



**PRELIMINARY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

Devro plc (“Devro” or the “group”), the world’s leading manufacturer of collagen products for the food industry, is pleased to announce its preliminary results for the year ended 31 December 2009.

Results	2009	2008	Change
Revenue	£220.4m	£183.1m	+20%
Operating profit before exceptional items	£27.4m	£20.6m	+33%
Operating margin before exceptional items	12.4%	11.2%	
Profit before tax and exceptional items	£25.1m	£18.8m	+34%
Exceptional credit/(charge)	£1.8m	£(3.5)m	
Profit before tax	£26.9m	£15.3m	+76%
Earnings per share	12.4p	7.6p	+63%
Earnings per share before exceptional items	11.7p	8.2p	+43%
Dividend per share	5.0p	4.45p	+12%
Net debt	£15.6m	£24.0m	-35%

Commenting on the Preliminary Results, Steve Hannam, Chairman, said, “I am delighted to report on a continuing story of solid progress in the business. The performance improved throughout the year and resulted in an increase in operating profit before exceptional items of 33% compared to 2008. Cash generation was particularly pleasing, with net debt reduced from £24.0 million last year to £15.6 million this year. This excellent performance has allowed the Board to recommend an increase in final dividend for the first time in four years.”

Commenting on the outlook for 2010, Peter Page, Chief Executive, said “Devro’s markets are resilient at a time of economic uncertainty, and we view 2010 with confidence. As the supplier of a key ingredient for a widely-consumed, affordable food product, we have a good balance of opportunities. The world market for meat continues to expand, and we expect to see continuing growth in demand for casings of 4 to 5% per annum, although with significant local and regional variations.”

Enquiries:

Peter Page	Chief Executive	0207 466 5000 on 16 February
Peter Williams	Finance Director	01236 879191 thereafter
Diane Stewart	Buchanan Communications	0207 466 5000
Charles Ryland		
Carrie Clement		

There will be a presentation today at 11.00am for investment analysts. This will be held at the offices of Buchanan Communications, 45 Moorfields, London, EC2Y 9AE. A live audio feed will be available to those unable to attend this meeting in person. To connect to the web cast facility, please go to <http://mediaserve.buchanan.uk.com/2010/devro160210/registration.asp> approximately 10 minutes (10.50am) before the start of the briefing. The presentation will also be available on the company’s website.

CHAIRMAN'S STATEMENT

Introduction

In my first year as Chairman of Devro plc, I am delighted to report on a continuing story of solid progress in the business. The performance improved throughout the year and resulted in an increase in operating profit before exceptional items of 33.1% compared to 2008. Cash generation was particularly pleasing, with net debt reduced from £24.0 million last year to £15.6 million this year. This excellent performance has allowed the Board to recommend an increase in final dividend for the first time in four years.

Financial highlights

Reported revenue for 2009 was £220.4 million (2008: £183.1 million), an increase of 20.4%. On a constant currency basis, revenue would have increased by 8.8% to £199.3 million.

Operating profit before exceptional items increased by 33.1% in 2009 to £27.4 million (2008: £20.6 million). Operating margin increased from 11.2% to 12.4%. Primarily because of the currency mix of earnings, foreign exchange had only a minimal impact on operating profit.

Profit before tax and exceptional items rose 33.6% to £25.1 million (2008: £18.8 million). Pre-tax profit after exceptional items was £26.9 million in 2009 against £15.3 million in 2008.

Basic earnings per share before exceptional items for 2009 was 11.7p, up 42.7% compared with 8.2p in 2008.

During 2009, the plan under which post-retirement health care benefits were provided to certain retired employees in the United States was closed. A gain of £1.8 million was realised, reflecting the release of the provision for these costs. This has been treated as an exceptional credit in the accounts.

Net interest cost fell during the year to £0.8 million (2008: £2.4 million), reflecting less debt and lower interest rates during 2009. Net finance expense on pension assets and liabilities amounted to £1.5 million compared with income of £0.6 million in 2008.

Net debt reduced to £15.6 million (2008: £24.0 million). Working capital control was a focus during the year, and it is pleasing to note that while revenues increased by 20.4%, working capital fell by £5.7 million.

Markets

Many economies suffered a decline in 2009. We are fortunate to be operating in a market which gives global growth opportunities. Sales volumes of edible collagen casings increased by 6.0% year on year. Volumes of distributed products increased, but other products, including collagen gel, were down.

The two key drivers for our business are the growth of meat consumption in developing markets and the conversion of sausage manufacture from gut to collagen casings in both established and emerging markets. In 2009, there was particular progress in gut conversion in the UK & Ireland, Latin America and Japan. A new generation of products which we are introducing in 2010 will help us to continue to benefit from the movement of sausage manufacturers to the use of collagen casing rather than gut.

During the last year, we have increasingly taken advantage of our multiple manufacturing sites around the world to provide the best product to individual customers regardless of their location. We expect this trend to continue.

Sales of collagen gel were affected by a serious accident at a customer's manufacturing facility, which reverted to the use of collagen casing to maintain output.

Pricing continued to receive strong focus, and in 2009 we achieved price increases averaging 3.0% on a constant currency basis.

Manufacturing

Year on year, production volume increased 4.6% from the same manufacturing capacity.

A £5.0 million investment on replacement lines at Jilemnice in the Czech Republic was completed on time and on budget, and contributed to the second half performance. These lines were fully operational from July, and have resulted in significant savings in energy and operating costs. With the positive market outlook, the Board has recently approved a further £10.0 million expansion at Jilemnice which should be operational in the second half of 2010. We are also investing in a new line in Australia.

As part of the continuous improvement programme, the Scottish and Australian plants were able to make further increases in output, but our US operation had a difficult year, suffering from changes in the supply of hides, our main raw material.

As previously reported, the recession affected the supply of hides and meant that new sources had to be located, initially at higher cost. Several good new sources have been developed, mitigating the cost impact through the year. However the cost of collagen is likely to remain higher than the 2008 level during 2010.

The cost of energy had a negative impact in the first half of the year, but lower-price contracts were put in place for the second half.

Product development

In recent years, much time has been allocated to improving the way the business operates. Although there remains an ongoing efficiency programme, we can now begin to dedicate more effort to the development and introduction of a new generation of products to strengthen our market position and differentiate us from our competitors.

The year has seen the continuing success of porcine-based casings replacing gut in established markets, and the successful trialling of new casings, initially for Continental European markets, which better replicate some of the characteristics of gut. The new generation of products has the benefits of being manufactured on existing equipment and will be introduced in 2010.

Safety

The safety of our people, contractors and communities is a very important issue, and to ensure full commitment to planned process improvements and associated behavioural change initiatives, the Board has formed a Health and Safety Committee chaired by myself. It is pleasing that the Lost Working Day Injuries reduced to seven in 2009 from twenty-five in 2008, but this remains some way from our target of “zero accidents”.

Dividend

The Board is proposing a final dividend of 3.575p (2008: 3.025p) bringing the total for the year to 5.0p (4.45p). The dividend will be paid on 14 May 2010 to those on the register on 16 April 2010. This is the first increase in dividend announced since 2006, and reflects our improved performance. Realising the importance of dividends to shareholders, the Board will review the amount distributed annually, with the intention of moving dividends in line with underlying earnings, while taking into account future prospects and cash requirements of the business.

Board changes

I had the pleasure of becoming Chairman of your company in May 2009, taking over from Pat Barrett OBE after his eight years in the role. Pat had made sure that he handed over Devro in sound order and with a reinvigorated management. It is very sad that his death, shortly after relinquishing the post, will not allow him to see the results of his efforts.

Employees

Our markets are becoming much more global and the business is responding by increasingly operating as a single team. This is presenting new challenges, but there is enormous commitment to making Devro a successful company. All Devro employees have contributed to the group's performance and the Board would like to thank them for a successful year.

Outlook

Considerable progress has been made over recent years, and Devro can now look forward to a continued improving performance in its growing global market. In addition to the opportunities for further operational improvements, the investments in new capacity and product development give us confidence for the future.

Steve Hannam
Chairman

BUSINESS REVIEW

During 2009 we have continued to pursue our three key objectives of increasing sales volumes, achieving better pricing and improving efficiency. We have made good progress in these areas, building on the improvements we reported for 2008.

Sales

Global demand for collagen casings grew by more than 5.0% in 2009, and Devro kept pace by achieving a 6.0% increase in the volumes of edible collagen sold.

In established markets, we increased volumes by promoting the benefits of collagen casing at a time when gut prices were rising and supplies were constrained. In Japan, our sales volume increased 19.8% as food manufacturers saw that collagen casing provides real solutions to the challenges of rising input costs and retailers' expectations of quality. In the UK, volumes of bovine and porcine casings increased 4.2%, mainly as a result of Devro's efforts over the past two years to work more closely with customers and retailers in developing the fresh sausage category. Volumes in Australia and New Zealand rose by 5.0%, mainly attributable to the intensive levels of technical support given to key accounts. Volumes in Western European markets were fractionally higher than 2008. In the US, volumes of casings sold increased by 11.6%, but there was a 6.3% decline in collagen gel volumes as a major customer coped with a serious interruption to manufacturing at its main site by reverting to the use of collagen casing.

Emerging markets represent long-term opportunities for volume growth. Volumes sold increased a further 21.0% in China due to continuing urbanisation and the displacement of low-value, plastic-cased, pasteurised products. Latin American volumes increased by 25.7% as a result of a range of sales and technical initiatives which increased the rate of customer conversions from gut to collagen. In Asian markets other than China there was steady volume growth in all markets. However, volumes in Russia declined by 10.0% as a result of liquidity problems affecting our customers' ability to make timely payments. Volumes in Eastern Europe were lower in the early part of 2009 and finished 1.0% behind prior year.

New business won from customers converting from gut to collagen in 2009 was equivalent to more than 2.5% of Devro's annual sales. Customers are increasingly recognising the significant operational advantages of collagen, including consistency of production, food safety and traceability, and the competitive cost of collagen compared to gut.

Pricing supplemented volume growth, through increasing prices for existing customers and by changing sales mix from lower-priced to higher-priced customers and markets. Our approach to pricing continues to reflect the need for Devro to improve profitability, whilst also seeking to ensure that customers derive greater value from our products and services.

Distributed products are predominantly cellulose and fibrous casings sold on behalf of other casing manufacturers. Volumes were up 5.6% compared to prior year, and increased prices maintained margins. Agreements relating to some distribution arrangements expired at the end of 2009, and we have not sought to renew them. This will result in a reduction in volumes of distributed products sold in 2010, but we do not expect this to have a significant impact on operating profit.

Operations

We continued with initiatives to improve efficiency and performance in all our plants. We were particularly encouraged by the significant reduction in Lost Working Day Injuries across the group: seven in 2009, compared with twenty-five in 2008. Our goal continues to be that of "zero accidents".

The restructuring of our Czech plants helped to reduce carbon emissions per metre sold. There has been a continuing improvement in the level of emissions and the group now has approximately 86% of carbon usage per metre sold compared to 2005.

Other improvements in efficiency included the 4.6% increase in edible collagen product manufactured from the equivalent capacity to 2008, and a 10.0% reduction in metres of finished product held in stock.

Several capital investment projects were completed in the year. Restructuring of our Czech plants, giving expected annual savings of £2.0 million, was completed on time and on budget. Productivity and product quality initiatives at all sites have been supported with capital expenditure. Some of that expenditure will support product developments which will come on stream in 2010. In addition, investments made in the Czech Republic and Australia have contributed to our continuing compliance with environmental and food safety best practice.

Considerable time and effort has been devoted to performance improvement projects. Several quality and productivity initiatives were progressed, resulting in increased consistency and measurable cost reduction. For example, improvements in the Scottish operation contributed to a 14.0% increase in saleable output from the same capacity.

Hide supplies were constrained early in 2009, and caused some interruption to operations in the United States in the early part of the year. Supplies have since returned to constant and predictable volumes, although costs are still higher than in 2008. We have worked hard to identify and develop close relationships with new long-term suppliers. Output at our US plant has been below expectations throughout the year, and work continues to rectify this.

2009 has seen an increased level of marketing activity, researching existing markets and analysing customer requirements. Analysis of retail data has led to a better awareness of our customers' businesses. Group-wide product development projects have increased the rate of evolution in our core products.

These achievements in sales, operations and technical marketing have ensured that we have fulfilled the expectations set out in the January 2008 Operational Review.

2010 Outlook

Devro's markets are resilient at a time of economic uncertainty, and we view 2010 with confidence. As the supplier of a key ingredient for a widely-consumed, affordable food product, we have a good balance of opportunities. The world market for meat continues to expand, and we expect to see continuing growth in demand for casings of 4 to 5% per annually, although with significant local and regional variations.

Devro will be working hard to increase sales volumes by introducing casings which will continue the successful product evolution of recent years, with applications that are even more competitive with gut.

Pricing will support volume growth, particularly in situations where the Devro product and service offering is currently less valued. In 2008 and 2009 we made good progress on pricing, whilst ensuring that customers benefited from increased value. However, this work on "sustainable" pricing needs to continue in 2010 for the full benefits to be seen in earnings.

We will benefit from the recent reorganisation of our Czech plants, the addition of new lines in the Czech Republic and Australia in 2010, and ongoing improvements in productivity at all of our manufacturing sites. We are actively addressing raw materials purchasing and logistics to further improve efficiency.

Product and process developments are supported by research and development which covers product performance, plant productivity, environmental impact and specific product developments to match consumer demands.

Building for the future, planned capital investment for 2010 is expected to be in excess of £25 million. It will include an increase in capacity, environmental projects, and on-going replacement of assets. A group-wide systems upgrade is being developed during 2010 for final implementation in 2011. These projects are establishing a firm basis for future growth and will ensure Devro's continuing position as the leading global supplier of edible collagen casings.

Strategy

Our aim is to make Devro an increasingly successful supplier of collagen casings and associated products to the food industry worldwide.

Our analysis and projections indicate that the global market for casings will grow between 4 and 5% annually, in line with the increased demand for protein and meat products.

Our strategic objectives are:

1. increasing revenue in established markets by displacing gut through the introduction of a new generation of products, and by continuing to develop the technical support we give our customers;
2. increasing revenue in emerging markets by extending our sales and distribution network to have more direct contact with leading food manufacturers;
3. controlling unit costs by maximising the volume of output from our fixed assets and actively managing our primary costs of raw materials, labour and utilities.

Specific activities are under way to support each of these three objectives in order to build for the future, based on the improvements of 2008 and 2009.

Peter Page
Chief Executive

FINANCIAL REVIEW

Key performance indicators

Management uses a number of key financial indicators to assess the performance of the group. These are as follows:

- Revenue growth
 - Value growth – increase in sales achieved by the group relative to prior period
 - Volume growth – increase in number of metres or kilos of product sold by the group relative to prior period
- Operating margin – operating profit before exceptional items as a percentage of revenue
- Return on capital employed (ROCE) – operating profit before exceptional items as a percentage of average capital employed. Capital employed is defined as fixed assets plus current assets less current liabilities, excluding all balances related to interest-bearing assets and liabilities, effective hedges related to interest-bearing liabilities, any deferred tax balances, and any pension deficits or assets. Our previous definition of ROCE was based on net assets. This has now been changed to more accurately reflect the operations of the group. This change will not impact the trend in this ratio over the year
- Free cash flow – net cash flow excluding movements in borrowings, dividend payments and exceptional items
- Net Debt /Earnings before interest, tax, depreciation and amortisation (EBITDA) - measures the liquidity of the group

Revenue

Reported revenue for 2009 was £220.4 million (2008: £183.1 million), representing an increase of £37.3 million, or 20.4%, over 2008. Of this increase, £7.8 million related to volume, £8.4 million to sales price and mix, and £21.1 million to foreign currency movements.

Sales revenues by product group were as follows:

Collagen Casings		Distributed Products		Other Products		Total	
2009	2008	2009	2008	2009	2008	2009	2008
£175.6m	£144.7m	£26.5m	£21.5m	£18.3m	£16.9m	£220.4m	£183.1m

Increased sales volumes were made possible by a combination of enhanced productivity from existing facilities and a reduction in inventory volumes. Sales volumes of collagen casings rose by 4.9% overall, with edible collagen growing 6.0%. Distributed products volumes increased, but other products suffered a decline in volume, partly due to a reduction in the sales of collagen gel following an accident at a major customer in the US. The reduction in gel volumes was compensated to a large extent by additional casing sales. Overall, the volume impact on revenue amounted to a 3.8% increase.

Distributed products revenues grew by 23.2% in 2009, to £26.5 million, much of this as a result of the relative strength of the euro, the currency in which the majority of distributed products are sold. Revenue from the sale of other products, including collagen film, collagen gel, plastics and collagen for medical use, increased by 8.1% to £18.3 million, with the benefit of favourable currency movements more than offsetting an overall reduction in volumes.

Year on year revenue growth between 2006 and 2009 can be analysed as follows:

Sales Mix	2009 vs 2008	2008 vs 2007*	2007* vs 2006*
Volume	+4.3%	+3.0%	+5.6%
Price/Mix	+4.6%	+3.2%	-2.4%
Exchange	+11.5%	+11.0%	-0.9%
Total	+20.4%	+17.2%	+2.3%

*On a continuing operations basis

The trend of increasing sales volumes and pricing has continued in 2009, reflecting the focus of the business on growth while achieving a more sustainable level of pricing.

2009 revenue growth by geographical region compared to 2008 can be analysed as follows:

Region	2009	Volume	Price/Mix	Exchange	Total
Europe	£122.5 m	-0.2%	+6.8%	+7.6%	+14.2%
Americas	£42.3 m	+8.6%	+0.5%	+16.6%	+25.7%
Asia/Pacific	£55.6 m	+12.1%	+2.3%	+17.3%	+31.7%
Total	£220.4 m	+4.3%	+4.6%	+11.5%	+20.4%

European sales were marginally down in volume terms, but showed strong price growth, coupled with a movement to higher-value products. Growth in the Americas was driven by strong sales in Latin America, and selling prices moved ahead, but the adverse impact of selling lower-value products meant that the overall price/mix benefit was limited. In Asia /Pacific, we continued to see strong volume growth, particularly in China and Japan, coupled with good price increases throughout the region.

Operating Profit

The movement between 2008 and 2009 operating profit before exceptional items can be analysed as follows:

Operating profit - 2008	Price/Mix	Volume	Manufacturing	Exchange	Input Costs	Operating profit - 2009
£20.6m	+£9.2m	+£4.4m	+£2.8m	+£0.2m	-£9.8m	£27.4m

Price/Mix

Overall, we achieved a profit improvement of £9.2m from higher sales prices and sales mix. Of this, £5.6m resulted from actual increases in sales prices and £3.6m from changes to customer and product mix.

Volume

Profit impact of volume represents the gross margin earned on additional sales between 2008 and 2009.

Manufacturing

Manufacturing operations, through consistency, productivity and efficiency, again made a substantial contribution to the improved profitability of the business. There were successful performance improvement projects in our Australian and Scottish sites, and overall, the volume of product manufactured from the same facilities increased 4.6% compared to 2008. This had a favourable impact on manufacturing cost recoveries amounting to £2.8million.

Foreign currency

Devro operates worldwide and with multiple currencies. Its major transactional exposures arise from sales in euro, US dollars and Japanese yen where the manufacturing costs are in Australian dollars, Czech koruna, US dollars and sterling. Translational exposures arise from the conversion of the results of overseas companies into sterling. Sales revenues included a £21.1m benefit from exchange. However, the translation into sterling of costs denominated in other currencies and the impact of hedging contracts meant that, overall, the impact of exchange rate movements on operating profit was relatively insignificant, amounting to a benefit of £0.2 million compared to 2008.

Input costs

Due to the terms of supply contracts, energy costs continued at late 2008 levels during the first half of 2009, despite falls in actual prices. This cost an additional £3.0 million in the first half, but reducing energy prices in the second half, and the benefit of the closure of the Kořenov facility, meant the overall impact on the year was £2.0 million. We expect 2010 energy costs to be close to 2008 levels overall.

As previously reported, problems in the supply of collagen resulted in higher costs for this raw material during the year. This had varying impacts across the group, but overall had a negative cost impact of £2.3 million in the first half of the year. The supply of hides improved in the second half, but despite this, collagen costs for the full year were £2.7 million higher than 2008.

Underlying labour costs have risen during the year in line with inflation. Other operating costs have risen during the year, reflecting an investment in facilities and enhanced operational capacity, as Devro positions itself for future growth. There were also some one-off costs related to specific maintenance projects and accelerated depreciation of fixed assets during the year.

Operating margin

Operating margin increased to 12.4% for the year, compared to 11.2% for 2008, reflecting increases in sales prices and the improvement in manufacturing, offset by the increases in costs faced by the business.

Exceptional credit

During the period, the plan under which post-retirement health care benefits were provided to certain retired employees in the United States was closed. An exceptional gain of £1.8 million was realised, reflecting the release of the provision for these costs.

Capital investment

Capital expenditure in the year was £19.5 million. The major item of expenditure related to the installation of new high speed lines in our Czech manufacturing facilities in Jilemnice. These replaced lines in the old Kořenov factory that was closed during the year. The new lines were installed on time and on budget and have given savings in energy and operating costs. The full impact of these savings will be felt in 2010, and is estimated at around £2.0 million per year. Further expenditure amounting to over £10 million is being made on new lines in our Czech and Australian operations, which will increase production from the second half of 2010 onwards. In total, capital spend for 2010 is expected to be in excess of £25 million.

Environmental expenditure was also significant in 2009 with the completion of the retrofit of the waste water effluent treatment plant in Jilemnice, and projects to reduce the environmental impact of our factory in Bathurst, Australia.

Working capital

	2009		2008	
	£m	No of days	£m	No of days
Inventories	26.0	58	25.8	59
Accounts receivable	25.5	51	29.0	54
Other receivables	3.3		4.1	
Accounts payable	(10.9)	30	(10.8)	33
Accruals and other payables	(19.7)		(18.2)	
	24.2		29.9	

Our focus on managing working capital has meant that we have been able to reduce the level of inventory and debtor days while growing revenue.

Financing

Key financial measures are as follows:

	2009	2008
Net debt	£15.6m	£24.0m
Free cash flow	£18.4m	£10.3m
Net debt/EBITDA	0.39	0.74
Gearing	13.7%	21.5%
Return on Capital Employed (ROCE)	16.6%	13.4%

Free cash flow was £18.4m, a 78.7% increase on 2008, despite capital expenditure of £19.5 million, reflecting strong working capital management. Additional contributions of £1.7 million were made to the group's defined benefit pension schemes during the year.

ROCE has improved through increased profitability without a corresponding increase in the level of capital employed.

Interest cost

Net interest cost for the year was £0.8 million (2008: £2.4 million). This reduction reflected both a lower absolute level of net debt and lower interest rates than in 2008.

Net finance expense on pension assets and liabilities amounted to £1.5 million compared with income of £0.6 million in 2008. This movement reflects the increased reported deficit in the group pension schemes.

Borrowing facilities

Devro has committed borrowing facilities of £51.0 million that fall due for renewal in January 2012. At 31 December 2009, the group was operating comfortably within the covenants relating to these facilities. Management has a policy of distributing debt between the various currencies in which it operates; therefore the net debt figure may fluctuate based on exchange rate movements.

We believe that Devro is well financed, and has sufficient liquidity to fund the capital expenditure required to continue to grow the business.

Tax

The group had an effective tax rate, before exceptional items, of 24.1% for 2009 (2008: 29.4%).

2009 benefited from a lower tax rate in the Czech Republic and better utilisation of available group relief in the United Kingdom.

Earnings per share

Basic earnings per share before exceptional items for 2009 was 11.7p, up 42.7% (2008: 8.2p). Basic earnings per share for 2009 was 12.4p, up 63.2% (2008: 7.6p).

Pensions

The group operates a number of defined benefit pension schemes around the world. All of these are closed to new participants, but the liabilities related to existing schemes are considerable. During the year, the value of the assets in these schemes rose along with worldwide equity markets. Offsetting this, however, the value of liabilities increased, mainly as a result of a fall in discount rates. The impact was an increase in the net accounting deficit of the schemes, which at 31 December 2009 amounted to £31.8 million (2008: £25.8 million). It is likely that further additional contributions will be made to these schemes during 2010 to reduce this deficit. At the same time, management will continue to seek ways of controlling the liabilities involved.

On 30 January 2009, the plan under which post-retirement health care benefits were provided to certain retired employees in the United States was closed. This gave rise to an exceptional credit of £1.8 million in the first half of 2009, and a reduction in on-going contributions of £0.15 million per annum.

Principal risks and uncertainties

There are risks and uncertainties inherent in the group's operations which could have a significant impact on our business, results and financial position. The group's risk management processes are designed to identify, assess, monitor, manage and mitigate the risks involved in our operations. The more significant risks to which the group is exposed are:-

- Disruption to supply and increase in price of key raw materials
- Foreign exchange rate movements
- Customer credit risks
- Increased funding of pension schemes
- The impact of changes in regulations affecting food production
- Increases in energy costs
- Loss of market share/profit margins due to increased competitive pressures
- Development of non-casing technologies

These are generally consistent with those detailed in the 2008 annual report.

Going concern

After making enquiries, and considering the question carefully, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Dividend

With the improvement in performance, the Board is proposing an increase of 12.4% in the dividend for the year, making a final dividend of 3.575 pence per share (2008: 3.025 pence), bringing the total for the year to 5.0 pence (2008: 4.45 pence). This will be payable to shareholders on the register as at 16 April 2010. Based on the proposal for the full year, dividend cover excluding exceptional items will be 2.3 times.

Peter Williams
Finance Director

CONSOLIDATED INCOME STATEMENT
for the year ended 31 December 2009

	2009			2008		
	Before Exceptional Items £'000	Exceptional Items £'000	Total £'000	Before Exceptional Items £'000	Exceptional Items £'000	Total £'000
Continuing operations:						
Revenue	220,405	-	220,405	183,125	-	183,125
Operating profit	27,411	1,788	29,199	20,595	(3,478)	17,117
Finance income	87	-	87	255	-	255
Finance expense	(916)	-	(916)	(2,654)	-	(2,654)
Net finance (expense)/income on pension and post-retirement health plan assets/liabilities	(1,434)	-	(1,434)	622	-	622
Profit before tax	25,148	1,788	26,936	18,818	(3,478)	15,340
Taxation	(6,073)	(644)	(6,717)	(5,532)	2,641	(2,891)
Profit for the year	19,075	1,144	20,219	13,286	(837)	12,449
Earnings per share						
- Basic	11.7p	0.7p	12.4p	8.2p	(0.6)p	7.6p
- Diluted	11.5p	0.7p	12.2p	8.2p	(0.6)p	7.6p

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the year ended 31 December 2009

	2009	2008
	£'000	£'000
Cash flow hedges		
- net fair value gains/(losses), net of tax	656	(794)
- reclassified and reported in operating profit, net of tax	226	(406)
Actuarial loss recognised in group pension schemes	(10,492)	(18,067)
Actuarial loss recognised in US post retirement benefit obligations	-	(41)
Movement in deferred tax on retirement benefit obligations	2,805	5,713
Net exchange adjustments	(4,507)	24,436
Other comprehensive (expense)/income for the year	(11,312)	10,841
Profit for the year	20,219	12,449
Total comprehensive income for the year	8,907	23,290

CONSOLIDATED BALANCE SHEET
at 31 December 2009

	2009	2008
	£'000	£'000
ASSETS		
Non-current assets		
Intangible assets	1,635	1,799
Property, plant and equipment	138,071	134,729
Deferred tax assets	13,612	11,300
Other receivables	-	61
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	153,318	147,889
Current assets		
Inventories	25,986	25,753
Current tax assets	388	603
Trade and other receivables	28,802	33,067
Derivative financial instruments	462	709
Cash and cash equivalents	10,059	6,690
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	65,697	66,822
LIABILITIES		
Current liabilities		
Borrowings	316	3,135
Derivative financial instruments	441	2,550
Trade and other payables	29,806	28,811
Current tax liabilities	3,972	1,955
	<hr/>	<hr/>
	34,535	36,451
Net current assets	<hr/>	<hr/>
	31,162	30,371
Non-current liabilities		
Borrowings	25,388	27,531
Deferred tax liabilities	12,383	11,564
Retirement benefit obligations	31,833	27,688
Other non-current liabilities	805	159
	<hr/>	<hr/>
	70,409	66,942
Net assets	<hr/>	<hr/>
	114,071	111,318
EQUITY		
Capital and reserves attributable to equity holders		
Ordinary shares	16,287	16,287
Share premium	6,097	6,097
Other reserves	78,690	81,283
Retained earnings	12,997	7,651
	<hr/>	<hr/>
Total equity	114,071	111,318

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2009

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 January 2009	16,287	6,097	81,283	7,651	111,318
Exchange adjustments	-	-	(4,507)	-	(4,507)
Cash flow hedges, net of tax	-	-	882	-	882
Retirement benefit obligations, net of tax	-	-	-	(7,687)	(7,687)
Dividends paid	-	-	-	(7,186)	(7,186)
Performance share plan charge	-	-	1,032	-	1,032
Profit for the year	-	-	-	20,219	20,219
At 31 December 2009	16,287	6,097	78,690	12,997	114,071
Balance at 1 January 2008	16,287	6,097	57,836	14,840	95,060
Exchange adjustments	-	-	24,436	-	24,436
Cash flow hedges, net of tax	-	-	(1,200)	-	(1,200)
Retirement benefit obligations, net of tax	-	-	-	(12,395)	(12,395)
Dividends paid	-	-	-	(7,243)	(7,243)
Performance share plan charge	-	-	211	-	211
Profit for the year	-	-	-	12,449	12,449
At 31 December 2008	16,287	6,097	81,283	7,651	111,318

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 31 December 2009

	2009	2008
	£'000	£'000
Cash flows from operating activities		
Cash generated from operations	41,270	31,280
Interest received	93	243
Interest paid	(931)	(2,724)
Tax paid	(3,625)	(5,177)
	<hr/>	<hr/>
Net cash from operating activities	36,807	23,622
Cash flows from investing activities		
Purchase of property, plant and equipment	(18,920)	(12,949)
Proceeds from sale of property, plant and equipment	158	67
Purchase of intangible assets	(262)	(457)
Capital grants received	588	-
Payments to former minority shareholders of Cutisin a.s.	-	(1)
	<hr/>	<hr/>
Net cash used in investing activities	(18,436)	(13,340)
Cash flows from financing activities		
Net repayments under the loan facilities	(4,802)	(9,187)
Dividends paid to shareholders	(7,186)	(7,243)
	<hr/>	<hr/>
Net cash used in financing activities	(11,988)	(16,430)
Net increase/(decrease) in cash and cash equivalents	6,383	(6,148)
Cash and cash equivalents at beginning of year	4,243	9,495
Exchange (losses)/gains on cash and cash equivalents	(883)	896
	<hr/>	<hr/>
Cash and cash equivalents	10,059	6,690
Bank overdrafts	(316)	(2,447)
	<hr/>	<hr/>
Net cash and cash equivalents at end of year	9,743	4,243

**NOTES TO THE PRELIMINARY ANNOUNCEMENT OF THE FINAL RESULTS
for the year ended 31 December 2009**

(1) Analysis of operating profit before exceptional items

Continuing operations	2009	2008
	£'000	£'000
Revenue	220,405	183,125
Cost of sales	154,732	133,431
	<hr/>	<hr/>
Gross profit	65,673	49,694
Selling and distribution costs	16,042	13,655
Administrative expenses	13,703	11,768
Research and development expenditure	5,980	5,156
Other expenses	2,855	996
	<hr/>	<hr/>
Less: other operating income	38,580	31,575
	<hr/>	<hr/>
Net operating expenses	318	2,476
	<hr/>	<hr/>
Net operating expenses	38,262	29,099
	<hr/>	<hr/>
Operating profit before exceptional items	27,411	20,595

(2) Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance.

- (a) The following exceptional items are included in the operating profit on continuing operations of £29,199,000 (2008: £17,117,000):

	2009	2008
	£'000	£'000
Closure of post-retirement health care plan (i) below	1,788	-
Provision for impairment of fixed assets (ii) below	-	(3,131)
Provision for closure costs (ii) below	-	(585)
Proceeds from the sale of land (iii) below	-	238
	<hr/>	<hr/>
	1,788	(3,478)

- (i) As disclosed in the statutory accounts for the year ended 31 December 2008, the group's post-retirement health care plan in the United States was closed on 30 January 2009. The elimination of the liability under the plan resulted in an exceptional credit of £1,788,000 during the year ended 31 December 2009.
- (ii) During the year ended 31 December 2008, an operational review of the Kořenov plant in the Czech Republic was undertaken to assess the carrying value of the assets of that facility. Management determined that the future cash flow from this plant no longer justified the carrying value of the assets. As a result, an impairment charge of £3,131,000 was recorded in the income statement for the year ended 31 December 2008.

In addition to the above, following the decision taken by the Board in August 2008 to close the Kořenov plant, a provision of £585,000 was made in respect of the costs associated with the closure, including redundancies and the transfer of certain plant and equipment to Jilemnice. The plant closed on 28 May 2009.

- (iii) Under the terms of the contract for the sale of land at Moodiesburn in 2005, additional income of £238,000 arose during the year ended 31 December 2008.

(b) The following exceptional items are included in taxation:

	2009	2008
	£'000	£'000
Tax charge on closure of post-retirement health care plan	(644)	-
Tax allowance on provision for impairment of fixed assets	-	592
Tax allowance on provision for closure costs	-	117
Tax charge on proceeds from sale of land	-	(68)
Release of prior year tax provisions (i) below	-	2,000
	<u>(644)</u>	<u>2,641</u>

(i) Tax provisions of £2,000,000 were released during the year ended 31 December 2008 following the agreement of prior year returns with the tax authorities.

(3) Analysis of net debt

	2009	2008
	£'000	£'000
Cash and cash equivalents	10,059	6,690
Bank overdraft	(316)	(2,447)
	<u>9,743</u>	<u>4,243</u>
Borrowings less bank overdraft	(25,388)	(28,219)
	<u>(15,645)</u>	<u>(23,976)</u>

(4) Accounting year

For practical reasons, the company prepares its financial statements based on a 52 or 53 week period. The financial statements for the 2009 financial year reflect the 53 week period ended 3 January 2010. The financial statements for the statements for the 2008 financial year reflect the 52 week period ended 28 December 2008.

(5) Statutory accounts

While the financial information included in this preliminary announcement has been computed in accordance with International Financial Reporting Standards ("IFRSs"), this announcement does not itself contain sufficient information to comply with IFRSs. The company expects to publish full financial statements that comply with IFRSs in March 2010.

The financial information set out in this announcement does not constitute the company's statutory financial statements for the years ended 31 December 2009 or 2008 for the purposes of section 435 of the Companies Act 2006. The financial information for the year ended 31 December 2008 is derived from the statutory financial statements for that year which have been delivered to the Registrar of Companies. The auditors reported on those financial statements; their report was unqualified and did not contain a statement under sections 237 (2) or (3) Companies Act 1985. The statutory financial statements for the year ended 31 December 2009 will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the company's Annual General Meeting.