**	 **Reported**	H1 2021 Underlying	 Exceptional items	 Reported
Operating profit	**18.6**	**-**	**18.6**	20.3	0.7	21.0
Depreciation & amortisation	**10.5**	**-**	**10.5**	10.7	-	10.7
EBITDA	**29.1**	**-**	**29.1**	31.0	0.7	31.7
EBITDA margin (%)	***22.4%***	**-**	***22.4%***	*25.9%*		*26.4%*
Less: impact of IFRS 16	**(0.3)**			(0.2)		
Covenant EBITDA	**28.8**			30.8		

Earnings per share ('EPS')

The underlying earnings per share measure, which excludes exceptional items, is used to provide a better indication of the underlying performance of the Group. Underlying basic earnings per share is calculated by dividing the underlying profit attributable to ordinary shareholders by shares, being the weighted average number of shares in issue throughout the year (H1 2022: 167,183,829; H1 2021: 166,949,022). Underlying diluted earnings per share is calculated by dividing the underlying profit for the year attributable to ordinary shareholders by the average number of shares, including the effect of all dilutive potential shares (H1 2022: 169,414,128; H1 2021: 168,683,690). Shares arising from the Performance Share Plan are only treated as dilutive where the effect is to reduce earnings per share (H1 2022: 2,230,299; H1 2021: 1,734,668).

	H1 2022		H1 2021	
	Underlying	**Statutory**	Underlying	Statutory
Profit attributable to owners of the company (£m)	**12.5**	**12.5**	14.6	15.5
Earnings per share				
- Basic (pence)	**7.5p**	**7.5p**	8.7p	9.3p
- Diluted (pence)	**7.4p**	**7.4p**	8.7p	9.2p

Net debt

Net debt is defined as the excess of total borrowings over cash and cash equivalents. It is a measure that provides additional information on the Group's financial position and is a measure in common use elsewhere. Whilst net debt is calculated using balances reported under adopted IFRS, the Group's covenants are based on net debt as accounted prior to the implementation of IFRS 16 and its impact on accounting for leases. A reconciliation from statutory figures to 'covenant net debt' is presented below:

	June 2022 £m	December 2021 £m	June 2021 £m
Current borrowings	**(57.5)**	(2.2)	(2.9)
Non-current borrowings	**(62.1)**	(111.0)	(115.8)
Total borrowings	**(119.6)**	(113.2)	(118.7)
Cash and cash equivalents	**23.3**	23.5	14.3
Net debt	**(96.3)**	(89.7)	(104.4)
Add back impact of IFRS 16	**1.0**	1.1	1.3
Covenant net debt	**(95.3)**	(88.6)	(103.1)

Cash flow

Underlying operating cash flow and free cash flow provide management with important information, in respect with how the underlying business is performing (underlying operating cash flow) and what cash is available for dividend payments (free cash flow). The table as shown in the Cash Flow and Net Debt section of the Financial Review (page 8) provides a reconciliation from underlying operating cash flow to free cash flow.

Rutger Helbing
Chief Executive Officer

Rohan Cummings
Chief Financial Officer

1 August 2022

CONDENSED INTERIM CONSOLIDATED INCOME STATEMENT (UNAUDITED)
for the six months ended 30 June

	Note	**2022** **£m**	2021 £m
Revenue	5	**129.8**	119.9
Operating profit	5	**18.6**	21.0
Finance cost		(2.3)	(2.2)
Net finance cost on pensions		(0.4)	(0.4)
Profit before tax		**15.9**	18.4
Income tax	7	**(3.4)**	(2.9)
Profit for the year attributable to owners of the Company		**12.5**	15.5
Earnings per share			
Basic	8	**7.5p**	9.3p
Diluted	8	**7.4p**	9.2p

All results relate to continuing operations.

CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
for the six months ended 30 June

	Note	**2022 £m**	2021 £m
Profit for the period attributable to the owners of the Company		**12.5**	15.5
Other comprehensive income/(expense) for the period			
Items that will not be reclassified to the profit or loss			
Pension obligations:			
- re-measurements	11	**4.2**	12.4
- movement in deferred tax		**(1.1)**	(1.1)
		3.1	11.3
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedges:			
- net fair value (losses)/gains		**(0.5)**	(1.7)
- tax on fair value movements		**0.1**	0.4
Net investment hedges:			
- fair value (losses)/gains		**(6.0)**	1.3
Net exchange adjustments		**10.4**	(3.6)
		4.0	(3.6)
Other comprehensive income for the period, net of tax		**7.1**	7.7
Total comprehensive income for the period attributable to the owners of the Company		**19.6**	23.2

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**30 June 2022 (unaudited) £m**	31 December 2021 (audited) £m	30 June 2021 (unaudited) £m
ASSETS				
Non-current assets				
Property, plant and equipment	10	**209.7**	201.7	201.1
Intangible assets		**9.0**	8.9	9.5
Deferred tax assets		**31.1**	27.6	29.0
Trade and other receivables		**1.5**	1.5	1.7
		251.3	239.7	241.3
Current assets				
Inventories		**40.7**	33.9	38.2
Trade and other receivables		**41.9**	38.0	33.7
Derivative financial instruments	4	**1.4**	0.9	2.0
Current tax assets		**1.6**	0.8	-
Cash and cash equivalents	14	**23.3**	23.5	14.3
		108.9	97.1	88.2
Total assets		**360.2**	336.8	329.5
LIABILITIES				
Current liabilities				
Trade and other payables		**(39.7)**	(38.9)	(26.9)
Dividend payable	9	**(10.9)**	-	(10.5)
Current tax liabilities		**-**	-	(1.2)
Borrowings	14	**(57.5)**	(2.2)	(2.9)
Derivative financial instruments	4	**(1.7)**	(0.7)	(0.3)
Provisions for other liabilities		**-**	-	(0.8)
		(109.8)	(41.8)	(42.6)
Non-current liabilities				
Borrowings	14	**(62.1)**	(111.0)	(115.8)
Pension obligations	11	**(32.7)**	(36.2)	(41.2)
Deferred tax liabilities		**(19.8)**	(16.6)	(17.0)
Other payables		**(2.8)**	(3.0)	(3.1)
Provisions for other liabilities		**(3.4)**	(3.0)	(2.2)
		(120.8)	(169.8)	(179.3)
Total liabilities		**(230.6)**	(211.6)	(221.9)
Net assets		**129.6**	125.2	107.6
EQUITY				
Ordinary shares	12	**16.7**	16.7	16.7
Share premium		**9.3**	9.3	9.3
Other reserves		**81.3**	77.4	76.7
Retained earnings		**22.3**	21.8	4.9
Equity attributable to the owners of the Company		**129.6**	125.2	107.6

CONDENSED INTERIM CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (UNAUDITED)
for the six months ended 30 June

	Ordinary shares £m	Share premium £m	Other reserves £m	Retained earnings £m	Total Equity £m
Balance at 1 January 2022	**16.7**	**9.3**	**77.4**	**21.8**	**125.2**
Comprehensive income/(expense)					
Profit for the period	-	-	-	12.5	12.5
Other comprehensive income/(expense)	-	-	4.0	3.1	7.1
Total comprehensive income/(expense)	-	-	4.0	15.6	19.6
Transactions with owners of the Company					
Performance Share Plan charge net of tax	-	-	0.4	-	0.4
Share options exercised under the Performance Share Plan	-	-	(0.5)	0.5	-
Dividends paid	-	-	-	(4.7)	(4.7)
Dividends payable	-	-	-	(10.9)	(10.9)
Total transactions with owners of the Company	-	-	(0.1)	(15.1)	(15.2)
Balance at 30 June 2022	**16.7**	**9.3**	**81.3**	**22.3**	**129.6**
Balance at 1 January 2021	16.7	9.3	80.1	(7.1)	99.0
Comprehensive income/(expense)					
Profit for the period	-	-	-	15.5	15.5
Other comprehensive income/(expense)	-	-	(3.6)	11.3	7.7
Total comprehensive income/(expense)	-	-	(3.6)	26.8	23.2
Transactions with owners of the Company					
Performance Share Plan charge net of tax	-	-	0.4	-	0.4
Performance Share Plan credit in respect of awards lapsed	-	-	(0.2)	0.2	-
Dividends paid	-	-	-	(4.5)	(4.5)
Dividends payable	-	-	-	(10.5)	(10.5)
Total transactions with owners of the Company	-	-	0.2	(14.8)	(14.6)
Balance at 30 June 2021	16.7	9.3	76.7	4.9	107.6

CONDENSED INTERIM CONSOLIDATED CASH FLOW STATEMENTS (UNAUDITED)
for the six months ended 30 June

	Note	**2022 £m**	2021 £m
Cash flows from operating activities			
Cash generated from operations	13	**19.7**	21.9
Interest paid		**(2.2)**	(2.3)
Tax paid		**(4.7)**	(5.4)
Net cash generated from operating activities		**12.8**	14.2
Cash flows from investing activities			
Purchase of property, plant and equipment		**(8.8)**	(7.5)
Purchase of intangible assets		**(0.5)**	(0.1)
Proceeds from disposal of property, plant and equipment		**0.1**	3.8
Net cash used in investing activities		**(9.2)**	(3.8)
Cash flows from financing activities			
Proceeds from borrowings		**5.5**	5.5
Repayment of borrowings		**(3.6)**	(20.7)
Proceeds from settlement of derivatives		**-**	0.2
Payment of lease liabilities		**(0.3)**	(0.2)
Dividend paid		**(4.7)**	(4.5)
Net cash used in financing activities		**(3.1)**	(19.7)
Net increase/(decrease) in cash and cash equivalents		**0.5**	(9.3)
Net cash and cash equivalents at 1 January		**21.8**	21.5
Net increase/(decrease) in cash and cash equivalents		**0.5**	(9.3)
Exchange gain/(loss) on cash and cash equivalents		**1.0**	(0.4)
Net cash and cash equivalents at 30 June		**23.3**	11.8
Cash and cash equivalents		**23.3**	14.3
Bank overdrafts		**-**	(2.5)
Net cash and cash equivalents at 30 June		**23.3**	11.8

Notes to the condensed Interim Consolidated Financial Statements (unaudited)
for the six months ended 30 June 2022

1. General Information

Devro plc (the Company) and its subsidiaries (the Group) is one of the world's leading manufacturers 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 which is listed on the London Stock Exchange and is incorporated and domiciled in Scotland. The address of its registered office is Moodiesburn, Chryston, Scotland, G69 0JE.

These condensed Interim Consolidated Financial Statements were approved for issue on 1 August 2022.

These condensed Interim Consolidated Financial Statements do not comprise statutory accounts within the meaning of Section 434 of the Companies Act 2006. The condensed Interim Consolidated Financial Statements are unaudited but have been reviewed by our auditors and their report is set out on pages 26 and 27. Statutory accounts for the year ended 31 December 2021 were approved by the Board of Directors on 1 March 2022 and were delivered to the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain a material uncertainty related to going concern 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 2022 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with International Accounting Standard ("IAS") 34, "Interim financial reporting" as adopted for use in the UK. The condensed Interim Consolidated Financial Statements should be read in conjunction with the annual Financial Statements for the year ended 31 December 2021 which have been prepared in accordance with UK-adopted international accounting standards.

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 relate to accounting for the carrying value of property, plant and equipment and deferred tax asset. Taking into account uncertainty of current macro economic conditions and higher inflationary environment, management does not consider that any reasonably foreseeable change in the source of estimation would have a material impact on the carrying value of plant, property and equipment and deferred tax asset in the Group's financial statements.

Going concern basis

This Half Year Results Update sets out the Group's performance for the period and financial position at period end, together with factors likely to affect its future development, performance, and position. The 2021 Annual Report outlines the business activities of the Group and note 23 describes the Group's objectives and procedures for managing its capital, its financial risk management policies, details of financial instruments and exposure to market, credit, and liquidity risk.

As part of the directors' consideration of the appropriateness of adopting the going concern basis in preparation of the Interim Report and the Financial Statements, various cash flow forecasts have been prepared along with a severe but plausible downside scenario, which includes a prolonged period of inflationary pressures combined with reduced trading activity, more detail is provided below. The Group's detailed financial forecasts indicate that there is sufficient headroom in the facilities for at least 12 months from the date of approval of this statement. The Directors have a reasonable expectation that the Group has adequate resources to continue in operation for at least 12 months from the date of approval of this statement. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

At 30 June 2022 the Group was operating within the banking covenants related to its revolving credit facility and US private placement facilities. The revolving credit facility of £105m is due to mature in June 2023, within the 12 months period of assessment for going concern. The group is well advanced with the banking syndicate to renew the facility, with an expectation of signing the renewal in September 2022. However, should this facility not be renewed, the group's financial forecasts indicate adequate headroom to operate under various scenarios having taken account of different mitigating actions within the Directors' control.

In answer to the outbreak of Covid-19 pandemic and consequential introduction of various global restrictions on commercial activities and people movement, Devro implemented a range of measures to ensure stability in its supply chain and trade and proved to deliver resilient results. The major challenge for the future years is increased levels of inflation. In making our assessments the effect of prolonged inflation has been considered in a range of levels of impact on costs, profit and cash, and the offsetting effect of controllable mitigating actions over the course of at least 12 months from the date of approval of this statement was also modelled.

For all our businesses we have sensitised the revenue (circa 2% - 3% reduction in year-on-year revenue growth rates), and costs, and assessed the profit and cash flow impact of reduced trading activity. In line with the impacts noted above, the scenarios were most sensitive to the assumptions made predominantly in production costs. In addition to inflation pressures, potential impact of key risks that could reasonably arise in the period, including disruption in supply chain or IT security leading to temporary plant closure was also considered. We have not assumed any uplift in our markets for the purpose of the scenario modelling.

In our modelling, mitigating actions are all within management control, can be initiated as they relate to discretionary spend, and do not impact our ability to meet demand. These actions include reduced operating expenses, stopping non-essential and non-committed capex spend in the forecasted period, reduction of voluntary defined benefit pension contributions and review of dividend payments.

In all the scenarios, sufficient liquidity headroom under our debt facilities remains at each month end and our forecasts did not indicate a covenant breach.

At 30 June 2022, the net debt position was £96.3m and our covenant net debt to EBITDA ratio was 1.6 times with a covenant EBITDA to net interest payable ratio of 15 times. Undrawn facilities were £48.0m with £23.3m of cash holdings as at 30 June 2022. Covenants are set at less than 3.0 times Net debt to EBITDA and more than 4.0 times EBITDA to Net Interest Payable in all our lending agreements.

3. Accounting Policies

The accounting policies adopted are consistent with those of the annual Financial Statements for the year ended 31 December 2021, as described in those annual Financial Statements.

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 2021.

Fair value of derivative financial instruments

The fair values of derivative financial instruments are as follows:

	Assets £m	Liabilities £m
At 30 June 2022		
Forward foreign currency contracts		
- cash flow hedge	**1.4**	**(1.7)**
At 30 June 2021		
Forward foreign currency contracts		
- cash flow hedge	2.0	(0.3)

Derivative financial instruments 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 derivative financial instruments that are measured at fair value are classified as Level 2 at 30 June 2022 (31 December 2021: Level 2) and comprise forward foreign exchange contracts as disclosed in the table above. The valuation techniques employed are consistent with the year-end annual report. There are no financial instruments measured as Level 3. The carrying value of non-derivative financial assets and liabilities, comprising cash and cash equivalents, trade and other receivables, trade and other payables and borrowings is considered to materially equate to their fair value.

5. Segment information

The chief operating decision maker has been identified as the Board. The Board reviews the Group's financial results on a market segment basis because they require different products and marketing strategies, with two identifiable operating segments:

- Emerging markets: Latin America, Russia & East, Middle East & Africa, South East Asia and China
- Mature markets: North America, Continental Europe UK & Ireland, Japan and Australia & New Zealand.

The Board assesses the performance of the operating segments based on revenue generated from sales to external customers. Each manufacturing site produces product for multiple sales areas and performance cannot be allocated to operating segments; the Board reviews performance by manufacturing plant regularly and manages underlying operating profit before exceptional items at the Group level. Finance income and cost and net finance cost of pensions are not included in the segment results that are reviewed by the Board. Information provided to the Board is consistent with that reflected in these Financial Statements.

Segment information for the six months ended:

	Mature		Emerging		Total Group	
	30 June 2022 £m	30 June 2021 £m	**30 June 2022 £m**	30 June 2021 £m	**30 June 2022 £m**	30 June 2021 £m
Revenue from external customers	**92.9**	85.7	**36.9**	34.2	**129.8**	119.9
Underlying operating profit					**18.6**	20.3
Exceptional items					**-**	0.7
Operating profit					**18.6**	21.0
Finance cost					**(2.3)**	(2.2)
Net finance cost on pensions					**(0.4)**	(0.4)
Profit before tax					**15.9**	18.4

6. Exceptional items

There was no exceptional income or expense recognised in the six months ended 30 June 2022.

Exceptional income included in operating profit for the six months ended 30 June 2021 was £0.7m. The 2021 income related to profit recognised on sale of Bellshill site of £1.3m and remaining costs associated closure of this site of £0.6m.

7. Tax

The tax charge for the reporting period of £3.4m (six months ended 30 June 2021: charge of £2.9m) corresponds to a tax rate of 21% (six months ended 30 June 2021: 16%). It comprises of the UK tax credit of £1.0m (six months ended 30 June 2021: £1.5m) and a foreign tax charge of £4.4m (six months ended 30 June 2021: charge of £4.4m).

The tax charge for the reporting period was calculated by applying the tax rate applicable to the total projected annual earning. This rate of tax was calculated as a weighted average of tax rates applicable in the jurisdictions the Group operates in.

In the six months ended 30 June 2021, as announced by the UK Government in H1 2021, the UK corporation tax rate will increase from 19% to 25% on 1 April 2023. For the year ended 31 December 2021, the Group's deferred tax balances were remeasured to reflect this change. The remeasurement resulted in a tax credit of £1.1m reflected in the condensed Interim Consolidated Income Statement and a credit of £1.9m presented in the condensed Interim Consolidated Statement of Other Comprehensive Income. This was a significant factor for the tax rate in the six months ended 30 June 2021 (16%) being lower than the tax rate reported for the six months ended 30 June 2022 (21%).

No additional deferred tax assets have been recognised on losses and other timing differences in the US and China and other territories as a result of uncertainty over recoverability.

8. Earnings per share

	six months ended 30 June 2022 £m	six months ended 30 June 2021 £m
Profit attributable to equity holders	**12.5**	15.5
Earnings per share		
- Basic	**7.5p**	9.3p
- Diluted	**7.4p**	9.2p
Shares in issue		
Weighted average number of shares through the period (millions)	**167.2**	166.9
Adjustments for:		
- Performance Share Plan (millions)	**2.0**	1.8
Weighted average number of shares adjusted for potential dilution (millions)	**169.2**	168.7

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.

9. Dividends

The final dividend of 6.5 pence per share in respect of the year ended 31 December 2021 was paid on 22 July 2022 and amounted to £10.9m. This is shown as dividend payable in these accounts.

The interim dividend of 2.9 pence per share (2021 interim dividend: 2.8 pence) will be payable on 13 January 2023 to ordinary shareholders on the register at the close of business on 2 December 2022.

The estimated interim dividend to be paid is £4.8m and is not recognised in these accounts.

10. Property, plant and equipment

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

	six months ended 30 June 2022 £m	six months ended 30 June 2021 £m
Net book value at 1 January	**201.7**	209.2
Additions – right of use assets	**0.1**	1.0
Additions – other	**7.8**	4.5
Impairment	**-**	(0.2)
Impairment reversal	**0.2**	-
Depreciation	**(10.0)**	(10.1)
Disposal	**(0.1)**	-
Exchange differences	**10.0**	(3.3)
Closing net book value at 30 June	**209.7**	201.1

11. Pension obligations

The Group operates a number of pension schemes throughout the world. The major schemes are of the defined benefit type in the UK, US, Australia and Germany, and are closed to new entrants. The most significant defined benefit scheme within the Group is the Devro Limited (UK) Pension Plan which operates in the UK. With the exception of Germany where book reserves are supported by insurance policies, the assets of the other defined benefit schemes are held in separate trustee-administered funds.

The net pension obligations disclosed as non-current liabilities in the Interim Consolidated Statement of Financial Position are as follows:

	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
Pension obligations	**32.7**	36.2	41.2

The decrease in the Group's net pension obligations at 30 June 2022 compared with 31 December 2021 primarily reflects the changes in financial conditions in the period resulting in changes to actuarial assumptions, including an increase in discount rates for all Plans and a decrease in inflation expectations in the UK.

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

	30 June 2022	31 December 2021	30 June 2021
United Kingdom	**3.75%**	1.80%	1.80%
United States	**4.30%**	2.55%	2.45%
Australia	**4.95%**	2.45%	1.70%
Germany	**2.70%**	0.80%	0.70%

The general inflation assumption for the UK has moved as below:

	30 June 2022	31 December 2021	30 June 2021
United Kingdom	**3.20**	3.45	3.15

The net pension obligations moved as follows:

	six months ended 30 June 2022 £m	six months ended 30 June 2021 £m
Opening net liability	**36.2**	55.2
Employer contributions	**(2.7)**	(2.7)
Service cost	**0.4**	0.5
Scheme administrative expenses	**0.6**	0.8
Net finance cost	**0.4**	0.4
Re-measurements	**(4.2)**	(12.4)
Exchange differences	**2.0**	(0.6)
Closing net liability	**32.7**	41.2

12. Equity securities issued

Group and company	**30 June 2022 £'m**	31 December 2021 £'m	30 June 2021 £'m
Issued and fully paid			
167,449,022 (2021: 166,949,022) ordinary shares of 10 pence each	**16.7**	16.7	16.7

During the six months ended 30 June 2022, 500,000 ordinary shares (nominal value of 10p each) were issued (six months ended 30 June 2021: nil) to satisfy share awards which vested as part of the Group's Performance Share Plan.

13. Reconciliation of profit before tax to cash generated from operations

	six months ended 30 June 2022 £m	six months ended 30 June 2021 £m
Profit before tax	**15.9**	18.4
Adjustments for:		
Finance cost	**2.3**	2.2
Profit on disposal	**-**	(1.3)
Net finance cost on pensions	**0.4**	0.4
Pension cost adjustment for normal contributions	**0.2**	0.3
Depreciation of property, plant and equipment	**10.0**	10.1
(Reversal)/Impairment of PPE	**(0.2)**	0.2
Amortisation of intangible assets	**0.5**	0.6
Release from capital grants balance	**-**	(0.1)
Pension deficit funding	**(1.9)**	(1.7)
Performance share plan	**0.4**	0.4
Changes in working capital:		
Increase in inventories	**(5.2)**	(1.5)
Increase in trade and other receivables	**(2.8)**	(4.8)
Decrease/(increase) in trade and other payables	**0.1**	(1.0)
Decrease/(increase) in provisions	**-**	(0.3)
Cash generated from operations	**19.7**	21.9

Underlying operating cash flows (before pension deficit funding and exceptional items)	**21.6**	24.6
Pension deficit funding	**(1.9)**	(1.7)
Exceptional items	**-**	(1.0)
Cash generated from operations	**19.7**	21.9

14. Analysis of net debt

	30 June 2022 £m	31 December 2021 £m	30 June 2021 £m
Cash and cash equivalents	**23.3**	23.5	14.3
Bank overdrafts	**-**	(1.7)	(2.5)
Net Cash and Cash Equivalents	**23.3**	21.8	11.8
Other bank borrowings	**(57.0)**	(54.8)	(60.7)
US dollar private placement	**(61.6)**	(55.6)	(54.2)
Leases	**(1.0)**	(1.1)	(1.3)
Net debt	**(96.3)**	(89.7)	(104.4)

Included within current borrowings amounting to £57.5m (31 December 2021: £2.2m) is a revolving credit facility of £57.0m due to mature in June 2023 (31 December 2021: nil), bank overdrafts of nil (31 December 2021: £1.7m) and finance leases of £0.5m (31 December 2021: £0.5m).

15. Related party transactions

The Group had no related party transactions other than key management compensation during the six months ended 30 June 2022 and 30 June 2021.

Statement of directors' responsibilities

We confirm that to the best of our knowledge:

- these condensed Interim Consolidated Financial Statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard (IAS) 34, "Interim financial reporting" as adopted for use in the UK; and

- the interim management report includes a fair review of the information required by:
  (a) DTR 4.2.7R, being an indication of important events that have occurred during the first six months of the financial year 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 year; and

  (b) DTR 4.2.8R, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

The directors of Devro plc are as listed below:
Jeremy Burks
Rohan Cummings
Steve Good
Rutger Helbing
Lesley Jackson
Rikke Mikkelsen
Malcolm Swift

A list of the current directors is maintained on the Company's website: www.devro.com.

By order of the Board

Rutger Helbing Chief Executive Officer	Rohan Cummings Chief Financial Officer
1 August 2022	*1 August 2022*

INDEPENDENT REVIEW REPORT TO DEVRO PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 which comprises condensed Interim Consolidated Income Statement, condensed Interim Consolidated Statement of Comprehensive Income, condensed Interim Consolidated Statement of Financial Position, condensed Interim Consolidated Statements of Changes in Equity, condensed Interim Consolidated Cashflow Statements and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. 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. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) 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.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 2, the latest annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mike Barradell
for and on behalf of KPMG LLP
Chartered Accountants

15 Canada Square
London
E14 5GL

1 August 2022