17 February 2017

ESSENTRA

ESSENTRA PLC
(“Essentra” or “the Company”)
A leading global provider of essential components and solutions

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2016

FY 2016: A YEAR OF CHALLENGE AND CHANGE
FY 2017: FOCUS ON STABILISATION; STRATEGIC REVIEW TO RESTORE MEDIUM-TERM GROWTH

FY 2016 summary:

- Revenue, profit and EPS decline, driven by deterioration in Health & Personal Care Packaging and short-term issues in Filter Products.
  - Total revenue decline of 9% on a like-for-like[1] basis.
  - Total adjusted operating profit[2] down 29% (at constant FX) to £132m.
  - Total adjusted EPS[2] lower by 31% (at constant FX) to 36.3p.
- Impairment in the carrying value of Health & Personal Care Packaging of £124m.
- Net debt of £379m (FY 2015: £374m); improved H2 operating cash conversion.
- Full year dividend unchanged at 20.7p per share.
- Disposal of Porous Technologies on track to complete in Q1 2017: pro forma impact reduces net debt to EBITDA[3] from 2.3x to 1.4x as at 31 December 2016.
- Turnaround programme already initiated, focusing on re-establishing stability and accountability.
- Comprehensive business review underway: clear corporate strategy to restore growth to be communicated with HY 2017 results at end-July.

Results at a glance:

	FY 2016 £m	FY 2015 £m	% change Actual FX	% change Constant FX
Revenue - total	1,104	1,098	+1	-8
- continuing[4]	*999*	*1,007*	*-1*	*-9*
Adjusted[2] operating profit - total	132	172	-23	-29
- continuing[4]	*109*	*153*	*-29*	*-35*
Adjusted[2] pre-tax profit - total	119	161	-26	-32
Adjusted[2] net income[5] - total	96	124	-23	-31
Adjusted[2] basic earnings per share - total	36.3p	47.6p	-24	-31
- cont.[4]	*29.2p*	*42.1p*	*-31*	*-37*
Dividend per share	20.7p	20.7p	-	
Reported operating (loss) / profit - continuing[4]	(50)	84		
Reported pre-tax (loss) / profit - continuing[4]	(63)	74		
Reported net (loss) / income[5] - total	(40)	69		
Reported basic (loss) / earnings per share - total	(15.4)p	26.2p		

[1] Excludes the impact of acquisitions, disposals and foreign exchange (see page 3)
[2] Before intangible amortisation and exceptional operating items
[3] Earnings before interest, tax, depreciation and amortisation, as defined in Note 14 on page 35
[4] Excluding Porous Technologies, in light of the divestment of the business during Q1 2017
[5] Net income is defined as profit after tax

Commenting on today's results, Paul Lester, Chairman, said:

"FY 2016 has been a year of challenge and change for our Company. In particular, the integration issues primarily relating to the Clondalkin acquisition in Health & Personal Care Packaging – as highlighted in the trading updates - not only resulted in additional cost but also in an accelerating decline in the underlying trading position at the impacted sites. Notwithstanding these challenges, however, the Board is recommending to hold the final dividend unchanged.
Essentra remains a fundamentally strong organisation, and I and my Board colleagues look forward to working with our new Chief Executive, Paul Forman, as we drive our collective objectives of delivering sustainable, long-term shareholder value, excellent customer service and a motivated and engaged workforce."

Paul Forman, Chief Executive, additionally stated:

"Essentra is a complex international group and it is still early in my tenure. However, since my appointment at the beginning of January, I have already visited many sites and met with many excellent colleagues, and – while there is much to do – I firmly believe that the fundamental strengths exist across all our businesses which we can build upon. As such, based on my initial assessment, the issues which have evidently impacted FY 2016 are predominantly self-inflicted, and therefore capable of reversal. The necessary process of stabilising the business will be facilitated by a strengthening of the balance sheet following the imminent divestment of Porous Technologies, and a restructuring of the organisation – together with a measured recruitment of talent – is already underway. I look forward to presenting our future corporate strategy alongside the HY 2017 results at end-July.

Outlook statement

In terms of current year outlook, while Component Solutions and Filtration Products enter 2017 on a more stable footing, the Health & Personal Care Packaging business is receiving specific short-term focus and remedial action, in light of the continued significant decline in revenue and operating profit during the last months of 2016 and at the start of 2017 – with a deteriorating exit rate which needs to be stabilised. We therefore currently anticipate a reduction in Group like-for-like revenue and adjusted operating profit in FY 2017."

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Basis of Preparation

Constant foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis ("constant FX") adjusts the comparative to exclude such movements, to show the underlying performance of the Company. The principal exchange rates for Essentra in FY 2016 were:

	Average		Closing	
	FY 2016	**FY 2015**	**FY 2016**	**FY 2015**
US$:£	1.36	1.53	1.24	1.47
€:£	1.23	1.37	1.17	1.36

Re-translating at FY 2016 average exchange rates increases the prior year revenue and adjusted operating profit by £98.7m and £15.0m respectively.

Like-for-like ("LFL"). The term "like-for-like" describes the performance of the business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The FY 2016 LFL results are adjusted for Clondalkin Specialist Packaging Division ("Clondalkin SPD", acquired on 30 January 2015), and are therefore based on the eleven months from 31 January to 31 December 2016.

Adjusted basis. The term "adjusted" excludes the impact of intangible amortisation and exceptional operating items, less any associated tax relief. In FY 2016, intangible amortisation was £32.9m (FY 2015: £31.7m), and there was an exceptional pre-tax charge of £133.7m (FY 2015: £39.1m); of this charge, £123.9m was the impairment in carrying value of the Health & Personal Care Packaging business, with the balance of £9.8m relating to the integration and restructuring costs arising from the afore mentioned acquisition, together with costs associated with the divestment of Porous Technologies and other site footprint consolidation.

Constant FX, LFL and adjusted measures are provided to reflect the underlying financial performance of Essentra. For further details on the performance metrics used by Essentra, please refer to page 12 of the 2015 Annual Report.

Unless otherwise stated, the FY 2016 results and narrative contained herein reflect the performance of the total Essentra Group, which are analysed as continuing and discontinuing operations in Note 11 on page 33.

Market Abuse Regulation Statement

This announcement contains inside information.

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Potential Impact of the United Kingdom Leaving the European Union ("Brexit")

Until the precise nature of Brexit is determined, it is premature to speculate as to the impact on Essentra of the United Kingdom leaving the European Union. However, with a global footprint of some 53 manufacturing sites in 33 countries, the Company believes that it remains well-positioned to service its global customers with the diverse range of enabling components for which it is well-known. In FY 2016, Essentra generated c. 13% revenue in the UK, with the value of production manufactured domestically and exported to the EU considered to be immaterial in the context of the overall Group.

Essentra conducts business in several foreign currencies, notably the US dollar and the euro. Therefore, the Company is subject to currency exposure due to exchange rate movements which affect the translation of results and underlying net assets of its operations and their transaction costs.

Operating Review

FY 2016 revenue increased 0.5% (decreased 7.8% at constant FX) to £1,103.7m, with a LFL decline of 9.1%. While the result was supported by continued product innovation, new business wins and investment in both existing and new geographical markets, this was more than offset by a continued, significant deterioration in Health & Personal Care Packaging and short-term challenges in the Filter Products business.

On an adjusted basis, operating profit was down 23.1% (-29.3% at constant FX) at £131.9m. The 360bps reduction in the margin (-370bps at constant FX) to 12.0% largely resulted from the afore mentioned issues, notably the profit drop-through from lower revenue - as well as operational challenges and double-running costs - in Health & Personal Care Packaging.

Including intangible amortisation of £32.9m and an exceptional pre-tax charge of £133.7m - mainly relating to the impairment in carrying value of the Health & Personal Care Packaging business – the operating loss as reported was £(34.7)m (FY 2015: operating profit of £100.7m).

Net finance expense was above the prior year at £12.5m (FY 2015: £10.3m), due to a higher average net debt position. The effective tax rate on profit before tax (before exceptional operating items) reduced to 20.0% (FY 2015: 22.8%).

On an adjusted basis, net income of £95.5m was down 23.2% (-30.8% at constant FX) and earnings per share declined by 23.7% (31.2% at constant FX) to 36.3p. On a reported basis, the net loss of £(39.6)m and the loss per share was (15.4)p compared to net income of £68.7m and earnings per share of 26.2p in FY 2015.

Adjusted operating cash flow was 28.5% higher than the previous year at £126.7m (FY 2015: £98.6m), reflecting improved cash conversion in the second half. Free cash flow of £98.8m compared to £68.4m in FY 2015, an increase of 44.4%.

Business Review

Summary growth in revenue by Strategic Business Unit ("SBU")

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Component Solutions	-3	-	+9	+6
*Component Solutions ex-PPT**	*-1*	-	*+9*	*+8*
Health & Personal Care Packaging	-9	+4	+7	+2
Filtration Products	-14	-	+9	-5
Total Company	**-9**	**+2**	**+8**	**+1**

* Pipe Protection Technologies

The following review is given at constant exchange rates and on an adjusted basis, unless otherwise stated. The revenue and adjusted operating profit for each SBU is stated before the elimination of intersegment revenue and the cost of central services, as reconciled to the reported results set out in Note 2 on page 23.

Component Solutions

	FY 2016 £m	% growth Actual FX	% growth Constant FX
Revenue	302.6	+6	-3
Operating profit	54.4	-6	-12
Operating margin	18.0%	-230bps	-200bps

Revenue decreased 3.0% to £302.6m, with a strong result in Extrusion being offset by further weakness in PPT and softness in both the UK and US Components businesses. Excluding PPT, revenue declined 1.1%.

The result in Components was supported by continued broad-based growth across Continental Europe, and reflected a more stable second-half performance in the UK following the relocation of the majority of the Commercial team to a dedicated distribution centre in Jarrow from the European manufacturing hub in Kidlington, UK. Growth in Asia came particularly from China and Singapore in the electronics segment, and there was continued benefit from further expansion of the regional distribution centre where the number of SKUs was doubled during the year and service levels continued to improve. Trading in the US was more challenging, particularly in the Maintenance, Repair & Overhaul ("MRO") segment, where a number of initiatives aimed at better segmentation of the customer base and refreshing the product offering were implemented during the second half of the year, including the relaunch of a dedicated industrial supply catalogue featuring 40,000 mechanical products (of which 4,000 new).

The range of access solutions hardware performed well, and was boosted by the launch of five new product ranges which were added both to the catalogue and to a dedicated website, providing customers with an even more comprehensive offering and highlighting Essentra's technical capability in this field. New category marketing materials were also introduced in all three geographic regions, reinforcing the breadth of the Company's capabilities and supporting the focus on large customers in targeted segments such as white goods and autos. In addition, the objective of expanding custom injection moulding activity continued to yield encouraging future incremental revenue opportunities, with the successful development of tooling to support contract wins particularly in the autos segment.

LFL revenue in PPT decreased 33.4% to £12.5m owing to developments in the oil & gas industry, with a further decline in the North American rig count continuing to drive a consequent reduction in drilling activity and demand from the pipe mills for much of the year. However, the business successfully added a number of new customers during the period, and also benefited from the geographic expansion of its footprint undertaken in 2015 with incremental revenue generated both in the Middle East and in Asia.

Additional contract wins boosted the excellent result in Extrusion, where the business continued to benefit from its expertise in complex, technical profiles. These included extruded finishing parts used in the furniture sector, such as plinths and edge bands, where further good growth was seen with a major global retailer during the year; across a range of internal and external applications (notably for swimming pools) in construction; and plastic profiles used in the purification of drinking and processed water in both industrial and municipal installations.

Operating profit decreased 12.4% to £54.4m, equating to a margin decline of 200bps. Operating efficiency savings, together with further benefits from the consolidation of the site footprint, were offset by softness in the US in Components, the impact of the decline in revenue in PPT and the mix effect of strong growth in the lower margin Extrusion business.

During the year, further operational initiatives were untaken across the SBU. These included the transfer of Components activities from Xiamen to Ningbo, China; the automation of certain manufacturing processes at the seals facilities in Malaysia and at the PPT headquarters in Houston, US; and the installation of an Extrusion production line in Turkey. In addition, a global inventory reduction programme was implemented, with improvements in the stockholding position being delivered against a backdrop of rising service levels.

Health & Personal Care Packaging

	FY 2016 £m	**% growth Actual FX**	**% growth Constant FX**
Revenue	430.2	+2	-6
Operating profit	34.5	-40	-44
Operating margin	8.0%	-560bps	-550bps

Revenue decreased 5.5% to £430.2m. Adjusting for the acquisition of Clondalkin SPD on 30 January 2015, like-for-like revenue declined 9.0%, reflecting integration challenges at certain acquired facilities, the Company's previously-communicated efforts to address less profitable healthcare packaging activities and further weakness in tobacco tear tape.

The result in health & personal care was supported by the further roll-out of the Company's Key Account Management strategy to its global customer base, as well as progress with the "pruning" of certain Clondalkin SPD business which had previously been identified as not meeting Essentra's return and profitability metrics. However, as communicated in the announcements of 9 June and 21 November 2016 – as well as the post-close update on 23 January 2017 – three facilities in the US and UK experienced significant integration issues, resulting in deteriorating performance during the year. These challenges – being to the detriment of customer service and quality – not only materially impacted revenue and operating profit at the affected sites, but also entailed double-running costs elsewhere as a result of postponing certain closures to later in the year than originally scheduled. In addition, the ability to grow the business in line with previous expectations was correspondingly constrained. In light of the further significant decline in the last two months of 2016 – nor the current expectation of a near-term improvement in 2017 – the business is receiving specific short-term focus and remedial action from Paul Forman and other relevant senior management. Revisions to the complex organisation structure – in common with the rest of the Company – have been announced in February, and a Managing Director of Health & Personal Care Packaging, Europe, Iain Percival, has been appointed and will join the business on 1 March 2017.

In Tapes, sales of tear tape to the tobacco industry continued to come under pressure, owing to the ongoing trend of removing value-added features. However, in speciality tapes, the performance reflected a normalising of the point of purchase segment in the US following a softer first-half: in addition, there were some early encouraging results from the application of Key Account Management principles in terms of cross-selling opportunities between Europe and the Americas, largely in the white goods and automotive sectors and with foam and box-closing tapes.

Notwithstanding the consolidation issues, 2016 was a year of further packaging innovation and the commercialisation of recently launched products. In the healthcare segment, this included the further development of the serialised carton and label offering as well as tamper-evidence solutions, while in consumer packaging the broad range of "freshness" labels continued to perform well - particularly in the tobacco sector.

Operating profit decreased 44.1% to £34.5m, equating to a margin of 8.0%. The 550bps margin decline was due to the afore mentioned integration challenges, together with the mix effect of the decline in value-added tear tape in the tobacco category. Further to the completion of the detailed year-end testing of asset carrying values, an impairment of £123.9m with respect to the Health & Personal Care Packaging business has been reflected in the Company's results on a reported basis.

Following the acquisition of Clondalkin SPD, the subsequent integration of nine of their 24 sites since mid-2015 has evidently been a challenging and complex process. While there is still much to do in terms of stabilising the operational performance of the three facilities in the US and the UK, the consolidation of the site footprint was completed by year-end.

Further to the completion of the acquisition of the pharmaceutical packaging assets from Kamsri Printing & Packaging Pvt. Ltd. at the end of January 2016, the relevant equipment and customers were successfully transferred to the One Essentra facility in Bangalore, India. Also in January 2016, the Design Hub was launched, being a new approach to design and delivery which combines structural and creative packaging design with the technical expertise of Essentra's product development teams to deliver standout packaging which differentiates customers' brands on-shelf.

Filtration Products

	FY 2016 £m	% growth Actual FX	% growth Constant FX
Revenue	374.4	-5	-14
Operating profit	59.0	-18	-25
Operating margin	15.8%	-250bps	-240bps

Revenue decreased 13.7% to £374.4m, with modest growth of 2.7% in Porous Technologies being offset by a significant decline of 19.0% in Filter Products.

In Filter Products, underlying volumes were below the prior year. As announced in the trading updates of 9 June and 21 November 2016, the business was impacted by a number of commercial challenges, the most material of which being the impact of a sizeable contract in Europe which matured during the year (and was not replaced with an equivalent new business win, as anticipated). In addition, destocking in the Chinese market, the temporary impact of transferring a particular line of business from the US to Asia and the slower-than-expected ramp-up in new contracts weighed on performance, with lower volume across much of the site footprint having a consequent impact on both revenue and operating profit.

While 2016 presented a number of issues, nonetheless the acknowledged capabilities of the business - in terms of delivering value-added filters which meet the evolving requirements of the tobacco industry – continued to be successfully commercialised during the period. Specifically, new Superslim variants were introduced into China to meet the growing consumer trend for smaller diameter format filters, as well as support being provided to a multi-national customer with a sizeable number of tube capsule filters for certain markets as these two largest innovative segments for shaped and flavoured special filters start to combine. Accordingly, the business maintained its track record of supporting customers in the development of bespoke solutions tailored to their specific needs as they seek to respond to global tobacco market trends, with an increase in the number of joint development projects during the year. In addition, the joint venture facility in Dubai continued to deliver excellent growth in the opportunity markets of the Middle East and Africa, both through increasing share with existing customers and via geographic expansion.

Continuing to build upon its extensive experience and expanded portfolio of accredited testing methods, the Scientific Services laboratory played a positive role in supporting customers with analytical laboratory services – particularly in respect of innovations in both the traditional tobacco and non-tobacco segments - to ensure the delivery of high quality analysis which remains at the forefront of industry trends and evolving regulatory requirements.

Modest like-for-like growth in Porous Technologies was supported by new business and the further development of recent awards. A strong increase in health & personal care was boosted by commercial wins / acceleration of existing contracts in advanced wound care and diagnostic components, and was supported by an increase in cosmetic foam. Global growth in speciality wipes came from new product introductions / applications in critical care environments and ongoing distribution channel expansion. The performance in writing instruments benefited from further success in nibs with both new and existing customers (as well as the ongoing trend for adult colouring), while household continued to gain from further development and scaling up of innovative air care wicks. Versus a declining end-market, a stable result in printer systems reflected the ramp-up of new product development with major OEM customers.

Operating profit decreased 25.5% to £59.0m (of which £21.5m related to Porous Technologies), and the margin declined by 240bps. Further efficiency improvements, as well as a more stable outturn in higher margin printer systems, led to a 150bps improvement in the Porous Technologies' margin. However, in Filter Products, productivity gains were offset by the volume and mix effect of a weaker result in special filters, resulting in a 410bps margin decrease.

Both the Filter Products and the Porous Technologies businesses benefited from a number of operational initiatives during the year. Reinforcing the commitment in Filter Products to maintaining a flexible and competitive global manufacturing footprint to ensure alignment with its customers' shift of production, the transfer of activity to Hungary from the UK was completed, together with further investment in shaped and capsule filter manufacturing in Thailand and Indonesia. In Porous Technologies, investment in ink reservoir production and acrylic nib rod formation / grinding – as well as the transfer of activity to Indonesia from South Korea in 2015 – together with the expansion of fibre capability in China helped to underpin new product development and growth in the writing instruments and healthcare categories.

On 25 August, it was announced that an agreement had been signed to divest the Porous Technologies business to Filtration Group, an affiliate of Madison Industries, for a transaction value of £220m. As previously communicated, the disposal is on track to complete in Q1 2017.

Financial Review

Net finance expense. Net finance expense of £12.5m was higher than the prior year (FY 2015: £10.3m), and is broken down as follows:

£m	FY 2016	FY 2015
Net interest charged on net debt	11.6	9.4
Amortisation of bank fees	0.7	0.7
IAS 19 pension finance charge / (credit)	0.2	0.2
Total net interest expense	**12.5**	**10.3**

Note: positive numbers represent net finance expense, negative numbers reflect net finance income

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Tax. The effective tax rate on profit before tax (before exceptional operating items) was 20.0% (FY 2015: 22.8%). A significant driver of the movement is a reduction in the Group's weighted average applicable tax rate from changes in the underlying geographical balance of profits and corporate tax rates in those territories.

Net working capital. Net working capital is defined as Inventories plus Trade & Other Receivables less Trade & Other Payables, adjusted to exclude Deferred Consideration Receivable / Payable, Interest Accruals, Capital Payables and Other Normalising Items ("Adjustments").

Net working capital of £159.6m was £22.4m higher than the 31 December 2015 level of £137.2m, largely due to foreign exchange.

£m	FY 2016	FY 2015
Inventories	124.3	118.7
Trade & other receivables	246.9	253.2
Trade & other payables	(218.5)	(241.9)
Adjustments	6.9	7.2
Net working capital	**159.6**	**137.2**

Cash flow. Adjusted operating cash flow was higher at £126.7m (FY 2015: £98.6m). Free cash flow of £98.8m compared to £68.4m in FY 2015.

£m	FY 2016	FY 2015
Operating profit – adjusted	**131.9**	**171.5**
Depreciation	34.8	31.9
Share option expense / other movements	(3.4)	2.8
Change in working capital	1.7	(52.8)
Net capital expenditure	(38.3)	(54.8)
Operating cash flow – adjusted	**126.7**	**98.6**
Tax	(17.4)	(15.7)
Cash spent on exceptional items	(10.6)	(22.1)
Pension obligations	0.8	(5.1)
Other	15.2	0.1
Add back: net capital expenditure	38.3	54.8
Net cash inflow from operating activities	**153.0**	**110.6**
Operating cash flow – adjusted	**126.7**	**98.6**
Tax	(17.4)	(15.7)
Net interest paid	(11.3)	(9.4)
Pension obligations	0.8	(5.1)
Free cash flow – adjusted	**98.8**	**68.4**

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Net debt. Net debt at the end of the period was £379.3m (31 December 2015: £373.9m), reflecting improved second-half cash conversion.

£m	FY 2016
Net debt as at 1 January 2016	373.9
Free cash flow	(98.8)
Dividends	54.0
Foreign exchange	56.1
Exceptional items	10.6
Employee trust shares	(2.3)
Acquisitions	0.1
Other	(14.3)
Net debt as at 31 December 2016	**379.3**

The Company's financial ratios remain robust. The ratio of net debt to EBITDA as at 31 December 2016 was 2.3x (31 December 2015: 1.8x) and interest cover was 11.0x (31 December 2015: 17.7x).

Balance sheet. At the end of 2016, the Company had shareholders' funds attributable to Essentra equity holders of £595.4m (2015: £609.5m), a decrease of 2.3%. Net debt was £379.3m (2015: £373.9m) and total capital employed in the business was £982.0m (2015: £989.1m).

This finances non-current assets of £971.6m (2015: £1,009.7m), of which £321.1m (2015: £288.8m) is tangible fixed assets, the remainder being intangible assets, deferred tax assets, retirement benefit assets and long-term receivables. The Company has net working capital of £159.6m (2015: £137.2m), current provisions of £1.3m (2015: £8.0m) and long-term liabilities other than borrowings of £116.2m (2015: £120.5m).

Pensions. As at 31 December 2016, the Company's IAS 19 pension liability was £23.4m (FY 2015: £0.8m).

Dividends. The Board of Directors recommends a final dividend of 14.4 pence per share (2015: 14.4 pence), taking the FY 2016 dividend to 20.7 pence per share (unchanged versus FY 2015). Subject to approval at the Company's Annual General Meeting ("AGM") on 20 April 2017, the final dividend will be paid on 2 May 2017 to equity holders on the share register on 17 March 2017: the ex-dividend date will be 16 March 2017. Essentra operates a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrars, Computershare Investor Services PLC: the last date for electing to join the DRIP is 6 April 2017.

Board changes. On 31 October 2016, the Company announced the appointment of Paul Forman as Chief Executive, to succeed Colin Day with effect from 1 January 2017.

In addition, following a four-year tenure and in light of his Chairman commitments elsewhere, Peter Hill has advised the Board of his intention to step down from his role as Non-Executive Director following the Company's 2017 AGM.

Treasury policy and controls. Essentra has a centralised treasury function to control external borrowings and manage exchange rate risk. Treasury policies are approved by the Board and cover the nature of the exposure to be hedged, the types of financial investments that may be employed and the criteria for borrowing cash. The Company uses derivatives only to manage foreign currency and interest rate risk arising from underlying business activities. No transactions of a speculative nature are undertaken. Treasury activities are subject to independent reviews by the Group Assurance department. Underlying policy assumptions and activities are reviewed by the Treasury Committee.

Controls over exposure changes and transaction authenticity are in place, and dealing is restricted to those banks with the relevant combination of geographical presence and suitable credit rating. Essentra monitors the credit ratings of its counterparties and credit exposure to each counterparty.

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets. As at 31 December 2016, Essentra's US dollar-denominated assets were approximately 32% hedged by its US dollar-denominated borrowings, and its euro-denominated assets were approximately 73% hedged by its euro-denominated borrowings.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and so transaction exposure is limited. However, where they do occur, the Company's policy is to hedge the exposures as soon as they are committed using forward foreign exchange contracts.

FY 2017 Outlook Statement

While Component Solutions and Filtration Products enter 2017 on a more stable footing, the Health & Personal Care Packaging business is receiving specific short-term focus and remedial action, in light of the continued significant decline in revenue and operating profit during the last of months of 2016 and at the start of 2017 – with a deteriorating exit rate which needs to be stabilised. The Company therefore currently anticipates a reduction in Group like-for-like revenue and adjusted operating profit in FY 2017.

Cautionary forward looking statement

These results contain forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Company accepts no obligation to revise or update these forward-looking statements publicly or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

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Presentation

A copy of these results is available on www.essentraplc.com

There will be a presentation for analysts and investors at 08:30 (UK time, registration from 08:00), which will be held at The Auditorium, Deutsche Bank, Winchester House, 1 Great Winchester Street, London, EC2N 2DB.

There are three options for participating in the presentation:

- Attend in person
- View a live webcast of the presentation at http://www.essentraplc.com/en/investors/company-information/webcasts-and-presentations
- Dial in to the live webcast of the presentation, using the following details:

Dial-in number:	+44 (0)20 3427 1900 (UK / international participants) +1 646 254 3361 (US participants)
Toll-free number:	0800 279 4977 (UK participants) +1 877 280 2296 (US participants)
PIN code:	4493520

A recording of the presentation will be made available on the website later in the day. A replay will additionally be available as follows:

Replay number:	+44 (0)20 3427 0598 (UK / international participants) +1 347 366 9565 (US participants)
Toll-free number:	0800 358 7735 (UK participants) +1 866 932 5017 (US participants)
Replay access code:	4493520
Replay available:	For 7 days

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Notes to Editors

About Essentra plc

Essentra plc is a FTSE 250 company and a leading global provider of essential components and solutions. Essentra focuses on the light manufacture and distribution of high volume, enabling components which serve customers in a wide variety of end-markets and geographies.

Component Solutions

The Components business is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating units in 29 countries serve a very broad industrial base of customers with a rapid supply of products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction.

The Pipe Protection Technologies business specialises in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys for use in a range of end-markets. Locations in four countries, combined with a wide distributor network, serve customers around the world.

Essentra Extrusion is a leading custom profile extruder located in the Netherlands which offers a complete design and production service. One of the first companies to extrude plastics in 1956, Essentra is now one of Europe's most advanced suppliers of co-extrusion and tri-extrusion to all branches of industry.

The Security business has access to a wide portfolio of products and services, including printers, software and consumables from leading manufacturers.

Health & Personal Care Packaging

A leading global provider of packaging and authentication solutions to a diversified blue-chip customer base in the pharmaceutical, health & personal care, consumer and specialist packaging sectors. The business focuses on delivering value-adding innovation, quality and service through the provision of a wide range of printed products and solutions, including cartons, tapes, leaflets, foils, labels and authentication solutions.

The Speciality Tapes business has expertise in coating multiple adhesive systems in numerous technologies. With close to 3,000 adhesive products available for same-day shipping, Essentra's products can meet all high performance needs, from foam, magnetic, finger lift and acrylic high bond tapes to hook and loop and non-skid foam.

Filtration Products

Essentra Filter Products is the only global independent cigarette filter supplier. The nine worldwide locations, including a dedicated Technology Centre supported by three regional development facilities, provide a flexible infrastructure strategically positioned to serve the tobacco industry. The business supplies a wide range of value-adding high quality innovative filters, packaging solutions to the roll your own segment and analytical laboratory services for ingredient measurement to the industry.

Essentra Porous Technologies is a leading developer and manufacturer of custom fluid handling components, engineered from a portfolio of technologies that includes bonded and non-woven fibre, polyurethane foam and porous plastics. Representing innovations used in healthcare, consumer and industrial applications, its enabling components are found in a wide range of products from medical diagnostics tests to advanced wound care pads, inkjet printer cartridges, writing instruments, clean room wipes and air fresheners.

Headquartered in the United Kingdom, Essentra's global network extends to 33 countries and includes c. 9,000 employees, 53 principal manufacturing facilities, 64 sales & distribution operations and 5 research & development centres. For further information, please visit www.essentraplc.com.

Consolidated Income Statement
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
Revenue	2	**998.5**	1,006.5
Operating profit before intangible amortisation and exceptional operating items		**108.7**	152.5
Amortisation of acquired intangible assets		**(30.2)**	(29.3)
Exceptional operating items	3	**(128.5)**	(39.1)
Operating (loss)/profit		**(50.0)**	84.1
Finance income	4	**2.1**	1.5
Finance expense	4	**(14.6)**	(11.8)
(Loss)/profit before tax		**(62.5)**	73.8
Income tax credit/(expense)		**11.5**	(17.5)
(Loss)/profit from continuing operations		**(51.0)**	56.3
Profit from discontinued operations		**11.4**	12.4
(Loss)/profit for the year		**(39.6)**	68.7
Attributable to:			
Equity holders of Essentra plc		**(40.3)**	67.9
Non-controlling interests		**0.7**	0.8
(Loss)/profit for the year		**(39.6)**	68.7
(Loss)/earnings per share attributable to equity holders of Essentra plc:			
Basic	5	**(15.4)p**	26.2p
Diluted	5	**(15.4)p**	25.8p
(Loss)/earnings per share from continuing operations attributable to equity holders of Essentra plc:			
Basic	5	**(19.8)p**	21.4p
Diluted	5	**(19.8)p**	21.1p

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2016

	Note	2016 £m	2015 £m
(Loss)/profit for the year		**(39.6)**	68.7
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	8	**(16.8)**	1.9
Deferred tax credit/(charge) on remeasurement of defined benefit pension schemes		**5.0**	(0.2)
		(11.8)	1.7
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement		**-**	(0.5)
Net change in fair value of cash flow hedges transferred to the carrying amount of non-financial assets		**-**	(6.2)
Effective portion of changes in fair value of cash flow hedges		**(0.3)**	3.3
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**145.9**	(6.8)
Arising on effective net investment hedges		**(56.9)**	(6.0)
Income tax charge on effective net investment hedges		**-**	(0.1)
Income tax credit in respect of tax losses not previously recognised		**1.0**	-
Attributable to non-controlling interests		**1.1**	0.1
		90.8	(16.2)
Other comprehensive income for the year, net of tax		**79.0**	(14.5)
Total comprehensive income		**39.4**	54.2
Attributable to:			
Equity holders of Essentra plc		**37.6**	53.3
Non-controlling interests		**1.8**	0.9
Total comprehensive income		**39.4**	54.2

Consolidated Balance Sheet
at 31 December 2016

	Note	**31 December 2016 £m**	31 December 2015 £m
Assets			
Property, plant and equipment	6	**285.9**	288.8
Intangible assets	7	**581.7**	691.6
Long-term receivables		**3.5**	0.8
Deferred tax assets		**2.6**	4.6
Retirement benefit assets	8	**11.6**	23.9
Total non-current assets		**885.3**	1,009.7
Inventories		**115.1**	118.7
Income tax receivable		**7.5**	4.7
Trade and other receivables		**218.4**	253.2
Derivative assets	15	**1.2**	0.4
Cash and cash equivalents		**54.0**	30.2
Total current assets		**396.2**	407.2
Assets in disposal group held for sale	11	**130.7**	-
Total assets		**1,412.2**	1,416.9
Equity			
Issued share capital	9	**66.0**	66.0
Merger relief reserve		**298.1**	298.1
Capital redemption reserve		**0.1**	0.1
Other reserve		**(132.8)**	(132.8)
Cash flow hedging reserve		**(0.3)**	-
Translation reserve		**68.6**	(21.4)
Retained earnings		**295.7**	399.5
Attributable to equity holders of Essentra plc		**595.4**	609.5
Non-controlling interests		**7.3**	5.7
Total equity		**602.7**	615.2
Liabilities			
Interest bearing loans and borrowings	10	**374.9**	403.5
Retirement benefit obligations	8	**34.7**	24.7
Provisions		**4.9**	2.8
Deferred tax liabilities		**65.8**	93.0
Total non-current liabilities		**480.3**	524.0
Interest bearing loans and borrowings	10	**65.1**	0.6
Derivative liabilities	15	**1.7**	0.4
Income tax payable		**24.4**	26.8
Trade and other payables		**204.3**	241.9
Provisions		**1.2**	8.0
Total current liabilities		**296.7**	277.7
Liabilities in disposal group held for sale	11	**32.5**	-
Total liabilities		**809.5**	801.7
Total equity and liabilities		**1,412.2**	1,416.9

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Consolidated Statement of Changes in Equity
for the year ended 31 December 2016

2016

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2016	**66.0**	**298.1**	**0.1**	**(132.8)**	**-**	**(21.4)**	**399.5**	**5.7**	**615.2**
(Loss)/profit for the year							**(40.3)**	**0.7**	**(39.6)**
Other comprehensive income					**(0.3)**	**90.0**	**(11.8)**	**1.1**	**79.0**
Total comprehensive income for the year	-	-	-	-	**(0.3)**	**90.0**	**(52.1)**	**1.8**	**39.4**
Share options exercised							**2.3**	**-**	**2.3**
Share option expense							**2.0**	**-**	**2.0**
Tax relating to share-based incentives							**(2.0)**	**-**	**(2.0)**
Dividends paid							**(54.0)**	**(0.2)**	**(54.2)**
At 31 December 2016	**66.0**	**298.1**	**0.1**	**(132.8)**	**(0.3)**	**68.6**	**295.7**	**7.3**	**602.7**

2015

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2015	66.0	298.1	0.1	(132.8)	3.4	(8.5)	366.5	5.0	597.8
Profit for the year							67.9	0.8	68.7
Other comprehensive income					(3.4)	(12.9)	1.7	0.1	(14.5)
Total comprehensive income for the year	-	-	-	-	(3.4)	(12.9)	69.6	0.9	54.2
Purchase of employee trust shares							(1.0)	-	(1.0)
Share options exercised							5.4	-	5.4
Share option expense							5.7	-	5.7
Tax relating to share-based incentives							2.3	-	2.3
Dividends paid							(49.0)	(0.2)	(49.2)
At 31 December 2015	66.0	298.1	0.1	(132.8)	-	(21.4)	399.5	5.7	615.2

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Consolidated Statement of Cash Flows
for the year ended 31 December 2016

	Note	**2016 £m**	2015 £m
Operating activities			
(Loss)/profit for the year		**(39.6)**	68.7
Adjustments for:			
Income tax (credit)/expense		**(7.6)**	21.7
Net finance expense	4	**12.5**	10.3
Intangible amortisation		**33.4**	31.7
Exceptional operating items	3	**133.7**	39.1
Depreciation		**34.3**	31.9
Share option expense		**2.0**	5.7
Hedging activities and other movements		**13.3**	(0.5)
Decrease/(increase) in inventories		**10.9**	(14.6)
Decrease/(increase) in trade and other receivables		**36.9**	(51.2)
(Decrease)/increase in trade and other payables		**(46.1)**	13.0
Cash outflow in respect of exceptional operating items		**(10.6)**	(22.1)
Adjustment for pension contributions		**0.8**	(5.1)
Movements in provisions		**(3.5)**	(2.3)
Cash inflow from operating activities		**170.4**	126.3
Income tax paid		**(17.4)**	(15.7)
Net cash inflow from operating activities		**153.0**	110.6
Investing activities			
Interest received		**0.7**	0.6
Acquisition of property, plant and equipment		**(42.8)**	(58.6)
Proceeds from sale of property, plant and equipment		**8.4**	3.8
Payments for intangible assets		**(3.9)**	-
Acquisition of businesses net of cash acquired	11	**(0.1)**	(304.5)
Net cash outflow from investing activities		**(37.7)**	(358.7)
Financing activities			
Interest paid		**(12.0)**	(10.0)
Dividends paid to equity holders		**(54.0)**	(49.0)
Dividends paid to non-controlling interests		**(0.2)**	(0.2)
Repayments of short-term loans		**-**	(4.9)
Repayments of long-term loans		**(298.6)**	-
Proceeds from long-term loans		**274.0**	292.8
Purchase of employee trust shares		**-**	(1.0)
Proceeds from sale of employee trust shares		**2.3**	5.4
Net cash (outflow)/inflow from financing activities		**(88.5)**	233.1
Net increase/(decrease) in cash and cash equivalents	10	**26.8**	(15.0)
Net cash and cash equivalents at the beginning of the year		**30.2**	46.0
Net increase/(decrease) in cash and cash equivalents		**26.8**	(15.0)
Net effect of currency translation on cash and cash equivalents		**3.7**	(0.8)
Net cash and cash equivalents at the end of the year	10	**60.7**	30.2

1. Basis of preparation

The consolidated financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the European Union ("EU") in accordance with EU law (IAS Regulation EC 1606/2002) ("adopted IFRS") and International Financial Reporting Standards as issued by the International Accounting Standards Board, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements are prepared under the historical cost convention except for derivatives which are stated at fair value and retirement benefit obligations which are valued in accordance with IAS 19 *Employee Benefits*.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2016 or 2015 but is derived from those accounts. Statutory accounts for 2015 have been delivered to the registrar of companies, and those for 2016 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

For the purposes of these financial statements "Essentra" or "the Group" means Essentra plc ("the Company") and its subsidiaries.

On 25 August 2016, Essentra entered into a sale and purchase agreement with Filtration Group to dispose of the Group's entire operations in Porous Technologies. The transaction is expected to complete in the first half of 2017. The results of Porous Technologies are presented as results from a discontinued operation in the consolidated income statement, and the comparative information has been re-presented accordingly. The assets and liabilities of Porous Technologies have also been presented as held for sale on the balance sheet as at 31 December 2016.

Changes in accounting policies

In the current financial year, Essentra adopted the following pronouncements:

- amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*: these amendments clarify that the ratio of revenue generated to total revenue expected to be generated cannot be used to depreciate PPE and can only be used to amortise intangibles in very limited circumstances.
- amendments to IAS 1 *Disclosure Initiative*: these amendments clarify that an entity should use professional judgement in determining what information should be disclosed in the financial statements, and the location and order of presentation in financial disclosures.
- amendments to IAS 27 Separate Financial Statements *Equity Method in Separate Financial Statements*
- amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*
- amendments to IFRS 11 *Accounting for Interests in Joint Operations*

The adoption of these amendments did not have an impact on the Group in relation to measurement, recognition and presentation. Other than these, the accounting policies and presentation in this set of financial statements are consistent with those applied in the prior years.

2. Segment analysis

In accordance with IFRS 8, Essentra has determined its operating segments based upon the information reported to the Group Management Committee. With effect from 1 January 2016, Essentra has implemented a new organisation structure, comprising three strategic business units. The Components, Pipe Protection Technologies, Extrusion and Security businesses form a strategic business unit named Component Solutions. The Speciality Tapes business is now included within the current Health & Personal Care Packaging strategic business unit. The Filter Products and Porous Technologies businesses form a new strategic business unit named Filtration Products. The scope of Central Services remains the same. The prior year segmental information has been re-presented accordingly to reflect the new organisation structure.

The operating segments are as follows:

Component Solutions consists of a Component Distribution business, the Extrusion business, the Pipe Protection Technologies business and a Security business. Component Distribution is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded, and metal items. The Extrusion business is a leading custom profile extruder located in The Netherlands which offers a complete design and production service. The Pipe Protection Technologies business specialises in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys for use in a range of end-markets. The Security business has been at the forefront of ID technology for over 30 years, and has access to the widest portfolio of products and services, including printers, software and consumables from leading manufacturers.

Health & Personal Care Packaging consists of the Health & Personal Care Packaging business and the Speciality Tapes business. Health & Personal Care Packaging is a leading global provider of packaging and authentication solutions to a diversified blue-chip customer base in the health and personal care, consumer and specialist packaging sectors, and to the paper and board industries. The Speciality Tapes business has expertise in coating multiple adhesive systems in numerous technologies.

Filtration Products is a leading global provider of specialised filtration solutions to an international customer base in a diverse range of end-markets, including tobacco, health and personal care and consumer goods.

The adjusted operating profit/loss presented for each operating segment includes the effect of allocation of certain functional costs such as finance, human resources, legal and IT, as well as costs relating to management of the strategic business units and regions based on an internal management methodology. Therefore for continuing operations, the adjusted operating profit presented below of £110.4m (2015: £154.1m) differs from the amount presented as operating profit before intangible amortisation and exceptional operating items of £108.7m (2015: £152.5m) as a result of costs allocated to Porous Technologies of £1.7m (2015: £1.6m) under the internal management methodology.

2. Segment analysis continued

	Component Solutions £m	Health & Personal Care Packaging £m	Filtration Products £m	Eliminations £m	Central Services[1] £m	Total continuing operations £m	Discontinued operations £m	Total £m
2016								
External revenue	301.8	427.6	269.1	-	-	998.5	105.2	1,103.7
Intersegment revenue	0.8	2.6	0.1	(3.5)	-	-	-	-
Total revenue	**302.6**	**430.2**	**269.2**	**(3.5)**	**-**	**998.5**	**105.2**	**1,103.7**
Operating profit/(loss) before intangible amortisation and exceptional operating items	54.4	34.5	37.5	-	(16.0)	110.4	21.5	131.9
Amortisation of acquired intangible assets	(8.8)	(21.4)	-	-	-	(30.2)	(2.7)	(32.9)
Exceptional operating items	(0.8)	(126.7)	(1.0)	-	-	(128.5)	(5.2)	(133.7)
Operating profit/(loss)	**44.8**	**(113.6)**	**36.5**	**-**	**(16.0)**	**(48.3)**	**13.6**	**(34.7)**
Segment assets	188.4	253.7	170.4	-	10.4	622.9	72.9	695.8
Intangible assets	190.2	391.4	0.1	-	-	581.7	51.1	632.8
Unallocated items[2]	-	-	-	-	76.9	76.9	6.7	83.6
Total assets	**378.6**	**645.1**	**170.5**	**-**	**87.3**	**1,281.5**	**130.7**	**1,412.2**
Segment liabilities	41.9	96.9	54.0	-	17.6	210.4	14.4	224.8
Unallocated items[2]	-	-	-	-	566.6	566.6	18.1	584.7
Total liabilities	**41.9**	**96.9**	**54.0**	**-**	**584.2**	**777.0**	**32.5**	**809.5**
Other segment items								
Capital expenditure (cash spend)	8.0	25.4	6.8	-	4.5	44.7	2.0	46.7
Depreciation	10.1	10.8	8.2	-	1.5	30.6	3.7	34.3
Average number of employees	2,230	3,893	1,606	-	179	7,908	521	8,429

	Component Solutions £m	Health & Personal Care Packaging £m	Filtration Products £m	Eliminations £m	Central Services[1] £m	Total continuing operations £m	Discontinued operations £m	Total £m
2015								
External revenue	285.2	419.3	302.0	-	-	1,006.5	91.6	1,098.1
Intersegment revenue	0.7	3.3	0.6	(4.6)	-	-	-	-
Total revenue	**285.9**	**422.6**	**302.6**	**(4.6)**	**-**	**1,006.5**	**91.6**	**1,098.1**
Operating profit/(loss) before intangible amortisation and exceptional operating items	58.1	57.5	54.7	-	(16.2)	154.1	17.4	171.5
Amortisation of acquired intangible assets	(8.1)	(21.2)	-	-	-	(29.3)	(2.4)	(31.7)
Exceptional operating items	1.8	(31.3)	(11.5)	-	1.9	(39.1)	-	(39.1)
Operating profit/(loss)	**51.8**	**5.0**	**43.2**	**-**	**(14.3)**	**85.7**	**15.0**	**100.7**
Segment assets	178.2	237.7	169.3	-	9.7	594.9	66.6	661.5
Intangible assets	160.3	485.6	-	-	-	645.9	45.7	691.6
Unallocated items[2]	-	-	-	-	63.8	63.8	-	63.8
Total assets	**338.5**	**723.3**	**169.3**	**-**	**73.5**	**1,304.6**	**112.3**	**1,416.9**
Segment liabilities	44.8	115.7	61.6	-	18.0	240.1	12.6	252.7
Unallocated items[2]	-	-	-	-	549.0	549.0	-	549.0
Total liabilities	**44.8**	**115.7**	**61.6**	**-**	**567.0**	**789.1**	**12.6**	**801.7**
Other segment items								
Capital expenditure (cash spend)	12.6	27.3	10.1	-	4.7	54.7	3.9	58.6
Depreciation	9.2	10.4	8.8	-	0.1	28.5	3.4	31.9
Average number of employees	2,402	3,754	1,723	-	176	8,055	535	8,590

[1] Central Services includes executive and non-executive management, group finance, tax, treasury, legal, group assurance, human resources, information technology, corporate development, corporate affairs and other services provided centrally to support the operating segments

[2] The unallocated assets relate to income and deferred tax assets, retirement benefit assets, derivatives and cash and cash equivalents. The unallocated liabilities relate to interest bearing loans and borrowings, retirement benefit obligations, derivatives, deferred tax liabilities and income tax payable. Intersegment transactions are carried out on an arm's length basis

3. Exceptional operating items

	2016 £m	2015 £m
Transaction costs relating to acquisitions and disposals of businesses[1]	**5.0**	0.2
Acquisition integration and restructuring costs[2]	**4.5**	34.1
Other[3]	**124.2**	4.8
Exceptional operating items (including discontinued operations)	**133.7**	39.1
Exceptional tax items[4]	**-**	(1.7)

[1] Transaction costs relating to acquisitions and disposals of businesses are made up of £0.3m in respect of the acquisition of Kamsri Printing & Packaging PVT. Ltd based in India, and £4.7m costs in relation to the disposal of Porous Technologies (including costs incurred on corporate reorganisation carried out as part of the closing conditions to complete the transaction, and cost of a claim settlement associated with the exit from Porous Technologies). Transaction costs of £0.2m related to the acquisition of Specialty Plastics based in Australia.

[2] Acquisition integration and restructuring costs are incurred during the period in respect of:

- additional integration costs (primarily employee costs directly associated with the restructuring activities, costs of site closures and directly attributable costs of sites which businesses are transferred into under the integration plan) in relation to the ongoing integration of the Clondalkin SPD business (£4.5m) offset with the gain on disposal of certain properties which were acquired with that business (£1.7m); and
- the costs associated with the closure of the Components site at Xiamen, China, and integration of those operations into other sites in Asia as part of the Components Asia restructuring programme following the Abric acquisition (£1.7m)

The items in 2015 related to Clondalkin SPD, Abric and Speciality Plastics, including the effect of unwinding the fair value adjustment on inventory in relation to the acquisition of Clondalkin SPD, amounting to £1.9m.

[3] Other exceptional items in 2016 relate to:

- £123.9m impairment loss in relation to the Health & Personal Care strategic business unit. Further details are provided in note 7;
- further costs of £2.7m associated with the closure of the Filters site in Jarrow and integration of previous Jarrow operations into the Hungary site offset with the net release of property provisions of £1.3m on the disposal of certain properties in Filtration Products (including a £0.5m loss of property disposal in Porous Technologies); and
- the release of a provision of £1.1m for contingent deferred consideration in relation to a prior period acquisition.

Other exceptional items in 2015 related to costs associated with the closure of the Filters site in Jarrow of £11.5m, offset by a release of £1.9m in respect of warranty obligations for the 2007 disposal of Globalpack and a £4.8m credit adjustment for contingent deferred consideration in relation to prior period acquisitions.

[4] Exceptional tax items in 2015 related to the release of tax indemnity provisions of £1.7 million in respect of the 2007 Globalpack disposal.

The tax effect of the exceptional items is a credit of £24.9m (2015: £6.1m).

4. Net finance expense

	2016 £m	2015 £m
Finance income		
Bank deposits	**0.7**	0.6
Other finance income	**0.4**	-
Net interest on net pension scheme assets (note 8)	**1.0**	0.9
	2.1	1.5
Finance expense		
Interest on loans and overdrafts	**(12.5)**	(9.5)
Amortisation of bank facility fees	**(0.7)**	(0.7)
Other finance expense	**(0.2)**	(0.5)
Net interest on pension scheme liabilities (note 8)	**(1.2)**	(1.1)
	(14.6)	(11.8)
Net finance expense	**(12.5)**	(10.3)

5. Earnings per share

	2016 **£m**	2015 £m
Earnings: Continuing operations		
(Loss)/earnings attributable to equity holders of Essentra plc	**(51.7)**	55.5
Adjustments		
Amortisation of acquired intangible assets	**30.2**	29.3
Exceptional operating items	**128.5**	39.1
	158.7	68.4
Tax relief on adjustments	**(30.8)**	(12.8)
Exceptional tax item	**-**	(1.7)
Adjusted earnings	**76.2**	109.4
Earnings: Discontinued operations		
Earnings attributable to equity holders of Essentra plc	**11.4**	12.4
Adjustments		
Amortisation of acquired intangible assets	**2.7**	2.4
Exceptional operating items	**5.2**	-
	7.9	2.4
Tax relief on adjustments	**(0.7)**	(0.6)
Exceptional tax item	**-**	-
Adjusted earnings	**18.6**	14.2
Weighted average number of shares		
Basic weighted average ordinary shares in issue (million)	**261.1**	259.5
Dilutive effect of employee share option plans (million)	**-**	3.7
Diluted weighted average ordinary shares (million)	**261.1**	263.2
Earnings per share: Continuing operations (pence)		
Basic (loss)/earnings per share	**(19.8)p**	21.4p
Adjustment	**49.0p**	20.7p
Basic adjusted earnings per share	**29.2p**	42.1p
Diluted (loss)/earnings per share	**(19.8)p**	21.1p
Diluted adjusted earnings per share	**29.2p**	41.6p
Earnings per share: Discontinued operations (pence)		
Basic earnings per share	**4.4p**	4.8p
Adjustment	**2.7p**	0.7p
Basic adjusted earnings per share	**7.1p**	5.5p
Diluted earnings per share	**4.4p**	4.7p
Diluted adjusted earnings per share	**7.1p**	5.4p
Earnings per share: Total Group (pence)		
Basic (loss)/earnings per share	**(15.4)p**	26.2p
Adjustment	**51.7p**	21.4p
Basic adjusted earnings per share	**36.3p**	47.6p
Diluted (loss)/earnings per share	**(15.4)p**	25.8p
Diluted adjusted earnings per share	**36.3p**	47.0p

Adjusted earnings per share is provided to reflect the underlying earnings performance of Essentra.

For the current year, the employee share options are not considered as dilutive, as they would increase loss per share from continuing operations.

The basic weighted average number of ordinary shares in issue excludes shares held in treasury and shares held by an employee benefit trust.

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6. Property, plant and equipment

2016

	Land and buildings £m	**Plant and machinery £m**	**Fixtures, fittings and equipment £m**	**Total £m**
Cost				
Beginning of year	**111.6**	**383.3**	**60.4**	**555.3**
Acquisitions (note 11)	-	0.5	-	**0.5**
Additions	2.3	36.0	2.0	**40.3**
Disposals	(14.8)	(13.0)	(3.6)	**(31.4)**
Transfer to intangible assets	-	-	(2.6)	**(2.6)**
Transfer to assets in disposal group held for sale	(27.5)	(42.5)	(6.5)	**(76.5)**
Currency translation	15.7	61.8	6.0	**83.5**
End of year	**87.3**	**426.1**	**55.7**	**569.1**
Depreciation and impairment				
Beginning of year	**24.4**	**208.5**	**33.6**	**266.5**
Depreciation charge for the year	2.4	25.1	5.5	**33.0**
Impairment	0.3	3.4	-	**3.7**
Disposals	(9.1)	(11.8)	(3.3)	**(24.2)**
Transfer to intangible assets	-	-	(0.5)	**(0.5)**
Transfer to assets in disposal group held for sale	(6.9)	(29.4)	(5.7)	**(42.0)**
Currency translation	5.3	36.9	4.5	**46.7**
End of year	**16.4**	**232.7**	**34.1**	**283.2**
Net book value at end of year	**70.9**	**193.4**	**21.6**	**285.9**

2015

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
Cost				
Beginning of year	91.8	337.6	57.8	487.2
Acquisitions	16.5	17.6	1.5	35.6
Additions	4.9	48.6	7.0	60.5
Disposals	(1.7)	(20.2)	(5.9)	(27.8)
Currency translation	0.1	(0.3)	-	(0.2)
End of year	111.6	383.3	60.4	555.3
Depreciation and impairment				
Beginning of year	21.6	201.9	33.2	256.7
Depreciation charge for the year	3.2	23.8	4.9	31.9
Impairment	0.7	1.1	1.1	2.9
Disposals	(0.6)	(17.4)	(5.5)	(23.5)
Currency translation	(0.5)	(0.9)	(0.1)	(1.5)
End of year	24.4	208.5	33.6	266.5
Net book value at end of year	87.2	174.8	26.8	288.8

Contractual commitments to purchase property, plant and equipment (including Porous Technologies) amounted to £3.8m at 31 December 2016 (2015: £3.3m). The net book value of assets under finance leases amounted to £3.3m as at 31 December 2016 (2015: £3.6m).

Impairment charge in 2016 of £3.7m related primarily to the write-down of certain plant and machinery in the Health & Personal Care Packaging strategic business unit as a result of detailed impairment assessment of assets held by the individual cash generating units in that strategic business unit. Further details are included in note 7. Impairment charge in 2015 of £2.9m related to assets written down as part of the restructuring of certain of the Group's operations.

7. Intangible assets

				2016
	Goodwill £m	**Customer relationships £m**	**Other intangible assets £m**	**Total £m**
Cost				
Beginning of year	**367.2**	**397.2**	**15.7**	**780.1**
Acquisitions (note 11)	0.5	2.1	0.1	**2.7**
Additions	-	-	3.9	**3.9**
Transfer from property, plant and equipment	-	-	2.6	**2.6**
Transfer to assets in disposal group held for sale	(29.6)	(25.4)	(9.0)	**(64.0)**
Currency translation	42.4	53.3	0.8	**96.5**
End of year	**380.5**	**427.2**	**14.1**	**821.8**
Amortisation and impairment				
Beginning of year	**-**	**80.0**	**8.5**	**88.5**
Charge for the year	-	30.6	1.8	**32.4**
Impairment	32.5	88.0	-	**120.5**
Transfer from property, plant and equipment	-	-	0.5	**0.5**
Transfer to assets in disposal group held for sale	-	(8.3)	(6.6)	**(14.9)**
Currency translation	-	13.1	-	**13.1**
End of year	**32.5**	**203.4**	**4.2**	**240.1**
Net book value at end of year	**348.0**	**223.8**	**9.9**	**581.7**

				2015
	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
Cost				
Beginning of year	211.8	235.6	15.0	462.4
Acquisitions	158.7	164.5	-	323.2
Currency translation	(3.3)	(2.9)	0.7	(5.5)
End of year	367.2	397.2	15.7	780.1
Amortisation				
Beginning of year	-	49.3	6.7	56.0
Charge for the year	-	30.2	1.5	31.7
Currency translation	-	0.5	0.3	0.8
End of year	-	80.0	8.5	88.5
Net book value at end of year	367.2	317.2	7.2	691.6

Other intangible assets principally comprise trade names acquired with Reid Supply, developed technology acquired with Richco, order backlog and e-Commerce development costs. Amortisation of intangible assets arising from business combinations ('acquired intangible assets') is presented separately on the face of the income statement. The e-Commerce development costs were not acquired through a business combination, and their amortisation is included within operating profits before intangible amortisation and exceptional operating items as presented on the face of the income statement.

The weighted average useful economic lives of customer relationships and other intangible assets (including Porous Technologies) at the end of the year were 14.1 years and 8.9 years (2015: 14.2 years and 10.6 years) respectively.

Essentra tests intangible assets annually for impairment, or more frequently if there are indication of impairment. A discounted cash flow analysis is computed to compare the discounted estimated future operating cash flows to the net carrying value of the goodwill and other intangible assets for each cash generating unit or group of cash generating units as appropriate.

7. **Intangible assets** continued

Goodwill is allocated to groups of cash generating units, being the operating segments, as follows:

Operating segment	Goodwill 2016 £m	Goodwill 2015 £m
Component Solutions	**93.3**	74.0
Health & Personal Care Packaging	**254.7**	266.6
Filtration Products[1]	**31.4**	26.6
	379.4	367.2

[1] These are included in assets in disposal group held for sale as at 31 December 2016

Intangible assets, apart from goodwill, are allocated to the businesses to which they relate as shown below:

Business	Operating segment	Customer relationships and other intangible assets 2016 £m	Customer relationships and other intangible assets 2015 £m
Components – Businesses of former Moss and Skiffy	Component Solutions	**17.5**	12.6
Components – Businesses of former Richco	Component Solutions	**35.2**	32.8
Components – Business of former Reid Supply	Component Solutions	**7.6**	7.6
Components – Business of Mesan	Component Solutions	**11.8**	13.1
Components – Abric	Component Solutions	**11.6**	10.9
Healthcare – Europe	Health & Personal Care Packaging	**79.7**	208.4
Healthcare – Americas	Health & Personal Care Packaging	**46.6**	-
Healthcare – Asia	Health & Personal Care Packaging	**2.1**	-
Porous St. Charles[1]	Filtration Products	**3.3**	4.0
Porous Chicopee[1]	Filtration Products	**14.5**	13.4
Porous Asia[1]	Filtration Products	**1.9**	1.8
Packaging	Health & Personal Care Packaging	**2.2**	3.7
Speciality Tapes	Health & Personal Care Packaging	**8.2**	12.7
Multiple businesses	Multiple segments	**11.2**	3.4
		253.4	324.4

[1] These are included in assets in disposal group held for sale as at 31 December 2016

7. Intangible assets continued

The Health & Personal Care Packaging strategic business unit faced significant operational and commercial challenges during 2016. Integration of the acquired Clondalkin operations and the associated site rationalisation programme has met with significant issues and resulted in losses of customers, particularly in the UK, the US and The Netherlands. Furthermore, there has been significant scaling back of high margin security feature business in the tear tape operations. Issues were also experienced in the integration of the European speciality tapes business into the European tear tapes business.

In the light of these events, management has performed a detailed impairment assessment of the assets in the Health & Personal Care Packaging strategic business unit. As a result of this impairment assessment, impairment losses were recognised for £32.5m of goodwill, £88.0m of customer relationship intangible asset and £3.4m of property, plant and equipment (primarily plant and machinery).

The impairment assessment for intangible assets (excluding goodwill) and property, plant and equipment is performed on the cash generating units within the Health & Personal Care Packaging strategic business unit. The cash generating units are primarily the manufacturing sites. Goodwill is tested at the strategic business unit level, which is the level that management monitor goodwill at. The recoverable amount is estimated on the basis of value in use, i.e. discounted cash flow projection expected to be generated by the cash generating units. For assets in the cash generating units assessed to be impaired, their fair value less costs to sell is also considered in determining the impairment loss to be recognised, if any. In these cases the fair value less costs to sell is based on estimated market prices of reflecting the age and condition of the asset.

The impairment tests for goodwill and intangible assets are based on the following assumptions:

- Cash flows for the next year are based upon the Group's Annual Plan (the 'Plan'). The key assumptions in the cash flow projections for the Plan are the revenue growth and operating margin for each strategic business unit. Operating margin is primarily based on the levels achieved in 2016, which are disclosed in note 2, adjusted by targets set for revenue expansion and cost control and reduction for each individual division within the Plan period.
- In relation to the test for the Health & Personal Care Packaging strategic business unit, management carried out more detailed assessment of the growth and profit margin assumptions for each of the next four years after the Plan period, and applied a terminal growth rate of 1.0%-1.5% subsequently. The growth and profit margin assumptions are based on management's assessment of market condition and scope for cost and profitability improvement, taking into account realisable synergies following the recent integration activities. In relation to the test for the Component Solutions strategic business unit, cash flows beyond the Plan period are based on Plan cash flows with growth rates specific to each business of up to 2% (2015: up to 2%).
- The estimated cash flows are discounted using a pre-tax discount rate based upon Essentra's estimated post-tax weighted average cost of capital of 8.2% (2015: 9.3%). The specific pre-tax discount rates applied for each group of cash generating units to which significant goodwill is allocated are as follows: 10.6% for Health & Personal Care Packaging, 10.6% for Component Solutions and 10.6% for Filtration Products (2015: 16.2% for Distribution, 11.4% for Health & Personal Care Packaging and 12.7% for Specialist Technologies).
- For the Filtration Products strategic business unit, goodwill and intangible assets are held by Porous Technologies and none is held by Filter Products. The impairment test for the intangible assets of Porous Technologies is carried out on the basis of fair value less costs to sell, to reflect the impending disposal. The Group expects to realise a significant gain on the disposal of Porous Technologies based on the consideration agreed with the buyer, and therefore no impairment loss is required. This transaction is expected to complete in the first half of 2017.

Following the recognition of impairment losses in the Health & Personal Care Packaging strategic business unit, a reasonably possible change in a key assumption will cause the carrying amount after impairment to exceed the recoverable amount, as follows:

- An increase in discount rate of 10 basis points would increase the impairment loss by £7.5m.
- A reduction in terminal annual growth rate of 10 basis points would increase the impairment loss by £5.4m.
- A reduction in each year's growth rate by 10 basis points for the five-year projection period would increase the impairment loss by £5.4m.
- A reduction of 100bps in the operating profit margin in the fifth year of the five-year projection period for the key locations impacted by impairment would increase the by impairment loss by £13.7m.

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8. Employee benefits

Post-employment benefits

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2015 and annual actuarial valuations are performed on the principal US defined benefit schemes. The assets and liabilities of the defined benefit schemes have been updated to the balance sheet date from the most recently completed actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

The amounts included in the consolidated financial statements are as follows:

	2016 £m	2015 £m
Amounts expensed against operating profit		
Defined contribution schemes	**6.2**	6.7
Defined benefit schemes – service cost	**1.5**	2.4
Defined benefit schemes – curtailment gain	**-**	(3.0)
Other post-employment obligations	**0.2**	0.1
Total operating expense (including discontinued operations)	**7.9**	6.2
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets (note 4)	**(1.0)**	(0.9)
Net interest on defined benefit scheme liabilities (note 4)	**1.2**	1.1
Net finance expense (including discontinued operations)	**0.2**	0.2
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	**(24.0)**	8.5
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	**40.8**	(10.4)
Remeasurement of defined benefit schemes (including discontinued operations)	**16.8**	(1.9)

During 2015, the principal defined benefit pension schemes in the UK and the US were closed to future accrual, and curtailment gains were recognised in profit or loss accordingly. Following the closure of the Group's principal defined benefit pension schemes to future accruals, the schemes are funded by the Group's subsidiaries and employees are not required to make any further contribution. The funding of these schemes is based on separate actuarial valuations for funding purposes for which the assumptions may differ from those used in the valuation for IAS 19 purposes.

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 are as follows:

	2016		2015	
	Europe	**US**	Europe	US
Increase in salaries (pre-2010) [1]	n/a	n/a	n/a	3.00%
Increase in salaries (post-2010) [1]	n/a	n/a	n/a	3.00%
Increase in pensions [1]				
at RPI capped at 5%	3.30%	n/a	3.10%	n/a
at CPI capped at 5%	2.40%	n/a	2.20%	n/a
at CPI minimum 3%, capped at 5%	3.20%	n/a	3.30%	n/a
at CPI capped at 2.5%	2.00%	n/a	1.80%	n/a
Discount rate	2.70%	4.15%	3.80%	4.37%
Inflation rate	2.90%	n/a	2.70%	n/a

1 For service prior to April 2010, pension at retirement is linked to salary at retirement. For service after April 2010, pension is linked to salary at April 2010 with annual increases capped at 3%

Due to the timescale covered, the assumptions applied may not be borne out in practice.

8. Employee benefits continued

The life expectancy assumptions used to estimate defined benefit obligations at the year end are as follows:

	2016 Europe	**2016** US	2015 Europe	2015 US
Male retiring today at age 65	**22.7**	**20.8**	22.4	21.2
Female retiring today at age 65	**24.5**	**22.8**	24.8	23.2
Male retiring in 20 years at age 65	**24.4**	**22.5**	24.3	22.9
Female retiring in 20 years at age 65	**26.4**	**24.4**	26.7	24.9

Movement in fair value of post-employment obligations (including disposal group held for sale) during the year

	2016				2015			
	Defined benefit pension scheme assets £m	**Defined benefit pension scheme liabilities £m**	**Other £m**	**Total £m**	Defined benefit pension scheme assets £m	Defined benefit pension scheme liabilities £m	Other £m	Total £m
Beginning of year	**246.7**	**(245.8)**	**(1.7)**	**(0.8)**	245.6	(245.1)	(2.2)	(1.7)
Service cost and administrative expense	**(1.1)**	**(0.4)**	**(0.2)**	**(1.7)**	(1.3)	(1.1)	(0.1)	(2.5)
Employer contributions	**0.8**	**-**	**0.2**	**1.0**	3.9	-	0.1	4.0
Employee contributions					0.1	(0.1)	-	-
Return on plan assets excluding amounts in net finance income	**24.0**	**-**	**-**	**24.0**	(8.5)	-	-	(8.5)
Actuarial (losses)/gains arising from change in financial assumptions	**-**	**(45.2)**	**(0.3)**	**(45.5)**	-	6.2	-	6.2
Actuarial gains arising from change in demographic assumptions	**-**	**3.4**	**-**	**3.4**	-	-	-	-
Actuarial gains arising from experience adjustment	**-**	**1.3**	**-**	**1.3**	-	4.2	-	4.2
Finance income/(expense)	**9.6**	**(9.8)**	**-**	**(0.2)**	9.3	(9.5)	-	(0.2)
Benefits paid	**(11.2)**	**11.2**	**-**	**-**	(10.7)	10.7	0.5	0.5
Curtailments	**-**	**-**	**-**	**-**	-	3.0	-	3.0
Currency translation	**9.0**	**(13.6)**	**(0.3)**	**(4.9)**	2.9	(3.8)	-	(0.9)
Business combination	**-**	**-**	**-**	**-**	5.4	(10.3)	-	(4.9)
End of year	**277.8**	**(298.9)**	**(2.3)**	**(23.4)**	246.7	(245.8)	(1.7)	(0.8)

Sensitivity

For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the measurement of the scheme liabilities as at 31 December 2016.

	Scheme liabilities Europe £m	US £m	**Total £m**
0.5% decrease in the discount rate	(22.8)	(5.6)	**(28.4)**
1.0% increase in the rate of inflation	(21.7)	n/a	**(21.7)**
1.0% increase in rate of salary/pension increases	n/a	n/a	**n/a**
1 year increase in life expectancy	(6.6)	(2.4)	**(9.0)**
0.5% increase in the discount rate	19.8	5.0	**24.8**
1.0% decrease in rate of salary/pension increases	n/a	n/a	**n/a**
1.0% decrease in the rate of inflation	17.5	n/a	**17.5**

9. Issued share capital

	2016 **£m**	2015 £m
Issued and fully paid ordinary shares of 25p (2015: 25p) each	**66.0**	66.0

Number of ordinary shares in issue		
Beginning of year	264,129,170	264,129,170
Issue of shares during the year	-	-
End of year	**264,129,170**	264,129,170

At 31 December 2016 the Company held 1,286,952 (2015: 1,750,571) of its own shares in treasury.

10. Analysis of net debt

	1 Jan 2016 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	**31 Dec 2016 £m**
Cash at bank and in hand	23.8	7.1	3.1	-	**34.0**
Short-term bank deposits and investments	6.4	19.7	0.6	-	**26.7**
Cash and cash equivalents in the statement of cash flows	30.2	26.8	3.7	-	**60.7**
Debt due within one year	(0.6)	-	-	(64.5)	**(65.1)**
Debt due after one year	(403.5)	24.6	(59.8)	63.8	**(374.9)**
Net debt	(373.9)	51.4	(56.1)	(0.7)	**(379.3)**

The non-cash movements represent the amortisation of prepaid facility fees and reclassification of part of the US Private Placement Loan Notes as current.

	1 Jan 2015 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	31 Dec 2015 £m
Cash at bank and in hand	26.5	(2.0)	(0.7)	-	23.8
Short-term bank deposits and investments	19.5	(13.0)	(0.1)	-	6.4
Cash and cash equivalents in the statement of cash flows	46.0	(15.0)	(0.8)	-	30.2
Debt due within one year	(5.8)	4.9	0.3	-	(0.6)
Debt due after one year	(102.3)	(292.8)	(7.7)	(0.7)	(403.5)
Net debt	(62.1)	(302.9)	(8.2)	(0.7)	(373.9)

The non-cash movements represent the amortisation of prepaid facility.

11. Acquisitions and disposals

2016 acquisition: Kamsri

The Group acquired the pharmaceutical assets of Kamsri Printing & Packaging PVT. Ltd ("Kamsri") based in India in January 2016. This acquisition was not material.

Disposal of Porous Technologies

On 25 August 2016, Essentra entered into a sale and purchase agreement with Filtration Group to dispose of the Group's entire operations in Porous Technologies. The transaction is expected to complete in the first half of 2017. The results of Porous Technologies are presented as results from a discontinued operation in the consolidated income statement, and the comparative information has been re-presented accordingly. The assets and liabilities of Porous Technologies have also been presented as held for sale on the balance sheet as at 31 December 2016. No finance income or expense related to discontinued operations, and the income tax expense related to discontinued operations amounted to £3.9m (2015: £4.2m).

The results of continuing and discontinued operations are as follows:

	Year ended 31 December 2016		
	Continuing operations £m	**Discontinued operations £m**	**Total Group £m**
External revenue	**998.5**	**105.2**	**1,103.7**
External expenses	**(889.8)**	**(82.0)**	**(971.8)**
Operating profit before intangible amortisation and exceptional operating items	**108.7**	**23.2**	**131.9**
Amortisation of acquired intangible assets	**(30.2)**	**(2.7)**	**(32.9)**
Exceptional operating items	**(128.5)**	**(5.2)**	**(133.7)**
Operating (loss)/profit	**(50.0)**	**15.3**	**(34.7)**
Finance income	**2.1**	**-**	**2.1**
Finance expense	**(14.6)**	**-**	**(14.6)**
(Loss)/profit before tax	**(62.5)**	**15.3**	**(47.2)**
Income tax credit/(expense)	**11.5**	**(3.9)**	**7.6**
(Loss)/profit after tax	**(51.0)**	**11.4**	**(39.6)**
Basic (loss)/earnings per share	**(19.8)p**	**4.4p**	**(15.4)p**
Basic adjusted earnings per share	**29.2p**	**7.1p**	**36.3p**
Diluted (loss)/earnings per share	**(19.8)p**	**4.4p**	**(15.4)p**
Diluted adjusted earnings per share	**29.2p**	**7.1p**	**36.3p**

	Year ended 31 December 2015		
	Continuing operations £m	Discontinued operations £m	Total Group £m
External revenue	1,006.5	91.6	1,098.1
External expenses	(854.0)	(72.6)	(926.6)
Operating profit before intangible amortisation and exceptional operating items	152.5	19.0	171.5
Amortisation of acquired intangible assets	(29.3)	(2.4)	(31.7)
Exceptional operating items	(39.1)	-	(39.1)
Operating profit	84.1	16.6	100.7
Finance income	1.5	-	1.5
Finance expense	(11.8)	-	(11.8)
Profit before tax	73.8	16.6	90.4
Income tax expense	(17.5)	(4.2)	(21.7)
Profit after tax	56.3	12.4	68.7
Basic earnings per share	21.4p	4.8p	26.2p
Basic adjusted earnings per share	42.1p	5.5p	47.6p
Diluted earnings per share	21.1p	4.7p	25.8p
Diluted adjusted earnings per share	41.6p	5.4p	47.0p

11. Acquisitions and disposals continued

The profit from discontinued operations is attributable entirely to the equity holders of Essentra plc.

Cash flows of discontinued operations are as follows:

	2016 £m	2015 £m
Net cash inflow from operating activities	**23.0**	15.1
Net cash used in investing activities	**(1.0)**	(4.1)
Net cash flows for the year	**22.0**	11.0

The assets and liabilities of Porous Technologies at 31 December 2016 which are presented as assets and liabilities in disposal group held for sale, and the assets and liabilities of the rest of the Group are as follows:

	As at 31 December 2016		
	Porous Technologies	**Rest of Group**	**Total Group**
	£m	**£m**	**£m**
Property, plant and equipment	35.2	285.9	321.1
Intangible assets	51.1	581.7	632.8
Long-term receivables	-	3.5	3.5
Deferred tax assets	-	2.6	2.6
Retirement benefit assets	-	11.6	11.6
Inventories	9.2	115.1	124.3
Income tax receivable	-	7.5	7.5
Trade and other receivables	28.5	218.4	246.9
Derivative assets	-	1.2	1.2
Cash and cash equivalents	6.7	54.0	60.7
Total assets	**130.7**	**1,281.5**	**1,412.2**
Trade and other payables	14.2	204.3	218.5
Interest bearing loans and borrowings	-	440.0	440.0
Provisions	0.2	6.1	6.3
Retirement benefit obligations	0.3	34.7	35.0
Derivative liabilities	-	1.7	1.7
Deferred tax liabilities	10.5	65.8	76.3
Income tax payable	7.3	24.4	31.7
Total liabilities	**32.5**	**777.0**	**809.5**

The cumulative income or expenses included in other comprehensive income relating to Porous Technologies amounted to a net gain of £18.1m (2015: £5.0m).

12. Dividends

	Per share		Total	
	2016	2015	**2016**	2015
	p	p	**£m**	£m
2015 interim: paid 30 October 2015		6.3		16.4
2015 final: paid 3 May 2016		14.4		37.5
2016 interim: paid 30 October 2016	**6.3**		**16.5**	
2016 proposed final: payable 2 May 2017	**14.4**		**37.6**	
	20.7	20.7	**54.1**	53.9

13. Transactions with related parties

Other than the compensation of key management, Essentra has not entered into any material transactions with related parties during 2015 and 2016.

14. Adjusted measures

Management reviews the adjusted operating profit and operating cash flow as measures of the performance of the business. Adjusted operating profit is stated before amortisation of acquired intangible assets and exceptional operating items which are considered not relevant to measuring the performance of the business. Operating cash flow is adjusted operating profit before depreciation, share option expense and other non-cash items, less working capital movements and net capital expenditure as shown below:

	2016	2015
	£m	£m
Operating (loss)/profit (including discontinued operations)	**(34.7)**	100.7
Amortisation of acquired intangible assets	**32.9**	31.7
Exceptional operating items	**133.7**	39.1
Adjusted operating profit (including discontinued operations)	**131.9**	171.5
Depreciation	**34.3**	31.9
Amortisation of non-acquired intangible assets	**0.5**	-
Share option expense	**2.0**	5.7
Other non-cash items	**(5.4)**	(2.9)
Working capital movements	**1.7**	(52.8)
Net capital expenditure	**(38.3)**	(54.8)
Operating cash inflow – adjusted (including discontinued operations)	**126.7**	98.6

The calculation of the earnings before interests, tax, depreciation and amortisation (“EBITDA”) is as follows:

	2016	2015
	£m	£m
Operating profit before intangible amortisation and exceptional operating items	**131.9**	171.5
Plus depreciation and other amounts written off property, plant and equipment, and amortisation of non-acquired intangible assets	**34.8**	31.9
Plus share option expense	**2.0**	5.7
EBITDA	**168.7**	209.1

15. Financial instruments

The table below sets out Essentra's accounting categories and fair value for each class of financial asset and liability (including amounts relating to disposal group held for sale).

	2016				2015			
	Fair value £m	Loans and receivables £m	Amortised cost £m	Total carrying value £m	Fair value £m	Loans and receivables £m	Amortised cost £m	Total carrying value £m
Trade and other receivables	-	242.0	-	**242.0**	-	243.8	-	**243.8**
Cash and cash equivalents	-	60.7	-	**60.7**	-	30.2	-	**30.2**
Interest bearing loans and borrowings	-	-	(440.0)	**(440.0)**	-	-	(404.1)	**(404.1)**
Trade and other payables	-	-	(158.7)	**(158.7)**	-	-	(174.8)	**(174.8)**
Level 2 of fair value hierarchy								
Derivative assets	1.2	-	-	**1.2**	0.4	-	-	**0.4**
Derivative liabilities	(1.7)	-	-	**(1.7)**	(0.4)	-	-	**(0.4)**
Level 3 of fair value hierarchy								
Other current payables	(1.3)	-	-	**(1.3)**	(1.5)	-	-	**(1.5)**
	(1.8)	**302.7**	**(598.7)**	**(297.8)**	**(1.5)**	**274.0**	**(578.9)**	**(306.4)**

Total trade and other receivables (including amounts relating to disposal group held for sale) carried at £250.4m (2015: £254.0m) include prepayments of £8.4m (2015: £8.5m) and consideration paid in advance in respect of business acquisition of £nil (2015: £1.7m) which are not financial assets and are therefore excluded from the above analysis. Fair values of forward foreign exchange contracts and cross currency swaps have been calculated at year end forward exchange rates compared to contracted rates. These are determined to be level 2 in the fair value hierarchy.

The only financial instrument with fair value determined by reference to significant unobservable inputs, which is classified as level 3 in the fair value hierarchy, is the deferred contingent consideration of £1.3m relating to the acquisition of Specialty Plastics and Kasmri (2015: £1.5m relating to the acquisition of Mesan Kilit A.S. and Specialty Plastics). The fair value of the deferred contingent consideration is estimated based on an assessment of the likely outcome of the acquired business' financial performance. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements. During the year, a fair value gain of £1.1m (2015: fair value gain of £4.8m) in respect of financial instruments at level 3 fair value hierarchy was recognised within exceptional items (see note 3), and £nil (2015: £nil) was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

Included within interest bearing loans and borrowings are $160m US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £128.7m (2015: £108.3m). The Group estimates that the total fair value of the Loan Notes at 31 December 2016 is £136.5m (2015: £117.4m).

All other financial assets, classified as 'loans and receivables', and trade and other payables, classified as 'amortised cost', are held at amortised cost and have short terms to maturity. For this reason, their carrying amounts at the reporting date approximate the fair values. Unsecured bank loans, included within interest bearing loans and borrowings, incur interest at floating rates and as a result their carrying amounts also approximate their fair values at the reporting date.

16. Cautionary forward-looking statements

This Report contains forward-looking statements based on current expectations and assumptions. Various known and unknown risks, uncertainties and other factors may cause actual results to differ from any future results or developments expressed or implied from the forward-looking statements. Each forward-looking statement speaks only as of the date of this document. The Company accepts no obligation to publicly revise or update these forward-looking statements or adjust them to future events or developments, whether as a result of new information, future events or otherwise, except to the extent legally required.

17. Directors' responsibility statement

We confirm that to the best of our knowledge

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- this announcement includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Paul Forman **Chief Executive**	**Stefan Schellinger** **Group Finance Director**

17 February 2017

MANAGEMENT OF PRINCIPAL RISKS

Risk management approach

The sound management of risk within the parameters of a clearly defined risk attitude statement underpins the successful delivery of the Company's strategy. Unfortunately, during 2016 Essentra failed to successfully mitigate the risks identified with the integration of the Health and Personal Care Packaging businesses at certain key sites and the impact of those failings led to a significant decline in the Company financial performance during the year. The Company recognises that its risk management objectives are designed to ensure risks are continuously monitored, associated action plans are reviewed and challenged, appropriate contingencies are provisioned and information is reported accurately through established management control procedures did not successfully address the risks which were identified during the course of the year.

However, given that the risk governance processes could not prevent the continued deterioration of the Health and Personal Care Packaging business during the second half of 2016, the Company has initiated a review of that structure and the processes necessary to deliver improvements in the Company's identification, assessment and management of risk.

The Company is subject to the general risks and uncertainties which impact other international organisations, including political and social instability in the countries in which the Company operates and sources raw materials, the impact of natural disasters and changes in general economic conditions, including currency and interest rate fluctuations, tax regimes and raw materials costs. In addition, the Board believes that the principal risks and uncertainties detailed below are specific to Essentra. The details provided are not exhaustive and do not purport to be a complete explanation of all potentially relevant issues. There may be other risks and uncertainties which are unknown to the Board, or which may not be deemed by the Board to be material at present but which could prove to be so in the future.

The Board will be undertaking a further comprehensive assessment of the key risk and uncertainties potentially impacting the Company as part of the strategic review being undertaken during H1 2017 and any changes to the existing assessment and mitigating actions will be reported as part of the HY 2017 results.

1. Failure to address the decline in Health and Personal Care Packaging

The deterioration in the performance of the Health and Personal Care Packaging business during 2016 has significantly impacted the overall financial performance of the Company. The failure to successfully mitigate the risks associated with the integration of the business has seen the loss of certain customers and the reduction of volumes from certain other customers. In addition, margin erosion impacted the profitability of remaining business. Failure of the Company to successfully address the continuing decline in the Health and Personal Care Packaging business could lead to further significant decline in the overall financial performance of the Company.

Impact	Mitigation
Failure to address the performance of the Health and Personal Care Packaging business could lead to: • Loss of customers • Loss of revenue • Margin erosion • Quality and service failings • Potential further impairment • Loss of reputation	In seeking to redress the decline in the performance of the Health and Personal Care Packaging business, Essentra will seek to • Deliver operational improvements and efficiencies • Secures quality and service improvements • Restore customer confidence and trust • Successfully manage customer relationships • Secure new business

2. People and experience

The success of Essentra will be dependent on and will reflect its ability to retain, attract and motivate employees. This ability is necessary in order to sustain, develop and grow its businesses and deliver Essentra's strategic objectives. There can be no assurance that these employees will remain with the Company. 2016 saw a number of employees leave Essentra in response to challenges within the Company and further departures could potentially impact the Company's capability to fulfil its objectives for 2017. It is important that the Company successfully engages with current employees to ensure their continued commitment to the further strategic development of Essentra and attracts further talent to drive future growth opportunities.

Impact	Mitigation
If Essentra fails to retain, attract or motivate the required calibre of employees, its operational performance and financial condition may be materially impacted by a lack of: • Experience • Expertise • Commercial relationships • Market insight • Product innovation	In order to manage the risk of personnel change, Essentra: • Regularly reviews personal development and succession planning • Implements management development schemes and other training programmes • Sets effective remuneration programmes • Provides long-term share-based incentive plans • Uses a talent management system • Continues to recruit graduates on its development programme • Conducts regular reviews of employee engagement

3 Customer profile and retention

In some of Essentra's businesses the customer base is relatively concentrated. Should Essentra's customers decide to satisfy their requirements internally or from other suppliers, and if Essentra were unable to secure new revenue streams, this could result in a significant loss of business. Essentra must serve an increasingly complex profile of customers, who will be heavily reliant on the Company in some cases. There is now an increased expectation from these customers, and Essentra risks losing business should it fail to adequately measure customer satisfaction and manage relationships. Essentra recognises that the failure to successfully mitigate the risks identified with the integration of the Health and Personal Care Packing business to ensure the delivery of the level of quality and service expected by customers, has led to the loss of customers and reduced volumes from certain remaining customers.

Impact	**Mitigation**
The loss of certain of Essentra's key customers may expose the Company to: • Reduced revenue • Restructuring costs • Profit decline • Deterioration in financial condition • Reputational damage	To counteract the Company's exposure to its customer profile, Essentra: • Invests in innovative, high-quality, value-added products and services • Develops long-term relationships and loyalty with customers at all levels through Key Account Management techniques • Seeks new markets and growth opportunities to expand its customer base

4. Disruption to infrastructure

A catastrophic loss of the use of all or a portion of any of Essentra's manufacturing or distribution facilities due to accident, labour issues, fire, terrorist attack, natural disaster, information technology failure, political unrest or otherwise which, whether short- or long-term, could adversely affect the Company's ability to meet the demands of its customers. Some of the assets maintained by the Company, such as tooling and IT systems, are critical to the manufacture and delivery of particular products. An independent assessment of the nature and extent of the Company's existing business continuity plans conducted in the second half of 2016 recommended a number of improvements to better facilitate Essentra's ability to respond to this area of risk and the Company will be implementing various new protocols during 2017 and beyond.

Impact	Mitigation
A material disruption to operational facilities or the loss of critical assets may negatively affect the Company's: • Production capability and asset base • Supply chain management • Customer relationships • Reputation • Revenue • Profit • Financial condition	Essentra seeks to manage the risk of potential disruption of the supply of its customers by: • Operating within a flexible global infrastructure • Installing fire and other risk prevention systems • Documenting, implementing and testing disaster recovery and business continuity plans • Assessing operational risks • Maintaining a comprehensive insurance programme • Aligning Group information technology resources

5. Tobacco industry market dynamics

A substantial part of Essentra's business relates to the supply of filter products and packaging solutions to manufacturers in the tobacco industry. Future performance may be affected by market dynamics within the industry, including commercial pressures from customers, global consumption shift from western to eastern markets, overall declining market growth, customer self-manufacture, new-generation development (such as e-cigarettes) and evolving legislation. Essentra cannot be competitive unless it manages and adapts its operational capacity in line with these trends. Tobacco-related litigation could also adversely affect Essentra, although there is no history of the Company being involved in such claims.

Impact	Mitigation
Tobacco industry market dynamics may lead to: • Reduced revenue • Restructuring costs • Profit decline • Reputational damage • Deterioration in financial condition • Litigation risk	In seeking to minimise the potential impact of the exposure to the tobacco industry, Essentra: • Invests in the research and development of innovative and new value-added products and services • Targets growth opportunities outside the manufacture of filter products • Focuses on low-cost filter production • Takes internal and external legal advice to manage litigation risk • Seeks to add value with a range of low-cost and innovative packaging solutions

ESSENTRA

6 Emerging technologies and new competition pressures

Essentra faces pressure from direct competitors, as well as new competition from alternative technologies. Some of the Company's competitors may derive advantage from greater financial resources, economies of scale or additional purchasing power or a lower cost base, and Essentra may face aggressive pricing practices.

Impact	Mitigation
Demand for competitors' products and the development of competing technologies may result in: • Loss of market positions • Erosion of margins • Intellectual property challenges • Decline in revenue • Decline in profitability • Deterioration in financial condition	Essentra seeks to mitigate the risk of competitive pressure by: • Exploiting innovation and manufacturing capabilities in new technologies, products and services • Developing long-term relationships with customers at a senior level • Protecting its intellectual property rights • Expanding its international distribution, sales and marketing expertise • Investing in both organic and acquisition growth opportunities

7 Key raw materials supply

Some of Essentra's businesses are dependent on the availability of specialist raw materials or components which are incorporated into the Company's products. Key raw materials may be subject to price fluctuations from supply shortages. If rapid increases occur in the price of such raw materials, including energy costs, the Company's revenue and profitability may be materially and adversely affected.

Impact	Mitigation
If Essentra is exposed to raw materials price increases or supply shortages, the Company may suffer: • Disruption to supply • Increased costs • Profit decline • Reduced revenue	To counteract the Company's exposure to increases in raw materials costs or supply shortages, Essentra seeks to: • Adopt appropriate procurement practices • Secure longer-term supply agreements • Implement cost recovery programmes • Investigate the availability of alternative supply options • Use consignment stock

8. Information Technology Systems and Cyber security

The current diversity and functionality limitations of existing Information Technology Systems within Essentra could inhibit the Company's ability to perform and meet its strategic objectives. A number of Essentra business processes are reliant on information technology systems and failure to address current limitations could significantly impact on the operation and reporting of business activities. In addition, Essentra holds sensitive information relating to its customers, suppliers and employees as well as intellectual property and financial data that needs to be held securely. Should security be breached, Essentra risks loss of customers and suppliers, information breach fines, disruption of normal operations and reputational damage.

Impact	Mitigation
Failure to have adequate measures in place may lead to: • Reduced revenue and profit • Disruption of normal operations • Litigation • Reputational damage	To counteract the limitations in the Company's existing Information Technology system and reduce the Company's exposure to cyber security breaches, Essentra: • Invests in industry best practice security software • Maintains a Security Operations Centre and acts upon external expert advice • Undertakes internal cyber security development initiatives • Reviews options to secure alignment on information technology resources across the Company • Makes targeted investment to drive information technology systems improvements

9 Compliance risk

Risk related to regulatory and legislative changes involves the possible failure of the Company to comply with current, changing or new legislation or regulation. Many of Essentra's current business activities are subject to increasing regulation and enforcement activity by relevant authorities. As the Company moves into new markets and territories in pursuit of its strategic priorities Essentra is exposed to new and additional compliance risk. The Company recognises the fundamental importance of ensuring the appropriate ethical culture in the management of this risk and 2017 will also see a review of the Company's governance and compliance activities to further drive the right behaviours.

Impact	Mitigation
Failure by the Company or its employees or others acting on its behalf to abide by the laws and regulations could result in: • Administrative, civil or criminal liability • Significant fines and penalties • Suspense or debarment of the Company from trading • Reputational damage • Loss of commercial relationships	In order to manage compliance risk Essentra: • Seeks to establishes a clear compliance culture from the top down • Conducts risk assessments and ongoing compliance reviews • Implements relevant policies and procedures • Provides behavioural guidance and training to all employees • Monitors compliance through internal audit review and other verification procedures • Engages local advisers as appropriate

10 Innovation

Essentra's development and growth has benefited from the success of start-up operations and the continued growth of already established businesses. The rate of success of any development may in part be dependent on the Group's innovation pipeline and the ability of the Company to be innovative with its operations in order to create efficiencies. There can be no assurance that the Company will anticipate market demand, develop, complete and commercialise current and suitable new products, or be successfully innovative in its operations.

Impact	Mitigation
If Essentra fails to meet the challenges of innovation, the Company may experience: • Lower growth rates • Delay in the achievement of strategic objectives • Reduced profitability	Essentra seeks to address the challenge of international business development with: • Experienced and skilled management • Detailed due diligence and planning • Continuous improvement programmes • Innovation programmes with targeted investment support

11 Mergers and acquisitions

Essentra's future development and growth may be derived from value-adding acquisitions. The rate of any future acquisition integration may in part be dependent on the success of identifying the correct acquisitions and having sufficient resources available to successfully deliver cost savings, synergies or to otherwise add value. There can be no assurance that the Company will be successful in completing and integrating suitable acquisitions. The failure to manage and integrate projects successfully may lead to customer loss, revenue decline and margin erosion.

Essentra recognises that the failure to successfully mitigate the risks identified in the integration of the Health and Personal Care Packaging business led to a subsequent deterioration in the performance of the business

Impact	Mitigation
If Essentra fails to meet the challenges of business development arising from acquisitions, the Company may experience: • Lower growth rates • Delay in the achievement of strategic objectives • Increased costs • Reduced profitability • Customer loss	In future, Essentra will seek to address the challenges of mergers and acquisitions and any subsequent integration activities with: • Experienced and skilled management • Detailed due diligence and planning • Project risk reviews • External expert advice • Targeted investment to manage change within acquired businesses