ESSENTRA

20 February 2015

ESSENTRA PLC
(“Essentra” or “the Company”)

A leading global provider of essential components and solutions

RESULTS FOR THE FULL YEAR ENDED 31 DECEMBER 2014

FY 2014: VISION 2015 OBJECTIVES ACHIEVED
WELL-POSITIONED FOR CONTINUED BALANCED, PROFITABLE GROWTH UNDER “DRIVE FOR 2020”

FY 2014 highlights:

- Revenue ahead 14% at constant FX (like-for-like[1] +9%) to £866m.
- Accelerating momentum in Q4, with like-for-like revenue growth of 10%.
- Adjusted operating profit[2] up 16% (at constant FX).
- Adjusted operating margin[2] expansion of +30bps (at constant FX) to 16.5%, +20bps at actual FX.
- Adjusted EPS[2] ahead 19% (at constant FX) to 41.9p.
- Net working capital improvement to 11.3% of revenue, better by 10bps[3]. Tax rate reduced by 250bps to 24.9%.
- Net debt of £62m (FY 2013: £217m), owing to strong cash flow generation and the proceeds from the share placing to fund the acquisition of Clondalkin SPD.
- 19% increase in the full year dividend to 18.3p per share.

Results at a glance:

	FY 2014	FY 2013	% change Actual FX	% change Constant FX
Revenue	£865.7m	£798.1m	+8%	+14%
Operating profit – adjusted[2]	£142.5m	£130.4m	+9%	+16%
Pre-tax profit – adjusted[2]	£133.4m	£119.8m	+11%	+19%
Net income – adjusted[2]	£100.1m	£86.9m	+15%	+24%
Earnings per share – adjusted[2]	41.9p	38.0p	+10%	+19%
Dividend per share	18.3p	15.4p	+19%	
Operating profit	£108.8m	£97.0m	+12%	+21%
Net income	£71.8m	£60.3m	+19%	+31%
Basic earnings per share	30.0p	26.3p	+14%	+26%

[1] Excludes the impact of acquisitions, disposals and foreign exchange (see page 2)
[2] Before intangible amortisation and exceptional operating items
[3] Excluding the impact of acquisitions in December 2014 and 2013

Commenting on today's results, Colin Day, Chief Executive, said:

"With like-for-like revenue ahead 9% and adjusted EPS growth of 19%, not only did we exceed our Vision 2015 objectives in 2014, but also over the three-year period since the strategy was implemented. The results were supported by a continued focus on product innovation, more sizeable business wins, ongoing product innovation and further expansion in both existing and new markets, supported by further cost reduction and efficiency programmes.

In addition, we made good progress in terms of acquisitions, both in terms of the delivery of synergy savings from recent transactions, and of adding further value-creating assets to the Group. In this respect, we were pleased to announce the acquisition of the Specialist Packaging Division of Clondalkin Group in November – by far our largest deal to date – which completed shortly after the year end. During the year, we also successfully transitioned to a new organisational structure to ensure that we continue to maximise the opportunities available to the Company, the benefits of which have already started to be realised.

Accordingly, Essentra is well-positioned to continue its track record of balanced, profitable growth in 2015 under its Drive for 2020 strategy, notwithstanding the current economic climate."

Basis of Preparation

The term "constant FX" describes the performance of the business on a comparable basis, after adjusting for the impact of foreign exchange.

The term "like-for-like" ("LFL") describes the performance of the business on a comparable basis, adjusting for the impact of acquisitions, disposals and foreign exchange. The FY 2014 LFL results are adjusted for Contego Healthcare Limited ("Contego", acquired on 30 April 2013), Mesan Kilit A.S. ("Mesan", acquired on 30 December 2013) and the major operating subsidiaries of Abric Berhad ("Abric Seals", acquired on 16 December 2014). The impact of Dakota Packaging Limited ("Dakota", acquired on 7 November 2013) is not excluded from the LFL results from 30 April 2014, as it is no longer separately identifiable having been fully integrated into the healthcare packaging business. The impact of Kelvindale Products Pty Ltd ("Kelvindale", acquired on 12 May 2014) is not excluded from the LFL results from 30 September 2014, as it is no longer separately identifiable having been fully integrated into the components business.

The term "adjusted" excludes the impact of intangible amortisation and exceptional operating items, less any associated tax relief. In FY 2014, intangible amortisation was £17.5m (FY 2013: £14.2m), and there was an exceptional pre-tax charge of £16.2m (FY 2013: £19.2m) mainly relating to integration costs and fees arising from the afore-mentioned acquisitions.

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Operating Review

FY 2014 revenue increased 8.5% (+14.2% at constant exchange) to £865.7m, with LFL growth of 8.5% supported by continued product innovation, investment in both existing and new geographical markets and improved marketing effectiveness.

Ongoing operational initiatives, volume leverage and successful pricing programmes to mitigate input cost increases were partially offset by the mix effect of the very strong revenue growth in the lower margin Filter Products division and inventory destocking in the higher margin Porous Technologies division. Current year acquisitions had a further dilutive impact such that, in total, the gross margin declined 130bps (140bps at constant exchange), to 33.6%.

On an adjusted basis, operating profit was ahead 9.3% (+16.2% at constant FX) at £142.5m, driven by ongoing cost efficiencies and the successful delivery of synergy savings: this equated to a 20bps uplift in the margin to 16.5% (+30bps at constant FX). Operating profit as reported was £108.8m, +12.2% versus last year (+20.8% at constant FX), owing to intangible amortisation of £17.5m and an exceptional pre-tax charge of £16.2m mainly relating to integration costs and fees arising from acquisitions during the year.

Net finance expense was below the prior year at £9.1m (FY 2013: £10.6m), due to lower net interest on net debt and an IAS 19 pension finance credit. The effective tax rate on profit before tax (before exceptional operating items) reduced to 24.9% (FY 2013: 27.4%).

On an adjusted basis, net income of £100.1m was up 15.2% (+24.2% at constant FX) and earnings per share growth was 10.3% (+19.1% at constant FX) to 41.9p. On a reported basis, net income was £71.8m, an increase of 19.1% (+31.3% at constant FX), with earnings per share up 14.1% versus FY 2013 at 30.0p (+25.7% at constant FX).

Business Review

Summary growth in revenue by division

% growth	LFL	Acquisitions / Disposals	Foreign Exchange	Total Reported
Component & Protection Solutions	+8%	+6%	-5%	+9%
Porous Technologies	-5%	-1%*	-4%	-10%
Packaging & Securing Solutions	+5%	+17%	-3%	+19%
Filter Products	+16%	-	-8%	+8%
Other	+9%	-	-5%	+4%
Total Company	**+9%**	**+5%**	**-6%**	**+8%**

* Transfer of intercompany revenue

The following review is given at constant exchange rates and on an adjusted basis, unless otherwise stated.

Component & Protection Solutions

	FY 2014 £m	% growth Actual FX	% growth Constant FX
Revenue	243.6	+8.9%	+14.5%
Operating profit	58.9	+12.0%	+18.2%
Operating margin	24.2%	+70bps	+80bps

Revenue increased 14.5% to £243.6m. Adjusting for the acquisition of Mesan in December 2013, Kelvindale in May 2014 (until 30 September) and Abric Seals in December 2014, like-for-like revenue growth was 8.4% and was driven by a more positive market backdrop and new business wins, as well as the roll out of distribution sites and range consolidation opportunities.

The underlying performance of the Components business in Europe was supported by continued improvement in the trading environment, and boosted by the consolidation benefits of migrating the five operating brands to a single Essentra Components brand. In Asia, growth accelerated during the second half of the year, benefiting from the recently-opened south east Asian distribution hub in Changi, Singapore, which now holds c. 10,000 SKUs for rapid delivery throughout the region. In addition, the Mesan business acquired at the end of 2013 performed well, with a Components catalogue featuring 28,000 products already being marketed to Mesan's customers.

The successful site roll-out programme continued in 2014, with market entry in Thailand, Romania and Mexico. In addition, a new distribution centre was opened in Louisville, US which – given that it can cover some 70% of US manufacturing GDP within a two-day shipping window – is ideally located to serve existing customers even better and target new customer opportunities. Not only does this centre hold some 30,000 Components' SKUs, but it is already stocking certain speciality wipes and porous components – with the potential to leverage the capacity further to encompass the entire Essentra Group portfolio over time.

Pipe Protection Technologies delivered further excellent growth in 2014, with encouraging performance across all sites and supported by successful product development and new business wins. In particular, the innovative and industry-compliant MaxX™ range of thread protectors continued to perform well, underpinned by the launch of a "liftable" variant designed to service drilling wellsite applications that require protectors which allow pipes to be lifted individually onto the drilling floor.

The Pipe Protection business also benefited from the transition to the new organisational structure, with a regional approach in the Americas already unlocking potential. Leveraging the existing Essentra Group site footprint in Alta Parana, Paraguay and Jaguarina, Brazil, has facilitated entry into the sizeable latter market for the first time, where investment in polyurethane riser pipe protector capability will help continue the successful commercialisation of the growth opportunity.

Operating profit grew 18.2% to £58.9m, equating to a 80bps uplift in the margin to 24.2%. This improvement was driven by further operating and process efficiencies, as well as savings from the ongoing consolidation of the Components' site footprint.

On 12 May, the division announced that it had completed the acquisition of 100% of the share capital of Kelvindale. Based in Australia, Kelvindale is a leading distributor of an extensive range of plastic protection and finishing products, and provides a compelling market entry point for the Components business. Having introduced some 12,000 products onto Kelvindale's website since completion, over 25% of sales now comes from the Essentra Components range, and the integration of the acquisition to date is in line with expectations.

On 16 December, the division reported that it had completed the acquisition of 100% of the share capital of Abric Seals. Based in Malaysia, Abric Seals is a global leading manufacturer and distributor of security sealing products and solutions for use in a diverse range of growing end-markets, including healthcare, manufacturing, energy, retail, transportation and automotive. With low-cost manufacturing facilities in Malaysia and Thailand, Abric Seal's distribution network additionally covers 88 countries, with a strong focus on Asia Pacific which accounts for approximately 40% of revenue.

During the year, the Components business opened two new, purpose-built distribution centres in Bologna, Italy and Roissy, France. These new sites provide the necessary space to accommodate the rapidly expanding product range in two strategically important European markets, underscoring the commitment to providing customers with even greater product choice and availability, combined with the best possible delivery and service proposition.

Porous Technologies

	FY 2014 £m	% growth Actual FX	% growth Constant FX
Revenue	89.8	-10.2%	-5.7%
Operating profit	15.8	-32.8%	-29.3%
Operating margin	17.6%	(590)bps	(590)bps

Revenue decreased 5.7% to £89.8m. Adjusting for the transfer of a portion of intercompany revenue to the Filter Products division, LFL growth was -4.5%.

An increase of 41% in household products & personal care (together c. 10% divisional revenue) was driven by significant new business wins in air care with multinational customers, while growth of 21% in speciality wipes (c. 23% divisional revenue) came from the ongoing success of globalising the product portfolio and new applications in critical care environments. Healthcare (c. 22% divisional revenue) rose 9%, led by wound care and products using porous plastics.

In writing instruments (c. 29% divisional revenue), new sales of nibs to global customers were offset by the impact of a more challenging market backdrop, such that total result decreased by -3%. As anticipated, the performance in printer systems (c. 15% divisional revenue) of -44% reflected the impact of inventory destocking with a major global OEM, where shipments recommenced in the second half of the year and improved in Q4.

In 2014, the division continued its successful track record of converting its intellectual property and manufacturing know-how into commercial success. This included customer qualifications of superior medical grade foam for wound care applications, new platform wins with an Asian printer systems OEM and initial orders in both water and automotive engine filtration. The business also collaborated in product development with other divisions by providing innovative porous components, such as the AquaSense™ consumer packaging label which features a unique absorbent pad which helps to keep products fresh, as well as Essentra's range of smokeless nicotine devices.

A number of operational initiatives were completed during the year. To support global growth opportunities, a new nib product development line was installed at the Richmond, US site, facilitating both product development and rapid turnaround sampling. In addition, and building on the extension of the sterile alcohol bottling facility undertaken in 2013, there was further investment in new laminator and sachet lines in Chicopee, US, to support further growth and range expansion opportunities in speciality wipes.

Operating profit decreased 29.3% to £15.8m and the margin declined by 590bps. Successful cost reduction initiatives and productivity improvements were offset by the mix effect of the afore-mentioned inventory destocking, with margins returning towards more normalised levels in the second half of the year, as anticipated.

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Packaging & Securing Solutions

	FY 2014 £m	% growth Actual FX	% growth Constant FX
Revenue	216.3	+19.0%	+22.0%
Operating profit	38.3	+26.8%	+30.0%
Operating margin	17.7%	+110bps	+110bps

Revenue increased 22.0% to £216.3m. Adjusting for the healthcare packaging acquisitions of Contego and Dakota with effect from 30 April 2014, like-for-like growth was 4.7%.

The result in Packaging reflected a positive performance in healthcare and consumer packaging – and boosted by new product launches – partially offset by tear tape sales to the tobacco industry, where market conditions remain challenging.

2014 was another strong year for successful innovation. In healthcare packaging, product launches included a new concept in display boxes designed specifically for fragile items such as vials, bottles and syringes, as well as a number of new leaflet formats. In the consumer segment, the division built on the Packaging Resolved commercial positioning around the four key aspects of effective packaging with the introduction of Re:Close Tape™, which allows a product to be retained in the original pack between uses and has added user-friendly reclosability to millions of packs of bagged snacks on-shelf in Europe.

Growth in Speciality Tapes was driven by a strong performance in the industrial, point of purchase and mailer / e-commerce categories. Finger Lift tape continued to perform well, benefiting from the recent expansion of hot melt capability at the Chicago, US site, and was supported by the Foam and Duraco Red tape ranges. From a geographical perspective, the result reflected a particularly strong contribution from the growing Express footprint in North America, boosted by encouraging performance in China.

To help support future revenue growth opportunities and to generate further efficiency savings, a number of operational initiatives were completed in 2014. New, more energy / waste efficient equipment was installed in a number of European healthcare packaging facilities, and towards the end of the year, a new purpose-built manufacturing facility in Newport, Wales was officially opened. This 52,000 sq. ft. site incorporates the latest investment in digital printing and cleanroom technology for the production of primary packaging foils for the healthcare market, allowing the division to meet the growing demands and exacting requirements of both existing and new customers.

Operating profit increased 30.0% to £38.3m. The 110bps improvement in the margin to 17.7% was driven by accelerating healthcare acquisition synergies, combined with ongoing cost savings and efficiency initiatives.

On 12 November, the division further expanded its packaging solutions capabilities to the pharmaceutical and health & personal care industries with the announcement of the acquisition of the Specialist Packaging Division of the Clondalkin Group ("Clondalkin SPD"). Clondalkin SPD is a leading global provider of a broad suite of speciality secondary packaging solutions, and transforms Essentra's presence in these targeted end-markets. The consideration of approximately US$455m was funded in part by a placing of 23,659,761 new ordinary shares, representing 9.99% of the issued ordinary share capital of the Company prior to the placing, and the acquisition completed on 30 January 2015.

Filter Products

	FY 2014 £m	% growth Actual FX	% growth Constant FX
Revenue	291.5	+8.0%	+16.2%
Operating profit	43.9	+9.5%	+18.7%
Operating margin	15.1%	+20bps	+30bps

Revenue increased 16.2% to £291.5m. Underlying volumes were ahead of the prior year, with particularly strong growth in Asia, and in both special and flavoured filters. In FY 2014, Asia accounted for 59% volumes (FY 2013: 61%).

2014 saw the successful launch of a number of proprietary new products and development initiatives, as well as the successful commercialisation of recent contract wins. Among the innovations during the period were Dual Sensation™ and Super Slim Sensation™- new solutions which enable a capsule segment to be combined in a multi-segment standard or small diameter filter – as well as the launch of a unique plugwrap material that disperses in water at least three times faster than standard alternatives. Joint activity increased 11% versus FY 2013, and in support of the division's future innovation capabilities through ongoing intellectual property, a total of nine patent and trademark applications were filed in 2014.

The Scientific Services laboratory continued to perform well, further building on its extensive experience and expanded range of accredited testing methods. The growth was boosted by its expertise in field of e-cigarettes, which has significantly contributed to it becoming the largest independent tobacco testing laboratory in Europe.

In response to market trends, the division launched a new, full-service e-cigarette offering during the year, to meet the growing global demand for smokeless nicotine devices. Following extensive research and development, a number of fully-functional and packaged products were successfully commercialised, which draw upon the broad range of solutions which the entire Essentra Group can deliver – not merely the Filter Products division. In addition, with the backing of analytical results from the Scientific Services laboratory, customers can be assured that the e-cigarette solutions are not only innovative but also reliable, thereby addressing the issue of inconsistent performance which remains a key consumer concern.

In order to ensure a flexible and competitive geographic footprint, and with customers continuing to shift their production from western to eastern Europe and Asia, the division took the decision to expand its facility in Hungary and to close the site in Italy. In addition, the joint venture facility in Dubai, UAE, was expanded, and is well-positioned to meet the requirements of cigarette manufacturers based in the Middle East and North Africa region for innovative filter products and solutions.

In 2014, the division continued to invest in high-speed equipment to underpin its objective of improving capability and capacity, not least in Thailand where expansion of the facility and the installation of the latest machines will support a long-term supply agreement with a multinational customer. Such investment allows the division to continue to meet customers' current needs in terms of quality and functional tolerances, but also their future requirements as the global tobacco industry continues to evolve.

Operating profit rose 18.7% to £43.9m, equating to a 30bps improvement in the margin to 15.1%. A further improvement in productivity and efficiency initiatives – combined with significant savings in the second half of the year from the closure of the site in Italy – were partially offset by the one-off cost of the latter in H1.

Other

	FY 2014 £m	% growth Actual FX	% growth Constant FX
Revenue	25.7	+3.6%	+9.1%
Operating profit	1.6	+6.7%	+11.0%
Operating margin	6.2%	+20bps	+10bps

Revenue from the Extrusion business increased 9.1% to £25.7m, boosted by new business wins and benefiting from a more encouraging market backdrop. Operating profit of £1.6m was slightly ahead of the prior year, with ongoing cost savings initiatives broadly offset by investment in future revenue growth opportunities.

Financial Review

Foreign exchange rates. Movements in exchange rates relative to sterling affect actual results as reported. The constant exchange rate basis adjusts the comparative to exclude such movements, to show the underlying performance of the Company.

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The principal exchange rates for Essentra in FY 2014 were:

	Average		Closing	
	FY 2014	**FY 2013**	**FY 2014**	**FY 2013**
US$:£	1.65	1.57	1.56	1.66
€:£	1.24	1.18	1.28	1.20

Re-translating at FY 2014 average exchange rates increases the prior year revenue and adjusted operating profit by £40.2m and £7.8m respectively.

Net finance expense. Net finance expense of £9.1m was lower than the prior year (FY 2013: £10.6m), and is broken down as follows:

£m	**FY 2014**	**FY 2013**
Net interest charged on net debt	8.6	9.5
Amortisation of bank fees	1.1	1.0
IAS 19 pension finance (credit) / charge	(0.6)	0.1
Total net interest expense	**9.1**	**10.6**

Positive numbers represent net finance expense, negative numbers reflect net finance income

Tax. The effective tax rate on profit before tax (before exceptional operating items) was 24.9% (FY 2013: 27.4%).

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

Net working capital of £101.4m was £15.7m higher than the 31 December 2013 level of £85.7m as a result of acquisitions and growth. However, the net working capital / revenue ratio reduced to 11.3% excluding Abric Seals (FY 2013: 11.4% at constant exchange, excluding Mesan) due to continued efforts to utilise the Company's working capital more efficiently.

£m	**FY 2014**	**FY 2013**
Inventories	84.8	75.5
Trade & other receivables	165.4	140.7
Trade & other payables	(156.8)	(135.1)
Adjustments	8.0	4.6
Net working capital	**101.4**	**85.7**

Cash flow. Operating cash flow was broadly unchanged at £107.0m (FY 2013: £107.1m). Free cash flow of £75.5m compared to £74.2m in FY 2013.

£m	FY 2014	FY 2013
Operating profit – adjusted	**142.5**	**130.4**
Depreciation	27.2	26.7
Share option expense / other movements	(4.2)	(1.0)
Change in working capital	(25.4)	(5.3)
Net capital expenditure	(33.1)	(43.7)
Operating cash flow – adjusted	**107.0**	**107.1**
Tax	(20.5)	(17.5)
Net interest paid	(8.5)	(9.3)
Pension obligations	(2.5)	(6.1)
Free cash flow - adjusted	**75.5**	**74.2**

Net debt. Net debt at the end of the period was £62.1m, a £155.0m decrease from 1 January 2014, owing to strong cash flow generation and the proceeds from the share placing to fund the acquisition of Clondalkin SPD.

£m	FY 2014
Net debt as at 1 January 2014	217.1
Free cash flow	(75.5)
Dividends	38.1
Acquisitions	29.9
Issue of shares	(167.6)
Foreign exchange	3.9
Exceptional items	6.9
Employee trust shares	8.0
Other	1.3
Net debt as at 31 December 2014	**62.1**

The Company's financial ratios remain strong. The ratio of net debt to EBITDA as at 31 December 2014 was 0.4x (31 December 2013: 1.3x) and interest cover was 15.5x (31 December 2013: 13.0x).

Balance sheet. At the end of 2014, the Company had shareholders' funds of £592.8m (2013: £398.8m), an increase of 48.6%. Net debt was £62.1m (2013: £217.1m) and total capital employed in the business was £659.9m (2013: £620.1m).

This finances non-current assets of £671.9m (2013: £638.7m), of which £230.5m (2013: £213.7m) 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 £101.4m (2013: £85.7m), current provisions of £4.2m (2013: £12.3m) and long-term liabilities other than borrowings of £83.4m (2013: £66.9m).

Pensions. As at 31 December 2014, the Company's IAS 19 pension liability was £1.7m (FY 2013: asset of £10.6m) and the associated deferred tax asset was £2.9m (FY 2013: deferred tax liability of £1.6m). The pension asset has been calculated after updating the asset values and certain assumptions as at 31 December 2014.

Dividends. The Board of Directors recommends a final dividend of 12.6 pence per share (2013: 10.6 pence), an increase of 18.9%. This takes the FY 2014 dividend to 18.3 pence per share (+18.8% versus FY 2013). Subject to approval at the Company's Annual General Meeting ("AGM") on 23 April 2015, the final dividend will be paid on 1 May 2015 to equity holders on the share register on 27 March 2015: the ex-dividend date will be 26 March 2015. Essentra operates a Dividend Re-Investment Programme ("DRIP"), details of which are available from the Company's Registrars, Computershare Investor Services PLC: the last date for electing to join the DRIP is 10 April 2015.

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

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

Foreign exchange risk. The majority of Essentra's net assets are in currencies other than sterling. The Company's normal policy is to limit the translation exposure and the resulting impact on shareholders' funds by borrowing in those currencies in which the Company has significant net assets. As at 31 December 2014, Essentra's US dollar-denominated assets were approximately 48% hedged by its US dollar-denominated borrowings: at this date, the Company did not have any euro-denominated borrowings.

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

2015 Outlook

Essentra is well-positioned to continue its track record of balanced growth in 2015 under its Drive for 2020 strategy, notwithstanding the current economic climate.

Drive for 2020

Essentra's Drive for 2020 strategy seeks to maximise shareholder value through the delivery of balanced profitable growth in both its existing and future opportunity markets and technologies. The strategy also calls for strong conversion of profit into cash and a progressive dividend policy. The Company looks to complement this balanced organic growth with value-adding acquisitions.

Enquiries

Essentra plc	**Buchanan**
Joanna Speed, Corporate Affairs Director	Richard Oldworth
Tel: +44 (0)1908 359100	Charles Ryland
	Helen Chan
	Tel: +44 (0)20 7466 5000

Presentation

1. A copy of these results is available on www.essentra.com
2. A live audiocast of today's presentation of these results to investors and analysts will start at 08:30 (UK time) on www.essentra.com/webcasts.aspx. The audiocast can also be accessed using the following details.

3. Dial-in number:	+44 (0)20 3427 1915 (UK / international participants) +1 646 254 3360 (US participants)
Toll-free number:	0800 279 4992 (UK participants) +1 877 280 2342 (US participants)
PIN code:	1677725

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

Replay number:	+44 (0)20 3427 0598 (UK / international participants) +1 347 366 9565 (US participants)
Toll-free number:	0800 358 7735 (UK participants) +1 866 932 5017 (US participants)
Replay access code:	1677725
Replay available:	For 7 days

Cautionary forward looking statement

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

Notes to Editors

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

Effective from 1 January 2015, Essentra has implemented a new organisational structure, comprising the fours strategic business units below. FY 2014 results under the new structure are shown in Note 16.

Distribution

The Components business is a global market leading manufacturer and distributor of plastic injection moulded, vinyl dip moulded and metal items. Operating units in 27 countries serve a very broad industrial base of customers with a rapid supply of products for a variety of applications in industries such as equipment manufacturing, automotive, fabrication, electronics and construction.

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

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The Security business has been at the forefront of ID technology for over 30 years, and has access to the widest portfolio of products and services, including printers, software and consumables from leading manufacturers.

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

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

Specialist Technologies
A leading provider of specialised solutions to an international customer base in a diverse range of end-markets, including oil and gas, construction, point of sale, health & personal care and consumer goods.

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

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

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

Headquartered in the United Kingdom, Essentra's global network extends to 33 countries and includes c. 9,000 employees, 69 principal manufacturing facilities, 64 sales & distribution operations and 5 research & development centres. For further information, please visit www.essentra.com.

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Consolidated Income Statement
for the year ended 31 December 2014

	Note	2014 £m	2013 £m
Revenue	2	**865.7**	798.1
Operating profit before intangible amortisation and exceptional operating items		**142.5**	130.4
Intangible amortisation		**(17.5)**	(14.2)
Exceptional operating items	3	**(16.2)**	(19.2)
Operating profit	2	**108.8**	97.0
Finance income	4	**1.4**	1.0
Finance expense	4	**(10.5)**	(11.6)
Profit before tax		**99.7**	86.4
Income tax expense		**(27.9)**	(26.1)
Profit for the year		**71.8**	60.3
Attributable to:			
Equity holders of Essentra plc		**71.0**	60.1
Non-controlling interests		**0.8**	0.2
Profit for the year		**71.8**	60.3
Earnings per share attributable to equity holders of Essentra plc:			
Basic	5	**30.0p**	26.3p
Diluted	5	**29.4p**	25.7p

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Consolidated Statement of Comprehensive Income

for the year ended 31 December 2014

	Note	**2014 £m**	2013 £m
Profit for the year		**71.8**	60.3
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	8	**(15.8)**	11.2
Deferred tax credit/(charge) on remeasurement of defined benefit pension schemes		**5.0**	(3.1)
		(10.8)	8.1
Items that may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges:			
Net change in fair value of cash flow hedges transferred to the income statement		**0.1**	0.1
Effective portion of changes in fair value of cash flow hedges		**3.4**	(0.1)
Foreign exchange translation differences:			
Attributable to equity holders of Essentra plc:			
Arising on translation of foreign operations		**3.4**	(14.7)
Arising on effective net investment hedges		**(2.3)**	0.2
Income tax credit on effective net investment hedges		**0.5**	-
Attributable to non-controlling interests		**0.3**	(0.5)
		5.4	(15.0)
Other comprehensive income for the year, net of tax		**(5.4)**	(6.9)
Total comprehensive income		**66.4**	53.4
Attributable to:			
Equity holders of Essentra plc		**65.3**	53.7
Non-controlling interests		**1.1**	(0.3)
Total comprehensive income		**66.4**	53.4

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Consolidated Balance Sheet
at 31 December 2014

	Note	**31 December 2014 £m**	31 December 2013 £m
Assets			
Property, plant and equipment	6	**230.5**	213.7
Intangible assets	7	**406.4**	396.7
Long-term receivables		**3.1**	-
Deferred tax assets		**11.8**	6.4
Retirement benefit assets	8	**20.1**	21.9
Total non-current assets		**671.9**	638.7
Inventories		**84.8**	75.5
Income tax receivable		**8.9**	4.0
Trade and other receivables		**165.4**	140.7
Derivative assets		**3.9**	0.2
Cash and cash equivalents		**46.0**	44.1
Total current assets		**309.0**	264.5
Total assets		**980.9**	903.2
Equity			
Issued share capital	9	**66.0**	60.1
Merger relief reserve	9	**298.1**	136.4
Capital redemption reserve		**0.1**	0.1
Other reserve		**(132.8)**	(132.8)
Cash flow hedging reserve		**3.4**	(0.1)
Translation reserve		**(8.5)**	(9.9)
Retained earnings		**366.5**	345.0
Attributable to equity holders of Essentra plc		**592.8**	398.8
Non-controlling interests		**5.0**	4.2
Total equity		**597.8**	403.0
Liabilities			
Interest bearing loans and borrowings		**104.2**	254.7
Retirement benefit obligations	8	**21.8**	11.3
Provisions		**3.4**	3.1
Other financial liabilities		**3.5**	5.4
Deferred tax liabilities		**54.7**	47.1
Total non-current liabilities		**187.6**	321.6
Interest bearing loans and borrowings		**5.8**	6.5
Derivative liabilities		**0.1**	0.3
Income tax payable		**28.6**	24.4
Trade and other payables		**156.8**	135.1
Provisions		**4.2**	12.3
Total current liabilities		**195.5**	178.6
Total liabilities		**383.1**	500.2
Total equity and liabilities		**980.9**	903.2

Consolidated Statement of Changes in Equity
for the year ended 31 December 2014

2014

	Issued capital £m	**Merger relief reserve £m**	**Capital redemption reserve £m**	**Other reserve £m**	**Cash flow hedging reserve £m**	**Translation reserve £m**	**Retained earnings £m**	**Non-controlling interests £m**	**Total equity £m**
At 1 January 2014	**60.1**	**136.4**	**0.1**	**(132.8)**	**(0.1)**	**(9.9)**	**345.0**	**4.2**	**403.0**
Profit for the year							**71.0**	**0.8**	**71.8**
Other comprehensive income					**3.5**	**1.6**	**(10.8)**	**0.3**	**(5.4)**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**3.5**	**1.6**	**60.2**	**1.1**	**66.4**
Issue of shares	**5.9**	**161.7**							**167.6**
Changes in non-controlling interests in subsidiaries								**(0.1)**	**(0.1)**
Transfer to loss on disposal of subsidiary						**(0.2)**			**(0.2)**
Purchase of employee trust shares							**(12.3)**		**(12.3)**
Share options exercised							**4.3**		**4.3**
Share option expense							**6.8**		**6.8**
Tax relating to share-based incentives							**0.6**		**0.6**
Dividends paid							**(38.1)**	**(0.2)**	**(38.3)**
At 31 December 2014	**66.0**	**298.1**	**0.1**	**(132.8)**	**3.4**	**(8.5)**	**366.5**	**5.0**	**597.8**

2013

	Issued capital £m	Merger relief reserve £m	Capital redemption reserve £m	Other reserve £m	Cash flow hedging reserve £m	Translation reserve £m	Retained earnings £m	Non-controlling interests £m	Total equity £m
At 1 January 2013	54.8	-	0.1	(132.8)	(0.1)	4.6	311.8	5.3	243.7
Profit for the year							60.1	0.2	60.3
Other comprehensive income					-	(14.5)	8.1	(0.5)	(6.9)
Total comprehensive income for the year	-	-	-	-	-	(14.5)	68.2	(0.3)	53.4
Issue of shares	5.3	136.4							141.7
Issue of shares to non-controlling interests								1.5	1.5
Acquisition of non-controlling interests							(0.6)	(1.3)	(1.9)
Purchase of employee trust shares							(16.3)		(16.3)
Share options exercised							4.7		4.7
Share option expense							5.1		5.1
Tax relating to share-based incentives							3.3		3.3
Dividends paid							(31.2)	(1.0)	(32.2)
At 31 December 2013	60.1	136.4	0.1	(132.8)	(0.1)	(9.9)	345.0	4.2	403.0

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Consolidated Statement of Cash Flows
for the year ended 31 December 2014

	Note	**2014 £m**	2013 £m
Operating activities			
Profit for the year		**71.8**	60.3
Adjustments for:			
Income tax expense		**27.9**	26.1
Net finance expense	4	**9.1**	10.6
Intangible amortisation	7	**17.5**	14.2
Exceptional operating items	3	**16.2**	19.2
Depreciation	6	**27.2**	26.7
Share option expense		**6.8**	5.1
Other movements		**(2.9)**	(1.8)
(Increase)/decrease in inventories		**(5.5)**	6.1
Increase in trade and other receivables		**(22.4)**	(23.3)
Increase in trade and other payables		**2.5**	11.9
Cash outflow in respect of exceptional operating items		**(6.9)**	(10.5)
Additional pension contributions		**(2.5)**	(6.1)
Movements in provisions		**(8.1)**	(10.8)
Cash inflow from operating activities		**130.7**	127.7
Income tax paid		**(20.5)**	(17.5)
Net cash inflow from operating activities		**110.2**	110.2
Investing activities			
Interest received		**0.3**	0.3
Acquisition of property, plant and equipment		**(38.1)**	(44.1)
Proceeds from sale of property, plant and equipment		**5.0**	0.4
Acquisition of businesses net of cash acquired	11	**(26.1)**	(188.9)
Net cash outflow from investing activities		**(58.9)**	(232.3)
Financing activities			
Interest paid		**(8.8)**	(9.6)
Dividends paid to equity holders		**(38.1)**	(31.2)
Dividends paid to non-controlling interests		**(0.2)**	(1.0)
Acquisition of non-controlling interests	13	**-**	(1.9)
Proceeds from equity issue	9	**167.6**	141.7
Proceeds from issue of shares to non-controlling interests		**-**	1.5
Repayments of short-term loans		**(3.8)**	-
Proceeds from short-term loans		**-**	0.2
Repayments of long-term loans		**(158.1)**	-
Proceeds from long-term loans		**-**	37.5
Purchase of employee trust shares		**(12.3)**	(16.3)
Proceeds from sale of employee trust shares		**4.3**	4.7
Net cash (outflow)/inflow from financing activities		**(49.4)**	125.6
Net increase in cash and cash equivalents	10	**1.9**	3.5
Net cash and cash equivalents at the beginning of the year		**44.1**	41.4
Net increase in cash and cash equivalents		**1.9**	3.5
Net effect of currency translation on cash and cash equivalents		**-**	(0.8)
Net cash and cash equivalents at the end of the year	10	**46.0**	44.1

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1. Basis of preparation

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

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

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2014 or 2013 but is derived from those accounts. Statutory accounts for 2013 have been delivered to the registrar of companies, and those for 2014 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

Changes in accounting policies
In the current financial year, Essentra adopted the following accounting pronouncements. Otherwise, the accounting policies and presentation in this set of financial statements are consistent with those applied in the prior years. The adoption of these pronouncements did not have an impact on the Group in relation to measurement, recognition and presentation.

Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities* provide clarification on the application of offsetting rules.

IFRS 10 *Consolidated Financial Statements* replaces the guidance of control and consolidation in IAS 27 and SIC 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of consolidation.

IFRS 11 *Joint Arrangements* requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement. Proportionate consolidation for joint ventures has been eliminated and equity accounting has become mandatory.

IFRS 12 *Disclosure of Interests in Other Entities* requires enhanced disclosures of the nature, risks and financial effects associated with the Group's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

IAS 27 (Revised) *Separate Financial Statements* makes revisions to the requirements for separate financial statements prepared by a parent or an investor in a joint venture or associate.

IAS 28 (Revised) *Associates and Joint Ventures* includes consequential amendments resulting from the introduction of IFRS 11.

Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required.

IFRIC 21 *Levies* clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs.

2. Segment analysis

In accordance with IFRS 8, Essentra has determined its operating segments based upon the information reported to the Group Management Committee. These segments are as follows:

Component & Protection Solutions consists of a Component Distribution business and a Pipe Protection Technologies business. Component Distribution is a global market leading manufacturer and distributor of plastic

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injection moulded, vinyl dip moulded, and metal items. The Pipe Protection Technologies business specialises in the manufacture of high performance innovative products from commodity resins to engineering-grade thermoplastics and polymer alloys.

Porous Technologies is a global market leading developer and manufacturer of custom fluid handling components, engineered from a portfolio of technologies that includes bonded and non-woven fibre, polyurethane foam, and porous plastic.

Packaging & Securing Solutions is a global market leading provider of packaging and securing solutions through a range of cartons, tapes, leaflets, foils and labels for the healthcare, consumer and specialist packaging, point of sale and paper & board industries. The division is also a leading supplier of authentication technologies and identity solutions.

Filter Products is an independent cigarette filter manufacturer supplying a wide range of value adding high quality innovative filters, packaging solutions to the roll your own sector and analytical laboratory services for ingredient measurement for the industry.

Other represents Extrusion which is a leading custom profile extruder located in The Netherlands offering a complete design and production service.

										2014
	Component & Protection Solutions £m	**Porous Techno-logies £m**	**Packaging & Securing Solutions £m**	**Filter Products £m**	**Other £m**	**Elimin-ations £m**	**Central Services[1] £m**	**Continuing operations £m**	**Discontinued operations £m**	**Total £m**
External revenue	243.4	89.7	215.5	291.4	25.7	-	-	865.7	-	865.7
Intersegment revenue	0.2	0.1	0.8	0.1	-	(1.2)	-	-	-	-
Total revenue	**243.6**	**89.8**	**216.3**	**291.5**	**25.7**	**(1.2)**	**-**	**865.7**	**-**	**865.7**
Operating profit/(loss) before intangible amortisation and exceptional operating items	58.9	15.8	38.3	43.9	1.6	-	(16.0)	142.5	-	142.5
Intangible amortisation	(6.6)	(2.1)	(8.8)	-	-	-	-	(17.5)	-	(17.5)
Exceptional operating items	(4.0)	(0.2)	(11.6)	(0.4)	-	-	-	(16.2)	-	(16.2)
Operating profit/(loss)	**48.3**	**13.5**	**17.9**	**43.5**	**1.6**	**-**	**(16.0)**	**108.8**	**-**	**108.8**
Segment assets	148.8	59.8	120.8	133.6	13.8	-	5.1	481.9	-	481.9
Intangible assets	156.3	46.2	197.5	-	6.4	-	-	406.4	-	406.4
Unallocated items	-	-	-	-	-	-	92.6	92.6	-	92.6
Total assets	**305.1**	**106.0**	**318.3**	**133.6**	**20.2**	**-**	**97.7**	**980.9**	**-**	**980.9**
Segment liabilities	44.4	10.7	41.8	38.8	2.7	-	27.0	165.4	2.5	167.9
Unallocated items	-	-	-	-	-	-	215.2	215.2	-	215.2
Total liabilities	**44.4**	**10.7**	**41.8**	**38.8**	**2.7**	**-**	**242.2**	**380.6**	**2.5**	**383.1**
Other segment items										
Capital expenditure	10.7	2.8	11.6	9.3	2.0	-	1.7	38.1	-	38.1
Depreciation	7.1	3.3	6.5	8.5	1.4	-	0.4	27.2	-	27.2
Average number of employees	1,697	557	1,517	1,732	214	-	109	5,826	-	5,826

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

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2. Segment analysis continued

	Component & Protection Solutions £m	Porous Techno-logies £m	Packaging & Securing Solutions £m	Filter Products £m	Other £m	Elimin-ations £m	Central Services[1] £m	Continuing operations £m	Discontinued operations £m	Total £m
										2013
External revenue	223.4	98.7	181.3	269.9	24.8	-	-	798.1	-	798.1
Intersegment revenue	0.3	1.3	0.5	-	-	(2.1)	-	-	-	-
Total revenue	223.7	100.0	181.8	269.9	24.8	(2.1)	-	798.1	-	798.1
Operating profit/(loss) before intangible amortisation and exceptional operating items	52.6	23.5	30.2	40.1	1.5	-	(17.5)	130.4	-	130.4
Intangible amortisation	(5.2)	(2.2)	(6.8)	-	-	-	-	(14.2)	-	(14.2)
Exceptional operating items	(2.8)	(0.9)	(13.8)	(0.2)	(0.3)	-	(1.2)	(19.2)	-	(19.2)
Operating profit/(loss)	44.6	20.4	9.6	39.9	1.2		(18.7)	97.0	-	97.0
Segment assets	120.8	65.0	113.5	115.4	13.5	-	1.7	429.9	-	429.9
Intangible assets	136.7	46.0	207.2	-	6.8	-	-	396.7	-	396.7
Unallocated items	-	-	-	-	-	-	76.6	76.6	-	76.6
Total assets	257.5	111.0	320.7	115.4	20.3	-	78.3	903.2	-	903.2
Segment liabilities	39.6	10.5	40.5	39.7	2.5	-	20.8	153.6	2.3	155.9
Unallocated items	-	-	-	-	-	-	344.3	344.3	-	344.3
Total liabilities	39.6	10.5	40.5	39.7	2.5		365.1	497.9	2.3	500.2
Other segment items										
Capital expenditure	12.3	2.7	5.0	21.6	1.7	-	0.8	44.1	-	44.1
Depreciation	7.1	3.2	5.9	8.9	1.4	-	0.2	26.7	-	26.7
Average number of employees	1,413	611	1,264	1,494	199	-	47	5,028	-	5,028

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

3. Exceptional operating items

	2014 £m	2013 £m
Acquisition fees	**7.1**	4.7
Acquisition integration and restructuring costs	**9.3**	12.6
Other	**(0.2)**	1.9
Net operating expense	**16.2**	19.2

Transaction costs incurred during the year primarily in respect of the acquisitions of Kelvindale, Abric and Clondalkin SPD (2013: Ulinco, Contego, Dakota and Mesan, as well as transactions that did not complete). Acquisition integration and restructuring costs incurred during the year associated with the acquisitions of Kelvindale, Contego, Dakota, Mesan and Abric (2013: Richco, Ulinco, Contego, Dakota and Mesan). Other exceptional items incurred during the year, which comprise £0.4m loss on disposal of Filters Jordan and a £0.6m credit adjustment for contingent deferred consideration in relation to the acquisition of Ulinco (2013: £2.4m relating to costs incurred in relation to rebranding of the Group to Essentra, a £0.8m credit adjustment for contingent deferred consideration in relation to the acquisition of Reid Supply Company, and £0.3m relating to Extrusion restructuring). The tax effect of the exceptional items is a credit of £0.9m (2013: £2.8m).

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4. Net finance expense

	2014 £m	2013 £m
Finance income		
Bank deposits	**0.2**	0.2
Net interest on net pension scheme assets (note 8)	**1.2**	0.8
	1.4	1.0
Finance expense		
Interest on loans and overdrafts	**(8.4)**	(9.4)
Amortisation of bank facility fees	**(1.1)**	(1.0)
Other finance expense	**(0.4)**	(0.3)
Net interest on pension scheme liabilities (note 8)	**(0.6)**	(0.9)
	(10.5)	(11.6)
Net finance expense	**(9.1)**	(10.6)

5. Earnings per share

	2014 £m	2013 £m
Continuing operations		
Earnings attributable to equity holders of Essentra plc	**71.0**	60.1
Adjustments		
Intangible amortisation	**17.5**	14.2
Exceptional operating items	**16.2**	19.2
	33.7	33.4
Tax relief on adjustments	**(5.4)**	(6.8)
Adjusted earnings	**99.3**	86.7
Basic weighted average ordinary shares in issue (m)	**236.8**	228.2
Dilutive effect of employee share option plans (m)	**5.0**	6.1
Diluted weighted average ordinary shares (m)	**241.8**	234.3
Continuing operations		
Basic earnings per share	**30.0p**	26.3p
Adjustment	**11.9p**	11.7p
Basic adjusted earnings per share	**41.9p**	38.0p
Diluted earnings per share	**29.4p**	25.7p
Diluted adjusted earnings per share	**41.1p**	37.0p

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

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

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6. Property, plant and equipment

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
				2014
Cost				
Beginning of year	**92.3**	**317.9**	**51.8**	**462.0**
Acquisitions (note 11)	1.9	1.5	0.2	**3.6**
Additions	4.8	26.9	8.8	**40.5**
Disposals	(7.6)	(10.0)	(3.1)	**(20.7)**
Currency translation	0.4	1.3	0.1	**1.8**
End of year	**91.8**	**337.6**	**57.8**	**487.2**
Depreciation and impairment				
Beginning of year	**25.8**	**189.9**	**32.6**	**248.3**
Depreciation charge for the year	2.4	21.5	3.3	**27.2**
Disposals	(6.1)	(9.2)	(2.8)	**(18.1)**
Currency translation	(0.5)	(0.3)	0.1	**(0.7)**
End of year	**21.6**	**201.9**	**33.2**	**256.7**
Net book value at end of year	**70.2**	**135.7**	**24.6**	**230.5**

	Land and buildings £m	Plant and machinery £m	Fixtures, fittings and equipment £m	Total £m
				2013
Cost				
Beginning of year	87.2	282.1	44.1	413.4
Acquisitions	2.7	21.7	1.5	25.9
Additions	4.5	28.6	8.4	41.5
Disposals	(0.2)	(6.1)	(1.8)	(8.1)
Currency translation	(1.9)	(8.4)	(0.4)	(10.7)
End of year	92.3	317.9	51.8	462.0
Depreciation				
Beginning of year	24.3	178.0	30.8	233.1
Depreciation charge for the year	2.0	21.1	3.6	26.7
Impairment charge	0.3	0.9	0.1	1.3
Disposals	(0.1)	(6.0)	(1.5)	(7.6)
Currency translation	(0.7)	(4.1)	(0.4)	(5.2)
End of year	25.8	189.9	32.6	248.3
Net book value at end of year	66.5	128.0	19.2	213.7

Contractual commitments to purchase property, plant and equipment amounted to £4.1m at 31 December 2014 (2013: £3.0m). The net book value of assets under finance leases amounted to £4.6m as at 31 December 2014 (2013: £4.2m).

7. Intangible assets

	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
				2014
Cost				
Beginning of year	**196.2**	**224.1**	**14.2**	**434.5**
Acquisitions (note 11)	16.2	11.7	-	**27.9**
Currency translation	(0.6)	(0.2)	0.8	**-**
End of year	**211.8**	**235.6**	**15.0**	**462.4**
Amortisation				
Beginning of year	**-**	**32.7**	**5.1**	**37.8**
Charge for the year	-	16.3	1.2	**17.5**
Currency translation	-	0.3	0.4	**0.7**
End of year	**-**	**49.3**	**6.7**	**56.0**
Net book value at end of year	**211.8**	**186.3**	**8.3**	**406.4**

	Goodwill £m	Customer relationships £m	Other intangible assets £m	Total £m
				2013
Cost				
Beginning of year	96.5	121.3	12.7	230.5
Acquisitions	101.1	104.4	1.7	207.2
Currency translation	(1.4)	(1.6)	(0.2)	(3.2)
End of year	196.2	224.1	14.2	434.5
Amortisation				
Beginning of year	-	21.0	3.2	24.2
Charge for the year	-	12.1	2.1	14.2
Currency translation	-	(0.4)	(0.2)	(0.6)
End of year	-	32.7	5.1	37.8
Net book value at end of year	196.2	191.4	9.1	396.7

Other intangible assets principally comprise trade names acquired with Lendell and Reid Supply, developed technology acquired with Lendell, Richco and Lymtech, and order backlog.

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8. Employee benefits

Post-employment benefits

Pension costs of the defined benefit schemes are assessed in accordance with the advice of independent professionally qualified actuaries. Full triennial actuarial valuations were carried out on the principal European defined benefit schemes as at 5 April 2012 and annual actuarial valuations are performed on the principal US defined benefit schemes. The assets and liabilities of the defined benefit schemes have been updated to the balance sheet date from the most recent actuarial valuations taking account of the investment returns achieved by the schemes and the level of contributions.

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

	2014 £m	2013 £m
Amounts expensed against operating profit		
Defined contribution schemes	**4.9**	3.2
Defined benefit schemes – service cost	**2.2**	2.4
Defined benefit schemes – settlement gain	**(1.4)**	-
Other post-employment obligations	**0.5**	-
Total operating expense	**6.2**	5.6
Amounts included as finance (income)/expense		
Net interest on defined benefit scheme assets (note 4)	**(1.2)**	(0.8)
Net interest on defined benefit scheme liabilities (note 4)	**0.6**	0.9
Net finance expense	**(0.6)**	0.1
Amounts recognised in the consolidated statement of comprehensive income		
Return on defined benefit scheme assets excluding amounts in net finance income	**16.7**	10.8
Impact of changes in assumptions and experience to the present value of defined benefit scheme liabilities	**(32.5)**	0.4
Remeasurement of defined benefit schemes	**(15.8)**	11.2

The principal assumptions used by the independent qualified actuaries for the purposes of IAS 19 were:

	2014 Europe	**2014 US**	2013 Europe	2013 US
Increase in salaries (pre-2010) [1]	3.00%	3.00%	3.00%	3.00%
Increase in salaries (post-2010) [1]	3.00%	3.00%	3.00%	3.00%
Increase in pensions [1]				
at RPI capped at 5%	3.00%	n/a	3.30%	n/a
at CPI capped at 5%	2.10%	n/a	2.40%	n/a
at CPI minimum 3%, capped at 5%	3.20%	n/a	3.30%	n/a
at CPI capped at 2.5%	1.70%	n/a	1.90%	n/a
Discount rate	3.70%	4.00%	4.50%	4.90%
Inflation rate	2.60%	n/a	2.90%	n/a

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

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

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

	2014 Europe	**2014 US**	2013 Europe	2013 US
Male retiring today at age 65	**22.4**	**21.6**	22.3	19.3
Female retiring today at age 65	**24.7**	**23.8**	24.7	21.1
Male retiring in 20 years at age 65	**24.3**	**23.3**	24.2	19.3
Female retiring in 20 years at age 65	**26.6**	**25.5**	26.5	21.1

8. Employee benefits continued

Movement in fair value of post-employment obligations during the year

	2014 Defined benefit scheme assets £m	Defined benefit scheme liabilities £m	Other £m	Total £m	**2013** Defined benefit scheme assets £m	Defined benefit scheme liabilities £m	Other £m	Total £m
Beginning of year	**226.6**	**(213.3)**	**(2.7)**	**10.6**	207.2	(211.1)	-	(3.9)
Service cost and administrative expense	**(0.8)**	**(1.4)**	**(0.5)**	**(2.7)**	(0.7)	(1.7)	-	(2.4)
Employer contributions	**4.3**	**0.1**	**0.8**	**5.2**	8.5	-	-	8.5
Employee contributions	**0.3**	**(0.3)**	**-**	**-**	0.4	(0.4)	-	-
Return on plan assets excluding amounts in net finance income	**16.7**	**-**	**-**	**16.7**	10.8	-	-	10.8
Actuarial (losses)/gains arising from change in financial assumptions	**-**	**(27.9)**	**-**	**(27.9)**	-	3.6	-	3.6
Actuarial losses arising from change in demographic assumptions	**-**	**(4.2)**	**-**	**(4.2)**	-	(2.6)	-	(2.6)
Actuarial losses arising from experience adjustment	**-**	**(0.4)**	**-**	**(0.4)**	-	(0.6)	-	(0.6)
Finance income/(expense)	**10.3**	**(9.7)**	**-**	**0.6**	9.2	(9.3)	-	(0.1)
Benefits paid	**(8.0)**	**8.0**	**-**	**-**	(7.3)	7.3	-	-
Settlements	**(6.4)**	**7.8**	**-**	**1.4**	-	-	-	-
Currency translation	**2.6**	**(3.8)**	**0.2**	**(1.0)**	(1.5)	1.5	-	-
Business combination	**-**	**-**	**-**	**-**	-	-	(1.1)	(1.1)
Other	**-**	**-**	**-**	**-**	-	-	(1.6)	(1.6)
End of year	**245.6**	**(245.1)**	**(2.2)**	**(1.7)**	226.6	(213.3)	(2.7)	10.6

Sensitivity

For the significant assumptions used in determining defined benefit costs and liabilities, the following sensitivity analysis gives the estimate of the impact on the income statement and balance sheet for the year ended 31 December 2014.

	Scheme liabilities Europe £m	US £m	**Total £m**	**Annual service cost** Europe £m	US £m	**Total £m**
0.5% decrease in the discount rate	(17.5)	(4.4)	**(21.9)**	(0.1)	(0.1)	**(0.2)**
1.0% increase in the rate of inflation	(13.1)	n/a	**(13.1)**	-	n/a	**-**
1.0% increase in rate of salary/pension increases	(6.8)	(0.4)	**(7.2)**	-	-	**-**
1 year increase in life expectancy	(4.7)	(1.7)	**(6.4)**	-	-	**-**
0.5% increase in the discount rate	15.3	3.9	**19.2**	0.1	0.1	**0.2**
1.0% decrease in rate of salary/pension increases	5.9	0.4	**6.3**	0.1	-	**0.1**
1.0% decrease in the rate of inflation	10.5	n/a	**10.5**	0.1	n/a	**0.1**

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9. Issued share capital

	2014 £m	2013 £m
Issued and fully paid ordinary shares of 25p (2013: 25p) each	**66.0**	60.1

Number of ordinary shares in issue		
Beginning of year	240,469,409	219,326,796
Issue of shares during the year	23,659,761	21,142,613
End of year	**264,129,170**	240,469,409

At 31 December 2014 the Company held 3,449,685 (2013: 5,305,790) of its own shares in treasury.

In 2014, to fund the acquisition of Clondalkin (see note 11), Essentra plc issued a total of 23,659,761 new ordinary shares of 25p each at a price of 713.5p per share, raising gross proceeds of £168.8m. Issue costs of £1.2m were incurred. The excess of the net proceeds over the nominal value of shares issued is recorded in a merger relief reserve in accordance with Section 612 of the Companies Act 2006. As at 31 December 2014, the proceeds from the placing were used to repay the amounts drawn under the revolving credit facilities.

In 2013, to fund the acquisition of Contego, Essentra issued plc a total of 21,142,613 new ordinary shares of 25p each at a price of 675p per share, raising gross proceeds of £142.7m. Issue costs of £1.0m were incurred. The excess of the net proceeds over the nominal value of shares issued is recorded in a merger relief reserve in accordance with Section 612 of the Companies Act 2006.

10. Analysis of net debt

	1 Jan 2014 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	**31 Dec 2014 £m**
Cash at bank and in hand	42.0	(15.5)	-	-	**26.5**
Short-term bank deposits and investments	2.1	17.4	-	-	**19.5**
Cash and cash equivalents in the statement of cash flows	44.1	1.9	-	-	**46.0**
Debt due within one year	(6.5)	3.8	0.1	(3.2)	**(5.8)**
Debt due after one year	(254.7)	158.1	(4.0)	(1.7)	**(102.3)**
Net debt	(217.1)	163.8	(3.9)	(4.9)	**(62.1)**

The non-cash movements represent the amortisation of prepaid facility fees and the increase in net debt from loans acquired. The net debt amount presented above includes the effect of £1.9m prepaid facility fees on the Group's 5-year revolving credit facility, which are presented within long-term receivables.

	1 Jan 2013 £m	Cash flow £m	Exchange movements £m	Non-cash movements £m	31 Dec 2013 £m
Cash at bank and in hand	40.2	2.3	(0.5)	-	**42.0**
Short-term bank deposits and investments	1.2	1.2	(0.3)	-	**2.1**
Cash and cash equivalents in the statement of cash flows	41.4	3.5	(0.8)	-	**44.1**
Debt due within one year	-	(0.2)	0.3	(6.6)	**(6.5)**
Debt due after one year	(204.9)	(37.5)	0.9	(13.2)	**(254.7)**
Net debt	(163.5)	(34.2)	0.4	(19.8)	**(217.1)**

The non-cash movement is the amortisation of prepaid facility fees, acquisition of debt through business combinations and movement of debt due after one year to debt due within one year.

11. Acquisitions

2014 acquisitions: Abric

On 16 December 2014, Essentra acquired 100% of the share capital of the major operating subsidiaries of Abric Berhad ("Abric"). Abric is a global manufacturer and distributor of security sealing products and solutions for use in a diverse range of growing end-markets (including healthcare, manufacturing, energy, retail, transportation and automotive), and is reported under the Component & Protection Solutions division. The acquisition of Abric expanded the product range and customer base of the Component Distribution businesses and extended the division's geographical presence primarily in Asia Pacific.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair values to Essentra. Due to the timing of the transaction, the fair value adjustments are provisional and subject to finalisation for up to one year from the date of acquisition. The Group's revenue and operating profit before amortisation and exceptional items had the acquisition been completed on 1 January 2014 are currently being assessed, and therefore it is impracticable to disclose these information as at the date of these financial statements.

Related acquisition expenses of £1.5m were recognised in the income statement in exceptional operating items.

A summary of the acquisition of Abric is detailed below:

	Fair value of assets/(liabilities) acquired £m
Property, plant and equipment	4.2
Inventories	3.0
Receivables	3.3
Cash and cash equivalents	1.8
Deferred tax	(2.5)
Payables	(2.8)
Borrowings	(3.8)
	3.2
Customer relationships	10.4
Goodwill	11.9
Consideration	25.5
Satisfied by:	
Initial cash consideration	25.3
Deferred consideration	0.2
Cash consideration	25.3
Cash and cash equivalents acquired	(1.8)
Net cash flow in respect of the acquisition	**23.5**

Property, plant and equipment, inventories, receivables and payables were all reassessed to their fair value. The gross contractual amount receivable of the receivables was £3.7m.

Goodwill represents the expected operating synergies and financial synergies, and the value of an assembled workforce. Goodwill is not deductible for tax purposes. The adjustment to deferred tax is the tax effect of recognising customer relationships and other intangible assets and the tax effect of the fair value adjustments above.

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11. Acquisitions continued

2014 acquisitions: Kelvindale

On 12 May 2014, Essentra acquired 100% of the share capital of Kelvindale Products Pty Limited ("Kelvindale") for £2.6m (net of cash acquired). Kelvindale is a manufacturer and distributor of an extensive range of plastic protection and finishing products, and is reported under Component & Protection Solutions. The acquisition provides a compelling entry point for the Group into the Australian market. The amounts of assets and liabilities acquired were not material.

Relevant previous acquisitions

During 2014, Essentra reassessed the fair value adjustments made in respect of Contego Healthcare Limited ("Contego") which was acquired on 30 April 2013, and made changes to certain accruals, property, plant and equipment, and deferred tax assets. The impact on goodwill is an increase of £1.7m.

In addition, Essentra reassessed the fair value adjustments made in respect of Dakota and Mesan, which were also acquired in 2013. In respect of the acquisition of Dakota, some changes were made to certain accruals and adjustments to the fair value of receivables and inventories. These adjustments were insignificant individually and in aggregate.

2015 acquisitions: Clondalkin

On 30 January 2015, Essentra acquired the entire Specialist Packaging Division of Clondalkin Group ("Clondalkin SPD") from an affiliate of Warburg Pincus. Clondalkin is a global provider of speciality secondary packaging solutions for the pharmaceutical and health & personal care industries. With 24 facilities in North America and Europe, the acquisition of Clondalkin SPD significantly enhances Essentra's existing geographic presence in healthcare packaging and, through leveraging the combined footprint of both businesses, will allow the Group to further exploit both existing, and attractive new growth opportunities. Clondalkin SPD's product portfolio of folding carton, product literature and labels is complementary to the Group's current packaging and authentication capabilities, therefore broadening the range and innovation offered to customers.

On acquisition the assets and liabilities of the business acquired were adjusted to reflect their fair values to Essentra. Due to the timing of the transaction, the purchase price allocations and fair value adjustments are in progress at the time of this report.

The consideration of £309.4m was funded in part by a placing of 23,659,761 new ordinary shares, and the balance is funded from existing bank facilities. As at 31 December 2014, the proceeds from the placing were used to repay the amounts drawn under the revolving credit facilities.

Related acquisition expenses of £5.3m were recognised in the income statement in exceptional operating items.

12. Dividends

	Per share		**Total**	
	2014 p	2013 p	**2014 £m**	2013 £m
2013 interim: paid 28 October 2013		4.8		11.2
2013 final: paid 2 May 2014		10.6		24.8
2014 interim: paid 30 October 2014	**5.7**		**13.3**	
2014 proposed final: payable 1 May 2015	**12.6**		**32.4**	
	18.3	15.4	**45.7**	36.0

13. Transactions with related parties

During 2014, the Filters business in Jordan was disposed of to the minority shareholder who was also a director of the business, for a consideration of US$50,000. A loss on disposal of £0.4m arose from the transaction. Other than this transaction and the compensation of key management, Essentra has not entered into any material transactions with related parties during 2014.

On 3 July 2013, Essentra acquired a further 14.545% of the share capital of Filthai Company Limited ("Filthai") from the minority shareholders for a cash consideration of £1.9m. Other than the acquisition of further shares in Filthai and the compensation of key management, Essentra did not enter into any material transactions with related parties during the prior year.

14. Adjusted measures

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

	2014 **£m**	2013 £m
Operating profit	**108.8**	97.0
Intangible amortisation	**17.5**	14.2
Exceptional operating items	**16.2**	19.2
Adjusted operating profit	**142.5**	130.4
Depreciation	**27.2**	26.7
Share option expense	**6.8**	5.1
Other non-cash items	**(11.0)**	(6.0)
Working capital movements	**(25.4)**	(5.3)
Net capital expenditure	**(33.1)**	(43.7)
Operating cash inflow	**107.0**	107.2

15. Post balance sheet events

On 30 January 2015, Essentra acquired the entire Specialist Packaging Division of Clondalkin Group ("Clondalkin SPD") from an affiliate of Warburg Pincus. Further details are included in note 11.

16. Additional segmental analysis

With effect from 1 January 2015, Essentra has implemented a new organisation structure, comprising four strategic business units. Going forward, the Components, Speciality Tapes and Security businesses will form a strategic business unit named Distribution. The Pipe Protection Technologies, Porous Technologies and Extrusion businesses together will form Speciality Technologies. The packaging and authentication solutions businesses within the previous Packaging & Securing Solutions division and the Clondalkin SPD business acquired on 30 January 2015 (see note 11) will form Health & Personal Care Packaging. The existing Filter Products division will remain as a separate strategic business unit.

In conjunction with the structural change, with effect from 1 January 2015 Essentra has also implemented a revised methodology for allocation of certain functional costs such as finance, human resources, legal and IT, as well as costs relating to management of the strategic business units and regions.

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2014 results under the new organisational structure are shown below:

	Distribution £m	Health & Personal Care Packaging £m	Filter Products £m	Specialist Technologies £m	Elimin-ations £m	Central Services £m	Total £m
External revenue	246.6	165.9	291.4	161.8	-	-	865.7
Intersegment revenue	0.3	0.5	0.1	0.3	(1.2)	-	-
Total revenue	**246.9**	**166.4**	**291.5**	**162.1**	**(1.2)**	**-**	**865.7**
Operating profit/(loss) before intangible amortisation and exceptional operating items	57.6	30.1	39.0	29.8	-	(14.0)	142.5
Intangible amortisation	(8.4)	(7.0)	-	(2.1)	-	-	(17.5)
Exceptional operating items	(4.0)	(11.6)	(0.4)	(0.2)	-	-	(16.2)
Operating profit/(loss)	**45.2**	**11.5**	**38.6**	**27.5**	**-**	**(14.0)**	**108.8**

17. Financial instruments

The table below sets out Essentra's accounting categories and fair value for each class of financial asset and liability.

	2014 Fair value £m	2014 Loans and receivables £m	2014 Amortised cost £m	2014 Total carrying value £m	2013 Fair value £m	2013 Loans and receivables £m	2013 Amortised cost £m	2013 Total carrying value £m
Trade and other receivables	-	161.4	-	**161.4**	-	136.0	-	**136.0**
Cash and cash equivalents	-	46.0	-	**46.0**	-	44.1	-	**44.1**
Interest bearing loans and borrowings	-	-	(110.0)	**(110.0)**	-	-	(261.2)	**(261.2)**
Trade and other payables	-	-	(94.4)	**(94.4)**	-	-	(94.4)	**(94.4)**
Level 2 of fair value hierarchy								
Derivative assets	3.9	-	-	**3.9**	0.2	-	-	**0.2**
Derivative liabilities	(0.1)	-	-	**(0.1)**	(0.3)	-	-	**(0.3)**
Level 3 of fair value hierarchy								
Other non-current financial liabilities	(3.5)	-	-	**(3.5)**	(5.4)	-	-	**(5.4)**
Other current payables	(2.3)	-	-	**(2.3)**	(0.8)	-	-	**(0.8)**
	(2.0)	**207.4**	**(204.4)**	**1.0**	**(6.3)**	**180.1**	**(355.6)**	**(181.8)**

Total trade and other receivables carried at £168.5m (2013: £140.7m) include prepayments and accrued income of £7.1m (2013: £4.7m) which are not financial assets and are therefore excluded from the above analysis. Fair values of forward foreign exchange contracts and cross currency swaps have been calculated at year end forward exchange rates compared to contracted rates. These are determined to be level 2 in the fair value hierarchy.

The only financial instrument with fair value determined by reference to significant unobservable inputs, which is classified as level 3 in the fair value hierarchy, is the deferred contingent consideration of £5.8m relating to the acquisition of Mesan Kilit A.S. (2013: £6.2m relating to the acquisitions of Ulinco Components and Mesan Kilit A.S.). The fair value of the deferred contingent consideration is estimated based on an assessment of the likely outcome of the acquired business' financial performance. There have been no transfers between levels of the fair value hierarchy. There are no non-recurring fair value measurements. During the year, a fair value gain of £0.6m (2013: fair value gain of £0.8m) in respect of financial instruments at level 3 fair value hierarchy was recognised within

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exceptional items (see note 3), and £nil (2013: £0.4m) was settled in cash. No other fair value gains or losses were recorded in profit or loss and other comprehensive income.

Included within interest bearing loans and borrowings are $160m US Private Placement Loan Notes. The Loan Notes are held at amortised cost with a carrying value of £101.9m (2013: £95.5m). The Group estimates that the total fair value of the Loan Notes at 31 December 2014 is £111.3m (2013: £105.7m).

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

18. Cautionary forward-looking statements

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

19. Directors' responsibility statement

We confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities and financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- This announcement includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Colin Day Chief Executive	Matthew Gregory Group Finance Director

20 February 2015

Management of Principal Risks

Introduction

The sound management of risk within the parameters of a clearly defined risk appetite has underpinned the delivery of the Company's Vision 2015 strategy. The Company's effective management of its principal risks remains an essential component in Drive for 2020 by focusing on the challenges which arise in the international environment in which Essentra conducts business, and reflecting the Company's attitude to risk in the delivery of its business objectives. Essentra's risk management practices are designed to ensure risks are continuously monitored, associated action plans are reviewed, appropriate contingencies are provisioned and information is reported through established management control procedures.

The Company seeks continuously to improve its risk management processes and continues to develop new systems which serve to enhance the Company's response to the risks inherent in its international business activities.

Throughout 2014, Essentra embedded a new risk management framework that includes both Operational and Executive Risk Management Committees meeting on a quarterly basis to discuss and monitor the changing risk environment to which Essentra is exposed and ensure any necessary mitigating actions are undertaken. The Board and Audit Committee review the output from those respective committees in fulfilling their risk management responsibilities.

Essentra recognises that the ability to monitor, assess and respond to business risks quickly and effectively may provide a competitive advantage. Reporting within the Group is structured so that key issues are escalated as appropriate at the earliest opportunity. Each area of the business is required to review its areas of risk and uncertainty formally and regularly. There is an ongoing process to ensure that there are clear and consistent procedures for monitoring, updating and implementing appropriate controls to manage identified risks. Essentra's short- and long-term performance may be impacted by many risks and uncertainties, not all of which are within the Company's control. Outside of the formal processes, the Company also seeks to ensure risk management is embedded within its everyday activities and the subject of ongoing review and discussions

The Company is subject to the general risks and uncertainties which impact other international organisations, including political instability in the countries in which the Company operates and sources raw materials, the impact of natural disasters and changes in general economic conditions, including currency and interest rate fluctuations, tax regimes and raw material costs.

Detailed on the next page are the principal risks and uncertainties which the Board believes are specific to Essentra, having regard to its strategic objectives, together with the Company risk management response thereto. The details provided are not exhaustive and do not purport to be a complete explanation of all potentially relevant issues. There may be other risks and uncertainties which are unknown to the Board or which may not be deemed by the Board to be material at present but which could prove to be material in the future.

1. Disruption to infrastructure

A catastrophic loss of the use of all or a portion of any of Essentra's manufacturing or distribution facilities due to accident, labour issues, fire, terrorist attack, natural disaster, information technology failure, cyber security attack or otherwise which whether short- or long-term could adversely affect the Company's ability to meet the demands of its customers. Some of the assets maintained by the Company, such as tooling and IT systems, are critical to the manufacture and delivery of particular products.

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

2. Emerging technologies and competition pressures

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

Impact	Mitigation
Demand for competitors' products and the development of competing technologies may result in: **>** Loss of market positions	Essentra seeks to mitigate the risk of competitive pressure by: **>** Sustained investment in research and development to develop the quality and

> Erosion of margins > Intellectual property challenges > Decline in revenue > Decline in profitability > Deterioration in financial condition	breadth of its product and service offering > Exploiting innovation and manufacturing capabilities in new technologies, products and services > Developing long-term relationships with customers at a senior level > Protecting its intellectual property rights > Expanding its international distribution, sales and marketing expertise > Investing in both organic and acquisition growth opportunities

3. Failure to drive business development

Essentra's development and growth has benefited from the success of start-up operations and the continued growth of already established businesses. The rate of success of any development may in part be dependent on the Group's innovative pipeline and / or employees who have the ability to successfully extend the product range, or identify and develop products. Additionally, future business development will be dependent on the continued successful implementation of the new organisational structure. There can be no assurance that the Company will develop, complete and commercialise current and suitable new products, nor expand further through start-up operations.

Impact	**Mitigation**
If Essentra fails to meet the challenges of business development, the Company may experience: > Lower growth rates > Delay in the achievement of strategic objectives > Reduced profitability	Essentra addresses the challenges of international business development with: >Experienced and skilled management >Detailed due diligence and planning >Project risk reviews >External expert advice >Regional structure development

4. Mergers and acquisitions

Essentra's development and growth has benefited from value-adding acquisitions. The rate of any future acquisition integration may in part be dependent on the success of identifying the correct acquisitions and having sufficient resources available for integration. There can be no assurance that the Company will be successful in completing and integrating suitable acquisitions.

Impact	Mitigation
If Essentra fails to meet the challenges of business development arising from acquisitions the Company may experience: > Lower growth rates > Delay in the achievement of strategic objectives > Increased costs > Reduced profitability	Essentra addresses the challenges of mergers and acquisitions with: >Experienced and skilled management >Detailed due diligence and planning >Project risk reviews >External expert advice

5. Customer profile

In some of Essentra's businesses the customer base is relatively concentrated. In addition, trends in certain markets may reduce the demands for the Company's products. Should Essentra's customers decide to satisfy their requirements internally or from other suppliers and if Essentra were unable to secure new business this could result in a significant loss of business. Due to the acquisitions that the company has made in 2014, Essentra must serve an increased size and complexity profile of customers who will be heavily reliant on our business in some cases. There is now an increased expectation on Essentra from these customers and the company risks losing business should it fail to adequately measure customer satisfaction and manage customer relationships.

Impact	Mitigation
The loss of certain of Essentra's key customers may expose the Company to: > Reduced revenue > Restructuring costs > Profit decline	To counteract the Company's exposure to its customer profile, Essentra: > Invests in innovative, high quality, value-added products and services > Develops long-term relationships and loyalty with customers at all levels through key account management techniques

> Deterioration in financial condition > Reputational damage	> Seeks new markets and growth opportunities to expand the customer base

6. Key raw material supply

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

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

7. Intellectual property development and protection

A key component to Essentra's future success is the ability to develop new and innovative products and services. In addition to seeking internationally applied patent and trademark rights, the Company relies on unpatented proprietary know-how and trade secrets. In the event that Essentra is unable to respond to competitive technological advances or to protect its intellectual property portfolio, the future performance of the Company may be adversely affected.

Impact	Mitigation
Failure to develop and protect intellectual property rights may expose the Company to: > Reduced revenue > Profit decline > Litigation > Reputational damage	To counteract the Company's exposure to the erosion of its intellectual property portfolio, Essentra: > Invests in research and development > Secures formal registrations of patent and trademark rights > Adopts appropriate confidentiality and licensing practices > Monitors potential infringements and takes appropriate enforcement actions

8. Relationship with the tobacco industry

A substantial part of Essentra's business relates to the supply of filter products and packaging solutions to manufacturers in the tobacco industry. Future performance may be affected by trends in the tobacco industry, such as changes in the consumption of filter products, self-manufacture and increasingly restrictive regulations. Tobacco-related litigation could also adversely affect Essentra, although there is no history of the Company being involved in such claims.

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

9. Talent management

Essentra's international operations are dependent on existing key executives and certain other employees in order to sustain, develop and grow its businesses and there can be no assurances that these employees will remain with the Company. The success of the Company will reflect its ability to retain, attract and motivate highly qualified executives and other personnel equipped to deliver on Essentra's strategic objectives. This risk becomes more prevalent in 2015 as the Company moves forward with its Drive for 2020 strategy. There is a high level of change inherent within the strategic objectives which naturally creates more risk.

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

10. Compliance risk

Risk related to regulatory and legislative changes involves the possible inability of the Company to comply with current, changing or new legislation or regulation. Many of Essentra's current business activities are subject to increasing regulation and enforcement activity by relevant authorities. As the Company moves into new markets and territories in pursuit of its strategic priorities, Essentra is exposed to new and additional compliance risk.

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