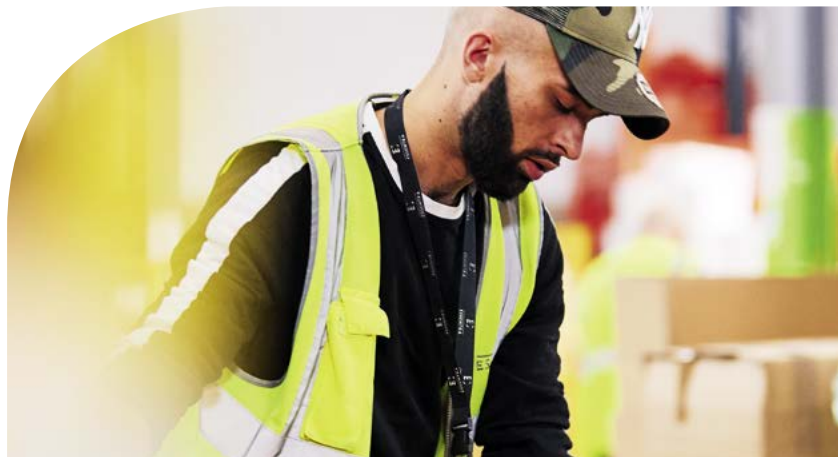




CREATING GROWTH FROM STABILITY

Annual Review 2018





**Our purpose is to provide
the parts, products and
services our customers
need to succeed as
businesses**



Four global divisions

Our four global divisions produce and distribute millions of small but essential components and solutions. Our products may not be noticeable – or even recognisable – but wherever you are, our business is all around you.

Components

See page 34

Packaging

See page 38

Filters

See page 42

Specialist Components

See page 46



How we have performed this year

Revenue

£1,026m

(2017: £1,027m)

Adjusted operating profit

£90.7m

(2017: £84.6m)

Adjusted operating margin

8.8%

(2017: 8.2%)

Reported operating profit

£47.2m

(2017: £5.5m)

Adjusted earnings per share

23.1p

(2017: 22.1p)

Reported earnings per share

9.3p

(2017: 43.7p)

Dividend per share

20.7p

(2017: 20.7p)

Cash conversion

85%

(2017: 95%)

Operational highlights

- Full-year operating profit growth from a stable revenue base restored for the first time since 2015
- Strong operating cash conversion; balance sheet gearing retained within target range notwithstanding significant business investment
- Widespread improvement in all underlying operating metrics
- Key elements of divisional strategies progressing; strategic plan for Specialist Components defined in 2017 and strategies for value creation progressing
- Return to growth in H2 and improving profitability in Packaging, continued robust performance in Components and enhanced "as-is" capabilities and progress on "game changers" in Filters

Cautionary forward-looking statement

This Annual 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 by the forward-looking statement. Each forward-looking statement speaks only as of the date of this Report. The Company accepts no obligations to revise or update publicly 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.

Adjusted measures

Adjusted results exclude certain items because, if included, these items could distort the understanding of Essentra's performance for the year and the comparability between periods.

In management's view, such adjusted performance measures ("APMs") reflect the underlying performance of the business and provide a more meaningful comparison of how the business is managed and measured on a periodic basis. Our APMs and KPIs are aligned to our strategy and business segments, and are used to measure the performance of the Company and form the basis of the performance measures for remuneration.

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Essentra at a Glance

Essentra is a leading global provider of essential components and solutions. Every day we produce and distribute millions of small but essential products. Our products may not be noticeable – or even recognisable – but wherever you are, our business is all around you.



See Our Strategy and Progress on page 18

Components

Global market-leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items.

Revenue

£271.1m

(2017: £241.8m)

Segmental contribution*



Adjusted operating profit¹

£60.0m

(2017: £53.6m)

26.3%

(2017: 23.4%)

2018 summary

- Broad-based result across geographic markets and customer size, underpinned by improved “hassle-free” service proposition
- Very strong growth maintained in access hardware, supported by cable management solutions and general protection range of caps and plugs
- Further commercial and operational initiatives in line with strategic objectives
- Successful integration of Micro Plastics and acquisition of Hertila
- Continued pipeline development to support future potential inorganic growth opportunities
- Investment in digital capabilities, to enhance online presence and support future growth

Packaging

Multi-continental supplier of secondary packaging to the health and personal care sectors, including cartons, leaflets, self-adhesive labels and printed foils.

Revenue

£342.3m

(2017: £350.5m)

Segmental contribution*



Adjusted operating profit¹

£5.4m

(2017: operating loss: £1.8m)

33.1%

(2017: 33.9%)

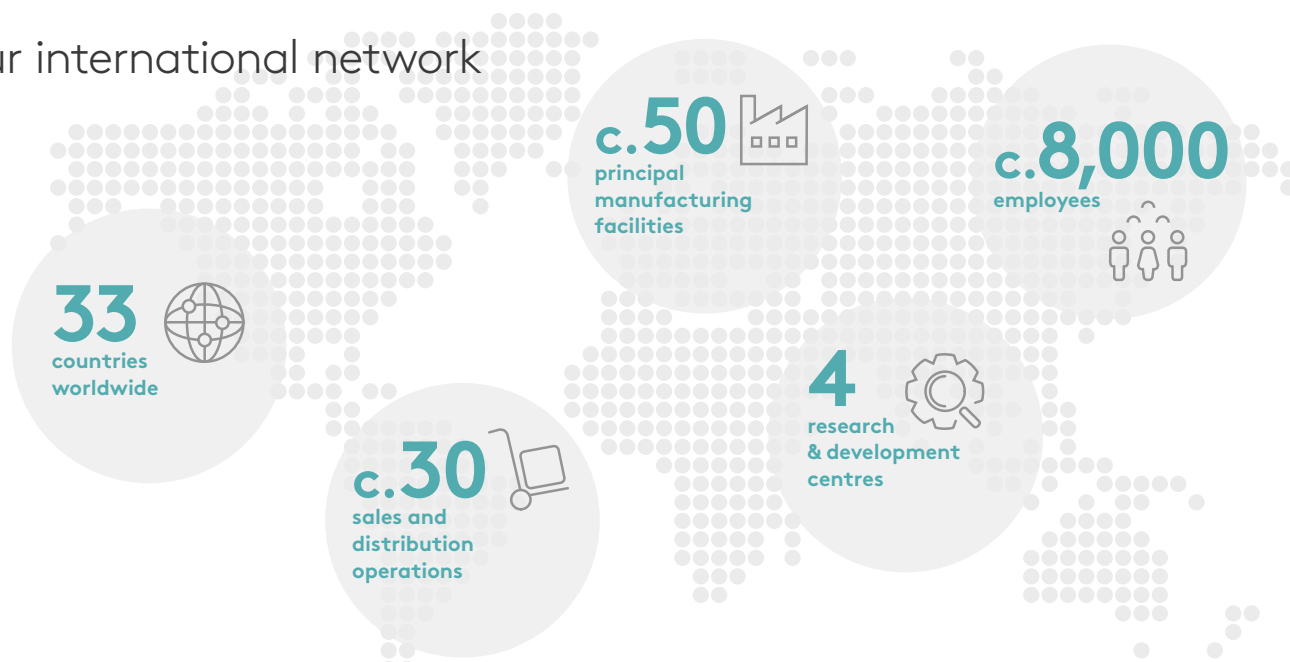
2018 summary

- Return to underlying revenue growth (excluding disposals/ Newport IP5 site) in H2 and full-year profitability
- Encouraging business wins and continued improvement in customer dialogue, underpinned by ongoing stability, key service metrics and organisational improvements
- Ongoing product pipeline development to meet industry trends and customer needs
- Second Design Hub established in the USA
- Significant investment in upgraded equipment to underpin growth and margin opportunities
- Further footprint rationalisation to focus on strategic end-markets of pharma, beauty and personal care

* To Group revenue, before the elimination of intersegment revenue

¹ Excluding amortisation of acquired intangible assets and exceptional and other adjusting items

Our international network



Filters

The only global independent supplier of a wide range of innovative cigarette filters as well as e-cigarette and Heat Not Burn solutions.

Revenue

£260.0m

(2017: £277.5m)

Segmental contribution*



Adjusted operating profit¹

£34.8m

(2017: £34.8m)

25.2%

(2017: 26.9%)

2018 summary

- Good progress with independent customers offset by characteristic industry project volatility
- Continued product development in traditional combustible filters, to address industry trends
- Good growth in China, India and Dubai, supported by innovative new special filters
- Ongoing discussions regarding each of the potential game changers
- Further progress on Next Generation Products with multinational and independent customers
- Continued improvement in service, quality, waste and material usage from already excellent levels

Specialist Components

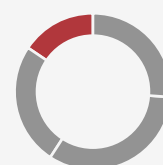
In 2018 the division was comprised of Essentra's six smaller businesses: Extrusion, Pipe Protection Technologies, Speciality Tapes, Tear Tapes, Industrial Supply and Card Solutions.

Revenue

£159.1m

(2017: £163.6m)

Segmental contribution*



Adjusted operating profit¹

£12.2m

(2017: £14.1m)

15.4%

(2017: 15.8%)

2018 summary

- Divisional revenue and profit decline largely due to ongoing weakness in Tear Tapes and driven by lower tobacco volumes
- Good growth in Pipe Protection Technologies, boosted by higher oil price for much of 2018
- Modest increase in Industrial Supply supported by expansion of core product lines and launch of new ranges
- Result in Speciality Tapes reflected specific customer-related softness in retail POP and appliances segments, offsetting a stable result in industrial end-markets
- Continued progress with technical profiles in Extrusion offset by decline in Furniture segment
- Development of University and Healthcare sectors in Card Solutions



Embedding Stability

In last year's Annual Report, I stated that stability was being restored to the business following the new corporate strategy unveiled by Chief Executive, Paul Forman.

Dividend per share

20.7p
(2017: 20.7p)

Female representation on Board

42.9%
(2017: 25.0%)

Twelve months on, I am pleased to report that further progress has been made across the organisation in stabilising our key commercial and operational metrics.

This is evidenced by the return to operating profit growth from a stable revenue base for the first time in three years. As a result, my Board colleagues and I have increasingly been able to turn our attention to the delivery of strategic objectives which underpin how we restore Essentra to future sustainable growth based on the highest standards of business ethics and best practice governance.

A particular highlight has been the return to growth in the Packaging division during the second half of the year. While there is still much to do in terms of improving profitability to industry-average levels, it is testament to the hard work of the

divisional leadership team that we have been able to turn around the business in a relatively short space of time. In order to ensure the division's future development and strategic focus we have had to further rationalise the divisional site footprint so that it can focus on the pharmaceutical, beauty and personal care end-markets we identified in our strategic review. As a result, during the year, we had to take the tough decision to close certain non-core and financially challenged Packaging sites. These decisions were in no-way a reflection on the quality or dedication of our employees at the locations involved, and my Board colleagues and I would like to acknowledge the supportive and professional way in which employees have handled a difficult situation.

Beyond the Packaging division, we have made further portfolio management changes in support of our corporate strategy and long-term shareholder value creation. I would like to formally welcome the employees of Hertila, who joined Essentra following the acquisition by our Components business in July 2018 and who are already making a great contribution to our presence in Sweden. Then, shortly after the year end, we announced the divestment of our Pipe Protection Technologies ("PPT") business to National Oilwell Varco, Inc.. The PPT business has been a valued contributor to the Essentra Group since 1994.



“The Board was pleased to support the establishment of the Group Sustainability Committee.”

During the year, the Board continued to review the Company's strategy as presented to the market in July 2017 and to gain further insight and challenge actions being taken to deliver the strategy.

At the same time, the Board together with the Audit and Risk Committee, continually reviews the Company's risks. This has included a specific review of the potential effects of the UK's exit from the European Union. The Company has put in place a number of mitigation strategies to provide as much protection as possible.

The Board needs to continue to develop and add appropriate talent to support the business objectives. Following a robust selection process led by the Nomination Committee, my colleagues and I were delighted to welcome Lily Liu to the Board as Chief Financial Officer, to succeed Stefan Schellinger. Lily's track record of international experience in relevant sectors, together with her strong people focus, are a good match as we continue to restore Essentra to sustainable, profitable growth. Having been with Essentra since 2013, I would personally like to thank Stefan for his immense contribution and commitment to the Company, and to wish him every success in the future.

Separately, since assuming the role of Chairman of the Audit and Risk Committee from Terry Twigger, Mary Reilly has overseen a highly energised process in making change and my Board colleagues and I have been particularly pleased with the enhanced Risk Management processes, the interaction between the Group Risk Committee and the Audit and Risk Committee as well as progress in the roll out of the Global Minimum Control Standards project. I would also like to thank Tommy Breen for his ongoing counsel since assuming the role of Senior Independent Director upon Terry's retirement from the Board.

People and culture

We are proud of our international presence in 33 countries and we recognise the vital contribution which our people make. Indeed, during the course of the year, I had the pleasure of visiting several of our businesses in the UK, Europe and the USA. An active programme for Non-Executive Directors to independently visit businesses commenced during 2018 and there are plans to expand this during 2019.

In early 2018 all Non-Executive Directors attended the Leadership Conference in Charlotte, USA, which was attended by approximately 100 of the Company's senior management team. During the conference we took part in the discussion on the continuation of work around the strategic objectives. We also visited the Charlotte Packaging facility and participated in a panel discussion with a Q&A session. The lively debate and contribution from Essentra's senior leadership team was hugely encouraging, as was the positive energy for change execution.

One of the Six Principles endorsed by Paul and his senior management team is employee engagement and tremendous effort is put into making Essentra a great place to work, where talent and diversity can thrive. This included the annual employee survey where we've seen an increase in employee engagement scores bringing Essentra's result in line with global and manufacturing industry averages. The Board attaches high importance to employee engagement and recognises the challenges in engaging with global employees. Local management do a very good job of engaging with their employees and keeping them apprised of relevant issues within their businesses. At Group level, management are continually looking to find ways to improve communication links with the businesses.

Culture and values

In 2018 the Board continued to deepen their understanding of Essentra's working culture and witnessed the Six Principles become further embedded



See Our People from page 26

Additionally 2018 saw the establishment of the Diversity and Inclusion Steering Group which is beginning to thrive with a number of initiatives being put in place to attract, develop and retain talent across the organisation.

The Board was pleased to support the establishment of the Group Sustainability Committee which was formed during the year and reports to the GMC, the focus being on providing advice on and co-ordinating sustainability-related activities across the Group.

The Board is committed to achieving and maintaining the highest standards of occupational health, safety and environmental protection. When Board members visit Essentra sites they are required to undertake a health and safety "walk" around the site to focus on these important matters. The Board fully endorses the priority which these critical workplace practices are now being given under Paul's leadership.

A stronger company

Last year saw stability being restored to Essentra, and the Company moving towards achieving sustainable, profitable growth. I am confident that 2019 will bring continued improvement.

Paul Lester, CBE
Chairman
1 March 2019



Creating Growth From Stability

Essentra turned a corner in 2018. Thanks to the tremendous contribution of our employees across the world, we ended the year a more stable and sustainable organisation, facing the future with a renewed sense of purpose and confidence.

There is much left to do but I am immensely encouraged by the momentum I see building in terms of our Stability, Strategy, Growth journey; the three steps to long-term success we identified in 2017.

We have placed our people at the centre of that journey, making their safety a non-negotiable priority at all our sites and working hard to improve communication and engagement. I want everyone at Essentra to have a voice and ensure we are maximising all of our people's talents. Our ambition is for everyone to feel safe, respected, valued and able to thrive as part of a winning, engaged and diverse team.

During the year these efforts have led to adjusted profit growth being restored from a stable revenue base for the first time since 2015 and I am confident that we are building a firm foundation for future growth. We are also restoring a reputation for identifying priority areas for action and then delivering on them.

While our people are the heart of our organisation, our customers are our lifeblood. After all, our purpose is to provide the parts, products and services our customers need to succeed as businesses. Restoring their faith in our ability to deliver quality products On Time and In Full ("OTIF") has been a key focus for 2018 and we have made tremendous progress.

Adjusted earnings per share**23.1p**

(2017: 22.1p)

Employee engagement**75%**

(2017: 69%)

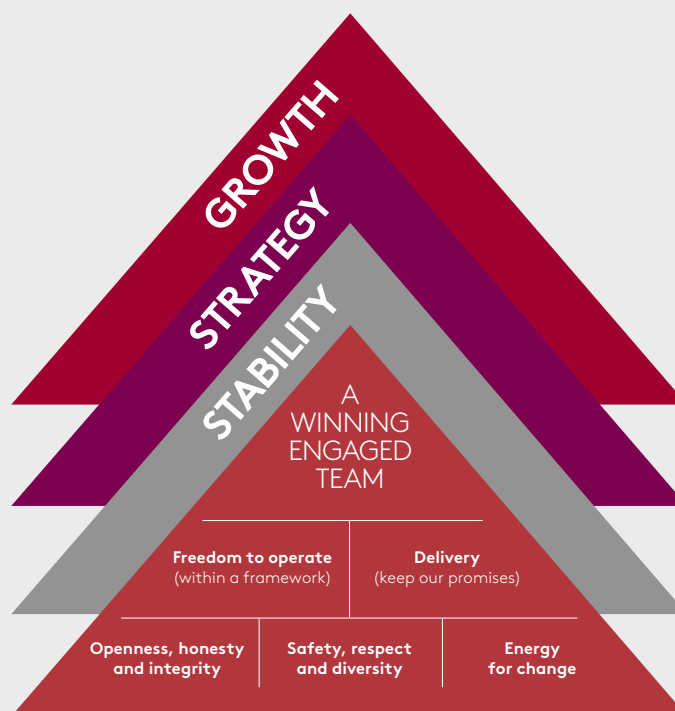
Strategic development

The purpose of our *Stability, Strategy, Growth* roadmap is to create sustainable profitable growth at Essentra. Stability is the foundation and during 2018 we continued to drive improvements in all our underlying operating metrics; people, customers, processes and finances.

The Components, Packaging and Filters divisions have been progressing the strategies set out in 2017 and the six businesses in Specialist Components developed strategic plans during the year. Across Essentra, strategic momentum has been building, with renewed employee and customer focus increasing the businesses' investment in innovation and product development. Furthermore, in January 2019 a five-year Business Process Redesign ("BPR") programme was launched. This will focus on business model redesign and ERP investment, ultimately reducing risk across Essentra. Finally, we continue to ensure we are well placed for inorganic opportunities, where they can move our business into complementary product categories or end-markets, or further our geographic distribution capability.

Financial performance**Components**

2018 saw another strong performance across all regions in Components despite declining industry production levels. The Hertila business in Sweden acquired in the year and the recently acquired Micro Plastics business in the USA performed at least in line with expectations. There has been good progress across a number of strategic objectives; the division continued to refine its product range and in terms of customer service, initiatives around communication, website investment and improved delivery have contributed to a further increase in the Net Promoter Score and lay a firm foundation for the launch of a new online platform in Q1 2019.

Three steps to long-term success**BUILDING ESSENTRA TOGETHER****Packaging**

The Packaging division reached an inflection point during 2018, with revenue progressively improving over the course of the year and both regions returning to profit from loss in the prior year. This performance reflects a continued focus on service and quality as well as investments in machinery and the Design Hub. The introduction of a clear Key Account Management structure and product pipeline development helped secure a number of new business wins in 2018 and the divestment of Swiftbrook in Ireland and the closure of sites in Kilmarnock in the UK and Largo in the USA underscore the strategic focus on the health and personal care end-markets.

Filters

While revenue in Filters declined during the year as a result of pipeline volatility characteristic of the tobacco industry, the business ended the year in a stable position making good progress with independent customers, notably in China, India and the Middle East. In addition, the results from our joint ventures in India and Dubai were driven by a strong performance in capsule products. We continue to make progress

with each of the potential "game changers" we identified in 2017; further outsourcing, a joint venture in China and Next Generation Products ("NGP"). The division has made considerable investments in its operational capability and processes and is now world-class in terms of key operating metrics that will underpin future growth. The division has also built on a strong track record of successful innovation, launching a number of new products during the year in both combustibles as well as new technologies.

Specialist Components

Revenue in Specialist Components decreased during the year, largely due to ongoing weakness in Tear Tapes, driven by lower end-market volumes, reduced demand for certain tobacco lines and macro-economic weakness in Latin America. At the end of 2018 we ceased production of Speciality Tapes in Nottingham, UK. Neither the Tear Tapes business based at Nottingham, nor the vast majority of Speciality Tapes activities located in the USA, were affected by this decision. The performance in the latter business reflected specific customer related softness in the retail POP and appliance

Introduction

Chief Executive's Review continued

segments, which offset a stable result for tapes used in industrial end-markets.

A modest increase in Industrial Supply was supported by the expansion of core product lines and the introduction of new branded ranges. Revenue in Extrusion was broadly unchanged versus the prior year and the result in Card Solutions reflected the consolidation of business in, and development of, ID solutions for certain sectors.

Pipe Protection Technologies ("PPT") delivered good growth and benefited from the strength in the oil price. Shortly after year-end we announced the divestment of our PPT business to National Oilwell Varco, Inc., a disposal which represents good value for shareholders and provides the PPT business with a strong platform for future successful growth.

Customers

During the year we developed a clearer purpose centred around our customers: to provide the parts, products and services they need to succeed as businesses.

Although we serve a wide range of customers across our divisions, each business has put customers at the centre of their strategic journey and are making huge strides in improving service and quality and crucially investing in communication. These efforts will help to sustain growth as we move into 2019.

People

As Chief Executive my ambition is for everyone to feel safe, respected, valued and able to thrive as part of a winning, engaged and diverse team. To this end, in January 2018 I sponsored the establishment of the Diversity and Inclusion Steering Group. The Steering Group's membership is broad

in terms of tenure, level, gender, age, nationality and background and has made significant progress in helping to build an inclusive culture in Essentra where diversity is embraced by everyone, ensuring we get the full business benefit while making Essentra a rewarding and successful place to work for our colleagues. During the year we partnered with *everywoman* to support our work on gender and *Business In The Community* for our work on multiculturalism, the latter leading to Essentra becoming a signatory of the joint UK government and *Business in the Community* "Race at Work Charter". This is the start of an exciting and important journey for Essentra and one to which I, the Board and Group Management Committee are passionately committed.

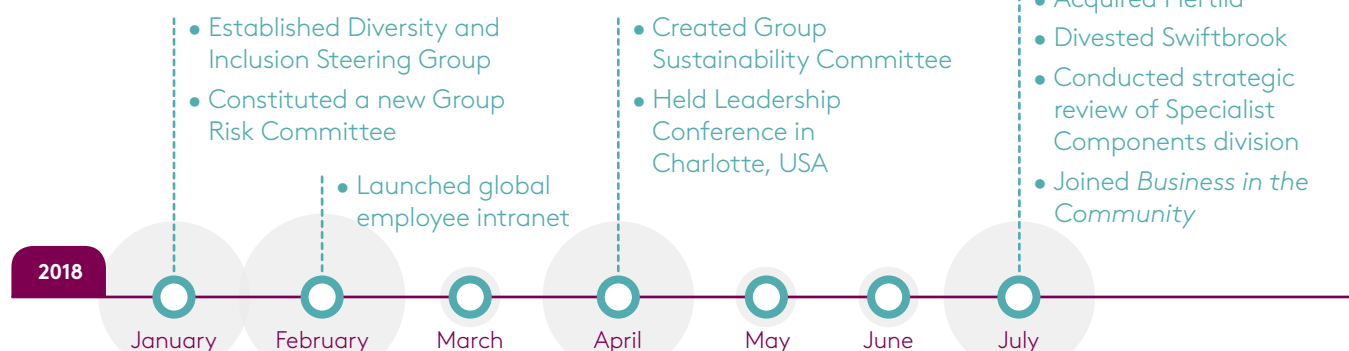
During the year we also made significant progress in terms of improving our internal communications to employees. Under the leadership of a new Group Communications Director who arrived in January, we have refined how we describe who we are, what we stand for, and what that looks and sounds like for employees, creating a more engaging and vibrant internal brand around the concept of "We Make It Work". We also launched Essentra's first global intranet, "The Works", and our first global recognition programme, the Make It Work Awards.

I am delighted that these efforts have led to a six-point increase in employee engagement from 69% in 2017 to 75% in 2018, a result in line with global and

2018 priorities

- Build a winning engaged team with a shared sense of purpose
- Restore and enhance our relationship with customers
- Continue to improve the stability of IT, business processes and finances
- Build strategic momentum, both as a Group and within each of our divisions
- Restore revenue and profit growth while laying the foundations for future growth

Key milestones of the year





In 2018 I continued to meet customers and colleagues around the world.

In particular, meeting employees is a source of tremendous pride and energy for me. Throughout a busy year they have shown unstinting dedication, commitment and professionalism.



“As Chief Executive my ambition is for everyone to feel safe, respected, valued and able to thrive as part of a winning, engaged and diverse team.”

manufacturing industry averages. This also reflects world-class levels of survey participation, 91% up from 89% last year. There is still much to do and it will take time, but together we are making Essentra a great place to work.

We have continued to make organisational changes in light of our strategic review. These have resulted in a number of key senior appointments such as the appointment of Lily Liu as Chief Financial Officer in November 2018 and Oshin Cassidy as Group Human Resources Director in January 2019. Regrettably, these have also included some changes that have negatively impacted our people, such as the closure of our printing facilities in Kilmarnock and

Largo and the cessation of production of Speciality Tapes at Nottingham.

These decisions, taken after thoughtful consideration, were in no way a reflection on the quality or dedication of the impacted employees but rather a consequence of the need to ensure we act in the best interests of our customers and other stakeholders.

Health and Safety

Nobody involved with our operations should suffer injury or harm, and Essentra's commitment to achieving and maintaining the highest standards of occupational health and safety extends to our

employees, temporary workers, contractors, customers, suppliers, visitors and members of the public alike.

During the year we continued to significantly invest in our global Health, Safety and Environment (“HSE”) capability, launching a number of improvements – for example upgrading our machinery guarding – and rolled out a new HSE information management system that provides all employees with a standardised incident and near-miss reporting tool. We refreshed the look and feel of Health and Safety communications throughout the organisation and almost 200 managers were trained in safety leadership. I am delighted that as a result we achieved a 46% reduction in Lost Time Incidents (“LTIs”) and the number of days lost has reduced by 53% compared with 2017. Clearly, the only acceptable number of LTIs is zero, but this highlights the significant strides we have made in improving processes as well as culture.

Corporate Responsibility

We are committed to the highest standards of corporate governance and responsibility, getting behind local good causes while minimising our environmental impact on the wider world around us. In 2018 we established a Group Sustainability Committee and developed a strategy in order to focus our efforts in four key areas. We also launched a Community Engagement Policy, allowing sites to identify local volunteering opportunities and releasing our employees to support them. We know from the employee survey that our people want to see us demonstrate our contribution to communities more so this is something that we will be focusing on in 2019.

Outlook

When I first joined Essentra in January 2017 I was struck by how strategically attractive Essentra's businesses are, with leadership positions in our markets and strong competitive advantage. My view has not changed. Combined with the actions we have taken in 2018 to embed stability, deliver the strategy and restore growth, we are building on solid foundations.

Of course there is more to do, but I am incredibly proud of the great strides we are making to restore sustainable growth and have every faith in our ability to achieve success together as a team.

Paul Forman
Chief Executive
1 March 2019

- Launched new internal brand positioning
- Launched global employee survey
- Announced the intended closure of Kilmarnock and Largo sites and cessation of production of Speciality Tapes at Nottingham
- Signed “Race at Work Charter”
- Launched first global awards programme, “Make it Work Awards”
- Launched global partnership with everywoman

August

September

October

November

December

Investment Case

In 2018, the Essentra Group comprised nine businesses, serving multiple end-markets with a broad and differentiated range of products and services.



Focused growth and delivery of strategy

We have a clear, market-driven strategy for each of our divisions. They operate in sizeable end-markets that present opportunities for future growth, and in which we are fundamentally well-positioned to drive long-term growth and margin expansion.

We continue to deliver on the potential of our Packaging division in terms of both revenue and margin expansion, robust organic and inorganic growth in Components, the opportunities within Filters' stated "game changers" and Specialist Components' value creation strategies.



Established blue chip customer relationships

We develop and maintain a close relationship with a wide portfolio of blue chip customers, who are successful leaders in their respective markets.

The high standards of service and supply demanded by such customers help to drive continuous improvement across the Company.

Our manufacturing and distribution expertise adds value in response to customer demands, and our innovative capabilities drive the joint development of new products and services with key strategic partners.



In order to create sustainable long-term value, we seek to effectively and efficiently manage this portfolio of global leading, diverse activities, while adding further to this through a clearly articulated role for the Group underpinned by robust financial and capital allocation policies.



High-quality and efficient global operations with a strong value proposition

We have a well-invested and flexible international sourcing, supply chain and production infrastructure. This provides businesses across the Company with the opportunity to use the existing infrastructure and management to exploit new opportunities efficiently and cost-effectively.

Our extensive international manufacturing and distribution network ensures the delivery of cost-competitive and high-quality products in response to customers' requirements. High levels of service and broad geographic reach are an important competitive differentiator.



Investment in innovation capabilities

The continued successful launch and commercialisation of new products and services is a key driver of our growth.

Investment in research and development functions, supported by the identification of additional product sourcing opportunities and range development enhance our competitive positions.

Robust quality systems maintained to internationally accredited standards assist the fulfilment of customers' demands.



Strong financial position and business model

Our strategy calls for a significant focus on cash flow generation, which is evidenced in well-defined financial and capital allocation policies and a strong balance sheet.

We have a highly experienced and well-regarded team leading a diversified business. By harnessing this strength in diversity, with a clearly defined and unifying role for the Group, we are well placed to create sustainable long-term value for our shareholders.

Our Business Model

Our purpose is to provide the parts, products and services our customers need to succeed as businesses.

What we do

We manufacture

Whether it is a tiny but critical component or a bespoke solution to a complex need, we have the skills and capability to manufacture a wide range of products.

We partner

We take a long-term partnership approach with suppliers and customers so we can deliver what our customers need, when they need it.

We distribute

Our global scale and market knowledge mean that we are able to anticipate and meet the needs of our customers, whether large or small, in a wide variety of end-markets and geographies.

Who we serve



Automotive



Equipment manufacturing



Fabrication



Electronics



Construction



Oil and gas



Pharmaceutical



Personal Care and Beauty



Tobacco



Retail POP/
Paper & Board

How we do it

Our products and services are delivered by a team of thousands, framed by our business principles.



Freedom to operate
(within a framework)

Delivery
(keep our promises)

Openness, honesty and integrity

Safety, respect and diversity

Energy for change



[See Our People from page 26](#)

Our competitive advantage

We are well positioned to effectively manage our portfolio of global leading, diverse activities in order to create sustainable long-term value.



Strength of customer relationships

Deep customer relationships and expert customer service is at the heart of what we do. Ensuring we anticipate and deliver on our customer needs is crucial to our success as a business.



Market-leading positions

We have market-leading positions in the majority of our served markets providing us with the scale and expertise necessary to deliver for our customers.

Creating value for our stakeholders

Essentra is built on diversity. Of parts, products and services. Of customers, partners and markets. Of people, perspectives and ideas.

Our customers

We put our customers first, partnering with them and delivering On Time and In Full.

OTIF for 2018 (%)



- 1 Components
- 2 Packaging
- 3 Filters
- 4 Specialist Components

Our communities

We get behind local good causes while minimising our environmental impact on the wider world around us.

Reduction in waste to landfill

16.3%

(2018 vs 2017)

Our people

We prioritise safety, employee engagement, diversity and inclusion, creating an environment where our people feel respected with space to learn and grow.

Employee engagement

75%

(2017: 69%)

Our shareholders

We deliver shareholder value through the strength of our balance sheet, customer relationships and market positions.

Return on invested capital

(%)



Diverse and market-leading product and service ranges

We invest in product research and robust quality systems in order to deliver product innovation and range development.



Passion and skill of our employees

Our people are our greatest asset. We take personal ownership of what we do each day and pride in what we help to achieve as a team.



Global footprint with local execution

Our comprehensive international production and distribution footprint can be flexed to respond to customers' needs, whether they be product, service, cost or supply chain driven.

Market Trends and Opportunities

Our businesses are diverse in terms of geography, product and services, supplying a multitude of end-markets and customers.

Industrial



Given their very wide application, the global market for industrial components is large, fragmented and ill-defined for both suppliers and customers. However, the value of the Bill of Materials ("BOM") small components market is estimated at c. £8bn, with growth in line with Industrial Production.

We target the strong yet fragmented segment of small to medium-sized manufacturers that typically require standard parts on their BOM, giving them the benefits of low development cost and rapid delivery to market of new products. This sector is flexible, so as well as playing a critical support role in the global manufacturing tiers, it is also capable of adapting to new market trends such as 5G, connected cities and e-mobility.

This need for supply chain flexibility extends to "just-in-time" delivery; as our customers are required to operate on this basis so they demand the same from us. In addition, standardised manufacturing processes typically require less labour, thereby helping customers reduce their cost base. There is also a trend among larger customers to design in "higher technology" markets and then to manufacture in lower labour cost regions, which benefits components suppliers with global reach.

As end-markets become more sophisticated and demanding, so the requirement for higher-quality and/or more functional components increases. Over and above this more general trend, certain customers are increasingly facing regulatory guidelines in terms of the components they use.

Market size

£8bn

Source: Management estimates

Our opportunity

Uniquely combining the expertise and flexibility of a manufacturer with the range and service of a distributor, we work with over 70% of the world's top 100 manufacturers, providing small essential components and tapes for a wide range of needs. We offer rapid global distribution, with over 100,000 industrial solutions with multiple applications and more than 1 billion parts in stock in 21 countries. Our ability to further expand our product ranges and to develop new sectors for our existing customer base – together with our ongoing investment in our digital presence – means that we are able to continuously improve our "hassle-free" proposition.

While we serve a very broad spectrum of industrial end-markets, we can scale our offering to the needs of our customers – as well as provide custom solutions, specialist advice and samples – to ensure the optimal solution for their particular application. Our understanding of all the key elements of our customers' manufacturing processes – together with our industry-accredited manufacturing footprint – means that we are well-placed to support them at each and every step; from replacing metal components with plastic to achieve weight reduction targets and improve fuel efficiency in the automotive sector, to providing more sophisticated cable management and noise reduction solutions to the white goods industry.



See Components from page 34

Pharmaceutical, personal care and beauty



Management estimates the value of the global addressable market for secondary pharmaceutical, personal care and beauty packaging at c. US\$19bn, growing at a low to mid single-digit level depending on the geographic region served.

Increasing regulatory requirements, as well as brand/product protection and verification, are key considerations for the industry. As a result, there is a growing demand for packaging solutions, which can help customers meet these evolving requirements to track, trace and authenticate their products through the supply chain.

With cartons, leaflets and labels being used to convey critical information to patients, quality is also of paramount importance. However, considerations such as design/aesthetics, as well as sustainability are significant in assisting customers in communicating their brand messages and engaging with consumers. On the latter, paper-based packaging has superior credentials versus plastic, and is an increasing feature of public awareness.

As customers globalise their own activities, they are increasingly seeking strategic multi-continental partners who can grow with them and reduce their supply chain risk while providing nimble and flexible manufacturing. At the same time, there is a demand for partners who can deliver a complete offering – from design to end-supply – as well as those who are able to meet the clear pattern of “one stop shopping” by customers for their multiple packaging requirements.

Market size

US\$19bn

Source: Management estimates

Our opportunity

Our innovative approach in partnership with customers and suppliers allows us to meet rapidly changing industry requirements with a flexible and competitive response, while our end-to-end solutions help drive cost-efficiency and embed value.

Investment in the latest technology allows us to develop novel, value-added packaging and brand protection solutions, to meet legislative and regulatory changes; it also means that we can support the specific requirements of emerging sectors, such as biopharma and clinical trials. In addition, the upgrading of equipment and digital capability – as well as comprehensive quality management systems – enhances our reliability as a cost-competitive partner to our customers, while allowing us to meet the growing demand for smaller batch manufacturing.

Our creative and secure design solutions provide enhanced communication and authentication opportunities, while our opening, closing/resealing and tamper-evidence technologies allow us to add functional benefits or provide more eco-friendly solutions.



See Packaging on page 38

Tobacco



The global cigarette filters market has an estimated value of US\$4.5bn, with c.90% of manufacturing done in-house by the multinational players.

The industry is heavily regulated around the world on health grounds, with significant restrictions on the way in which products can be marketed to consumers. This regulation continues to evolve, not only in respect of traditional cigarettes and innovations such as e-cigarettes and Heat Not Burn devices, but also the testing and packaging requirements for these products.

Although the overall market is in modest decline, the growth markets of Asia – which account for approximately 70% of global cigarette volume – are forecast to be flat. Indeed, as per capita income rises in eastern markets in particular, there is increasing demand for new products to reflect associated lifestyle changes and consumer expectations and aspirations – including environmental considerations, such as sustainability and pollution.

Counterfeiting of tobacco products and packaging continues to present a significant and increasing challenge for the industry, undermining brand value, presenting a risk to consumers from low-quality goods and reducing tax revenues.

Market size

US\$4.5bn

Source: Euromonitor and management estimates

Our opportunity

With over 60 years' experience in developing both filters and tear tapes for the tobacco industry, we have the knowledge and capability to translate the latest innovations, scientific testing methods and regulatory requirements into business success. From manufacturing to packaging, our filters and pressure-sensitive tear tapes provide a unique full-service proposition to our customers.

With a c.50% share of the outsourced market and an extensive filter archive, we are able to provide multiple solutions – from “lifestyle” products (eg, Slims/Superslims, “eco” ranges) to recessed filters which meet brand-specific requirements, as well as capsules, flavoured thread and activated carbon products which provide enhanced user experience.

Our expertise also allows us to continue to provide additional or adjacent value-added services, including a full bespoke service for roll-your-own brands, the provision of scientific testing services and emerging “beyond tobacco” products such as Heat Not Burn and e-cigarettes.

In addition, complex filters are more challenging to counterfeit, while our range of security solutions which can be applied to our pressure-sensitive tear tapes provide overt, covert and forensic solutions and can also help to protect and verify genuine products in the continuing fight against the illicit trade.



See Filters on page 42

Oil and gas



The global oil and gas market is prone to volatility in supply, with the consequent fluctuations in energy prices having an impact on drilling activity and rig count.

As oil and gas production techniques continue to evolve and end-markets become more sophisticated and demanding, so the adoption of new technologies and the requirement for higher-quality, regulatory-compliant components will continue to increase, as will customer focus on their cost base.

Our opportunity

With ongoing investment in state-of-the art manufacturing capability and further capacity, we are well-placed to continue to meet industry demands and to support end-market growth. At the same time, our new product development expertise means that we can continue to add to our comprehensive product offering, both in terms of specification and price point.

Following the divestment of the PPT business in January 2019, our exposure to the oil and gas market has significantly reduced to a very modest presence for the Components division.



See Specialist Components on page 46

Retail



We serve a number of retail-related segments, from point of purchase to transit packaging.

While traditional retail space is reducing, online shopping continues to present attractive growth opportunities.

Our opportunity

With many decades' experience of manufacturing, coating and printing, both our tear tapes and speciality tapes businesses offer a comprehensive range of premium-quality adhesive products, designed to allow the easy opening of a product's contents which are well suited to the transit packaging segment for both traditional and online retail.

In addition, our ability to invest in more efficient equipment and manufacturing processes means that we can provide an extensive and cost-competitive offering to our point of purchase customers, from extruded plastic ticket rails to double-sided adhesive foam tapes used in the design or manufacture of temporary, semi-permanent or permanent retail displays.



See Specialist Components on page 46

Our Strategy and Progress

Our aim is to make Essentra the best company it can be.

How we will achieve it

STABILITY "The preparation"

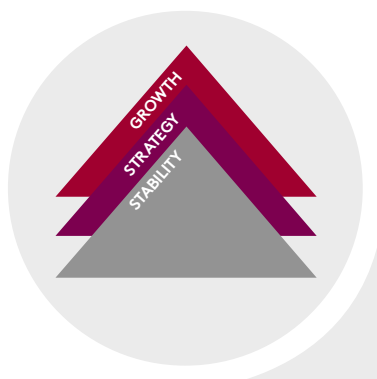
In order to restore – and maintain – sustainable growth to Essentra over the medium to long-term, it is imperative that we have stable foundations upon which to build: in our people; our processes; our customers; and our finances.

STRATEGY "The map"

Our strategy provides a detailed roadmap of what each of our businesses will look like in three to five years, how we will get there, how we can be the best supplier we can to our customers and how we will protect our position. In delivering our strategic objectives, there is a well-defined role for the overall Group in driving value, not least with regard to corporate governance. Underpinning our strategy are clear and robust financial and capital allocation policies, with an overall focus on cash generation and quality of earnings being aligned to management incentives.

GROWTH "The journey"

As we progress, it is imperative that we remain stable while delivering growth – particularly to the extent that growth entails acquiring other businesses. We also need to ensure that we have the necessary skills in place to deliver our strategy, as well as the appropriate financial profile to support the future development of the Group.



Three steps to long-term success



Stability



Strategy



Growth

Progress in 2018

- Undertook Group-wide employee survey, to identify further areas for improvement
- Identified certain talent development and employee communication gaps, and made a number of senior appointments to lead and drive improvement
- Launched first global employee intranet as a key communications channel
- Developed a refreshed and engaging internal employee brand
- Launched Diversity and Inclusion Steering Group
- Embedded risk as part of Essentra's core governance and leadership agenda
- Established a new Legal, Risk and Governance team, with a number of senior appointments to drive governance improvement initiatives
- Constituted a new Group Risk Committee
- Implemented a Minimum Control Standards programme, to drive improvements in the financial control framework
- Continued roll out of HSE plan and safety leadership training
- Launched a new HSE information management system
- Sustained/made further improvement in key service and quality metrics
- Launched Group Sustainability Committee to advise and prioritise activities
- Drove improvement activities throughout the Group's IT infrastructure, to upgrade/rebuild capability

- Developed and articulated a clear strategy for each of the Specialist Components businesses
- Significantly progressed key strategic initiatives in each of the three larger divisions
- Developed more structured sales management processes and enhanced Key Account Management capability
- Enhanced Voice of the Customer surveys and activities
- Rolled out Lean operational capability development programme
- Reorganised and enhanced Group Procurement function

- Completed the acquisition of Hertila
- Successfully integrated the acquisition of Micro Plastics
- Progressed each of the potential "game changers" in Filters
- Further developed the pipeline of potential bolt-on acquisitions in Components
- Continued to focus on sizeable end-markets with growth opportunities
- Invested further in innovation capabilities

Priorities for 2019

- Ensure action plans from 2018 employee survey are executed
- Undertake annual Group-wide employee engagement survey
- Continue to drive and enhance talent management and learning and development programmes
- Drive ongoing improvements in diversity and inclusion
- Continue to drive risk management improvement plan towards best practice levels
- Embed new HSE information management system and undertake Group-wide training
- Maintain key quality and service metrics at least at industry-level standards
- Drive strategic investment in Business Process Redesign
- Continue to focus on cash generation
- Continue to drive deeper customer relationships across the Group
- Identify and develop value-adding innovation opportunities, for both products and services
- Make further improvement in innovation focus and new product pipeline management
- Continue to develop our commercial capabilities
- Continue to embed and refine Sales and Operations Planning processes
- Further refine Continuous Improvement and other operational improvement initiatives
- Continue to invest in upgrading equipment, especially in Packaging and IT
- Successfully integrate Hertila
- Continue to grow and develop talent across Essentra
- Identify further skill gaps, and attract appropriate talent to meet future strategic requirements
- Focus on key business capabilities and continue to progress towards best-in-class levels
- Continue to develop pipeline of potential bolt-on acquisition opportunities in Components
- Facilitate and challenge the next stage of divisional strategies
- Continue to enhance our enabling function support to deliver the strategy

Key Performance Indicators

The delivery of Essentra's strategic priorities is underpinned by a focus on Key Performance Indicators ("KPIs") which measure Essentra's progress in the delivery of value.

Alignment of KPIs to executive remuneration

- Performance measures for the executive Annual Bonus Plan
- Performance measures for the executive Long-Term Incentive Plan

Like-for-like revenue growth



How we measure it
Revenue at constant exchange rates, excluding acquisitions and disposals

Why this is important
Measures the ability of the Company to grow sales by operating in selected geographies and categories, and offering differentiated, cost-competitive products and services

Adjusted operating profit¹



How we measure it
Operating profit, excluding the impact of amortisation of acquired intangible assets and exceptional and other adjusting items

Why this is important
Measures the profitability of the Company

Adjusted earnings per share¹



How we measure it
Earnings per share, excluding the impact of amortisation of acquired intangible assets and exceptional and other adjusting items

Why this is important
Measures the benefits generated for shareholders from the Company's overall performance

Net working capital² ratio



How we measure it
Average net working capital² per month, as a % of revenue

Why this is important
Measures the ability of the Company to finance its expansion and release cash from working capital

Alignment of KPIs to executive remuneration

- Performance measures for the executive Annual Bonus Plan
- Performance measures for the executive Long-Term Incentive Plan

Adjusted operating cash flow³

(£m)



How we measure it

Adjusted operating profit less non-cash/other items, net working capital and net capital expenditure

Why this is important

Measures the cash generation capability of the Company

Cash conversion

(%)



How we measure it

Adjusted operating cash flow³ as a % of adjusted operating profit²

Why this is important

Measures how the Company converts its profit into cash/quality of the Company's earnings

Dividend per share

(p)



How we measure it

Total dividends paid divided by the number of relevant shares in issue

Why this is important

Measures the amount of cash per share which the Company returns to shareholders

Return on Capital Employed

(%)



How we measure it

Adjusted operating profit¹ divided by (tangible fixed assets and net working capital)

Why this is important

Measures how effectively the Company uses its operational assets

Return on Invested Capital

(%)



How we measure it

Adjusted operating profit¹ divided by (average Property, Plant & Equipment plus average intangible assets plus average net working capital)

Why this is important

Measures the Company's ability to effectively deploy capital

Total Shareholder Return

(%)



How we measure it

Total annual increase in value. Based on the increase in share price and the dividend paid to shareholders

Why this is important

Measures the Company's ability to generate long-term value

1 Excluding the impact of amortisation of acquired intangible assets and exceptional and other adjusting items.

2 As defined in the Financial Review on page 22.

3 Adjusted operating cash flow excludes the impact of tax, exceptional and other adjusting items, interest and other items not impacting operating profit.

4 2016 and 2017 restated to 2018 calculation of Return on Invested Capital.

Financial Review

Our continued focus on converting profit into cash has allowed us to both increase investment in the business in support of our strategic objectives and maintain the distribution to our shareholders.

Trading performance

FY 2018 revenue was broadly unchanged (increased 1.9% at constant FX) at £1,025.6m, with like-for-like growth of 0.2% (+1.4%, adjusting for the closure of the Newport IP5 cartons site at the end of 2017). The underlying result reflected a continued robust performance in Components and a return to growth in Packaging in H2, partially offset by a modest like-for-like decline in Filters and Specialist Components.

On an adjusted basis, operating profit was ahead 7.2% (9.1% at constant FX) at £90.7m. The 60bps uplift in the margin (50bps at constant FX) to 8.8% was driven by the sequential improvement in revenue performance in Packaging and further operational efficiency gains in Filters, mitigated by measured investment in Components to underpin future revenue growth opportunities and a less profitable revenue and segment mix in Specialist Components.

Including amortisation of acquired intangible assets of £22.7m and an exceptional pre-tax charge of £20.8m – mainly relating to costs associated with acquisitions/disposals and with the strategic review of the Company, as well as rationalisation of the site footprint, simplification of the organisational structure and the departure of certain senior management during the year – operating profit as reported was £47.2m (2017: £5.5m).

Net financial expense

Net finance expense was slightly above the prior year at £10.9m (2017: £10.4m). The net interest charge on net debt increased to £9.6m (2017: £8.4m), the amortisation of bank facility fees was slightly lower at £0.7m (2017: £1.0m) and the IAS 19 pension net finance charge reduced to £0.6m (2017: £1.0m).

Tax

The effective tax rate on underlying profit before tax (before exceptional and other adjusting items and amortisation of acquired intangible assets) was lower at 19.5% (2017: 20.0%).

Net income

On an adjusted basis, net income of £64.2m was up 8.4% (6.0% at constant FX) and basic earnings per share increased by 4.5% (2.3% at constant FX) to 23.1p. On a total reported basis, net income of £28.1m and earnings per share of 9.3p compared to £115.8m and 43.7p respectively in FY 2017, as a result of the exceptional gain resulting from the disposal of Porous Technologies in FY 2017.

Net working capital

Net working capital is defined as “inventories plus trade and other receivables less trade and other payables, adjusted to exclude deferred consideration receivable/payable and interest accruals/ capital payables.”

Net working capital of £121.8m was £2.6m lower than the 31 December 2017 level of £124.4m, largely due to a reduction in accounts receivable. The average net working capital/revenue ratio decreased to 13.7% (2017: 14.9% at constant exchange).

Cash flow

Adjusted operating cash flow was £2.8m lower at £77.2m (2017: £80.0m). This includes an inflow of net working capital for the year of £5.9m (2017: inflow of £6.4m) and gross capital expenditure of £61.2m (2017: £47.1m), with net capital expenditure of £60.2m (2017: £45.3m). Net capital expenditure equated to 168% (2017: 125%) of the depreciation charge (including amortisation of non-acquired intangible assets) for the year of £35.9m (2017: £36.3m). Net interest paid was £9.5m (2017: £12.5m) and tax payments increased by £5.3m to £16.5m (2017: £11.2m). The outflow in respect of pension obligations was £1.0m (2017: inflow of £0.1m).

Adjusted free cash flow of £50.2m compared to £56.4m in FY 2017.

Free cash flow reconciliation	£m
Adjusted operating profit	90.7
Non-cash/other items	40.8
Net working capital	5.9
Net capital expenditure	(60.2)
Adjusted operating cash flow	77.2
Tax paid	(16.5)
Net interest paid	(9.5)
Pension contributions	(1.0)
Adjusted free cash flow	50.2

Net debt

Net debt at the end of the period was £240.1m (31 December 2017: £210.6m), primarily due to dividend payments and cash exceptional and other adjusting items. The Company's financial ratios remain robust. The ratio of net debt to EBITDA as at 31 December 2018 was 1.8x (31 December 2017: 1.7x) and interest cover was 9.0x (31 December 2017: 9.0x).

Balance sheet

As at the end of 2018, the Company had shareholders' funds attributable to Essentra equity holders of £592.6m (2017: £612.3m), a decrease of 3.2%. Net debt was £240.1m (2017: £210.6m) and total capital invested in the business was £943.7m (2017: £979.4m).

This finances non-current assets of £853.3m (2017: £868.1m), of which £282.2m (2017: £283.1m) 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 £121.8m (2017: £124.4m), current provisions

of £5.3m (2017: £4.8m) and long-term liabilities other than borrowings of £106.2m (2017: £105.4m).

Pensions

As at 31 December 2018, the Company's IAS 19 *Net Pension Liability* was £13.9m (2017: £13.4m).

Treasury policies and controls

Essentra has a centralised treasury function to control external borrowing and manage exchange 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 investing and 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 dealings are 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 2018, Essentra's US dollar-denominated assets were approximately 36% hedged by its US dollar-denominated borrowings, and its euro-denominated assets were approximately 30% hedged by its euro-denominated borrowings.

The majority of Essentra's transactions are carried out in the functional currencies of its operations, and therefore transaction exposure is limited. However, where such exposure does occur, Essentra uses forward foreign currency contracts to hedge its notable exposure to movements in exchange rates on its highly probable

forecast foreign currency sales and purchases over a period of up to 18 months.

Tax

As a responsible corporate citizen, Essentra aims to act in a socially responsible manner at all times in accordance with Essentra's Corporate Social Responsibility. Our tax strategy is an important part of delivering these values. Essentra aims to achieve high standards of transparency and responsibility in dealing with its tax affairs, and to comply with tax laws and practice in all of the territories in which we operate. Compliance for us means paying the right amount of tax in the right place at the right time, and making relevant disclosures to tax authorities to allow them to determine that the right amount of tax has been paid in the right place at the right time. Our tax strategy is published at essentraplc.com/responsibility/essentra-tax-strategy.

For the current year, the effective tax rate on underlying profit before exceptional and other adjusting items and intangible amortisation was lower at 19.5% (2017: 20.0%). The tax rate is reflective of the Group operating across 33 countries worldwide and being subject to corporation tax in those territories, in accordance with local laws, at tax rates ranging from 0% to mid-30%.

Brexit

With significant business operations in the UK and across the European Union, Essentra has conducted a thorough review of Brexit risks in a number of areas, including the movement of goods across borders, currency effects and employees. The key issues identified in this review were the flow of materials and finished goods across EU – UK borders (in both directions), further to which the Company has been working on an active programme of initiatives over the last twelve months to mitigate both short- and medium-term risks.

While there is still uncertainty as to when and under what circumstances the UK will exit the EU, the Company is assuming a worst case scenario for its planning processes and has taken various actions, such as the building of stocks of finished goods and relevant raw materials to mitigate against short-term supply chain disruption, and ensuring that logistics providers have the required status and processes in place to facilitate smooth customs handling.

Lily Liu
Chief Financial Officer
 1 March 2019

Key Performance Indicators – Non Financial

Equally important to the delivery of Essentra's strategic priorities is a focus on KPIs which measure our progress against stated priorities in terms of our customers, people and communities.

Customer

On Time and In Full ("OTIF") (%)

Components



Packaging



Filters



Specialist Components



Why this is important

Our purpose is to provide the parts, products and services our customers need to succeed as businesses. Our ability to deliver quality products On Time and In Full has been a key focus for 2018.

People

Employee engagement (%)



Increased by

8.7%

Why this is important

The happiness and fulfilment of our people is a key priority. Having more engaged employees reduces staff turnover, improves productivity and helps us serve and retain our customers.

Safety

Lost-Time Incidents ("LTIs")



Reduced by

46%

Why this is important

Our overriding commitment in the workplace is the health, safety and welfare of our employees and all those who visit Essentra's operations. Our aim is to be in the top quartile of manufacturing companies for Incident Frequency Rates.

Number of days lost (Days)



Reduced by

53%

Why this is important

This is a measure used to quantify the severity of Lost Time Incidents. Where incidents do result in Lost Time, we work hard to minimise the amount and to support the injured person in their recovery by offering restricted or light duties, and through a structured return to work programme.

Diversity

Board gender diversity (%)



2018

● Men: 57%
● Women: 43%

2017

● Men: 75%
● Women: 25%

Why this is important

The Board is committed to providing all employees with an equal opportunity to develop and advance, and for everyone to feel safe, respected, valued and able to thrive as part of a winning, engaged and diverse team.

Group Management Committee gender diversity (%)



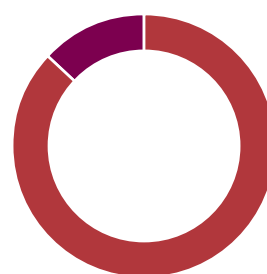
2018

● Men: 73%
● Women: 27%

2017

● Men: 91%
● Women: 9%

Gender split senior management (Levels 6-8)



2018

● Men: 87%
● Women: 13%

Source: Essentra Employee Survey Q4 2018

Environment

CO₂ emissions (tonnes)



Reduced by

5.8%

Why this is important

We recognise that we have a role, and interest, in environmental stewardship. This is not just a duty we owe to our neighbours, but to future generations. We know that the way we manage our environmental impacts forms an important element of our reputation and is a measure of the quality of Essentra's businesses.

Waste to landfill (tonnes)



Reduced by

16.3%

Non-Financial information table

This table follows the requirements of Companies Act 2016 sections 414C(7), 414CA and 414CB and is intended to help stakeholders understand our position on key non-financial matters. We have a number of Group policies and standards which govern our approach to these matters. These are detailed in this report in the sections shown and more information can be found at essentraplc.com/responsibility

Reporting requirement

Environmental matters: Corporate Responsibility

Employees: Our People

Human rights: Our People

Social matters: Corporate Responsibility

Anti-corruption and anti-bribery: Corporate Responsibility

Business model: Our Business Model

Where to read more in this report

Environmental matters: Corporate Responsibility	30
Employees: Our People	26
Human rights: Our People	26
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Our People

Nothing Essentra achieved in 2018 would have been possible without a team of engaged, passionate and dedicated people – in offices, factories and distribution centres in every region of the world.

Our employees are vital in ensuring we provide quality products and services to our customers and operate our business activities effectively and efficiently. Indeed, their talent and commitment drive the innovation that allows Essentra to provide added value to our customers, enhance supply chain logistics and reduce the environmental impact of operations.

2018 was a year of significant change at Essentra; we have had to make tough decisions as we stabilised the business and we do not underestimate the impact that some of those decisions have had on elements of our workforce. However, 2018 has also brought significant change for the better. We have placed our people at the heart of our strategic change journey, making their safety a non-negotiable priority at all our sites and working hard to improve communication and engagement. Our ambition is for Essentra to be a great place to work and this is the reason we created the Six Principles which were developed and rolled out during 2017. With a renewed focus on our people, we are listening to feedback and making big improvements.

Employee Survey

The results of our 2018 employee survey were delivered in December and show a six point increase in employee engagement from 69% in 2017 to 75% in 2018, a result that brings us in line with the global and manufacturing industry averages. Participation levels were at market-leading levels: 91% overall up from 89% in 2017, despite the number of eligible participants increasing from last year.

In terms of insights, the survey has told us that Essentra employees feel safer, more respected and fulfilled by their work. They are also seeing Essentra demonstrate a commitment to safety, quality, customer service and responsible business practices. However, perceptions around recognition, growth opportunities and communication between departments could all be improved. We are committed to responding to the findings and to taking action to tackle the issues raised through local focus groups and established action plans.

Health and Safety

Our overriding commitment in the workplace continues to be the health, safety and welfare of our employees and all those who visit Essentra's operations, as well as those who carry out work on our behalf. The Board provides direction and leadership on all health and safety matters and the Chief Executive has primary responsibility for setting the principal health and safety objectives for divisional managers to achieve and maintain the highest possible standards of safety. These objectives are cascaded throughout the organisation and apply to all Essentra's managers and employees.

The Group Management Committee regularly reviews progress against these objectives and monitors performance through monthly updates. All incidents resulting in Lost Time are formally investigated and findings are shared throughout the business.

Our aim is to be in the top quartile of manufacturing companies for Incident Frequency Rates. We are therefore pleased to report that the number of incidents resulting in Lost Time has reduced by 46% from 68 in 2017 to 37 in 2018 and the total number of days lost due to incidents has reduced by 53% over the same period.

75%

Employee Engagement
as measured in Q4, 2018
(2017: 69%)

As measured via a survey administered by Mercer Sirota. This overall score reflects 91% of employees responding to the survey.



46%

Reduction in
Lost-Time Incidents
(2018 compared with 2017)

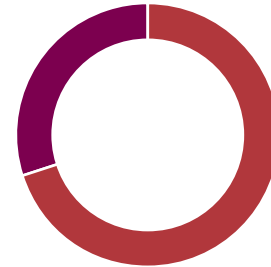


During 2018, we initiated a number of health and safety improvement projects, including committing to a comprehensive programme to upgrade our machinery guarding to the latest standards with a rolling programme of investment over the next four years. We continued to significantly invest in our global health and safety capability, further embedding a Global Safety Team governance structure and extending Visible Felt Leadership training to 200 managers across Europe and Asia. We refreshed the look and feel of health and safety communications in 2018 which has led to more impactful and globally consistent communications.

During the year, we also completed a Group-wide Assurance Programme to ensure that the foundations were in place to sustainably manage and improve occupational health and safety. This initiative mandated that every work-task has a written risk assessment and a documented standard work procedure.

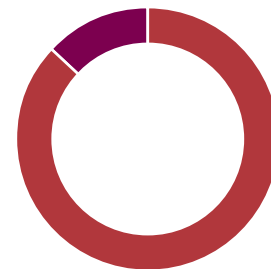
In 2018 we procured and implemented a new HSE information management system that provides all employees with a standardised incident and near-miss reporting tool. This will allow findings and lessons to be evaluated and shared across the entire business and for appropriate corrective actions to be implemented across all regions. This tool also allows inspections, audits and behavioural safety observations to be performed using a handheld app, with data able to be analysed and shared worldwide. As at January 2019, these modules are now available throughout the business and during the first half of 2019 we will begin training users in the use of this new tool.

Gender split all employees



● Male: 68%
● Female: 32%

Gender split senior management (Levels 6-8)



● Male: 87%
● Female: 13%

Source: Employee Survey Q4, 2018

It is our intention to further develop this system to allow sites to self-assess the maturity of their local health and safety arrangements and management systems, with these self-assessments forming the basis for a divisional audit programme in the second half of 2019.

We manage occupational health by identifying key risk activities, undertaking health assessments and, where appropriate, implementing health surveillance programmes. We continue to support the adoption of accredited Occupational Health and Safety Management Systems (such as the "OHSAS" 18001 standard) by our manufacturing sites and, at the end of 2018, 30 of our principal manufacturing facilities had achieved accreditation.



“We are proud to partner with Essentra on its Diversity and Inclusion agenda. We are inspired by its energy and commitment to create a culture where all employees feel safe, respected, valued and able to thrive.”

Karen Gill MBE and Maxine Benson MBE, co-founders, *everywoman*



Development Programmes

In order to deliver our strategic objectives we need to be able to attract, retain and motivate employees with the necessary skills and talent across the Company. Essentra runs a number of very successful training initiatives which continue to expand their international reach. These programmes allow us to continually improve our talent pool at all levels of the organisation.

Essentra Graduate Programme

The programme is a structured two-year course delivered while the Graduates undertake a real job from day one. The Graduates are given the opportunity to learn the business and be developed and attend training sessions in Management, Project Management, Finance, Sales, Negotiation, Operations Management, Presentation Skills, Leadership and Marketing. They will be given a business-focused project to complete and they present their findings to senior leaders of the business. In 2018 24 Graduates joined the scheme (10 male/14 female) originating from Europe (19), the Americas (2) and Asia (3). They join the 23 graduates already on the scheme having joined in 2017 (13 male/10 female). In 2018 16 Graduates completed the programme.

Essentra Apprenticeship Programmes (UK)

All programmes are three years in length and are supported by both national and local training providers. The programmes allow apprentices to undertake a real job while being taught the technical skills required to progress with their programme and early careers at Essentra. There are currently 10 apprentices (all male) enrolled on Print, Engineering and Toolmaking Apprenticeships.

Internal Communications

During the year we also made significant progress in terms of improving our internal communications to employees. We have refined how we describe who we are, what we stand for, and what that looks and sounds like for employees, creating a more engaging and vibrant internal brand around the concept of “We Make It Work”. We have also launched Essentra’s first global intranet, “The Works”, and introduced regular, globally consistent, town hall content across all our sites.

Make It Work Awards

In October Essentra’s first global annual recognition programme was launched reflecting our Six Principles and celebrating the people who have gone above and beyond to deliver what Essentra does best: make it work. More than 130 nominations were submitted from all divisions and many functions across the organisation. Winners were announced in January 2019 and have been invited to accept their awards at a Gala Dinner held in their honour at the Leadership Conference in Barcelona, Spain in Spring 2019.

Diversity and Inclusion

The Diversity and Inclusion Steering Group was established in January 2018 with broad-based membership in terms of tenure, level, gender, age, nationality and background. Its purpose is to build an inclusive culture in Essentra where diversity is embraced by everyone, ensuring we get the full business benefit while making Essentra a rewarding and successful place to work for our colleagues.

The Diversity and Inclusion Steering Group has developed a strategy which harnesses and celebrates diversity for everyone, across all the areas of difference, whether that be gender, age, race, cultural heritage, religion, sexual orientation or (dis)ability.

As part of the strategy, we are beginning to take action and introduce some practical steps to ensure we are tackling the barriers some of our employees face in recruitment and progression. These include reviews of our enabling Group-wide employee policies and "inclusive behaviours" training for managers. During the year we also took time to celebrate and mark several global events across our sites, including International Women's Day in March and International Men's Day in November.

everywoman Partnership

In November Essentra launched a partnership with *everywoman*, an organisation committed to changing the landscape for women in business. All Essentra employees have access to *everywoman's* e-learning platform delivered online and via an app, giving access to a variety of online self-development resources such as workbooks, online seminars, articles and podcasts. Topics are relevant to both men and women and can help with a variety of challenges, including boosting self-confidence, feeling more empowered as a leader and achieving work-life balance.

Gender Pay

In line with legislation, Essentra published 2017 gender pay gap information for UK entities in April 2018. Our guiding principle is to provide all employees with an equal opportunity to develop and advance – subject to personal performance and business objectives – and to remunerate fairly with respect to skills, performance, competitors and local market conditions. However, we know from the UK data that a gender pay gap does exist and we are committed to understanding the causes of the gap and the actions we need to take to

close it. Going forward the Diversity and Inclusion Steering Group will own the activity to assess and close our gender pay gap, not just in the UK but across all our businesses globally.

Business in the Community

In July Essentra joined *Business in the Community* ("BITC") as a Champion Partner for Race. BITC is a UK-based responsible business network which helps organisations learn how to be more responsible. This includes creating diverse and inclusive workplaces, employee wellbeing, sustainability and purposeful leadership.

As part of that partnership, ten Essentra UK-based employees will be participating in Cross-Organisational Mentoring Circles starting in January 2019. The Circles aim to support the progression and impact of Black, Asian and Minority Ethnic ("BAME") employees and address their current under-representation at senior levels.

In November Essentra became a signatory of the Race at Work Charter developed by BITC in partnership with the UK Government. It calls on all employers to make a public commitment to improving outcomes for BAME employees. Essentra is proud to be a signatory of the Charter, demonstrating our support to equality in the workplace and commitment to improving outcomes for our BAME employees.

Approach to disability

Our guiding principle to provide all employees with the opportunity to develop and advance includes giving full and fair consideration to employment applications by disabled people. In the event of employees becoming disabled, we make every effort to ensure that the training, career development and promotion opportunities available are as far as possible identical to those of non-disabled employees.

Right to Speak

Our Right to Speak policy and process is in place to enable any employee to report circumstances where they genuinely and reasonably believe that the standards of the Ethics Code, or the Company's wider policies and guidance notes, are not being upheld. We are committed to ensuring that employees feel able to raise any such concerns in good faith, without fear of victimisation or retaliation and with the support of the Company. Employees can access the Ethics Reporting Line via essentra.ethicspoint.com and report any concerns on a confidential basis, or use the confidential individual helpline telephone numbers which are displayed at each business location.

Human Rights

We operate in 33 countries, and we comply fully with all appropriate legislation in these jurisdictions. Throughout our international operations we support human rights – as set down by the United Nations Declaration and its applicable International Labour Organisation conventions – through our employment policies, our supply chain and the responsible provision of our products and services. This commitment includes a mandatory requirement on all our sites to avoid the employment of children, as well as a commitment to the prevention of slavery and human trafficking; this is set out in our Modern Slavery Statement which can be viewed on the Company's website essentraplc.com. Our operations based in India, Indonesia and Thailand are additionally accredited to SA 8000 which details fundamental principles of human rights.

"Our guiding principle is to provide all employees with an equal opportunity to develop and advance – subject to personal performance and business objectives."



Corporate Responsibility

Our business reputation, together with the trust and confidence of the people we do business with, is one of our most valuable assets.

At Essentra we are committed to conducting business with the appropriate regard for corporate responsibility, and to managing our activities in a way that reflects the expectations of all our stakeholders.

Our risk management processes consider the potential impact of corporate responsibility issues on Essentra's performance; our investment decisions include due evaluation of the potential consequences for our stakeholders and the environment; and our policies promote fair and ethical dealings as a matter of law and conscience.

The Essentra Ethics Code applies to all our businesses around the world, and to everyone who represents, or acts on behalf of, the Company and helps them to understand their role in upholding our principles, procedures and policies. Whether on our own behalf, or through our relationships with third parties, we are committed to free and fair competition, plus the prohibition of bribery and political donations, as well as to honest and fair dealings with suppliers, customers and local and national authorities. In particular, we seek to confirm that our suppliers protect the welfare of their own workers and employment conditions, to ensure that overall working environments within the Essentra supply chain meet or exceed internationally recognised standards.

In 2018 Essentra established a Group Sustainability Committee which provides advice on and co-ordinates sustainability-related activities across the Company. During the year the Committee identified and prioritised corporate responsibility issues which are material to our business and to our stakeholders – whether specific to a particular country or location, or applicable globally – so that we are well positioned to respond to them in an appropriate and robust manner.

Key areas of focus for Essentra

Focus areas in 2018, momentum created and more to do in 2019

People and Communities

We operate in a variety of communities across the world. It is vital that we provide a safe, fair working environment and respect those communities, no matter where we are. Because we are so global, the diversity of our workforce brings us a great opportunity.

Energy and Climate Change

Broader concerns on climate change, plus the concerns of our customers and value chains mean that we need to minimise our greenhouse gas emissions as much as possible.

Focus areas for 2019 onwards

Responsible Material Usage

All of our businesses use and transform materials, including as packaging for other goods – it is important that we develop and use these materials and resources as responsibly as possible.

Responsible Supply Chain

Because of the global nature of our activities and the businesses and communities that we buy from, we need to ensure that we work with our supply chain as responsibly as possible.

People and Communities

We operate in a variety of communities across the world. It is vital that we provide a safe, fair working environment and respect those communities, no matter where we are.

We are proud of our international footprint and of being part of the communities in which we operate, and it is important to us that we play a key role in local society – not least because that is where our employees come from.

In 2018 we created a Community Engagement Policy which came into effect in January 2019. The policy empowers employees at each site to volunteer in groups to support local community engagement projects, equivalent to one day's work per employee per site per year. Activities must be based on guidelines governed by the Essentra Ethics Code.

Energy and Climate Change

We recognise that business has a role, and an interest, in environmental stewardship. This is not just a duty we owe to our neighbours, but to future generations. We know that the way we manage our environmental impacts forms an important element of our reputation and is a measure of the quality of Essentra's businesses.

Our approach to managing environmental impacts is focused on:

- implementing and maintaining environmental and energy management systems and, where appropriate, gaining certification by accredited bodies to the ISO 14001 standard. Globally 35 of our sites hold the ISO 14001 environmental accreditation and many of our operations are additionally required to adhere to more stringent standards, such as those serving the automotive and health and personal care sectors
- measuring and monitoring energy and water consumption, and any associated emissions to air and water, and setting targets to improve performance
- providing facilities to segregate and reuse or recycle production waste
- providing training to employees on ways to reduce their environmental impact
- engaging with customers and suppliers to identify opportunities to reduce the environmental footprint of our products throughout the supply chain
- conducting environmental impact assessments on any prospective acquisitions and where relevant, developing site improvement plans

Graduate project

Zero Waste to Landfill

During 2018 a team of Essentra Graduates undertook a project to create a decision tool for Essentra to implement a zero waste to landfill strategy. The team visited several Packaging sites around the world and researched the zero waste journeys other companies have taken. The project identified a number of benefits to gain from sustainable practices including people, environment, legal, financial and competitive advantage. The team presented their findings to the Group Management Committee in Chicago, USA in October 2018 and were able to highlight areas of good practice as well as areas to improve recycling.

As a result of the team's efforts, Essentra has committed to tracking the number of sites at zero waste to landfill from January 2019. The work of the team helped to identify six sites currently producing zero waste to landfill and in 2019 we are committed to raising this number to eight.



Tonnes of CO ₂ e	Year ended 31 Dec 2018	Year ended 31 Dec 2017 (restated)	Year ended 31 Dec 2017	Year ended 31 Dec 2016	% change from 2017 (restated)
Scope 1	11,276	10,929	10,111	10,479	+3.18%
Scope 2	82,936	89,086	87,051	95,748	-6.90%
Total CO ₂ e emissions	94,212	100,015	97,162	106,227	-5.80%
Total CO ₂ e emissions per £m revenue	91.86	97.36	94.57	96.23	-5.65%

As per the Greenhouse Gas Protocol, Scope 1 covers emissions from the combustion of fossil fuels and Scope 2 covers emissions from bought electricity, heat, steam or cooling.

Our Scope 1 emissions increased slightly year on year, whilst our Scope 2 emissions reduced. We believe that this reflects the fact that 2018 globally was slightly cooler than 2017, resulting in marginally more energy required for heating and less electricity needed for cooling during the year. Due to the energy mix in our business, this resulted in a positive overall change in our total emissions, with a 5.80% reduction. Our emissions per £m have decreased by 5.65%.

The following assumptions, methodology, definitions and data validation processes have been used to report the Group's key environmental performance indicators in 2018. The reported data complies

with the Companies Act, for the Mandatory Reporting of Greenhouse Gases.

- **Boundary scope:** Data from all manufacturing locations over which the Company has operational control is measured and reported.
- **Primary data sources:** These include meter readings, invoices and other systems provided by the supplier of the energy to communicate energy consumption.
- **Secondary data sources:** These include the Company's internal systems used to record and report the above consumption data.
- **Internal data validation:** The process used to review and compare primary data with secondary data. All invoices and data loggers are cross-checked with the data held within the Company's own internal data capture systems.
- **Conversion factors:** The Electricity Emissions Factors by Country (2017 edition),

published by the International Energy Agency, has been used to calculate greenhouse gas emissions for electricity consumed; and the Greenhouse Gas Protocol 2017 has been used to calculate emissions from the combustion of fossil fuels.

- **Intensity metric:** Total carbon emissions per £m of revenue are used to calculate the Company's intensity metric.
- **Restating of data:** The introduction of a new HSE information system to collate energy and electricity consumption data has resulted in some changes in classifications of fuel types, as well as highlighting regional differences in measurement which were considered sufficiently material to warrant restating the 2017 data in order to allow a like-for-like comparison. This revealed that the absolute figures for Scope 1 and 2 emissions were not materially changed by the acquisitions, site closures and divestments that occurred during the year.

Corporate Responsibility continued

In the UK, our sites comply with the Carbon Reduction Commitment scheme and we apply the same principles to our operations worldwide. All our UK sites that directly purchase electricity do so from renewable sources and our sites in Newport, Newmarket, Bradford and Cervia have implemented LED lighting projects in order to reduce energy use.

The following core measures of our environmental impacts are measured and monitored across the Group:

- energy use, including electricity, natural gas, heating fuel, fuel for internal transport
- CO₂ emissions arising from that energy use
- use of resources, including water
- generation and disposal of waste

Ethics and compliance

The Essentra Ethics Code is our framework to assist in making ethical decisions, and is supported by further policies and guidance notes. These governance materials are approved by the Board and distributed globally in all relevant languages, and are intended to promote the positive, diverse culture and safe and respectful working environment which is espoused by our Six Principles. None of these documents can address every issue that an Essentra employee may face in the performance of their duties. However, together with common sense, logic and good faith behaviour, our Ethics Code provides a structure to guide each of us in determining the correct course of action. While Essentra's Legal, Risk and Governance department is accountable for promoting, monitoring and enforcing our Ethics Code, responsibility for following the Ethics Code and for upholding Essentra's overall integrity and reputation – both globally and locally – rests with each employee individually.

Waste	Year ended 31 Dec 2018	Year ended 31 Dec 2017 (restated)	Year ended 31 Dec 2017	Year ended 31 Dec 2016	% change from 2017 (restated)
General waste sent to landfill (tonnes)	6,502	7,764	5,928	6,530	-16.25%
Factory waste sent to recycling (tonnes)	20,877	21,386	19,753	23,020	-2.38%
Incinerated waste (tonnes)	1,844	1,760	1,590	1,704	+4.77%

“In the UK, our sites comply with the Carbon Reduction Commitment scheme and we apply the same principles to our operations worldwide.”



Consistent with our commitment to operating with integrity and to dealing fairly with all our stakeholders at all times, Essentra adopts a zero tolerance approach to bribery and corruption through our Anti-Bribery and Anti-Corruption (“ABC”) policies. This extends to all business dealings and transactions in which the Company is involved, and includes prohibiting political donations, offering or receiving inappropriate gifts and making facilitation payments: we also expect the same standards to apply to any third parties providing services on our behalf. All employees are required to read our policies relating to Conflicts of Interest and Gifts and Entertainments, which are reviewed on an annual basis and where their compliance is recorded either digitally or manually.

Given the number of jurisdictions in which we do business, Essentra has adopted a Third Party Due Diligence policy. The objective of this policy is to ensure that appropriate risk-based reviews are undertaken and the Company is protected

from unmitigated risk, with a clear and legitimate business reason for every third-party relationship. The expectations and guidance detailed in this policy are supplementary to our existing “know your customer”, procurement or other third-party engagement processes which we have in place, including financial controls and quality management requirements.

Our Right to Speak policy and process is in place to enable any employee to report any circumstances where they genuinely and reasonably believe that the standards of the Essentra Ethics Code, or the Company's wider policies and guidance notes, are not being upheld. We are committed to ensuring that employees feel able to raise any such concerns in good faith, without fear of victimisation or retaliation and with the support of the Company. Employees can access the Ethics Reporting Line via essentra.ethicspoint.com to report any concerns on a confidential basis, or use the confidential individual helpline telephone numbers which are displayed at each business location.

Priorities/goals	How do we manage it?	How did we do in 2018?	How will we improve further in 2019?
Ensure that Essentra fulfils its commitment to being a great place to work	<ul style="list-style-type: none"> Undertake employee surveys on a regular basis Ensure robust follow-up procedures to engagement survey findings Carry out regular site-level visits by the Chief Executive and senior divisional management Regularly communicate with employees in an appropriate local language Provide appropriate learning and development opportunities at all levels Encourage constructive, open and honest dialogue across the organisation 	<ul style="list-style-type: none"> Refreshed our internal brand around the concept of “We Make It Work” Launched first global employee intranet Introduced regular, globally consistent town hall content across all sites Launched first global annual recognition programme – Make It Work Awards Continued involvement of Chief Executive and senior management in employee communications Carried out a global employee engagement survey Established site-level forum groups and clear action plans to follow through engagement survey findings Established Diversity and Inclusion Steering Group 	<ul style="list-style-type: none"> Undertake annual employee engagement surveys and act upon feedback Establish new internal communications channels such as digital screens on sites Continue to focus on regular employee dialogue with the Chief Executive and divisional management Evaluate findings from Diversity and Inclusion Steering Group and act upon as appropriate Continue to expand geographic reach of Leadership Development Centres and Graduate Development Programme Further develop apprenticeship initiatives
Achieve the highest standards of health and safety	<ul style="list-style-type: none"> Regularly review the Group’s Health and Safety strategy Establish a Global Safety Team that meets regularly to set the minimum expectations for the management of health and safety in all divisions Assess the risks our processes pose to the health and safety of our people Encourage employee participation in hazard spotting, incident reporting and identifying and driving health and safety improvement initiatives Identify areas to improve health and safety performance, and share lessons and opportunities throughout the Group Provide Safety Leadership training for all senior executives Pursue accreditation of our safety management systems 	<ul style="list-style-type: none"> 46% reduction in Lost Time Incidents 53% reduction in days lost due to incidents Over 200 senior leaders attended two-day safety leadership workshops Continued to support the adoption of OHSAS 18001 standard with 30 of our manufacturing sites accredited 	<ul style="list-style-type: none"> Maintain the focus on health and safety improvement strategies Continue to embed robust management systems, standards and processes Develop and embed Group-wide minimum standards to control health and safety risks Broaden training to capture front-line management Increase employee engagement through participation in safety-related improvement activities, employee consultation forums, communication programmes and training Continue to share examples of good practice, lessons identified from past incidents and near misses, and recognition of outstanding performance
Minimise any adverse environmental impacts from our manufacturing operations	<ul style="list-style-type: none"> Regular review of the Group’s environmental strategy Establish a Sustainability Committee to set Group minimum expectations for environmental management Identify and understand the environmental impacts associated with our activities Measure and report on current energy consumption, and set targets for efficiency improvements Implement initiatives to reduce waste and increase recycling rates in order to divert waste from landfill 	<ul style="list-style-type: none"> CO₂ emissions down by 5.8% Waste to landfill down by 16.25% Maintained programme of ISO certification at key manufacturing sites 	<ul style="list-style-type: none"> Focus on targeted energy-saving actions to reduce energy usage Initiate new campaign to improve waste management Maintain robust management systems, standards and processes Pursue appropriate ISO certification for selected manufacturing facilities Develop and embed Group-wide minimum standards for the identification and control of risks and environmental impacts
Ensure the highest standards of business integrity and conduct	<ul style="list-style-type: none"> Embed and embody Essentra’s six principles Establish clear policies and guidance Secure employee awareness and engagement Continue to promote the Right to Speak policy Regular review of adherence with policies and guidance by Group Assurance 	<ul style="list-style-type: none"> Continued to communicate Essentra’s six principles, which describe the way we work Continued communication of core policies through e-learning and reviews in Essentra Group System Continued to promote compliance systems 	<ul style="list-style-type: none"> Respond to new risks and requirements Provide further training Drive employee responsibility and cultural change Continue to investigate complaints

Components

Essentra difference



In 2018, we worked with a global manufacturer of hermetic compressors to help them resolve a number of procurement frustrations. With our expert help, extensive range and free sample service, we were able to meet all our customer's specifications on a just-in-time basis, as well as allowing them to source multiple products from one place. As a result, they have been able to consolidate their procurement process from six suppliers to one and take advantage of flexible ordering, saving them time, space and money





Scott Fawcett
Managing Director
Components

Revenue

£271.1m

(2017: £241.8m)

Adjusted operating profit¹

£60.0m

(2017: £53.6m)

Adjusted operating margin¹

22.1%

(2017: 22.2%)

¹ Excluding amortisation of acquired intangible assets and exceptional and other adjusting items

Who we are and what we do

A leading global manufacturer and distributor of a comprehensive range of components, used in diverse industrial applications and end-markets.

We are a global market-leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating in 28 countries worldwide with 12 manufacturing facilities and 29 logistics centres, the division serves more than 85,000 customers with a rapid supply of low-cost but essential products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction machinery.

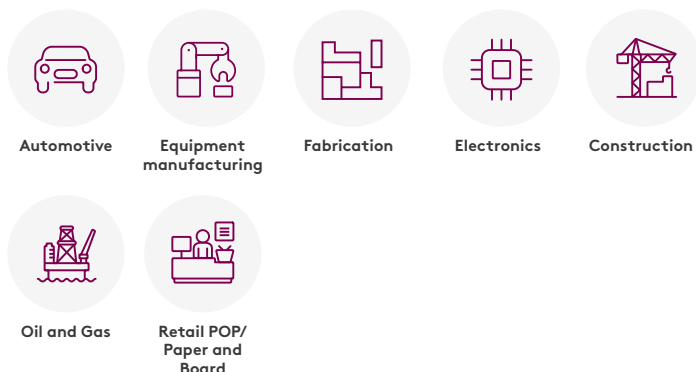
How we do it

Our objective is to leverage our extensive customer base, product range and distribution capability, using our efficient sourcing and manufacturing operations and integrated IT platform, to respond to the demands of our diverse customer base. Our tool library, product development skills and manufacturing experience, combined with our inventory and logistics infrastructure are unique assets. We have sophisticated business-to-business, multi-channel marketing expertise, and support this with our knowledgeable sales resource and comprehensive product catalogues, which are available in many languages and online.

We target organic growth through increasing the range of products and effective marketing, cross-selling to existing customers, expanding our customer base and entering new geographic markets. We also see opportunities to grow through acquisition, where it can move our business into complementary product categories or end-markets, or further our geographic distribution capability.

Components continued

Our markets



2019 key initiatives

- Successfully roll out the new digital platform, to support new customer acquisition and to improve cross-selling opportunities and ease of use
- Continue to drive "hassle free proposition" through best practice customer service training and OTIF improvements, as well as more streamlined processes and procedures
- Improved discipline in pricing across geographical markets
- Increase cross-selling through better product training and enhance commercial effectiveness
- Continue to drive growth in China through recruitment of dedicated Commercial team and marketing approach
- Further enhance acquisition pipeline, with the objective of boosting organic growth with value-creating transactions

"Our objective is to leverage our extensive customer base, product range and distribution capability."



How we performed in 2018

Revenue increased 12.1% (14.8% at constant exchange) to £271.1m. Adjusting for the acquisition of Micro Plastics on 12 December 2017 and Hertila on 5 July 2018, like-for-like growth was 5.9%.

This strong performance reflected good progress across a number of our key strategic objectives, with refinement of our product offer and service proposition and improved customer experience supporting a broad-based result across geographic markets and customer size – notwithstanding Industrial Production levels declining throughout the course of the year.

Our range of access hardware maintained its very strong growth, boosted by the launch of new lock, hinge and handle solutions and underpinned by investment in additional injection moulding equipment and a new painting environment at our two facilities in Istanbul, Turkey. Cable management solutions and the general protection range of caps and plugs also performed well, while components aimed at the consumer electronics sector supported the result in Asia. In addition – and reinforcing our strength in our core ranges – over 1,500 new products were introduced globally through our websites and catalogues, particularly in the specialist fastener and hardware segments.

Consistent with our strategic objective of providing our customers with a "hassle-free" experience and reliable and timely delivery, we initiated a number of commercial and operational projects during the year. Supported by a selective investment in talent, these included the upgrading of our digital capability – with our new online platform scheduled for initial launch in Q1 2019 – as well as ongoing customer service improvement and product training programmes.

In addition, we made significant progress in ensuring that our operational processes for both our products and customers are in place and are standardised. As a result, we not only delivered a material uplift in our OTIF delivery but also a meaningful reduction in our waste levels, with further Continuous Improvement initiatives being launched towards the end of the year to drive additional benefits in 2019.

Having made three commitments to our customers in 2018 – better communication, website investment and improved delivery – we were therefore pleased that these combined initiatives contributed to a further improvement in our Net Promoter

What we measure

85K

2017: 94K

Number of active customers

Why we measure it

Reflects marketing effectiveness and measures the potential population for further growth opportunities

How we have done

Reduction from 94K to 85K, as we focus on mid-sized customers

30

2017: 29

Net promoter score

Why we measure it

Reflects our customers' overall satisfaction with our products and service, as well as loyalty to our brand

How we have done

Increased from 29 to 30 on a global basis

92.4%

2017: 90.4%

On time in full

Why we measure it

Demonstrates the ability to meet delivery demand

How we have done

92.4% compares to 90.4% in 2017

4

2017: 6

Lost time incidents

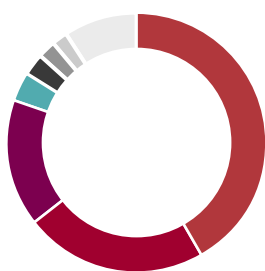
Why we measure it

Indicates our overriding commitment to health, safety and welfare in the workplace

How we have done

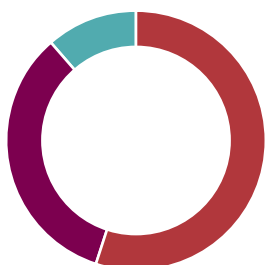
Decreased to four from six in 2017

Revenue by segment



- Electronics: 41.8%
- Fabrication machinery: 22.8%
- Automotive: 15.8%
- Hydraulics/Pneumatics: 3.5%
- Retail POP/Paper and Board: 3.0%
- Oil and Gas: 2.1%
- Construction: 1.9%
- Other: 9.1%

Revenue by destination



- Europe and Africa: 55.2%
- Americas: 33.6%
- Asia including Middle East: 11.2%

"Having made three commitments to our customers in 2018 – better communication, website investment and improved delivery – we were therefore pleased that these combined initiatives contributed to a further improvement in our Net Promoter Score."



Score, which is our key metric to measure overall satisfaction levels and reflecting a particularly good uplift in the USA.

Both the recently-acquired Micro Plastics, USA and Hertila, Sweden businesses performed in line with expectations and the respective integrations have progressed well. In the case of the former, the cross-selling of Essentra products in Mexico and of Micro Plastics' components to our USA customer base rolled out during the second half of the year, with Europe/Asia scheduled for early 2019. Regarding the latter, the cross-selling of Essentra products to Hertila's c. 1,000 customers is on track for the first half of 2019, and has also allowed us to transfer certain equipment between Sweden and our Spanish facility in Barcelona, thus providing us with greater flexibility in our manufacturing footprint in

Continental Europe. At the same time, we invested considerable time in rebuilding our pipeline of potential transactions, to ensure we are well-placed to continue realising our strategic objective of complementing our organic growth with value-creating acquisitions should the opportunities arise.

Adjusted operating profit increased 11.9% (13.2% at constant exchange) to £60.0m, equating to a margin of 22.1%. This 10bps decline (-30bps at constant exchange) reflected the robust top line performance as well as ongoing operational efficiency initiatives, which were offset by continued measured investment in divisional capabilities and the dilutive impact of recently acquired businesses which currently have a margin below the Components' average.

Packaging

Essentra difference



In 2018, we supported a global pharmaceutical customer in meeting a regulatory deadline to introduce tamper-evident cartons. Working in close collaboration through a dedicated project management team, we leveraged our innovation and flexible manufacturing expertise to design, trial and approve 68 carton profiles, as well as redesign, process and approve >1,000 artworks. As a result, 1,200 new cartons were implemented within eight months, ensuring our customer fulfilled their regulatory obligations.





Iain Percival
Managing Director,
Packaging

Revenue

£342.3m

(2017: £350.5m)

Adjusted operating profit¹

£5.4m

(2017: adjusted operating loss: £1.8m)

Adjusted operating margin¹

1.6%

(2017: n/a)

¹ Excluding amortisation of acquired intangible assets and exceptional and other adjusting items.

Who we are and what we do

One of very few multi-continental suppliers of a full secondary packaging range to the pharmaceutical, personal care and beauty sectors.

Our innovative products include cartons, leaflets, self-adhesive labels and printed foils used in blister packs, which help customers to meet the rapidly changing requirements of these end-markets and can be combined with Essentra's authentication solutions to help fight against counterfeiting. As a result, our products and technologies provide a value-adding, multi-functional choice for our customers, with our solutions helping to ensure that the consumer receives products that have been protected in transit, have not been tampered with, contain critical information which is accurate and user-friendly and can be confirmed as genuine.

Supported by in-house design studios – the Design Hub – R&D and multi-million pound print facilities, we are positioned to deliver the very best in quality, service and reliability through our worldwide manufacturing and sales structure.

How we do it

Our objective is to understand our customers' needs and business challenges, and then to collaborate closely with them using our product, process and services know-how capabilities and resources to deliver successful and value-creating solutions. We seek to leverage our international footprint to provide market-leading quality and service on a global basis, and to add value to both customers and consumers.

Operating from 24 manufacturing sites across four geographic regions, we are a leading global supplier of a broad suite of innovative specialist secondary packaging and authentication solutions to meet the rapidly changing requirements of the pharmaceutical, personal care and beauty markets. Working in effective partnership with customers and strategic suppliers, we are committed to quality, flexibility and creativity, to ensure we are well placed to meet the exacting needs of an international customer base.

Packaging continued

Our markets



Pharmaceutical



Personal Care
and Beauty

2019 key initiatives

- Continue to leverage Key Account Management structure and the Design Hub capabilities to drive revenue growth and regain market share
- Further improve operational efficiency through implementation of Continuous Improvement/Lean manufacturing tools
- Leverage scale to improve procurement benefits
- Improve quality management through enhanced training across the site footprint
- Drive profitability towards medium-term objective of industry-average levels, through volume gearing and returns from ongoing incremental investment programme

“Our objective is to partner closely with our customers, to provide them with value-creating solutions to their needs.”



How we performed in 2018

Revenue decreased 2.3% (-1.5% at constant exchange) to £342.3m. Excluding the divestment of the Bristol consumer packaging facility on 5 June 2017 and the trade and assets of Swiftbrook, Ireland on 3 September 2018, like-for-like revenue was -0.5% lower (+3.2% adjusting for both disposals and the closure of the Newport IP5 cartons site at the end of 2017).

As anticipated, the revenue trend improved progressively over the course of the year. The Europe and Asia region returned to underlying growth during Q2 (ie, excluding divestments and Newport IP5), shortly followed by the Americas in Q3, with the entire division delivering a very encouraging performance during H2 and thus entering 2019 on a solid footing. This inflection point for our business reflects our continuing focus on key service and quality metrics which have been maintained at least at industry-average levels throughout 2018, as well as a further strengthening and deepening of the dialogue with our customers as to how we can collaborate to help them meet a range of needs and business objectives.

Further underpinning these enhanced customer relationships has been the establishment of a clear Key Account Management structure during the year, as well as the embedding of new global and regional leadership teams. In addition, we continued to develop our product pipeline to ensure that customers are well placed to meet such industry trends as patient adherence and evolving legislative requirements regarding the tracking, tracing and authenticating of products through the supply chain. As a result, we have not only built on the global framework agreements with certain international blue-chip healthcare companies which were signed towards the end of 2017, but also secured a number of encouraging new business wins over the course of 2018.

To support the ongoing improvement in both our commercial and operational effectiveness, we continued to rebuild our capabilities through significant investment in machine upgrades. To meet the growing demand for more complex literature, we installed new folding equipment in the USA, Puerto Rico, the UK, Ireland and Germany. Meanwhile, we added a new gluing line in Spain, as well as carton presses featuring the latest colour management technology at several sites in both the Americas and Europe: as colour management is the single largest source of product defects, this will therefore allow us

What we measure

95.6%

2017: 95.9%

On time in full

Why we measure it

Drives performance of quality systems and service delivery

How we have done

95.6% compares to 95.9% in 2017

21.6%

Decrease
vs 2017

Customer complaints

Why we measure it

Drives performance of quality systems and service delivery

How we have done

A 21.6% decrease in customer complaints versus 2017

47

2017: 23

Lost time incidents

Why we measure it

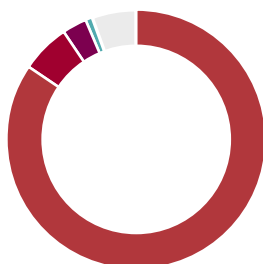
Indicates our overriding commitment to health, safety and welfare in the workplace

How we have done

23 lost-time incidents compares to 47 in 2017

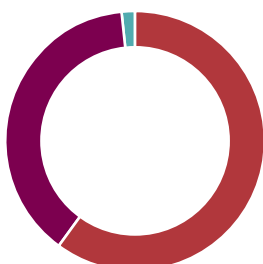


Revenue by segment



- Health and Personal Care: 84.5%
- Food and Beverage: 6.2%
- Retail POP/Paper and Board: 3.0%
- Tobacco: 0.8%
- Other: 5.5%

Revenue by destination



- Europe and Africa: 60.0%
- Americas: 38.6%
- Asia including Middle East: 1.4%

“Underscoring our strategic focus on the health and personal care end-markets, we undertook further site footprint rationalisation during the year.”



to further improve our capability and quality. New cut-and-crease equipment in Charlotte, USA and Bradford, UK has already resulted in a material reduction in waste, while we also invested in our digital footprint with additional digital label capacity in Lublin, Poland to support future growth opportunities and a digital carton printing capability at Glasnevin, Ireland to allow us to better meet the demand for small batch runs which are particularly required for clinical drug trials. Continuing to leverage the capabilities of the Design Hub in providing value-added solutions, we established a second facility in Moorestown, USA, to better serve customers in the Americas. Taken in aggregate, this incremental investment will not only help us to realise our objective of being the leading provider of secondary packaging in terms of quality management, but also to make continual improvement in our manufacturing lead times as customers require even greater agility from their suppliers.

Underscoring our strategic focus on the health and personal care end-markets, we undertook further site footprint

rationalisation during the year. In July 2018, we announced the divestment of the trade and assets of Swiftbrook, a paper merchant based in Dublin, that serves customers in end-markets such as office supplies, commercial print and pharmaceuticals. Then in September, we announced the intended closure of the commercial print/consumer packaging site in Largo, USA, as well as a consultation process at our commercial print facility in Kilmarnock, UK. Having confirmed the proposal at Kilmarnock, both this and the Largo site closed at the end of 2018.

Adjusted operating profit of £5.4m compared to an adjusted operating loss of £1.8m in FY 2017 and equated to a margin of 1.6%. This was largely driven by the closure of the loss-making Newport IP5 facility and the receipt of an additional £1.2m of insurance proceeds in respect of hurricane-related disruption to the Puerto Rico sites in 2017, boosted by price increases to offset higher raw material costs and a modest volume gearing effect as revenue returned to growth. On a like-for-like basis, the margin was 1.6% (1.6% adjusting for both divestments and Newport IP5).

Filters

Essentra difference



In 2018, we worked with a global customer to develop a new e-cigarette component to solve a performance issue. Leveraging our extensive expertise and understanding of customer and consumer needs, we designed, prototyped and tested a bespoke circular component. We also created a manufacturing process to produce for larger volumes. As a result, the consumer vaping experience is vastly improved and we can efficiently supply our customer as this Next Generation Product ("NGP") segment continues to grow.





Kamal Taneja
Managing Director,
Filters

Revenue

£260.0m

(2017: £277.5m)

Adjusted operating profit¹

£34.8m

(2017: £34.8m)

Adjusted operating margin¹

13.4%

(2017: 12.5%)

¹ Excluding amortisation of acquired intangible assets and exceptional and other adjusting items.

Who we are and what we do

The only global independent provider of filters and related solutions to the tobacco industry.

Not only do we manufacture standard filters, but as the leading supplier of special filters we also provide innovative solutions that meet the consumer-driven demands of the tobacco industry against a backdrop of ongoing legislative changes. In addition, our offering extends to nicotine delivery devices, where we have a number of fully-functional and packaged e-cigarette products as well as solutions for the Heat Not Burn ("HNB") segment, which draw upon the broad range of technologies which the Essentra Group can deliver.

We also increasingly provide adjacent services to the tobacco industry. Our Scientific Services facility located in the UK was one of the first independent, externally accredited laboratories for the testing of cigarettes, cigarette filters, smokeless devices including e-cigarettes and low ignition propensity ("LIP") for cigarette papers, and has over 20 years' experience of providing analytical services to state monopolies, and both independent and multi-national customers. Additionally, we offer a full bespoke range for the design, packing and packaging of filters of roll-your-own brands, providing an efficient and cost-effective solution to delivering retail-ready products to the market.

We supply over 700 product specifications to c. 250 customers, including all the multi-national tobacco companies. We have seven manufacturing facilities in seven countries, supported by a dedicated research facility and three regional development centres.

How we do it

Innovation is at the heart of our business, and our objective is to develop value-creating partnerships with our customers. We seek to leverage our long-standing experience, expertise and insight to provide brand differentiation and identity solutions, as well as excellence in both manufacturing and service. Our recognised ability to provide new value-added products and services is key to the future growth of our business, as market dynamics in the tobacco industry continue to evolve.

Our markets



Tobacco

2019 key initiatives

- Continue to progress discussions regarding each of the three potential game changers
- Continue to leverage scientific know-how to add value to customers, in both the traditional combustible and NGP segments
- Further enhance value proposition through customer and supplier partnerships to drive innovation
- Drive additional operational excellence initiatives, to help shorten the supply chain and to further reduce waste
- Continue to leverage and reinforce Key Account Management structure, to further strengthen customer relationships

“Our objective is to leverage our long-standing experience, expertise and insight to develop value-creating partnerships with our customers.”



Research in filters is carried out at a dedicated Technology Centre, supported by three regional development facilities. Together, they work closely with customers to understand their specific needs and strive to deliver innovative solutions which will give their brands differentiation and relevance, at a pace appropriate to local market conditions and legislative requirements. Our offering is further enhanced by our ability to complement our customers' own strengths and assets in a variety of tolling, or outsourced management, relationship arrangements, as well as our growing adjacent services activities.

We continuously upgrade our technology and footprint, to ensure we exceed our customers' expectations and remain at the forefront of market trends. Our flexible manufacturing capability allows us to respond rapidly to market changes and customer demand for surge volumes, while a consistent focus on high standards of quality, cost control and production efficiency act as further sources of competitive advantage.

How we performed in 2018

Revenue decreased 6.3% (-2.9% at constant exchange) to £260.0m, with good progress with independent customers (notably in China, India and the Middle East) being offset by the volatile nature of projects which is characteristic of the tobacco industry. In addition, further progress was made in discussions regarding each of the potential game changers we identified in the 2017 strategic review of the division – namely, further outsourcing, a joint venture in China and NGPs.

Continuing to build on our track record of successful innovation and the acknowledged capabilities of our business, we launched a number of new products during the year to meet the evolving requirements of our customers. In the combustibles segment, we developed further products to meet the ongoing trend for combining flavour capsules in filters which also offer visual differentiation, building on our extensive know-how in both technologies. Our business in China also maintained its strong growth, driven by ongoing demand for Superslim and shaped filters as the consumer trend for increasingly complex and smaller diameter products continues to increase. In addition, the result in both our joint ventures in India and Dubai were driven by a strong performance for capsule products.

What we measure

98.5%

2017: 95.2%

On time in full

Why we measure it

Demonstrates the ability to meet delivery demands

How we have done

98.5% compares to 95.2% in 2017

41.4%

Decrease vs 2017

Quality complaints per billion rods

Why we measure it

Drives productivity and the efficient use of material

How we have done

A 41.4% reduction in complaints per billion rods versus 2017

3.9%

2017: 6.0%

Waste

Why we measure it

Drives productivity and the efficient use of material

How we have done

3.9%, a decrease from 6.0% in 2017

4

2017: 7

Lost time incidents

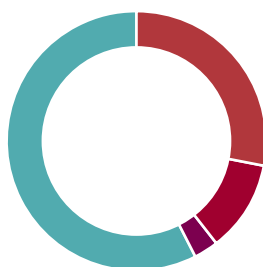
Why we measure it

Indicates our overriding commitment to health, safety and welfare in the workplace

How we have done

Decreased to four from seven in 2017

Revenue by segment



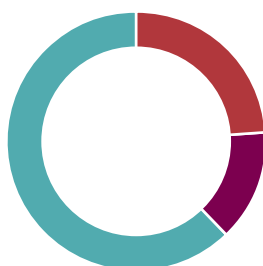
- Mono: 28.2%
- Carbon: 11.4%
- Flavour: 3.0%
- Other: 57.4%

Consistent with our strategic objective of further upgrading the division's innovative capabilities, we held a series of customer and supplier workshops, which have resulted in a number of strategic development projects already being launched. In particular, the matter of degradability and littering of cigarette butts has again come to the forefront as a key regulatory and consumer concern where, given our existing Paper, Ochre and Bi Tech products and our more dispersible plug wrap, we believe we have significant experience which we can bring to bear in assisting our customers meet these important evolving requirements.

Scientific Services; based in Indonesia, continued to perform well, further building on its extensive experience and expanded range of accredited testing methods. During the year, we added the testing of HNB products to the existing analytical laboratory services, to ensure the delivery of high-quality analysis which remains at the forefront of industry trends and regulatory requirements in this growing segment.

Adjusted operating profit was unchanged (increased 1.5% at constant exchange) at £34.8m, with the 90bps (+60bps at constant exchange) uplift in the margin to 13.4% driven by further significant efficiency improvements and productivity gains.

Revenue by destination



- Europe and Africa: 24.1%
- Americas: 13.8%
- Asia including Middle East: 62.1%

Beyond traditional combustible filters, progress in NGP was encouraging during the year. Although currently a relatively modest contributor to divisional revenue and operating profit, the business successfully piloted a number of HNB solutions with Chinese and other Asian independent customers, as well as continuing to work with various multinationals to advance their respective potential – or next phase – HNB offers. With our customers increasingly focusing their research and development beyond traditional combustible filters, we have likewise shifted our innovation efforts into these emerging – but reportedly fast-growing – new technologies, to ensure that we continue to expand our knowledge and capabilities to meet their needs.

Specialist Components

Essentra difference



In 2018, our Speciality Tapes business was approached by a residential construction company that needed a way to easily bond decorative tiles to interior wall surfaces. With our vast experience, we were able to identify and produce multiple samples, working directly with the customer for six months through many rounds of testing. As a result, our ability to provide a consistently high-quality solution to our customer's evolving needs, we have been appointed as their sole tape supplier.





Tim Wilson
President,
Specialist Components

Revenue

£159.1m

(2017: £163.6m)

Adjusted operating profit¹

£12.2m

(2017: £14.1m)

Adjusted operating margin¹

7.7%

(2017: 8.6%)

¹ Excluding amortisation of acquired intangible assets and exceptional and other adjusting items.

Who we are and what we do

Six smaller standalone industrial businesses with strong positions in niche markets.

Our Pipe Protection Technologies ("PPT") business specialises in the manufacture of high-performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys largely for use in the oil and gas industry. Locations in four countries, combined with a wide distributor network, serve customers around the world.

Our Industrial Supply business provides a wide range of branded hardware supplies to a broad base of industrial customers in the Maintenance, Repair and Overhaul ("MRO") segment, largely located in the US Mid-West.

Our Speciality Tapes business has expertise in coating multiple adhesive systems in numerous technologies, with approximately 1,200 tape products stocked for same-day shipping – and an additional 450+ custom product variations – predominantly for retail POP, white goods and industrial applications.

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

Our Card Solutions business is a provider of ID card printers, systems and accessories to direct and trade customers, providing a broad product offering and competitive value.

Our Tear Tapes business is globally recognised as the leading manufacturer and supplier of narrow-width pressure-sensitive adhesive tear tapes, which allow the easy opening of a product's packaging and which are largely used in the tobacco, food and drink and specialist packaging sectors.

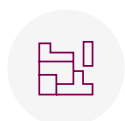
How we do it

As a global leading supplier to the oil and gas sectors, our PPT business provides the broadest range of custom thread and pipe protection products for a complete range of Oil Country Tubular Goods ("OCTG") tubulars, line pipe and drilling pipe applications. Our objective is to leverage our state-of-the-art manufacturing footprint headquarters in Houston, USA, to meet global demand while ensuring adherence to the latest industry regulations.

With c. 73,000 SKUs from approximately 650 suppliers in stock and available for rapid shipment, our Industrial Supply business focuses on supplying small and medium-sized Original Equipment Manufacturers ("OEMs") from its well-located facility in the Mid-West, enhancing its customer service proposition with value-added technical support.

Specialist Components continued

Our markets



Fabrication



Oil and Gas



Tobacco



Construction



Retail POP/
Paper and Board

2019 key initiatives

- Continue to enhance customer experience and launch new products to leverage distribution infrastructure in Industrial Supply
- Drive commercial excellence and gain share through further penetration of higher-growth segments in Specialty Tapes
- Continue to drive operational excellence and gain share through new market entry/innovation in Extrusion
- Expand product range and improve commercial effectiveness in Card Solutions
- Increase commercial effectiveness and focus, and continue to drive operational excellence in Tear Tapes

“Our objective is to leverage our respective in-house capabilities to add value to our customers in the diverse end-markets we serve.”



Combining over 65 years' manufacturing experience with rapid distribution capability, our wide range of premium-quality Specialty Tapes 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. Offering a full range of value-adding design and production services, our Extrusion business is well placed to provide purpose-developed products based on unique specifications. Our objective is to leverage our extensive in-house capabilities – including laboratory, R&D department and tooling expertise – to partner with customers from the earliest stages of new product development and provide them with a compelling value proposition, no matter how complex the finished product.

Our Card Solutions business has access to a wide portfolio of products and service, including printers, software and consumables from leading manufacturers. Our systems produce durable, high-quality credit card-style photo ID cards, which are compatible with the majority of security systems, and which can be specified to incorporate magstripes, barcodes, contactless chips or smart cards. Uniquely combining manufacturing, coating and printing capabilities with global service, our Tear Tapes business serves key multinational and regional customers with a comprehensive range of high-quality, filmic-based narrow tapes which can be designed to meet specific requirements. Additional relevant capabilities include regulatory expertise, tamper evidence and authentication.

How we performed in 2018

Revenue decreased 2.8% (-0.8% at constant exchange) to £159.1m, largely due to ongoing weakness in Tear Tapes where a strategic improvement plan has been implemented. PPT delivered good growth – albeit at a significantly reduced rate of improvement compared to FY 2017 – and benefited for much of the year from the strength in the oil price and increase in the North American rig count, with the consequent impact on drilling activity and demand from the pipe mills, oil and gas service companies and pipe processors. A modest increase in Industrial Supply was supported by the expansion of core product lines and the introduction of new branded ranges, with site automation initiatives additionally improving operational efficiency.

The performance in Specialty Tapes reflected specific customer-related softness in the retail POP and appliance segments, which offset a stable result for tapes used in industrial end-markets.

What we measure

92.9%

2017: 91.9%

On time in full

Why we measure it

Demonstrates the ability to meet delivery demands

How we have done

92.9% compares to 91.9% in 2017, with four out of six businesses showing an improvement

17.0%

Decrease
vs 2017

Customer complaints/ quality

Why we measure it

Drives performance of quality systems and performance delivery

How we have done

A 17.0% reduction in incidents compared to 2017, with five out of six businesses showing an improvement

6

2017: 8

Lost time incidents

Why we measure it

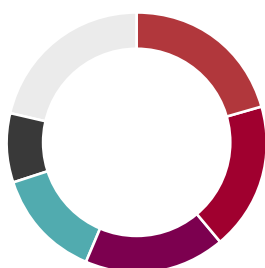
Indicates our overriding commitment to health, safety and welfare in the workplace

How we have done

Six lost time incidents compares to eight in 2017, with five out of six businesses showing an improvement or maintaining a very low/zero level



Revenue by segment



- Oil and Gas: 20.8%
- Retail POP/Paper and Board: 18.2%
- Fabrication Machinery: 17.6%
- Tobacco: 13.5%
- Construction: 8.7%
- Other: 21.2%

Revenue in Extrusion was broadly unchanged versus the prior year. The business made further progress with its complex, technical profiles which are used in the water purification process and in the construction industry for swimming pool covers: however, this was offset by a weakening in the retail POP and furniture segments.

The result in Card Solutions reflected the consolidation of business in the university and healthcare sectors, as well as successfully developing ID solutions for major sporting events and some of the largest English Premier League football clubs.

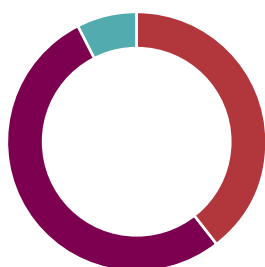
The decline in Tear Tapes was driven by lower end-market volumes, as well as reduced demand for certain value-added consumer/tobacco lines in Asia and Europe and macro-economic weakness in Latin America.

Having created the Specialist Components division with effect from 1 January 2018, we initiated a strategy development programme with the aim of providing a well-defined and objective assessment of the current status of each of our six business activities, together with their future potential. Presented at the time of our interim results on 3 August 2018, the output of this six-month review has been a clear strategy for each of our businesses, which provides a data-driven view of how we intend to drive future growth and of the respective commercial and operational opportunities available, as we seek to maximise the value-creation potential of our diverse activities.

Reflective of the portfolio assessment which we continue to undertake across the entire Essentra Group, in September we announced a consultation process at our Nottingham, UK site regarding the production of Speciality Tapes and, having confirmed our proposal, we ceased production at the end of 2018. Neither the Tear Tapes business based at Nottingham, nor the vast majority of Speciality Tapes activities which are located in the USA, was affected by this decision. Then shortly after the year end, on 14 January 2019, we announced the divestment of our PPT business to National Oilwell Varco, Inc. ("NOV") for a transaction value of US\$48.0m, free of cash and debt. Given the historically volatile industry exposure and limited addressable market from an Essentra perspective, this disposal therefore represents not only good value for the Company's shareholders but also provides our PPT business with a strong platform for future successful growth under the strategic ownership of NOV.

Adjusted operating profit was 13.5% lower (-10.9% at constant exchange) at £12.2m, equating to a margin of 7.7%. This 90bps decline (-80bps at constant exchange) was driven by the revenue decline in Tear Tapes, which offset margin progression in the other five businesses.

Revenue by destination



- Europe and Africa: 39.6%
- Americas: 53.0%
- Asia including Middle East: 7.4%

Corporate Governance Framework

The Board

The Board's role is to provide leadership to the Company and to be responsible to the shareholders for the long-term success of the Company.

An effective Board defines the Company's purpose and then sets a strategy to deliver it, underpinned by the values and behaviours that shape its culture and the way it conducts its business. The Board should consider the main trends and factors which will affect the long-term success and future viability of the Company – and how these and the Company's Principal Risks and uncertainties have been addressed.

Our structure

Board

In fulfilling its role, the Board:

- sets, continually reviews and tests the Company's strategic aims
- determines the nature and extent of acceptable risks in achieving the Company's strategic objectives
- assesses shareholder and stakeholder interests from the perspective of the long-term sustainable success of the Company
- oversees the establishment of formal and transparent arrangements for the application of corporate reporting, risk management and internal control requirements and principles
- ensures that the necessary financial and human resources are in place for the Company to meet its objectives
- sets the Company's values, standards and purpose
- reviews the performance of the Company's executive management
- presents a fair, balanced and understandable assessment of the Company's position and prospects to its shareholders.



Audit and Risk Committee

The Audit and Risk Committee supports the Board and is responsible for: monitoring the integrity of the Company's Financial Statements; reviewing, challenging and approving its accounting policies; and scrutinising the effectiveness of the internal and external auditors and the Company's internal control and risk management systems.



Remuneration Committee

The Remuneration Committee is established by the Board and is responsible for setting a remuneration policy for Directors and senior executives, which should be designed to promote the long-term success of the Company, taking into consideration the reward, incentives and conditions available to the Company's workforce, shareholders and other stakeholders. The Remuneration Committee should determine an appropriate balance between fixed and performance-related and immediate and deferred remuneration. The Remuneration Committee is also responsible for setting the fees of the Chairman.



Nomination Committee

The Nomination Committee is responsible for regularly reviewing the structure, size and composition of the Board for any changes that it considers to be appropriate. The Nomination Committee will lead the process for board appointments and make recommendations to the Board taking into account the Company's strategic priorities and the main trends and factors affecting the long-term success and future viability of the Company.



Group Management Committee

The Group Management Committee ("GMC") provides general executive management of Essentra within agreed delegated authority limits determined by the Board. Specifically, the GMC will support the Chief Executive in reinforcing Essentra's six principles.



Group Risk Committee

The Group Risk Committee ("GRC") is responsible for monitoring principal, key group risks and emerging risks, and ensuring the effectiveness of divisional and functional risk management.



essentraplc.com

The terms of reference for each of the Audit and Risk, Remuneration and Nomination Committee can be found on the Company's website essentraplc.com or on request from the Company Secretary and General Counsel.

Roles and responsibilities

Chairman

- Sets the board agenda primarily focused on strategy, performance, value creation, culture, stakeholders and accountability, and ensuring that issues relevant to these areas are reserved for board decision
- Shapes the culture in the boardroom
- Encourages board members to engage in board and committee meetings
- Fosters relationships based on trust, mutual respect and open communication – between Non-Executive Directors and the Group Management Committee
- Develops a working relationship with the Chief Executive
- Provides guidance and mentoring to new directors as appropriate
- Leads the annual board evaluation

Chief Executive

- Proposes the strategy to the Board and implements the strategy which has been approved by the Board
- Communicates to the workforce the expectations in respect of the Company's culture and for ensuring that operational policies and practices drive appropriate behaviour
- Develops manageable goals and priorities for the management team
- Leads and motivates the management teams
- Ensures that the Board is aware of the views of the senior management team on business issues
- Develops proposals to present to the Board on all areas reserved for its judgement

Senior Independent Director (SID)

- Provides a "sounding board" for the Chairman
- Serves as an intermediary for the other Directors when necessary
- Acts as an alternative point of contact for shareholders where contact through the normal channels of Chairman, or other Executive Directors has failed to resolve any concerns, or for which such contact is inappropriate
- Leads the annual assessment of the effectiveness of the Chairman

Non-Executive Directors

- Provide constructive challenge to executive management
- Bring experience and objectivity to the Board's discussions and decision-making
- Monitor the delivery of the Group's strategy against the governance, risk and control framework established by the Board
- Responsible for evaluating the performance of the Chairman, led by the SID

Company Secretary

- Maintains a record of attendance at Board meetings and Committee meeting
- Responsible for ensuring good information flows to the Board and its Committees, and between senior management and the Non-Executive Directors
- Advises the Board on all regulatory and corporate governance matters
- Assists the Chairman in ensuring that the Directors have suitably tailored and detailed induction and ongoing training and professional development programmes

Board of Directors

Committee membership key

- ① Audit and Risk Committee
- ② Nomination Committee
- ③ Remuneration Committee
- ④ Committee Chairman



Paul Lester, CBE
Non-Executive Chairman

② ④

Appointed to the Board:
December 2015

Skills and experience:

Paul is currently Non-Executive Chairman of Forterra plc – the leading UK producer of manufactured masonry products – McCarthy and Stone plc – the UK's leading retirement housebuilder – and Knight Square Holdings – the property services business. Paul brings a wealth of experience to Essentra, gained in increasingly senior operational and strategic executive roles, and has also served on a number of Boards in a non-executive capacity for more than 20 years.

Other appointments:

Non-Executive Chairman of Forterra plc, McCarthy and Stone plc and Knight Square Holdings.

Past appointments:

Chairman of John Laing Infrastructure Fund, Greenergy and Parabis Group, Chief Executive of VT Group plc and Graseby plc, Group Managing Director of Balfour Beatty plc, President of the Society of Maritime Industries, the BSA and the EEF.



Paul Forman
Chief Executive

②

Appointed to the Board:
January 2017

Skills and experience:

Prior to joining Essentra, Paul was Group Chief Executive of Coats Group plc – the world's leading industrial thread manufacturer – for seven years, where he oversaw company rationalisation as well as growth through acquisition, instigated and delivered a clear vision and corporate strategy, drove material improvements in financial performance and built the momentum to position the business as an innovative and global industry leader. Before assuming the role of Chief Executive, Paul held a number of increasingly senior operational and strategic positions at a variety of companies and has a proven track record of international manufacturing experience at the highest level.

Other appointments:

Non-Executive Director of Tate and Lyle plc.

Past appointments:

Group Chief Executive of Coats Group plc and Low and Bonar PLC, Non-Executive Director of Brammer plc.



Lily Liu
Chief Financial Officer

Appointed to the Board:
November 2018

Skills and experience:

Prior to joining Essentra, Lily was CFO of Xaar Plc, a FTSE listed inkjet technology developer and manufacturer of industrial inkjet printheads. Before this, Lily was CFO, Smiths Detection at Smiths Group plc, and has nearly 20 years of experience in the manufacturing and engineering sectors.

Lily began her career with a Chinese investment firm before emigrating to Australia to complete a MBA, and she has worked across three continents (Asia, Europe and Australia).

Other appointments:

None

Past appointments:

Chief Financial Officer of Xaar Plc.



Tommy Breen
Senior Independent Director

① ② ③

Appointed to the Board:
April 2015

Skills and experience:

Prior to his recent retirement, Tommy was Chief Executive of DCC plc, an international sales, marketing, distribution and business support services group, headquartered in Dublin and with operations in 13 countries. Tommy brings significant experience to Essentra, in particular of growing diverse businesses both organically and via acquisition during his 30-year career with DCC.

Past appointments:

Chief Executive of DCC plc.

- ① Audit and Risk Committee
- ② Nomination Committee
- ③ Remuneration Committee
- ④ Committee Chairman



Mary Reilly
Non-Executive Director

① ② ③ ④

Appointed to the Board:
July 2017

Skills and experience:

Mary is currently a Non-Executive Director of global media internet company Travelzoo – a USA-listed publisher of travel entertainment and local offers – Ferrexpo plc – an iron ore mining company – and Mitie Group plc – a facilities management company. Mary brings a wealth of accounting, finance and international management experience to Essentra, having previously been a Partner of Deloitte LLP for more than twenty years, as well as serving on a number of Boards in a non-executive capacity since 2000.

Other appointments:

Non-Executive Director and Chair of the Audit and Risk Committee of Travelzoo and of Ferrexpo plc. Non-Executive Director of Mitie Group plc.

Past appointments:

Non-Executive Director of Cape plc, London 2012, the London Development Agency, Woodford Investment Managers, Crown Agents Ltd, Crown Agents Bank Ltd, Soranac Partners and the Department of Transport.



Lorraine Trainer
Non-Executive Director

① ② ③ ④

Appointed to the Board:
July 2013

Skills and experience:

Lorraine began her executive career at Citibank, and has some 20 years' experience in Human Resources at such blue chip companies as the London Stock Exchange and Courtts NatWest Group. Lorraine currently combines her Board work with consultancy at and around Board level in Director development.

Other appointments:

Non-Executive Director and Chairman of the Remuneration Committee of Sonae – SGPS, S.A. and of TP ICAP plc.

Past appointments:

Non-Executive Director of Aegis Group plc and Colt Group S.A. Non-Executive Director, Senior Independent Director and Chairman of the Remuneration Committee of Jupiter Fund Management plc.



Ralf K. Wunderlich
Non-Executive Director

② ③

Appointed to the Board:
July 2017

Skills and experience:

Based in Germany, Ralf is currently a senior adviser to private equity firms and an independent consultant. He was previously President and Managing Director of Amcor Flexibles – Asia Pacific and a member of the Global Group Executive Team of Amcor, the world leader in packaging with operations in approximately 40 countries and revenue of approximately US\$10bn. Ralf brings extensive international experience in the packaging industry to Essentra, gained over many years and through living and working across three continents.

Other appointments:

Non-Executive Director of AptarGroup, Inc. and of Huhtamäki Oyj.

Past appointments:

Non-Executive Director of AMVIG.

Group Management Committee

Executive Board Directors



Paul Forman
Chief Executive

Paul's biographical details can be found on page 52.



Lily Liu
Chief Financial Officer

Lily's biographical details can be found on page 52.

Divisions



Scott Fawcett
Managing Director,
Components

Scott Fawcett joined Essentra in 2010 as Managing Director of the European Components business, and was appointed divisional Managing Director in January 2014. Prior to joining Essentra, Scott was Head of eCommerce at Electrocomponents plc, where he held a variety of increasingly senior sales, marketing and eCommerce positions during his 17-year career there.



Iain Percival
Managing Director,
Packaging

Iain Percival joined Essentra as Managing Director, Essentra Packaging in 2017, before which he was divisional CEO, Beverage Cans Europe for Rexam plc. Prior to this, Iain held a number of increasingly senior roles at Rexam plc, Toyota Motor – Europe Manufacturing and Dowty Group, and has extensive experience in category management, manufacturing and supply chain optimisation.



Kamal Taneja
Managing Director,
Filters

Kamal Taneja joined Essentra as Managing Director, Essentra Filters in 2017 from Amcor Tobacco Packaging, where he worked as Vice President and General Manager, based in Singapore. Prior to this, Kamal held increasingly senior roles at Ingersoll Rand and Trane, and has extensive marketing, commercial, operational and supply chain optimisation experience throughout the Asia Pacific region.



Tim Wilson
President,
Specialist Components

Tim Wilson was appointed as President, Essentra Specialist Components in January 2018, prior to which he was President and Chief Executive Officer of Arnold Magnetic Technologies, a leading global manufacturer of engineered magnetic solutions. After an early career in Operations roles, Tim held increasingly senior positions with ENI (a division of Emerson Electrics) and Videojet (a division of Danaher Corporation), and has extensive international manufacturing and commercial experience.

Enabling functions



Richard Cammish
Chief Information Officer

Richard Cammish joined Essentra as Chief Information Officer in June 2017. Prior to this he was Group Chief Information Officer for Coats plc. During his career, Richard has gained extensive IT, digital and international experience in organisations including Heineken, Cadbury, British American Tobacco and Mars. He has also worked for a leading management consultancy and in a technology start-up business.



Oshin Cassidy
Group Human Resources Director

Oshin Cassidy joined Essentra as Group Human Resources Director in January 2019. Prior to joining Essentra, Oshin was Group Human Resources Director at Imagination Technologies, and has extensive human resources experience having previously held senior roles at global organisations including Securitas, ComfortDelGro, Centrica and QinetiQ.



Kathrina FitzGerald
Strategy and Commercial Director

Kathrina FitzGerald was appointed as Strategy and Commercial Director in January 2018. Prior to joining Essentra, Kathrina worked with DMGT plc – a portfolio of information and media businesses – where she held a number of increasingly senior roles during her ten-year tenure, including Business Development Director, Managing Director of DMGT International and Director of Strategy and Development. Kathrina started her career at JP Morgan, where she spent seven years in investment banking.



Jon Green
Company Secretary and General Counsel

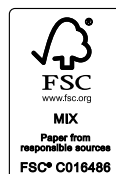
Jon Green joined Essentra in 2005, and was appointed Company Secretary and General Counsel in July 2005. Prior to joining Essentra, Jon worked as an in-house lawyer for a number of large international businesses, including Hays plc and Unilever plc. Jon is a qualified solicitor.



Nick Pennell
Group Operations Director

Nick Pennell joined Essentra as Group Operations Director in 2017, prior to which he was Chairman of Lavery/Pennell and a Partner at Booz Allen Hamilton/Booz and Co. in the UK and China. Nick has extensive experience of performance improvement, operational and strategy development projects gained across the industrial and energy sectors, and in many geographies. He has also held operational and corporate strategy roles at Bass Brewers and at Shell.



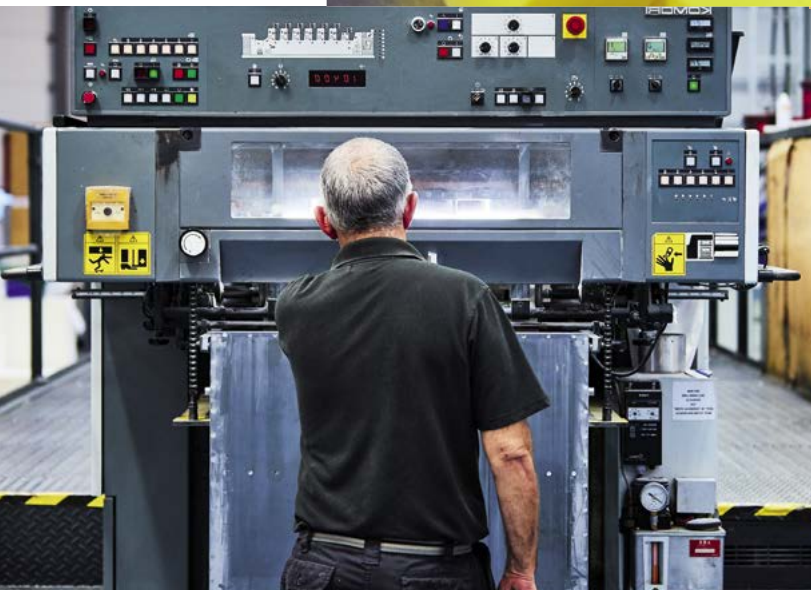


The printer and paper manufacturing mill are both accredited with ISO 14001 Environmental Management Systems and are both Forest Stewardship Council® certified. CPI Colour is also a certified CarbonNeutral® company.

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